



Midlands State University
Established 2000

Our Hands, Our Minds, Our Destiny

MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF BANKING AND FINANCE

**CORPORATE GOVERNANCE INDICATORS AND FIRM VALUE: THE CASE OF
ZIMBABWEAN COMMERCIAL BANKS**

BY

ZACKS MCHENYENYA

REG NUMBER R1711214Q

SUBMITTED TO THE MIDLANDS STATE UNIVERSITY

**IN PARTIAL FULFILMENT OF THE BACHELOR OF COMMERCE BANKING AND
FINANCE HONOURS DEGREE**

HBF

HARARE, ZIMBABWE

01 APRIL 2021

MIDLANDS STATE UNIVERSITY

APPROVAL FORM

The undersigned certify that they have supervised the student R1711214Q's dissertation entitled: CORPORATE GOVERNANCE INDICATORS AND FIRM VALUE: THE CASE OF ZIMBABWEAN COMMERCIAL BANKS

.....

SUPERVISOR

.....

DATE

.....

CHAIRPERSON

.....

DATE

.....

EXTERNAL EXAMINER

.....

DATE

RELEASE FORM

STUDENT REGISTRATION NO: R1711214Q

**DISSERTATION TITLE: CORPORATE GOVERNANCE INDICATORS AND FIRM
VALUE: THE CASE OF ZIMBABWEAN COMMERCIAL BANKS
DEGREE TITLE:
BACHELOR OF COMMERCE BANKING AND FINANCE HONORS DEGREE**

YEAR GRANTED: 2021

Permission is hereby granted to the institute university library to produce copies of the dissertation and lend or sell such copies for private, scholarly or scientific research purpose only

PERMANENT ADDRESS: 4389, 90th Crescent

Kuwadzana 5

Harare

CONTACT NUMBER: +263773829729

Signed.....

Date

01 APRIL 2021

DEDICATION

I would like to dedicate this research work to the Lord Almighty who has protected, guided and sustained my life in making it possible for me to reach this height on the educational ladder. Secondly to my wife Naomi Mchenyenyema and my colleagues.

ACKNOWLEDGEMENT

I would like to thank the almighty God, who gave me the commitment, the strength and patience to pass through every thick and thin, to accomplish this dissertation. I would also like to express my appreciation to my supervisor, Mr. Collade Ngoni Murungu for his supervision and the entire role he played towards the improvement of this dissertation. I would also like to express my appreciation to my family who contributed directly or indirectly to this dissertation and provided the required materials and support for the realization of this dissertation.

Special thanks go to all staff of Zimbabwean commercial banks. Finally, my greatest thanks go to my good friend and workmate, Edmore Masanga, who was always by my side to give me all kinds of support and encouragement during this study. To any other persons who assisted me in diverse ways, I say thank you.

ABSTRACT

The financial crisis that occurred between the period 2008-2009 left many banks collapsed, and this raised more questions than answers on the relationship between corporate governance and firm value. In Zimbabwe more than 20 banks were closed during the period of 1980 to 2017. This dissertation investigated the relationship between firm-level corporate governance and firm value based largely on previously used questions measuring corporate governance from Leal and Carvalhal-da-Silva which comprise 24 questions. However, the researcher used only a set of 13 individual questions as they suit the Zimbabwean commercial banks, to come up with three corporate governance indices. The researcher employed explanatory research methodology. For all three indices the researcher found a strong and positive relationship between firm-level corporate governance and firm valuation. In addition, disclosure of information was found to be improving the Tobin'Q by 0.7% and a strong causation was found on the board composition and performance as indicated by an increase of 26% on Tobin's Q of banks. However, ethics and conflict of interest was found to be reducing firm's value by 0.2%. Regardless of whether these attributes are considered individually or aggregated into indices, and even when "standard" corporate governance attributes are controlled for, they exhibit a positive and significant effect on firm value. The findings are robust to alternative calculation procedures for the corporate governance indices and to alternative estimation techniques. The study found out that firm value was driven by information disclosure and board composition and thus the researcher recommends that banks should continue improving their information disclosure and keep abiding by IFRS and IAS in doing so. The board composition was found to be contributing more to firm valuation, thus the researcher recommends that the shareholders should chose the appropriate board members and any member underperforming must be removed from the board. The ethics and conflict of interest was found to be reducing the firm valuation implying that banks should revisit their ethical standards and what constitute conflict of interest. By so doing the banks can improve their firm valuation.

Table of Contents

APPROVAL FORM	ii
RELEASE FORM.....	iii
DEDICATION	iv
ACKNOWLEDGEMENT	v
ABSTRACT.....	vi
LIST OF FIGURES	xi
LIST OF TABLES	xii
LIST OF APPENDICES.....	xiii
LIST OF ACRONYMS	xiv
CHAPTER ONE	1
GENERAL INTRODUCTION.....	1
1.0 Introduction.....	1
1.1 Background of the study	1
1.1.1 Corporate governance and the Zimbabwean financial crisis	2
1.1.2 Firm Value.....	4
1.1.3 Commercial banks in Zimbabwe.....	4
1.3 Problem Statement	5
1.4 Objectives of the study.....	5
1.5 Statement of the hypothesis	5
1.6 Significance/ Justification of the Study	6
1.6.1 To the Academic Fraternity.....	6
1.6.2 To the banking sector in Zimbabwe	6
1.6.3 To the Researcher.....	7
1.7 Delimitations of the Study	7
1.7.1 Geographic Delimitations	7
1.7.3 Data Delimitations.....	7
1.7.4 Participants Delimitations	7
1.7.5 Theoretical Delimitations	7
1.8 Research Assumptions	8
1.9 Limitations of the Study.....	8
1.9.1 Methodological Limitations	8

1.9.2 Financial Limitations.....	8
1.9.3 Theoretical Limitations	9
1.9.4 Covid-19 Outbreak.....	9
1.10 Organization of the study.....	9
1.10.1. Chapter one.....	9
1.10.2. Chapter two.....	9
1.10.3. Chapter three.....	10
1.10.4. Chapter Four	10
1.10.5. Chapter five	10
1.11 Chapter Summary	10
CHAPTER TWO	11
LITERATURE REVIEW	11
2.0 Introduction.....	11
2.2 Theoretical Framework.....	11
2.2.1 Agency Theory	11
2.2.2 Stewardship Theory.....	14
2.2.3 Stakeholder Theory	14
2.2.4 Resource Dependence Theory.....	15
2.2.5 Synthesising the theories	15
2.3 Corporate governance	17
2.4 Corporate governance in Zimbabwean Commercial banks	20
2.5 Firm Value	23
2.6 Corporate governance and firms' value	23
2.7 Empirical literature review	26
2.8 Chapter summary and research gap	28
CHAPTER THREE	30
RESEARCH METHODOLOGY.....	30
3.0 Introduction.....	30
3.1 Research design	30
3.2 Model specification	30
3.3 Justification of variables	32
3.4 Data Types and Sources.....	33

3.4.1 Primary Data	33
3.4.2 Secondary data	35
3.5 Estimation Procedure	35
3.5.1 Normality test.....	35
3.5.2 Multicollinearity test	35
3.5.3 Heteroscedasticity	36
3.5.4 Autocorrelation test.....	36
3.6 Chapter summary	36
CHAPTER FOUR.....	37
DATA PRESENTATION AND ANALYSIS	37
4.1 Introduction.....	37
4.2 Diagnostic Test Results.....	37
4.2.1 Normality test.....	37
4.2.2 Multicollinearity test	38
4.2.3 Heteroscedasticity Testing for return on equity and POS and Internet banking.....	39
4.2.4 Autocorrelation tests results of the regression model	40
4.3 Multiple regression model	41
4.4 Discussion of results based on objectives	43
4.5 Chapter summary	45
CHAPTER FIVE	46
SUMMARY AND CONCLUSION AND RECOMMENDATIONS	46
5.0 Introduction.....	46
5.1 Summary.....	46
5.1.1 The effect of disclosing vital information as a way of abiding to good corporate governance practices on Tobin’s Q ratio of banks.....	46
5.1.2 The effect of board of directors’ composition and performance on Tobin’s Q ratio of banks.....	46
5.1.3 The significance of ethics and conflict of interest on Tobin’s Q ratio of banks	47
5.1 Conclusion	47
5.1 Recommendations.....	48
5.2 Recommendations for further studies	48
References.....	49
APPENDICES	xv

LIST OF FIGURES

Figure 2.1: Corporate Governance Theories.....	17
Figure 2.2: Four Pillars of good Corporate Governance.....	20
Figure 3.1: Research Model.....	31
Figure 4.1: Normal P-P of regression standardized residual	38
Figure 4.2: Heteroscedasticity testing results	40

LIST OF TABLES

Table 1.1 Names of banks closed by the Reserve bank of Zimbabwe because of corporate governance related issues from 2012 to 2015.....	2
Table 4.1: Tests of Normality	37
Table 4.2: Multicollinearity test for corporate governance indices	39
Table 4.3: Autocorrelation results for the regression model.....	41
Table 4.4: Model Summary ^b	42
Table 4.5: ANOVA ^a	42
Table 4.6: Coefficients ^a	43

LIST OF APPENDICES

APPENDIX A: Raw data set	xv
APPENDIX B: Diagnostic Test Results	xvii
APPENDIX C: Output of results	xx

LIST OF ACRONYMS

CGI-CORPORATE GOVERNANCE INDEX

D-DISCLOSURE

C-COMPOSITION OF BOARD AND PERFORMANCE

E-ETHICS AND CONFLICT TOF INTEREST

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The focus of this chapter is to introduce the topic which seeks to analyze the impact of corporate governance indicators on firms' value. Particular focus is on Zimbabwean commercial banks which were chosen as the case study for the research. Encompassed herein are a number of elements which makes up the build up to chapter one. These include the introduction, background of the study, problem statement, conceptual framework, research objectives and questions, justification, practical contribution, theoretical contribution and research assumptions. On the delimitations that guided this research focus was on study, geographic, theoretical, data periodic and participants' delimitations. The chapter also comprised of a number of limitations which are study, methodological, financial and theoretical limitations. In essence, the chapter was about establishing the rationale for pursuing the topic under study.

1.1 Background of the study

The world financial crisis of 2008-2009 raised more troublesome questions pertaining the issue of corporate governance of financial institution with particular focus on banks ((Aebi, Sabato, & Schmid, 2012; Akpan & Amran, 2014; Alabdullah, Yahya, & Ramayah, 2014; Dalwai, Basiruddin, & Rasod, 2015; Jan & Sangmi, 2016; Omarkhanlem, Taiwo, & Okorie, 2013; Roudaki, 2013). The application of corporate governance has a positive on the firm performance and firm's value as well as profitability (Akbar, 2015; Ahmed & Hamdan, 2015; Gebba, 2015; Kaur, 2014; Sakilu & Kibret, 2015; Yousuf & Islam, 2015).

Corporate governance gained much attention in Zimbabwe due to high profile scandals and collapse of many commercial banks during the period of 2003 to 2015 and around the same period about 20 cases of bank failures were documented (Reserve bank of Zimbabwe (RBZ), 2015). The table 1.1 shows some of the banks which were either closed or failed due to corporate governance issues. The period of financial crisis led the financial regulators to put much more emphasis on the issues of corporate governance. Furthermore, data providers have arisen to admonish corporates on governance issues and evaluate the strength of their corporate governance (Byrnes et al., 2003). For instance, the RBZ produced and issued two major frameworks on corporate governance and

minimum audit in banking institution in 2004 (RBZ, 2015). The Zimbabwean financial system, however adopted the national code of corporate governance.

Table 1.1 Names of banks closed by the Reserve bank of Zimbabwe because of corporate governance related issues from 2012 to 2015

Bank Name	Closure Date
Genesis Bank	11 June 2012
Royal Bank Limited	27 July 2012
Interim Bank Limited	11 June 2012
Trust Bank Limited	6 December 2013
Capital Bank Limited	4 June 2014
Allied Bank Limited	8 January 2015
Tetrad Bank Limited	29 January 2015
Afrisia Bank Limited	24 February 2015

Source: Changunda and Foya (2019)

1.1.1 Corporate governance and the Zimbabwean financial crisis

Corporate governance background starts back in the 19th Century, the time when corporate laws were incorporating the rights of corporate boards without undisputed agreement of the shareholders (Nyamutowa, 2013). Corporate governance is defined as the wide range of practices and institutions, from accounting standards and laws concerning financial disclose, to executives, to size and composition of corporate d boards (Nyamutowa, 2013). In other wider understanding corporate governance is a harmonizing bundle of legal, economic and social bodies that safe guard the interest of firm’s owners. In order for the efficient operation of the corporate, the shareholders had to be given statutory advantages such as appraisal right. The case of Solomon vs. Solomon (1987) which two issues risen related to agency problems. Agency problem emanate from two aspects which are separation of ownership and control. In today’s globalized financial system, corporate governance has become one of the hot topic being discussed by several governments, people, academics industry operations, directors, shareholders and multinational corporation to list but a few. The following issues emerged since the enactment of corporate government principles; transparency, financial disclosure, independency, board size, board composition, board committees, board diversity and among other (Akbar, 2015; Ahmed & Hamdan, 2015).

World over researchers were carried out with the hope to find the impact of corporate governance indicators on firms' value (Chong and Lopez-de-Silance, 2007; Klapper and Love 2005 and Durnev and Kim, 2015). While the authors were much concerned with particular aspects of corporate governance such as ownership or board structure, some of the literature deals with aggregated corporate governance indicators to come up with corporate governance indices. For examples studies carried out in US (Gomper et al., 2003; Bebchuck and Cohen, 2015; Bechuck et al., 2017)) showed that firms value is dependent on aggregated corporate governance index.

The Zimbabwean banking sector has been making impressive profits over the past decades despite the poor performance of the real sectors of the economy over the same period. The alleged failure by the Central Bank to take action against the “rogue” banks inculcated a culture of speculative risk-taking by the majority of banks, especially emerging indigenous banks. This speculative risk behavior culminated in a liquidity crunch in the fourth quarter of 2003 when the newly appointed Reserve Bank Governor, Dr. Gideon Gono, delivered a restrictive monetary policy statement that tightened conditions for accommodation (Changunda and Foya, (2019). The tight liquidity management policy adopted by the Reserve Bank of Zimbabwe on December 18 2003 was enough to burst a speculative asset bubble that had hitherto characterized the local banking sector. Banks struggled to dispose of their speculative assets, and this triggered a fall in asset prices, thereby eroding balance sheet values.

Subsequent monetary policy measures included higher minimum capital requirements and statutory reserve requirements for all public demand, savings and time deposits. Liquidity management and corporate governance got revived emphasis. The tight regulatory regime closed the main avenues for making money that had previously buttressed the impressive bank profits.

Banks recorded substantial deterioration in loan book values, especially with respect to speculative loans, which inadvertently suffered from the fall in speculative asset values following the monetary policy measures taken by the Reserve Bank of Zimbabwe. Huge losses were particularly recorded on non-performing insider loans due to lack of corporate governance practices and this compromised the capacity of bank credit operations to contribute to total bank profits. All these and other factors placed tremendous pressure on bank treasuries to develop effective strategies that would ensure that reasonable returns would be earned on the increased shareholder funds without compromising the risk position of the bank, especially with regard to bank liquidity.

1.1.2 Firm Value

Gibson and Singhal (2010) opined that firm value can be derived from organizational performance measures such as the accomplishments by a firm that is evident through various measures such as meeting targets, time frame for meeting targets and achieved efficiency and effectiveness. Firm's performance can be measure financially or non-financially. Financial terms are the productivity of a firm measured in terms of revenue growth, profit and, dividend payout ratio, price-to-book ratio Tobin's Q measurement and the acquired market share relative to other entities in the industry. Efficient and effective cost control mechanisms, can be used to measure the financial performance of a firm. According to Vemkatraman and Ramanujan (1986) as cited in Odawa (2016) firm's performance can be measured in term financials like return on investment (ROI), sales growth and profit generated over a specific period, firm's effectiveness and whole firm's performance in general.

However non-financial performance considers qualitative aspects of the business such as product and service quality, firm's innovativeness, customer contentment, customer relationship management and loyalty. Non-financial performance can be measured through customer base growth and customer value. It also encompasses employee's contentment which in turn increases their productivity (Gibson and Singhal, 2010). The balanced score card can be used to summarized firm's performance as it looks at four basic elements like financials, customer contentment, efficiency of control mechanisms and firm's productivity.

1.1.3 Commercial banks in Zimbabwe

The banking sector of Zimbabwe currently has 13 commercial banks, 1 savings bank and 4 building societies and on average all these have since adopted the corporate governance principles in their institution, though other are ahead of others in terms of prevalence of the corporate governance issues in concerned (RBZ financial report, 2020). Banks plays an important role in the wellbeing of an economy. In Zimbabwe commercial banks provides the much needed financial resource and services that assist the banking public. Studies have established that banks contribute significantly to rapid economic growth in many economies (Meuter et al. (2010); Prendergast and Marr (2017); Gibson and Singhal, 2010). To be able to boost depositor's confidence, there is a need for commercial banks to introduce an effective corporate governance principles and at the

same time realizing the much needed competitive advantage in their operations which in turn have a significant impact on their overall performance and firm's value.

1.3 Problem Statement

The financial crisis that occurred between the period 2008-2009 left many banks collapsed and thus this raised more questions than answers about relation with corporate governance and firms' value (Alabdullah et al., 2015; Omarkhanlem et al., 2017). In Zimbabwe more than 20 banks were closed during the period of 1980 to 2017 (RBZ, 2019). The after tax profits of many banks declined by a whopping 56% in 2019 when compared to prior periods (Inclusive Government, 2009-2013). The general business problems are that many bank managers are not able to steer the banks to the viability which subsequently increases firm's value. The specific dilemma is that some bank managers have not yet fully embraces all the principles of good corporate governance. It is against this background that this research seeks to critically evaluate the impact of corporate governance indicators on firms' value using the case of all commercial banks in Zimbabwean banking sector

1.4 Objectives of the study

The main objective of this study is to establish the relationship between corporate governance indicators and firm's value with the particular focus on the commercial banks in the Zimbabwean banking sector. In line with this objective the study was also guided by the following sub-research objectives: -

1. To investigate the effect of disclosing vital information as a way of abiding to good corporate governance practices on Tobin's Q ratio of banks.
2. To evaluate the effect of board of directors' composition and performance on Tobin's Q ratio of banks.
3. To find out the significance of ethics and conflict of interest on Tobin's Q ratio of banks.

1.5 Statement of the hypothesis

The major hypothesis of this study is that the corporate governance indicators have an impact on the firms' value of commercial banks in Zimbabwe. However, the following specific hypothesis of this study:

1. **H₀**: There is a significant and positive association between disclosing vital information as a way of abiding to good corporate governance practices and Tobin's Q ratio of banks.

H₁: There is no significant and positive association between disclosing vital information as a way of abiding to good corporate governance practices and Tobin's Q ratio of banks.

2. **H₀**: Board of directors' composition and performance has a significant effect on Tobin's Q ratio of banks.

H₁: Board of directors' composition and performance has no significant effect on Tobin's Q ratio of banks

3. **H₀**: Ethics and conflict of interest has a significant and positive association with Tobin's Q ratio of banks

H₁: Ethics and conflict of interest has no significant and positive association with Tobin's Q ratio of banks

1.6 Significance/ Justification of the Study

The significant of the study borders along the academic fraternity, the Zimbabwean banking sector and the researcher

1.6.1 To the Academic Fraternity

The study will contribute to the existing body of knowledge on the effective adoption of corporate governance principles on firm's value in the banking industry in general and other aspects that may arise from the study. The study will be the first to look at principles of good corporate governance with particular focus on commercial banks in Zimbabwe which will contribute immensely to the body of knowledge insofar private owned companies are concerned. The gaps that may be left by this research will be a ground for further research by other scholars in future.

1.6.2 To the banking sector in Zimbabwe

The study will help to identify the gaps that exist within banking sector in terms of what constitute good corporate governance and is the effect of adoption of such principles to financial institution's value. It will give some recommendations on some best practices to ensure an increment in the firm value. Furthermore, the study will benefit all stakeholders of commercial banks (investors, shareholders, clients, employees and the society at large) through recommendations to improve the status quo at commercial banks with regards to their corporate governance adoption.

1.6.3 To the Researcher

The research will broaden the researcher's knowledge on academic and evaluative judgements. The researcher will benefit a lot in the field of banking as he manages to gather relevant information about the impact of corporate governance on firms' value and why it is of paramount importance to fully adopt corporate governance principles.

1.7 Delimitations of the Study

The study borders on three forms of delimitations namely the geographical, theoretical, data and participants.

1.7.1 Geographic Delimitations

This study was based on Zimbabwean banking industry. However, inferences were borrowed from other countries for purposes of understanding regional and international trends. For findings the research dwelt on Zimbabwe only.

1.7.3 Data Delimitations

Data delimitations were hinged upon that literature that has got something to do with the major variables under study, that is, corporate governance and firm value literature the study ensued the need to use recommended academic material. This meant that the researcher only relied on books, journal articles, newspapers, magazines, newsletters as well as information published. Where need arose the researcher also made use of relevant websites to the academic endeavour.

1.7.4 Participants Delimitations

Participants of this research was premised on only those people in Zimbabwe who are stakeholders of commercial banks in Zimbabwe.

1.7.5 Theoretical Delimitations

The execution of this study was guided by the theoretical framework of the Agency Theory, Stewardship Theory and Stakeholder Theory as these theories syncs well with the variables under discussion. Corporate governance principles were put in place in ensure proper management of financial institution and other non-financial institutions so as to impact their value. Reference to other theories was only in relation to how they reinforce these two theories.

1.8 Research Assumptions

At the peripheries of this research there are various assumptions that the researcher is holding on to.

- It is assumed that workers who are going to respond to this study are willing to provide factual information.
- It is also assumed that the targeted population that is going to be at the centre of this study will be a conclusive representation of the entire country.
- It is assumed again that the research methodology that will be employed will be the best for generating results that are valid and reliable.
- It was also assumed that the organisation under study will remain operational in Zimbabwe or will not be merged or acquired by other companies

1.9 Limitations of the Study

The study borders on three forms of limitations namely the Financial, theoretical, Covid-19 Outbreak, and methodological limitations.

1.9.1 Methodological Limitations

The execution of this study was premised upon the quantitative research design. The mixed method approach was not utilised because the researcher wanted to establish the causal relationships between variables under study (Explanatory research design) as most research questions sort to find the causal relationship and it gives the researcher the ability to use the questionnaire. However, the mixed research design was also appropriate to be utilized in answering some of the qualitative research questions

1.9.2 Financial Limitations

Due to the costs of data collection, the sample will be small resulting in the coverage of all 13 commercial banks branches located in Harare Central business district (town). The researcher proposes a budget of seven hundred and fifty United States dollars (US\$750.00) which will be used for logistics such as arranging for interviews, distribution of questionnaires, transport and during the field work of this research. A reserve of one hundred and fifty United States Dollars (US\$150.00) will be mobilised in case the initial budget will run short. The budget also

encompasses data requirements, printing of material and photocopying of relevant academic material.

1.9.3 Theoretical Limitations

The research limited itself to the Agency Theory, Stewardship Theory and Stakeholder Theory as they sync well with the variables under discussion. The researcher could not utilise many theories due to that it would have ended up in a lot of confusion to the whole study.

1.9.4 Covid-19 Outbreak

The research faced a number of limitations due to the outbreak of Covid-19. Some of the limitations were lock down regulations on social distance and travelling, this affected data gathering but to overcome this challenge the researcher managed to get a clearance from the responsible authorities to be allowed to travel and distribute questionnaires. However, the questionnaires were administered observing social distance as required.

1.10 Organization of the study

This dissertation was divided into a number of Chapter and five Chapters to be specific. Although Chapters were interrelated to each and every Chapter had its own purpose and structure as composed as following;

1.10.1. Chapter one

This Chapter was the introductory Chapter and focused on a number of things that set out the tone of the research. These included the introduction, background of the study, research objectives and questions, statement of the problem, significance of the study, definition of terms, assumptions, limitations and delimitations, the structure of the dissertation and summary of the dissertation.

1.10.2. Chapter two

This was the second Chapter of this dissertation and it focused on the Literature Review and Theoretical Framework of that guided this research. Literature focused on the principles of good corporate governance and measures of firm's value. The research made use of the Agency Theory, Stewardship Theory and Stakeholder Theory as a theoretical framework guiding this research.

1.10.3. Chapter three

This was the third Chapter of the dissertation and presented the means upon which the research was executed. The qualitative research methodology was employed and this was the means through which findings for the research were generated. Chapter 3 comprised of the philosophical assumptions, research design, methods of data gathering or instruments, sampling procedure, data analysis techniques and validity and reliability.

1.10.4. Chapter Four

This Chapter presented the findings of the study and the analysis thereof. Findings were categorised according to the research objectives and testing of the research hypothesis. Lastly a discussion of the findings was done.

1.10.5. Chapter five

Lastly, this was the last Chapter of the dissertation and focused on giving the summary, conclusions and recommendations. It composed mainly of the introduction with particular reference to the focus of the study, summary highlights of the study, conclusions on each and every chapter, and lastly the recommendations.

1.11 Chapter Summary

This foregoing Chapter 1 dwelt on making a case for the execution of this study. Included herein was the background, statement of the problem, objectives, research questions, justification or significance, assumptions, delimitations and limitations guiding this study. The Chapter formed the basis upon which the research is going to be premised. A number of delimitations which include geographical, participants and theoretical were discussed. Limitations focused on financial, theoretical and data limitations and covid-19 outbreak.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on literature review. The chapter reviews literature relevant to the current study. The reviews act as a framework that guides the analysis of the research findings. Some of areas reviewed in this chapter include a theoretical framework, literature related to corporate governance and corporate governance indicators and lastly the empirical studies related to this research and summary of the literature review.

2.2 Theoretical Framework

Several theories were put forward by different scholars in an attempt to describe the compliance firms to corporate governance in business with the intention to influence firm's value. This research is underpinned on four of these theories namely: agency theory, stewardship theory, resource dependence theory and stakeholder theory.

2.2.1 Agency Theory

Bosse and Phillips (2016) opined that agency theory is the main theory that explains the concept of corporate governance. Agency theory is a theory that identifies that there is a goal conflict between the principal which are the shareholders and the agency which the board of directors as both parties would want to maximize their utility (Lappalaine and Niskanen, 2012). Most of authors on corporate governance derive their understanding of the corporate governance from the agency theory (Yussuf and Alhaji, 2012). Adam Smith's famous book *Wealth of Nations* is said to have originated the concept of corporate governance (Fauzi and Locke, 2012). Jensen and Meckling (1976) are also regarded to have partook in the development of the agency theory (Al Mamun et al., 2015; Fidansoski et al., 2015). According to agency theory, if the firm is being managed or controlled by someone or some other individuals the objectives of the owners are likely to be subordinate to the managers' objectives (Alalade, Onadeko, & Okezie, 2015; Al Mamun et al., 2015). Thus therefore Berle and Means opined that there is a need to regulate the activities of the managers (Al Mamun et al., 2015)

Agency theorists propounded that there is always a conflict between the principal and the agent as they all need to maximize their value (Lappalaine and Niskanen, 2014). According to Dawar

(2014) the concept corporate governance is based on the notion that principal's interest and the interest of the managers or agent are different from each other. The fact that the managers are given mandate to run the affairs of the firm by the shareholders create conflict of interest between these two groups (Yussuf and Alhaji, 2012). The goal of the firm is to maximize the shareholder's wealth and however the manager's objectives usually goes against such goal, thus creating a conflict between the two. According to Jensen and Mecklin (1976) always the agent will not act in the best interest of the principal. Agency theorists agree that there is a potential conflict of interest between corporate managers and the owners that will result in poor financial and non-financial performance of the firm as these manager uses their abilities to stir their personal interest at the expense of those of the shareholders, there by prejudicing the firm (Jensen and Mecklin, 1976).

Corporate governance' main emphasis is to ensures that managers act in the best interest of the shareholders (Nkundabanyanga, Ahiauzu, Sejjaka, and Ntayi, 2016; Verriest, Gaeremynck and Thomton, 2016). Hassan and Halbouini (2018) opined that principals normally adopt corporate governance mechanism to regulate the conduct of the agent. El-Chaarani (2014) postulated that for principals to minimize agency conflict; corporate governance presents directions and guidance to align disparate interest, ultimately manager's interest, with those of the shareholders. Donaldson (2016) explained corporate governance as commands, methods and praxes affecting the control of the firm.

Agency theorists conclude that when the behavior of the agents is not regulated, principal's goals are not achieved (Stijin, Caers, Cind and Marc, 2012). Agency cost are as a result of principal agency conflict (Stijin et al., 2012). According to Jensen and Meckling (1976) agency costs are incurred in the process of trying to regulate the activities of the agent and they can be in the form of monitoring costs, bonding and residual costs. It is important to put in place monitoring mechanism for monitoring the activities of the managers in order to protect shareholders from conflict of interest (Fama and Jensen, 1983). According to Saeid and Sakinie (2015) by monitoring activities of managers will prevent them from following their own interest and sacrificing the interest of the owners in the process and the outcome will be increased profits.

Board of directors are regarded as one of the mechanism that have been put in place in trying to regulate the activities of the corporate managers (Ali and Nasir, 2014). According to agency

theorists the primary goal of the board of directors is to maximize the shareholder's wealth (Yussuf and Alhaji, 2012). The shareholder has mandated the board of directors to oversee the activities of the top management (Kilic, 2015; Jan and Sangani, 2016). The board of directors have several responsibilities among them include provision of strategic direction of the firm (Nekhili and Gatafaoui, 2013), establishment of managerial "perks", evaluating management's performance (Wang and Hsu, 2013) and improvement in the internal control mechanism (Lambe, 2014; Maganga and Vutete, 2015). The board of directors should provide strategic guidance and leadership, unbiased judgment, free from management interferences to the firm and exercises control over the firm and at the end being accountable to the shareholders (Chatterjee, 2011). A good corporate governance system is that one that permits the board of directors to perform its functions efficiently. According to Chizema and Kim (2010) board composition and size is important for the firm's performance. The board is regarded as the link between the shareholders and the management. The board is expected to influence the activities of the management on behalf of the shareholders (Hassan, Marimuthu and Johl, 2015).

The board of a bank is solely responsible for the formulation of policies in relations with the institution banking business and monitoring all banking activities being undertaken by the bank in accordance with laws in Zimbabwe. Jinnoh and Iyoha (2012) and Taktak and Mbarki (2014) put forward that the board must be composed of more of outside and independent directors and they further opined that the roles of the chief executive officer and the roles of the chairperson must be separate. Other agency theorists suggest that the board leader must be separate in order for CEO's activities be monitored independently (Htay, 2012), for instance, the Cudbury Committee recommend separation of the roles of the CEO and the board chair (Al Manaseer et al., 2012). The idea of non-executive board members in the boards of banks is in line with the agency theory (Jimoh and Iyoba, 2012).

The agency model is widely accepted and applied in several financial institutions (Pande and Ansari, 2014). In Zimbabwe, the roles of the chair and CEO are separated according to the Banking Act. The creation of the Anglo-Saxon model of corporate governance is as a result of agency theory. The model is widely applied and it assist the board in addressing excessive executive power in the hands of the top management (Pande and Ansari, 2014).

2.2.2 Stewardship Theory

Abuda, Chogii, and Magutu (2013) and Gebba (2015) postulated that management is trustworthy and is a good steward of the resources entrusted to them by the board or shareholders. Several theorists of stewardship theory agree that firm's managers are stewards who work to accomplish goals and maximise the shareholders' interest. David, Schoolman, and Donaldson (1997) opined that corporate managers are stewards whose motives are aligned with corporate objectives and corporate owners' interest. According to Stewardship theorists, corporate goals motivate corporate managers. The theory of stewardship is premised on the work of McGregor (1960) theory Y management assumption. McGregor had the view that people are motivated to be self-directed and work hard to accomplish corporate goals due to the fact that work is self-satisfying (Kopelman, Prottas and Falk, 2010).

The stewardship theory was developed by Donaldson and Davis (1989). They opined that corporate managers are bound to make decisions and act in the best interest of the corporate (Davis et al., 1997; Hassan et al., 2015). Advocates of stewardship theory put much emphasis on behaviour of managers (Fauziah, Yussoff and Alhaji, 2012). Advocates of stewardship theory are in agreement that the position of the chairperson and chief executive officer should be combined (Abuda et al., 2013). They further support the idea of appointing executive directors (Donaldson and Davis, 1991). However, stewardship proponents could not explain the nexus between the composition of the board and corporate performance (Nicholas and Kiel, 2007)

2.2.3 Stakeholder Theory

The stakeholder theory is said to have originated from Freeman (1994) definition of what stakeholders are. He defined stakeholders as any group or individual who can influence or is affected by the accomplishment of a firm's existence. However, the stakeholder has since evolved, in part, after the proponents of the theory discovered that corporate exist in a system comprised of multiple other various and usually inter related systems that all requires balanced devotion and strategic thinking. The stakeholder theory extends the idea of stewardship theory by extending control to all concerned stakeholders. According to Fauziah et al., (2012) firms must make sure to satisfy the needs of all stakeholders. Advocates of stakeholder theory argue that entities are in a relationship with inside people and outside people and they should be well represented in the decision-making process of the firm. However, in as much as the stakeholder theory is well

accepted in the corporate world, it has been criticized as well on the basis that it assumes that only shareholders are only interest group of the firm. This therefore implies that it is not easy to really define who really the firms' stakeholders are. Thus, it becomes to satisfy the conflicting interest of all the firm's stakeholders even if they are well known with sureness.

2.2.4 Resource Dependence Theory

Fauziah et al., (2012) opined that the board of directors are the nexus between the corporate and the important resources that it requires to maximise performance. The fundamental of the resource dependency theorist is the requirement for environmental nexuses between the corporate and external resources (Yussuf and Alhaji, 2012). The theory is important to corporate governance studies because the board of directors are there to link the firm with outside factors by designating the resources required for survival (Babalola, Adedipe and Fauziah, 2014). The important role of the board is to connect the entity to the necessary resources (Nicholson and Kiel, 20017). The ability of the board of directors to be able to identify key resources is important, however the nature of the resources is changes (Nicholson and Kiel, 2017). Advocates of the resource dependence theory are in agreement to the fact that the board of directors can set for several boards because it positions them in such a way that they can link the firm to several key resources (Fauziah et al., 2012). The board is solely responsible for the oversight of the management on behalf of the shareholders and provision of resources to the entity (Hillman and Dalziel, 2003)

2.2.5 Synthesising the theories

According to Nicholson and Kiel (2007), agency, stewardship and dependence theories lays the foundation for understanding the responsibility of the board in enhancing corporate performance they have oversight on. Agency proponents are much concern with making even the owner's and management's interests (Fama and Jensen, 1983; Jensen and Meckling, 1976). Contrariwise, proponents of stewardship theory stresses on the quantity of executive directors on the board (Donaldson, 1990; Donaldson and Davis, 1991). In other words, agency and stewardship proponents emphasise the association of the principals and the agents but on different viewpoints (Stijin et al., 2012). Thus, according to Stijin et al., (2012) steward theory compliments agency theory even if it is a separate theory.

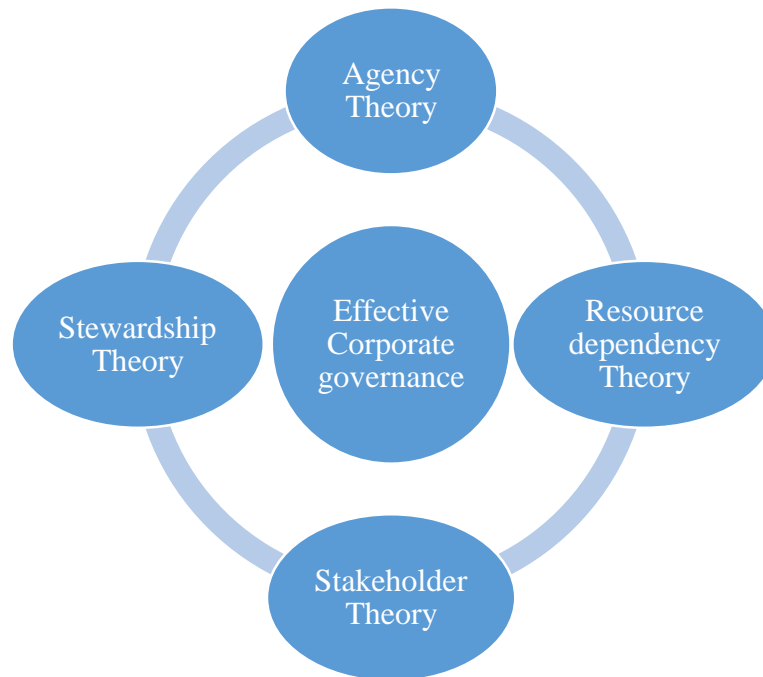
The proponents of agency theory view people as they show some kind of economic human behaviour as well as idiosyncratic, cunning and egotistic while advocates of stewardship theory

view people as they show some kind of collectivism, pro-organizational and reliable. According to Fauziah et al., (2012) agency proponents put much emphasis on conflict of interest that exist between the principals and agents while stakeholders investigate the problem of distinctive interest of the stakeholders (Fauziah et al., (2012). However, the perspective of agency theorists is well accepted and more prominent (Hill and Dalziel, 2003) as it has availed the basis for governance standards, codes and principles that are in use in many institutions. On other hand, Fauziah et al., (2012) advocates for an application of consolidated theories as the mixed approach explains better corporate governance.

According to stewardship theory corporate manager act on the best interest of the firm and the shareholders (Pelayo-Maciel, Calderon-Hernandez and Sema-Gomez, 2012). Al Mamun et al., (2013) argued that principals give the agents more information, equipment and power with the faith that the management will act in their best interest. He further argued that by giving more power to management to undertake decisions will allow them an opportunity to make decisions that are good for the firm (Al Mamun et al., 2013). Under stewardship theory the duality of the CEO is good for the organization as it has positive effect on the firm's value. The resource dependency theorist argued that the board are regarded as a resource and they have role more than it is purported by the agency theorists, that they are responsible for the oversight of the firm (Fauziah et al., 2012). They further add on that firm depend on each other in order to get resources, there by inevitably creating links (Ovidiu-Niculael, Lucian and Cristiana, 2012). Vo and Nguyen (2012) argued that a board of directors that is composed of members who have a link with outside environment have better opportunity to acquire important resources such as capital and finance and enhancing corporate governance issues.

The application of corporate governance theories it not the same across the world as it depends with the level of development of the nation (Guo et al., 2013). For example, in developing countries where regulatory framework is weak, the agency theory is more applicable (Al Mamun et al., 2013). Political, cultural, social and precedent events also affect the application of these theories (Fauziah et al., 2012). A combination of corporate governance theories can be the best and an efficient and effective way of applying corporate governance practices than basing corporate governance on single theory (Yussuf and Alhaji, 2012). The diagram on figure 2.1 below summarises major corporate governance theories that underpin this study.

Figure 2.1: Corporate Governance Theories



Source: Changunda and Foya (2019)

2.3 Corporate governance

According to Shleifer and Vishny (1997) corporate governance encompasses system that almost guarantees suppliers of finance will be adequately compensated on their investment. In finance terminology corporate governance are principles that are there to address what is known as “agency problems” between the suppliers of funds, the shareholders and the stewards, the management (Yussuf and Alhaji, 2012). This implies that corporate governance is there to make sure that investors get their money back regardless that they have given someone, “agents” or managers the mandate to make all decisions regarding how their money is utilized. There are a number of corporate governance indicators that are in the literature (Klapper and Love, 2004; Black, 2001; Black, Love and Rachinsky, 2006; Lefort and Walker, 2005) but all seem to converge to the following indicators corporate governance; disclosure, composition and performance of the board of directors, ethics and conflict of interest and shareholder’s rights.

The board of directors is the major component of good corporate governance mechanism (Blair, 2015) and is known to be the company officers according to company law (Coleman, 2018). The

literature postulate that board structure is regarded as the good proxy for measuring corporate governance practices in firms (Enobakhane, 2015).

According to Enobakhane (2015) board size is defined as the total number of directors in a board structure. According to RBZ the minimum number of directors in a board structure is 5. The number and quality of directors has an impact on the function of the board, hence the firm's value. The empirical studies show that the best board size affecting the firm's value. Williams (2015) advocated for a large board size because it has the best chance of performing well due to the abundance of skills and knowledge within the board. However, Romano et al., (2017) and Jensen (2018) argued that if the board becomes bigger in size, it becomes less effective. They further added that, the concept of individual responsibility is eradicated and the bureaucracy related problems comes in. Several studies have shown that organizations such as bank holdings are such that they require a larger board size and the such larger size is inevitable due to the fact that additions of directors with subsidiary directorships (Romano et al., 2017). Cornett et al., (2019) argued that the bigger the board of directors the greater the firm's value and performance.

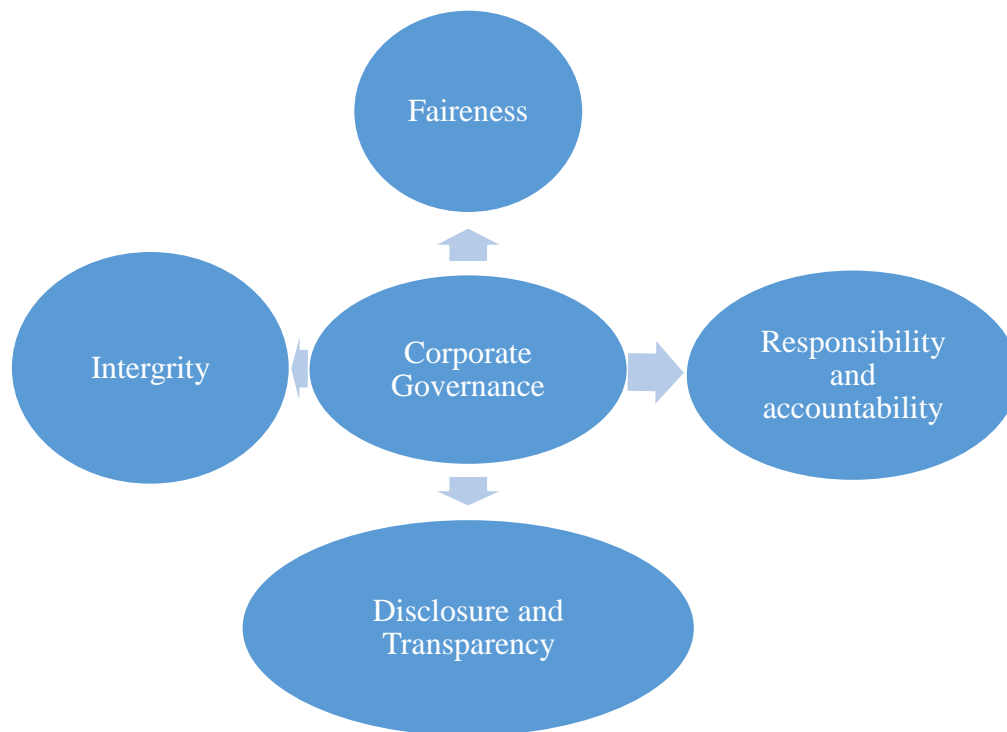
The board composition is the total quantity of directors brought from outside the corporate to sit on the corporate board divided by the board size in a given period (Enobakhane, 2015). The board composition has been chosen as the corporate governance indicator because the literature has shown a correlation between board composition and good corporate governance practices among banks. Furthermore, board composition can influence board deliberation and the ability to manage top management decisions and outcomes. However, there is no optimum formula (Vance, 1978), the independence of the board has been part of corporate governance related issue under scrutiny. According to Ramano et al., (2017) the presence of non-executive and independent directors within the board has contributed much to the issues of accountability and firms value. However, authors like De Andres and Vallelado (2018) argued that the number of non-executive directors should not be excessive because it may end up damaging the advisory role of the board because the executive directors have the role to facilitate information transfer between the board and the management and knowledge sharing, and such information would be difficult for the non-executive directors to collect. Empirical studies show that most of the financial reporting related fraud committed are largely attributed to poor directors domiciled inside the board (Farber, 2015; Romano et al., 2017). It is against this, that most countries such as Zimbabwe have strengthened recommendations on

board composition and independence in the corporates (Huse, 2015). The emphasis is on board independence especially in the bank's management (Busch, 2018).

Good corporate governance requires information disclosure especially to where the information must be known to. The most recent cases of firm's collapse or failure in Zimbabwe and U.S and other countries is largely attributed to information asymmetry. Information related problems generally derail the effectiveness of corporate governance in public corporations (Jensen, 2018; Miller, 2005). All this has necessitated the speed of implementation of corporate governance activities over the past years (Hermain, 2005). According to Jo and Kim (2007) went to say that enhanced corporate transparency through regular information disclosure will tremendously reduce information asymmetry among the internal stakeholders and external stakeholder, dissuade managerial self-dealings and as a result improves the firm value. Thus, this have also encouraged external monitors such security analyst provides an effective evaluation of most firm's transparency.

Incomplete information causes a lot of problems among them include adverse selection and moral hazards (Brigham and Houston, 2015). Adverse selection is where by the principal is not able to access the work of the agent, to see whether the agent is done effectively the work he is being paid for and moral hazards are problems created when the principal is not sure whether the agent has shown maximum commitment and effort on the done (Eisenhard, 1989 as cited in Brigham and Houston, 2015). The agent and the principal are driven by their personal gain and conflict normally arises (Jensen and Meckling, 1976 as cited in Brigham and Houston, 2015). This conflict of interest forces the principal to put in place measures and controls upon their agent to try to alleviate the abuse of the agent and information asymmetry (Brigham and Houston, 2015). Whereas the goal of the firm is to maximize the shareholder wealthy, management has its own goals and there are in a superior position to information access than dispersed shareholders. The shareholders have the right ask for a variety of information directly from the management. Good corporate governance requires the firms to disclose directors' bibliography and internal audit committee should work hard to minimize information asymmetry (Klein, 2005). The figure 2.2 shows the four pillars of corporate governance that all corporates should adhere to ensure sound financial performance.

Figure 2.2: Four Pillars of good Corporate Governance



Source: Youssef (2009)

2.4 Corporate Governance in Zimbabwean Commercial Banks

In 2008 most banks faced a numerous problems or inconsistencies that encompassed flouting of legal and regulatory frameworks, accountability issues, transparency coupled with double standards from the board and the founders themselves (Gone, 2008). Changunda and Foya (2019) have the strong point of view of that in Zimbabwe, the issue of corporate governance gained much attention since the financial crisis in 2003 and 2004. Numerous banks faced challenges that were attributed to corporate governance noncompliance, examples can be drawn from closed financial institutions such as United Merchant Bank (UBM), ENG Capital and Barbican Bank. Zimbabwe by 2015 did not have legislated national code of corporate governance along with lines of the King Code, Cadbury Code or Sarbanes Oxley Act (Deloitte and Touché, 2019).

Prior to 2015, Zimbabwean banks corporate governance practices were being legislated by the Companies Act and the Zimbabwe Stock Exchange Act listing requirements, the banking Act, Public Finance Management Act as well as rules set by bodies such as Institute of Directors of Zimbabwe (IoDZ). As noted in the above literature conflicts between shareholders and managers

has been a problem for centuries and will exist to an issue for concern as long as banking business is carried through the corporate form and future economic turmoil and corporate scandals will continue to rise afresh.

According to Changunda and Foya (2019) the Public Entities Corporate bill was gazette on 21 July 2017. The bill deals with issues relating corporate governance, the bill stipulates that assets and wealth accrued violation of good corporate governance and looting of public funds will seized. The bill also suggested that there should be a Corporate Governance Unit in the Office of the President and Cabinet and that no one is allowed to sit on two boards concurrently and the board members must serve only two four terms.

According to a study conducted by Changunda and Foya (2019) showed that the good principles of corporate governance are not being effectively followed in the Zimbabwean banks. They further discovered that about 57.9% of banks disagree that the board of most indigenous banks are ensuring that there is an effective monitoring of management by the board and from the interviews with several bank, it was noted that most of the directors are not independent because one way or the other they are the owners of the banks. Their study also showed that it is difficult for the directors to conduct independent checks on the management as they have somehow related to the management. They referred this relationship as “boy’s club arrangement”. Their study indicated that this cozy relationship between the directors and management reduces director’s accountability to all stakeholders inclusive of the depositor. It was established that they willingly converted depositor’s money for their own personal use (Changunda and Foya, 2019).

Commenting on the role, composition and accountability Changunda and Foya (2019) opined that most banks are facing a challenge on the role, composition and accountability as their boards has significant undue influence from the shareholders of their banks they represent, and thus the indigenous banks are violating the ZimCode chapter 3 section 55. Accordingly, the code requires the board to craft objectives of the firm and promote oversight role on the function of the bank. King (2010) agrees with the code regarding the strategic management of the bank and board composition of independent non-executive directors

On insider loans, Changunda and Foya (2019) reported in their study that about 68.4% of board members with the ingenious banks had borrowed money from their banks and they attributed this to lack of transparency and they further went on to say that since these directors have a great

influence on the management, they create loopholes which allows the senior management to approve such loans without questioning. The interviewees in their study noted that that some board of directors were being issued with unsecured loans which contribute to the increase in the non-performing loans within their banks. The other reason which was noted in their study was that most of the board members have a political influence on the day to day operations, thus putting more pressure on junior managers.

Changunda and Foya (2019) noted that the economic and political environment in Zimbabwe is making it difficult for commercial banks to fully comply with good corporate governance principles. They said that this was true especially on banks whose major shareholding is the government and the board of directors, chief executive officers usually get instructions from the higher office to approve some illegitimate loans, overdraft, and large sums of withdrawals or release funds for acquiring assets for speculative purposes. The study also noted that about 79% of banks are not following the Banking Act and National code of corporate governance in Zimbabwe.

On disclosure of information, Changunda and Foya (2019) discovered that most no-executive directors were not getting access to information and most of the banks lacked sound risk management policies. The problem was attributed to the fact that the non-executive directors have little information that allows them to effectively manage risk and execute appropriate decisions pertaining their banks. The chief executive officers were also found to be holding excessive power which prevented the necessary stakeholder getting information thus creating information asymmetry. Some banks are also found to be linked to some powerful political figures and thus making difficulty for the board to implement monitoring and control measures. They reported that about 31.6% banks are facing problems related to conflict of interest and full disclosure. They further went on to say that most banks are not disclosing insider loan given to shareholders as the process of granting such loans involves some criminality among the chief executive officer and some board members. Changunda and Foya (2019) also noted that there was deliberate lack of communication between the non-executive directors and executive directors thus affecting transparency and disclosure.

There is a strong evidence that Corporate governance is not being followed by most bank and the results of the Changunda and Foya (2019) showed that the firm value is premised on the firms'

compliance on the corporate governance of the, thus this study seeks to establish to what extent does the corporate indicators affect the firms value.

2.5 Firm Value

Gibson and Singhal (2010) opined that firm value can be derived from organizational performance measures such as the accomplishments by a firm that is evident through various measures such as meeting targets, time frame for meeting targets and achieved efficiency and effectiveness. Firm's performance can be measured financially or non-financially. Financial terms are the productivity of a firm measured in terms of revenue growth, profit and, dividend payout ratio, price-to-book ratio Tobin's Q measurement and the acquired market share relative to other entities in the industry. Efficient and effective cost control mechanisms, can be used to measure the financial performance of a firm. According to Vemkatraman and Ramanujan (1986) as cited in Odawa (2016) firm's performance can be measured in term financials like return on investment (ROI), sales growth and profit generated over a specific period, firm's effectiveness and whole firm's performance in general.

Several scholars have utilized one of three approaches of measuring firms value; accounting ratios (Griffin and Mahon, 1997; Bayoud, Kavanagh and Slaughter, 2012) or market valuation (Kiel and Nicholson, 2003; Arnold, Bassen and Frank, 2012) or accounting and market base mixed ratios (Mulyadi and Anwar, 2012). It is against this background that that this study uses dividend payout ratio (DPR) which is measured as the quotient between cash dividend and net earnings (La Porta et al., 2006), price-to-book value (PBV) which is measured as the quotient between market per share and the book value (Leal and Carvalhal-da-Silva (2005) and Tobin's Q (TQ) which is measure as the market value of assets minus book value of equity plus market value of equity all divided by the book value of assets (Morck, Shleifer and Vishny, 1988; La Porta et al., 2002; Goompers et al., 2003).

2.6 Corporate governance and firms' value

Black (2001) is considered to be one of the earliest researches which tried to investigate the correlation between corporate governance and firm's value by studying 21 large Russian firms. The results were that there was a strong association between firm valuation and quality of their corporate governance. Cornet et al., (2006) and Dedman (2002) also found that there is a positive correlation between corporate governance and marker valuation a measure of firm value. This

therefore implies that investors tend to invest or assign a higher valuation on firm with follows principles of good corporate governance.

More papers have suggested that firm-level governance has more influence on valuation (Black, Jang, and Kim, 2006; La Porta, Lopez-de-Silanes, 2007; Bruno and Claessens, 2007). Firms with good corporate governance practices have the advantages of attracting more external finance and this has an impact on the firm's value by altering the book value of shares and market capitalization. A study by Chhaochharia and Laeven (2017) showed a causal relationship between corporate governance and Tobin's Q ratio. In their study they looked at corporate governance principles and the oil share price and they found out that there is causality between the two variables.

Nenova (2015) conducted a study on the effect of shareholder rights and share price of the firms in Brazil and she found out that share price increased when after the law that protect the minority shareholders was altered. This therefore implies that shareholder rights a major component of corporate governance can have causal relationship with share price and subsequently the Tobin's Q and dividend payout ratio.

Another study by Atanasov et al., (2017) on the impact of legal rules and the firm valuation in Bulgaria. They discovered that price of shares jumped for firms with good corporate governance rules. Black and Khana (2017) research in India's adoption of major governance reforms which needed firms to set up audit committees, a least quantity of non-executive directors and CEO/CFO authentication of financial statements and set up internal control mechanism. These reforms were applied to both small and big firms and the results were that the firms' value increased, though there was a differential effect on values of large relative to small firms.

Bortolotti and Belratti (2018) researched the impact of an improved disclosure standards and share price in China and they found out that it had a significant effect on the share price. Bae et al., (2006) discovered that the financial crisis that occurred in Asian countries had a negative impact on firms that had weak corporate governance in countries like Korea for example and Johnson et al (2000) discovered the same results however at macro level.

Choi et al., (2007) discovered that the announcement by Korean Corporate Governance Fund (KCGF) to invest in firms that were undervalued due to corporate governance issues and the KCGF

mandate was to correct this undervaluation. The stock prices of the firms with weaker governance was largely affected. In United States of America when it amended it the Sarbanes-Oxley Act (SOX) of 2002, several studies have found out that most firms were affected, thus suggesting a causal relationship between corporate governance and firm's value (Core et al., 2006; Gompers et al., 2003; Chidambaran, Palia and Zheng, 2006)

The impact of good corporate governance compliance on firm's value is, however, an empirical question. Most studies have tried to measure the causal relationship between corporate governance and firm's value, for example, a study by Gompers, Ishi and Metrick (2003), they study about 1500 US firms by constructing a corporate governance index from about 24 rules and the results showed that firms that had scored a higher corporate governance index had a higher firm value.

A study by La Porta et al., (2014) of a sample of 49 nations and they concluded that nations that were governed by Civil Law, with particular reference to French Legal system which provides a less protection to investors had an under developed capital markets relative to the nations that are governance by Common Law which in turn provides a number of protections laws to the investors. Their research also discovered that one of ways to protect the firms form agency problems was for the firms to have a dividend policy in place.

Their results are in tandem to the theoretical model spearheaded by La Porta, Lopez-de-Silanes, Shleifer and Vishny (2017) in which positive effects on firm valuation were discovered on firms with strong corporate governance adherence. The cost of capital is also lowered in this situation and increases the firm value. These results are all in tandem with the agency model of dividend payout in corporate governance framework developed La Porta, Lopez-de-Silanes, Shleifer and Vishny (2000b).

Klapper and Love (2004) were among the first researchers on corporate governance and valuation of the firm and they studied 495 firms from 25 emerging markets and they showed that good corporate governance is largely correlated with firm performance and market valuations. The methodology of Klapper and Love (2004) was followed by many researchers such as Black, Jang and Kim (2006a) in South Korea and Black, Love and Rachinsky (2006b) in Russia. Their results showed that good corporate governance and related policies are correlated to firm's value.

Board composition is one of the important aspects that have an effect on the firm value and financial performance (Fauzi and Locke, 2012). There are perceived benefits that can be drawn from board diversity (Dang, Nguyen and Vo, 2013). Board composition refers to board demographics and the leadership of the board (Fauzi and Locke, 2012). The number of the directors in board is considered to be the factor that determines the corporates' valuation and performance, however different authors do not agree on the optimum board size.

Jensen (1986) advocated for a smaller board in that they improve communication, cohesiveness, and coordination and thus making it more effective. However, authors like Akpan and Amran (2014) opined that there are two schools of thought; one supporting larger board size and the other supporting smaller board size, but these authors do not agree on which is better linked with firm's valuation and performance.

Proponents of agency theory support larger board size as it improves firm's valuation and performance as it reduces the domination of Chief executive officer on the board (Hassan and Omar, 2015; Fauzi and Locke, 2012). Moscu (2013) discovered a correlation effect on increasing board size and the firm's profitability. Yusoff and Alhaji (2012) looked at the impact of corporate governance and the firm valuation and they concluded that board size statistically affected firm valuation.

According to Dang and Vo (2012) board gender diversity refers to inclusion of women in the board of directors of corporates. They further opined that women on boards may increase the effectiveness as they are considered to be more trustworthy and strict than male counter parts. Women composition in the board is one of the no-financial aspect that have a bearing on the firm's valuation and performance (Oladi, Gerivani, and Nasibeth, 2013).

2.7 Empirical literature review

A study by Gonzalez and Garay (2019) considers the impact of corporate governance and firm value using the case of Venezuela a developing country in which the issue of corporate governance is understudied. They constructed the corporate governance index and regressed it against measures of firm value such as Tobin Q, price to book ratio and the dividend payout and they discovered that about 1% increase in the corporate governance will cause 11.3% in dividend payout ratio, 9.9 % to price to book ratio and 2.7 % in Tobin's Q.

Muhammad and Rashid (2019) investigate the impact of corporate governance on firm value using the case of small, medium and large firms in Pakistan. They discovered that corporate governance had a major role in determining market valuation of most firms in Pakistan. They further discovered that market value of the firms did vary with its insiders' ownership and the trend of valuation was dependent on corporate governance and insiders' ownership and the corporate will be highly valued if it is high in corporate governance coupled with lower management and on other hand if the firm has weak corporate governance then the valuation is also lower.

A research by Pombo (2007) on the corporate governance its effects on the firm value and economic growth in Columbia by using 108 corporates using financial ratios which measure both financial performance and firm valuation and he discovered that a positive relationship exist between separation of ownership and firms value, however the relationship was no monotonic.

Apadore and Zainol (2014) investigate the impact of corporate governance and firm valuation and on constructing the corporate governance index they include issues like ownership concentration, audit quality, board independence and CEO duality and the findings shows that a proportion of director's independence may help the firm top management to make quality decisions that will result in the improvement in the firms' valuation and performance.

Jo and Harjoto (2017) looked at impact of internal and external corporate governance and monitoring mechanism on the choice of corporate social responsibility engagement and value of firms and their results shows that corporate governance has a significant impact on firm value measured by industry-adjusted Tobin's Q. In addition, the study also suggested that board leadership, board independence, and ownership also played a role in improving firm's value.

Goel (2018) investigate the implication of corporate governance on financial performance in India, he constructed the corporate governance index using mandatory regulations and the securities exchange and companies act of 2013 and their results showed that Indian firms recorded a higher firm value after they followed the principles of good corporate governance such as appointments of non-executive directors in their board among others

From the Africa's perspective, Ammann, Oesch and Schmid (2010) looked at corporate governance and firm value in Nigeria. They constructed their corporate governance index from Governance Metric International (GMI) and they regressed it against various measure of firm value

and they found that there is strong and positive relationship between corporate-level of corporate governance and firm valuation.

Robbins and Attiya (2007) looked at the relationship between corporate governance indicators and firm's value in Kenya using the listed companies on Kenyan stock exchange. They used Tobin's Q measurement to measure firm value and their results showed that corporate governance is an aspect of importance to firm valuation. However not all components were important to firm value; elements like board composition and ownership and shareholder rights were found to improve firm valuation and performance, whereas elements like disclosure and transparency had no significant effect on firm valuation and performance.

Coming to Zimbabwean context, Shungu, Ngirande and Ndlovu (2014) looked at the level of corporate governance and the performance of commercial banks in Zimbabwe, they used data from 2009 to 2012 and their results showed that unidirectional causal association from corporate governance and banks performance. The board size and board composition was found to have a strong relationship with banks performance. Therefore, the study suggested that banks in Zimbabwe should adhere to good corporate governance practice if they are to register a positive improvement in their performance and valuation.

On the most recent study by Changunda and Foya (2019) discovered that most of the banks in Zimbabwe are not fully complying with good corporate governance principles. Their study concluded that banks value was affected largely by the economic environment, however the issue of corporate governance should not be eradicated as the study shows that most banks were not complying with the ZIMCODE principles.

2.8 Chapter summary and research gap

The focus of this chapter was to review literature in relation to good corporate governance practices and the literature on firm's valuation. The theory of corporate governance that we looked at in this chapter were; agency theory, stakeholder theory, stewardship and resource dependent theory and these theories were also synthesized in this study. The major discoveries are that good corporate governance practices have a significant effect on the firm's valuation and performance (Gonzalez and Gara, 2019; Changunda and Foya, 2019; Shungu, Ngirande and Ndlovu, 2014; Goel, 2018).

However, some researchers like Ferreira and Laux (2007), Yen (2005) and Zhang (2006) question the causal relationship between corporate governance and firm value. Yen (2005) in particular opined that in Japan poorly governed firm significantly performed better than those firms with relative better corporate governance practices as they recorded good market returns. He suggested the reason for that is that poorly governed firms have higher risk and once that risk is manipulated for the association between governance and returns it disappears. Suchard et al., (2007) also discovered a negative correlation between stock returns and better corporate governance.

Several studies on corporate governance gather their data in relation to the corporate governance using questionnaires completed by the corporates themselves. This type of methodology has shown some problems to do with low response rate, in cases where corporate governance practices are weaker (self-selection bias) and for the corporates that manage to respond the questionnaire, there is inclination of not presenting their current position in terms of corporate governance but rather what they wish to be in the future in terms of corporate governance (self-report bias).

Thus this study seeks to fill that gap by constructing the corporate governance index in a different way. The researcher will use the set of questions by Leal and Carvalhal-da-Silva (2005) and the researcher will answer the questions himself to avoid self-selection and self-report bias. All response is based on publicly available information. The major information source of the banks was financial statements, bylaws, minutes of meetings, and annual reports from respective banks. It is against this background that this study is one of the few studies that used this approach especially in the Zimbabwean context. However, the researcher will also consult the directly the compliance departments of selected banks to gather important insight. The next chapter deals in detail the methodology applied to carry out this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter outlined research design, model specification, and justification of variables. In this section the researcher looked at the data types and sources and estimation procedure and lastly the chapter summary. The researcher gave in detail how data gathered is going to be presented and analyzed to enable generation of meaning from the findings pertaining to the objectives of the study.

3.1 Research design

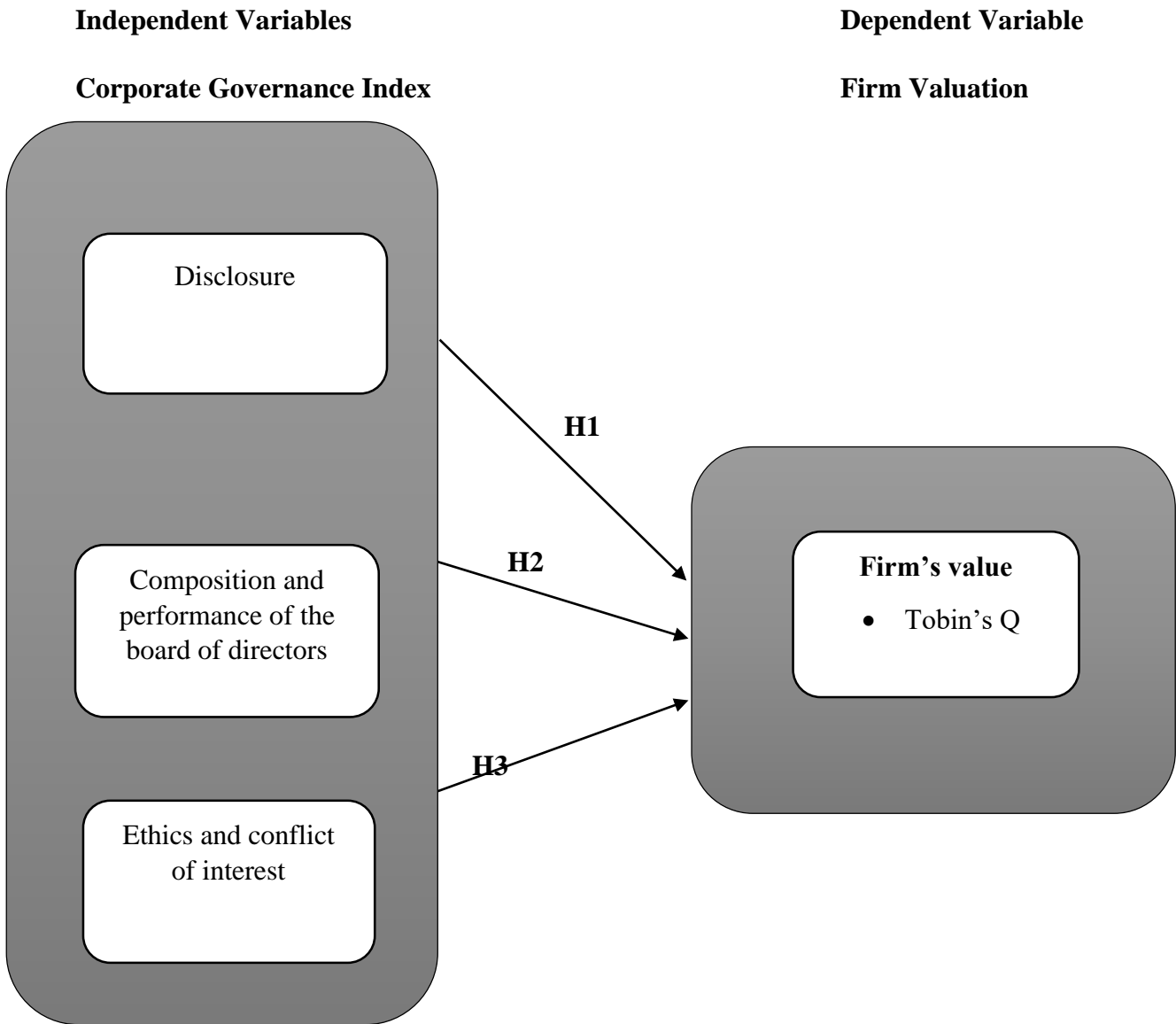
The researcher used explanatory research design which is a unique means of data collection. According to Kumar (2016) explanatory research design attempt to clarify why and how there is a relationship between two aspects of the situation or phenomenon. The explanatory research design assist the researcher determine causal relationship between variables (Mensah, 2015). Therefore, this study adopts explanatory research design because it allows the use of quantitative data that can easily be analyzed statistically by means of correlation, regression and chi-square to find solutions of research under study. In addition, explanatory research design was used because of its suitability to the nature of this study, as this study is carried out to investigate the influence of corporate governance on firm's value of commercial banks (Johnson, 2016).

3.2 Model specification

Corporate governance is a significant means for banks to achieve better financial performance in present day's service economy and in addition satisfied consumers tend to return for another business and thus influences firms' profitability (Garay and Gonzalez, 2005). Past researches has showed that corporate governance has an important role in the firm valuation. Therefore, this research aims to investigate the impact of corporate governance on Zimbabwean commercial banks valuation.

In this research corporate governance index (CGI) is calculated using three major components of good corporate governance as follows; disclosing vital information, board of director's composition and performance and ethics and conflict of interest. The firm's valuation is measured using Tobin's Q. The research model is shown in figure 3.1 below.

Figure 3.1: Research Model



Source: Researcher's own construction (2021)

Multiple linear regression model is a kind of practical extension of regression, it provides the researcher ability to establish a model incorporating both dependent and independent variables. The researcher adopted the multiple regression to assist establishing the impact of four components of corporate governance on firm value of commercial banks and the multiple regression model was informed by the figure 3.1 above. The model is as follows;

$$Y = \beta_0 + X_1\beta_1 + X_2\beta_2 + X_3\beta_3 + \varepsilon$$

Where;

Y= Firm Value

β_0 = Constant (Y-intercept-The Predicted Value of Y when all the X values equal to 0

β_1 - β_3 = Intercept of Independent Variables.

X= Corporate governance components which will be measured using three data points namely;

X1, X2 and X3

X₁ =Information disclosure

X₂= board of directors' composition and performance

X₃=Ethics and conflict of interest

$\hat{\epsilon}$ = Error term.

The model assumes that the error term ($\hat{\epsilon}$) is normally distributed with mean zero.

3.3 Justification of variables

The explanatory variables of this study are components of corporate governance which are board of directors' composition and performance, vital information disclosure and ethics and conflict of interest. These explanatory variables are expected to influence the dependent variable positively. According to study carried by La Porta, Lopez-de-Silance, Shleifer and Vishny (2015) this theoretical framework were positively correlated with firm's value, the reason is that when a firm has good corporate governance practices it increases investor. La Porta et al., (2016) discovered that firms in nations where investors are well protected shows an increase in Tobin's Q than that of firms in nations in which investors are poorly safeguarded. Tobin's Q is a measure of firm that has been used by authors of corporate governance such Leal and Carvalhal-da-Silva (2005) for Brazil. Asia (2015) conducted similar study and found out that good corporate governance practices have an impact on the confidence of investors in banks and the situation decreases the cost of capital and as result increases firms value. Klapper and Love (2004) are among the first and more detailed studies on the interaction of corporate governance in the emerging markets, by taking corporate governance practices of 495 firms from 25 emerging markets and found out good corporate governance is highly correlated with better operational performance and marker

valuation. Other authors such as Black, Jang and Kim (2006) followed the methodology of Klapper and Love (2004) which almost similar with methodology that is followed in this study. They constructed the CGI for South Korea and Black (2001) and Black, Love and Rachinsky (2006) constructed the CGI for Russia and all these studies came to the same conclusion that good corporate practices and policies on average are positively correlated with firm's value. The depend variable Tobin's Q was considered to be the best measure of corporate valuation on the basis that Morck, Shleifer and Vishny (1988), La Porta et al., (2002), Gompers et al., (2003) and Garry and Gonzalez (2018) considered it as classic measure of firm's value and has been extensively found in the corporate governance literature. This variable was calculated as:

$$\frac{\text{Book value of assets} - \text{book value of equity} + \text{market value of equity}}{\text{Book value of Assets}}$$

3.4 Data Types and Sources

Research problem is often solved by a careful gathering of primary data and secondary data (Saunders et al., 2016). This means that they are two types of research data: field (primary) data and desk (secondary) data. The researcher used both the primary data and secondary data as it actually helps to measure and understand the phenomenon under study.

3.4.1 Primary Data

According to Saunders et al., (2016), primary data is that type of data that has been collected for the first time and has not been used before or for any research. Methods of collecting primary data may include: the use of questionnaires, interviews, focus groups, interviews, experiments and observations. However, the researcher is not going to administer questionnaire to enable construction of CGI, just like most studies on corporate governance. This methodology is not going to be used in this study because of two reasons; one self-selection bias and two self-report bias. Self-selection bias occurs when the firm under study has low corporate governance ratings tend not to respond to the questionnaires and self-report bias occurs to those firms that respond to the questionnaire, there is tendency of them presenting not as there are in relation to corporate governance practices but as they want to see themselves in the future (Garay and Gonzalez, 2018). In the same spirit of a study by Leal and Carvalhal-da-Silva (2005), the researcher follows their methodology to construct CGI by answering the questions himself using publicly available information.

Leal and Carvalhal-da-Silva (2005) presented 24 questions which the researcher ended up having 13 questions that are applicable to the Zimbabwean setting. Each question will be answered using publicly available information. The questions will be grouped into three sub index, namely; information disclosure (DIS, five questions), composition and performance of the board of directors (BOA, five questions) and ethics and conflicts of interest (ETH, three questions). The questions are presented in the table 3.1 below and sources of data.

Table 3.1: Corporate Governance Indices (CGI)

NO	SUB INDEX: DISCLOSURE
1	Does the bank show in its charter, annual reports, or in any other way, the consequences against the management in case of violation of its chosen corporate governance practices
2	Does the bank show reports of its audited financial statements timeously
3	Does the bank apply international accounting standards (IFRS and IAS)
4	Does the bank use recommended/ credited auditing firms
5	Does the bank disclose, in any way, the reimbursement of the general manager and of the BOD
NO	SUB INDEX: COMPOSITION AND PERFORMANCE OF THE BOARD OF DIRECTORS
1	Are the chairman of the board and CEO the same person
2	Does the bank employs the services of monitoring committees such as appointments and compensation committees
3	Is the BOD explicitly comprised of non-executive or external members that are totally independent once
4	Is the BOD made of five to nine members, as per international recommendation of good corporate governance practices
5	Is there a permanent auditing committee?
NO	SUB INDEX: ETHICS AND CONFLICT OF INTEREST
1	Is the bank free of any penalties or fine for violation of good corporate governance practices in the last years
2	Taking into consideration the agreements among shareholders, are the controlling shareholders of less than 50% of the voting shares
3	Is the capital/voting rights ratio of controlling shareholders greater than 1

Source: Leal and Carvalhal-da-Silva (2005)

3.4.2 Secondary Data

Secondary data is the information that is readily available and the data is relevant to the topic under study Saunders et al (2012). Secondary data is sometimes known as desk research; the reason is that the main source of such data is company reports, information from the National Statistics Bureau and professional journals. This study used financial statement of the banks as the secondary sources of data to be able to draw some meaningful generalizations. The dependent variable Tobin Q was calculated from the financial statements of each bank.

3.5 Estimation Procedure

The data captured through the answered questions was organized according to the responses of each bank. The responses were aggregated to compute one measure for each CGI index and was assigned as an independent variable. The same process was done on all other index. The secondary data collected from financial statements (Tobin's Q) was also aggregated and an average measure was calculated for a period of 5 years (2016-2020) and was assigned as the dependent variable. The independent variables (explanatory variables) were regressed against each dependent variable to determine the impact of corporate governance on firm's value. The classical assumption test was conducted on the independent and dependent variables. The tests conducted are normality test, Multicollinearity test, heteroscedasticity and autocorrelations test.

3.5.1 Normality Test

Normality tests are done to determine whether the residual value follows a normal distribution. A good regression model must follow normal distribution or at least half normal distribution. The basic assumption for normality is the multivariate analysis. A histogram is used as a diagnostic test for normality by visually inspecting the observed data values in relation with those close to the normal distribution. The normal probability plot is the best approach as it compares the cumulative distribution. The normal distribution forms a straight diagonal line and plotted data values are compared against the diagonal line. According to Ghazali (2019) if the data follows a normal distribution, the line representing the actual data distribution closely follows the diagonal line.

3.5.2 Multicollinearity Test

Multicollinearity test is the test conducted to establish the correlation between more than two predictor variables are associated. According Ghazali (2019), the association between independent

variables and dependent variables is influenced by the higher collinearity of all independent variables. The Multicollinearity test is done by reviewing the correlation matrix predictor variables that correlate highly, computing the Variance Inflation Factor (VIF) and the Tolerance Statistics and calculating the Eigenvalues. The correlation matrix ranges from -1 to +1 where; -1 implies higher negative correlation and +1 higher positive correlation. The VIF range is between 0.1 and 10, implies that there is no Multicollinearity problems. The Tolerance values are also important to be considered, the ranges between 0.01 and 1 implies that there are no Multicollinearity problems (Mahendra, 2015). The Eigen values shows dependence between variables.

3.5.3 Heteroscedasticity

According to Mahendra (2015) Heteroscedasticity test is part of the classical assumption test in the regression model. To detect the presence or absence of Heteroscedasticities in data is to look at the scatterplot graph between predictive values of the independent variable that is ZPRED with residue of SRESID. If there is a certain pattern in the scatter plots graph such as the points that form a regular pattern it can be concluded that there is a problem of Heteroscedasticity. Conversely, if there is no regular pattern and spreading out, then the conclusion is that there is no Heteroscedasticity problem.

3.5.4 Autocorrelation Test

The researcher conducted the autocorrelation test to determine if there is no autocorrelation in the variables. According Ghazali (2019) autocorrelation test can be done using Durbin-Watson test. The standard measure for Durbin-Watson test is between -2 and +2 and if the Durbin-Watson is more than -2 and less than +2, then it can be concluded that there is no autocorrelation problem.

3.6 Chapter summary

In summary, this chapter gave an outline on the manner in which the research was conducted. Quantitative approach was used. The research methodology that the researcher used in the explanatory and justification of such research design was also discussed. Inclusive of the research methodology was the model specification, and justification of variables, data types and sources and estimation procedure. The next chapter present the results of the study.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The research findings are analyzed, presented and interpreted in this chapter. Diagnostic test results, rare presented and interpreted first, followed by presentation and description of main findings which are further divided into descriptive results and inferential results. The findings under descriptive results section are presented using mean statistics whilst regression results are shown under inferential results section and lastly the chapter summary.

4.2 Diagnostic Test Results

4.2.1 Normality test

Testing data for normality is important especially for t-test and regression analysis as it is the underlying assumption in parametric testing. There are many ways of testing normality on the data. The researcher employed the Shapiro-Wilk test and the normal Q-Q plot. The Shapiro-Wilk was necessary because the data sample was less than 50 though it can handle sample as large as 2000.

4.2.1 Normal Test Results

Table 4.1: Tests of Normality

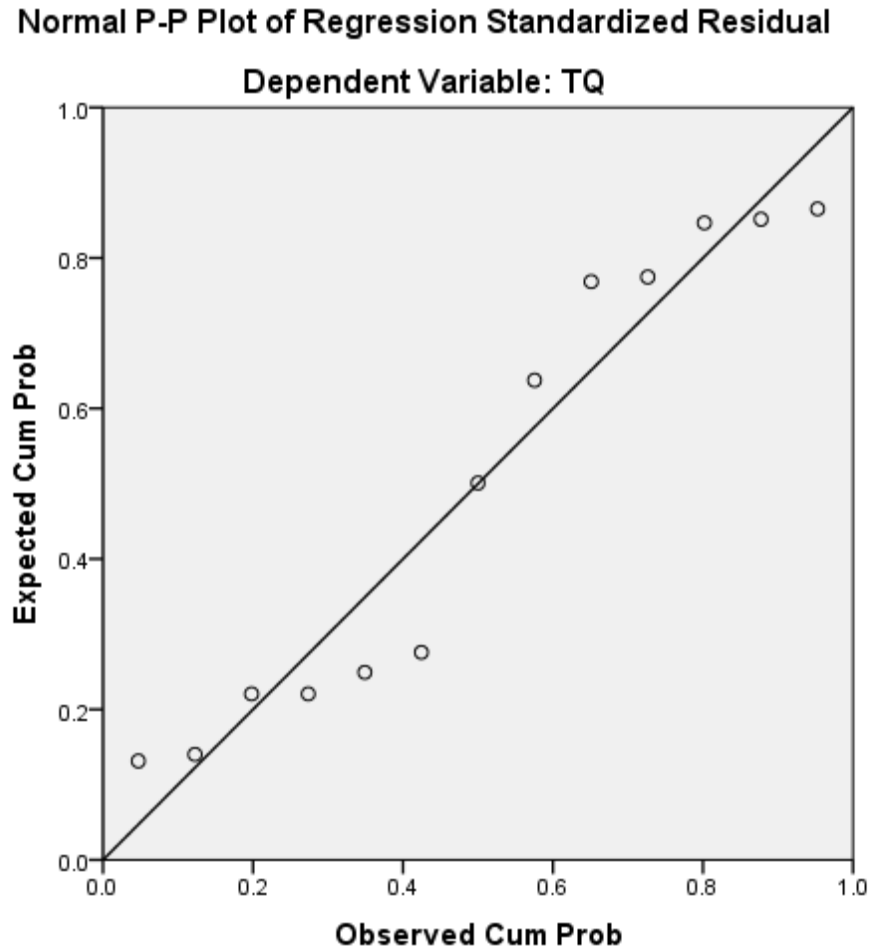
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
TQ	.150	13	.200*	.949	13	.589

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Shapiro-Wilk normality test stipulates that if the probability or the significant value is above 0.05 implies that the data is normally distributed, otherwise if it below 0.05 implies that the data is largely deviating from a normal distribution and in such circumstances the data needs to be normalized using logarithm method. The table 4.1 shows the results for normality test for Tobin's Q and the results shows that data for Tobin's Q comes from normal distribution as shown by significant value of 0.589 which is above 0.05. Thus, data was good fit for multiple regression.

Figure 4.1: Normal P-P of regression standardized residual



Source: Primary data (2021)

The figure 4.1 shows the normal P-P plot of regression spread of points along the diagonal line and all the data points are around the diagonal line. It therefore implies that regression model satisfies the assumption test for normality.

4.2.2 Multicollinearity Test

The Multicollinearity test are carried to show that regression model establishes correlation between variables (Mahendra, 2011). Multicollinearity test is the test conducted to establish the correlation between more than two predictor variables are associated. According Ghozali (2019), the association between independent variables and dependent variables is influenced by the higher

collinearity of all independent variables. The Multicollinearity test is done by reviewing the correlation matrix predictor variables that correlate highly, computing the Variance Inflation Factor (VIF) and the Tolerance Statistics. The VIF range is between 0.1 and 10, implies that there is no Multicollinearity problems. The Tolerance values are also important to be considered, the ranges between 0.01 and 1 implies that there are no Multicollinearity problems (Mahendra, 2015). The table 4.2 shows results for Multicollinearity test for all independent variables.

Table 4.2: Multicollinearity test for corporate governance indices

Coefficients		
Model	Collinearity Statistics	
	Tolerance	VIF
Disclosure	0.670	1.482
Board Composition and performance	0.347	2.881
Ethics and conflict of interest	0.373	2.680

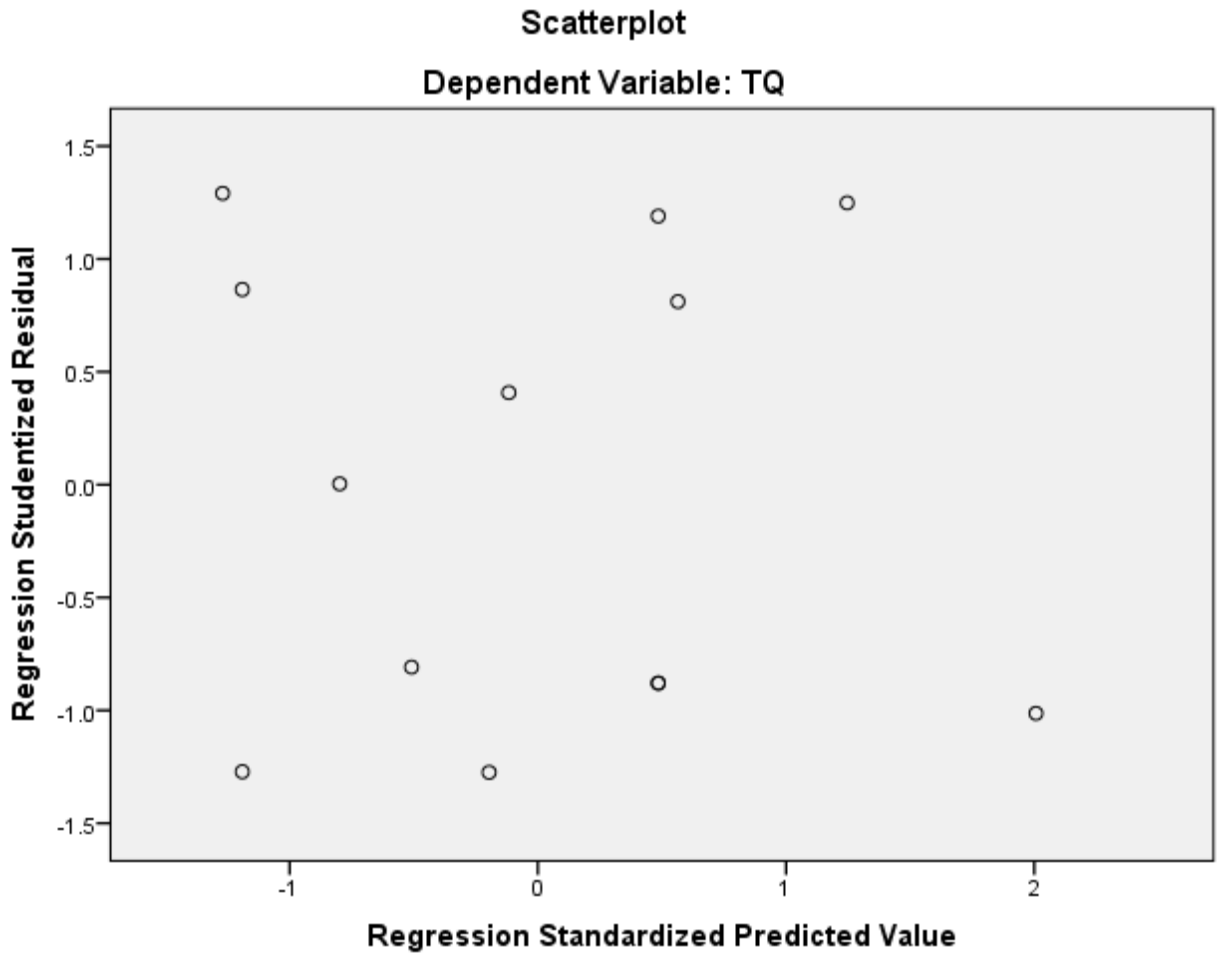
Source: Primary data (2021)

The table 4.2 shows the tolerance value of disclosure is 0.670, board composition and performance is 0.347 and ethics and conflict of interest is 0.373 Thus, all the independent variables shows had a tolerance value between 0.01 and 1, therefore there is no Multicollinearity problem. The VIF values for disclosure, board composition and performance and ethics and conflict of interest were also found to be 1.482, 2.881 and 2.680 respectively which are between the threshold of between 0.1 and 10. Therefore that there was no Multicollinearity problem within the independent variables. Thus the data was fit for regression.

4.2.3 Heteroscedasticity Testing for return on equity and POS and Internet banking

According to Mahendra (2015) Heteroscedasticity test is part of the classical assumption test in the regression model. To detect the presence or absence of Heteroscedasticities in data is to look at the scatterplot graph between predictive values of the independent variable that is ZPRED with residue of SRESID. If there is a certain pattern in the scatter plots graph such as the points that form a regular pattern it can be concluded that there is a problem of Heteroscedasticity. Conversely, if there is no regular pattern and spreading dots, then the conclusion is that there is no Heteroscedasticity problem. The figure 4.2 shows the heteroscedasticity testing results

Figure 4.2: Heteroscedasticity testing results



Source: Primary data (2021)

The figure 4.2 above shows that all points are distributed randomly, there is no specific pattern of the data points, thus the points are diffused. Therefore it can be concluded that the regression model does not have heteroscedasticity problem.

4.2.4 Autocorrelation tests results of the regression model

Autocorrelation test were carried to determine if there is no autocorrelation in the variables. According Ghozali (2019) autocorrelation test can be done using Durbin-Watson test. The standard measure for Durbin-Watson test is between -2 and +2 and if the Durbin-Watson is more than -2 and less than +2, then it can be concluded that there is no autocorrelation problem. The table 4.3 below shows autocorrelation test results for the regression model. Therefore, the results in the table 4.3 shows that there were no problems of autocorrelation in the data.

Table 4.3: Autocorrelation results for the regression model

Model summary	
Model	Durbin-Watson
1	0.685

Source: Primary data (2021)

4.3 Multiple regression model

The study sought to establish the impact of corporate governance on the firm value of Zimbabwean commercial banks. Thus, the study carried a multiple regression to establish the effects of each of the indices that that build up the Corporate Governance Index (CGI).

The findings are discussed below. Table 4.4 gives the regression model summary results. the R value is the measure of relationship between the dependent and the independent variables, the R² which is the coefficient of determination measuring the extent at which the independent variables influence the dependent variable and the Adjusted R² which measures the reliability of the regression results. This explains the extent to which change in the dependent (firm value) variable can be explained by percentage variation on the change in the independent variables (information disclosure, ethics and conflict of interest and board composition and performance). The three independent variables studied, explain 94.6% of variance in the firm value of Commercial banks in Zimbabwe as represented by the R². The adjusted R² of 92.8% indicate the model is very reliable in explaining the dependent variable. This is significant at 0.05 as shown on the table 4.5. This means that other factors not studied in this research about 5.4% of variance in the dependent variable. This therefore reveals that the regression model developed is statistically significance and the variation in the results is insignificant and therefore the model can be relied upon to explain the effect of corporate governance on firm value of commercial banks.

Table 4.4: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.973 ^a	.946	.928	.00187514

a. Predictors: (Constant), Ethics_and_conflict_of_interest, Disclosure,

Board_Composition_and_performance

b. Dependent Variable: TQ

The ANOVA results in the table 4.5 shows how the model developed is reliable in explaining the association between research variables. The significant level of this model is 0.05. The table 4.5 shows that the independent variables are statistically significant in predicting the firms value as shown by $p=0.000$. The F-statistic of $(3, 9) = 52.848$ also confirms the significant of the model.

Table 4.5: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	3	.000	52.848	.000 ^b
	Residual	.000	9	.000		
	Total	.001	12			

a. Dependent Variable: TQ

b. Predictors: (Constant), Ethics_and_conflict_of_interest, Disclosure,

Board_Composition_and_performance

Table 4.6 shows the coefficient of the regression model. According to the results disclosure of vital information and board composition and performance were statistically significant in predicting the firm value as their p-values are below 0.05. However, ethics and conflict of interest was not statistically significant in explaining variance in the dependent variable, firm value, as its p-value of 0.577 which is above 0.05.

Table 4.6: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.597	.009		63.178	.000
Disclosure	.007	.001	.465	4.924	.001
Board_Composition_and_performance	.026	.004	.763	5.822	.000
Ethics_and_conflict_of_interest	-.002	.003	-.073	-.578	.577

a. Dependent Variable: TQ

The resulting regression model is

$$Y = \beta_0 + X_1\beta_1 + X_2\beta_2 + X_3\beta_3 + \varepsilon$$

Firm value = 0.597 + 0.007Disclosure + 0.26Board composition and performance - 0.002ethics and conflict of interest

The regression equation above, holding corporate governance constant firm value would still be 0.579. Furthermore, for every addition in information disclosure there would be 0.7% increase in firm value. Based on these results the hypothesis 1H₀ is accepted to be true. A unit increase in board composition and performance brings about 2.6% increase in firm value. Based on these results the hypothesis 2H₀ is accepted to be true. However, a unit increase in ethics and conflict of interest brings 0.2% decrease in firm value. Therefore, based on these results the hypothesis 3H₀ is rejected and 3H₁ is accepted to be true.

4.4 Discussion of results based on objectives

The first objective of the study was to establish the effect of disclosing vital information as way abiding to good corporate governance principles. The study concluded that there is a positive relationship that exist between these variables. Based on these results the hypothesis 1H₀ was accepted to be true. This result is marginally statistically significant (t = 4.924, p < .05), these results replicated the study by Black (2001) who conducted a study of 21 large Russian firms.

Despite the small sample, he found a surprisingly strong correlation between firm valuation and the quality of their corporate governance. Furthermore, these results replicated the study by Bortolotti and Belratti (2018) who researched the impact of an improved disclosure standards and share price in China and they found out that it had a significant effect on the share price. The similarity of the results could be attributed to the fact firms are complying with good corporate principles. The results are agreement with several papers that suggest that firm-level governance has more influence on valuation (Black, Jang, and Kim, 2006; La Porta, Lopez-de-Silanes, 2007; Bruno and Claessens, 2007). Firms with good corporate governance practices have the advantages of attracting more external finance and this has an impact on the firm's value by altering the book value of shares and market capitalization.

The second objective of the study was to establish the impact of board composition and performance on firm value. The results show a positive correlation between board composition and performance. Based on these result the $2H_0$ was therefore accepted to be true. This result is marginally statistically significant ($t = 5.822, p < .05$), being consistent with the results obtained by Garay and González (2005) for Venezuela and by Leal and Carvalhal-da-Silva (2005) for Brazil, who found an increase in TQ of 2.24 per cent and 3.1 per cent, respectively. Klapper and Love (2004) also found a positive significant relation between the TQ and the CGI for their sample of emerging market firms. The result in tandem with Nenova (2015) who conducted a study on the effect of shareholder rights and share price of the firms in Brazil and she found out that share price increased when after the law that protect the minority shareholders was altered. This therefore implies that shareholder rights a major component of corporate governance can have causal relationship with share price and subsequently the Tobin's Q and dividend payout ratio.

The last objective of the study was to establish the impact of ethics and conflict of interest on Tobin's Q. The results obtained showed a negative relationship between ethics and conflict of interest and Tobin's Q. The hypothesis $3H_1$ was therefore accepted to be true. This result is marginally not statistically significant ($t = -0.578, p > .05$). These results were consistence with the study by La Porta et al., (2014) of a sample of 49 nations and they concluded that nations that were governed by Civil Law which capture ethical standards of firms, and with particular reference to French Legal system which provides a less protection to investors had an under developed capital markets relative to the nations that are governance by Common Law which in turn provides

a number of protections laws to the investors. Their research also discovered that one of ways to protect the firms form agency problems was for the firms to have a dividend policy in place. Another study by Atanasov et al., (2017) on the impact of legal rules and the firm valuation in Bulgaria. They discovered that price of shares jumped for firms with good corporate governance rules. This result is in agreement with Black and Khana (2017) who conducted similar research in India's adoption of major governance reforms which needed firms to set up audit committees, a least quantity of non-executive directors and CEO/CFO authentication of financial statements and set up internal control mechanism. These reforms were applied to both small and big firms and the results were that the firms' value increased, though there was a differential effect on values of large relative to small firms. These results are in tandem to the theoretical model spearheaded by La Porta, Lopez-de-Silanes, Shleifer and Vishny (2017) in which positive effects on firm valuation were discovered on firms with strong corporate governance adherence. The cost of capital is also lowered in this situation and increases the firm value. These results are all in tandem with the agency model of dividend payout in corporate governance framework developed La Porta, Lopez-de-Silanes, Shleifer and Vishny (2000b).

4.5 Chapter summary

This chapter firstly presented results pertaining classical assumption test and the data used in this study passed all these test and thus the regression model adopted was good fit of the data. Lastly this chapter presented the results based on objectives followed by an analysis and linking with the literature. The next chapter present summary, conclusion and recommendations.

CHAPTER FIVE

SUMMARY AND CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter present concluding remarks based on the results of the study. The chapter will fist presents summary of the study followed by conclusions and recommendations will be presented at the end.

5.1 Summary

The section presents summary of the study based on the objectives of the study

5.1.1 The effect of disclosing vital information as a way of abiding to good corporate governance practices on Tobin's Q ratio of banks

The first objective of the study was to establish the effect of disclosing vital information as way abiding to good corporate governance principles. The study concluded that there is a positive relationship that exist between these variables. Based on these results the hypothesis 1H₀ was accepted to be true. This result is marginally statistically significant ($t = 4.924, p < .05$), these results replicated the study by Black (2001) who conducted a study of 21 large Russian firms. The conclusion based on this result is that commercial banks should keep on disclosing vital information to relevant stakeholders in order to improve their firm value.

5.1.2 The effect of board of directors' composition and performance on Tobin's Q ratio of banks.

The second objective of the study was to establish the impact of board composition and performance on firm value. The results show a positive correlation between board composition and performance. Based on these result the 2H₀ was therefore accepted to be true. This result is marginally statistically significant ($t = 5.822, p < .05$), being consistent with the results obtained by Garay and González (2005) for Venezuela and by Leal and Carvalhal-da-Silva (2005) for Brazil, who found an increase in TQ of 2.24 per cent and 3.1 per cent, respectively. The conclusion based on this result is that commercial banks should keep on close eye by monitoring the operation of their respective boards in order to improve their firm value.

5.1.3 The significance of ethics and conflict of interest on Tobin's Q ratio of banks

The last objective of the study was to establish the impact of ethics and conflict of interest on Tobin's Q. The results obtained showed a negative relationship between ethics and conflict of interest and Tobin's Q. The hypothesis $3H_1$ was therefore accepted to be true. This result is marginally not statistically significant ($t = -0.578, p > .05$). These results were consistent with the study by La Porta et al., (2014) of a sample of 49 nations and they concluded that nations that were governed by Civil Law which capture ethical standards of firms, and with particular reference to French Legal system which provides a less protection to investors had an under developed capital markets relative to the nations that are governance by Common Law which in turn provides a number of protections laws to the investors. The conclusion is that commercial banks should investigate why the ethics and conflict reduces their firms value and establish remedies for that.

5.1 Conclusion

The first objective of the study was to establish the effect of disclosing vital information as way abiding to good corporate governance principles. The study concluded that there is a positive relationship that exist between these variables. Based on these results the hypothesis $1H_0$ was accepted to be true. This result is marginally statistically significant ($t = 4.924, p < .05$).

The second objective of the study was to establish the impact of board composition and performance on firm value. The results show a positive correlation between board composition and performance. Based on these result the $2H_0$ was therefore accepted to be true. This result is marginally statistically significant ($t = 5.822, p < .05$)

The last objective of the study was to establish the impact of ethics and conflict of interest on Tobin's Q. The results obtained showed a negative relationship between ethics and conflict of interest and Tobin's Q. The hypothesis $3H_1$ was therefore accepted to be true. This result is marginally not statistically significant ($t = -0.578, p > .05$). The model predicting firm value was determined as

$$\text{Firm value} = 0.597 + 0.007 \text{Disclosure} + 0.26 \text{Board composition and performance} - 0.002 \text{ethics and conflict of interest}$$

5.1 Recommendations

The study found out that firm value was driven by information disclosure and board composition and thus the researcher recommends that banks should continue improving their information disclosure and keep abiding by IFRS and IAS in doing so. The board composition was found to be contributing more to firm valuation, thus the researcher recommends that the shareholders should chose the appropriate board members and any member who will be underperforming must be thereof be removed from the board.

The ethics and conflict of interest was found to be reducing the firm valuation implying that banks should revisit their ethical standards and what constitute conflict of interest. By so doing the banks can improve their firm valuation.

5.2 Recommendations for further studies

The study was purely quantitative and thus it neglected the views of the banks themselves because of self-bias and self-selection problems and thus future may consider incorporating the views of the banks or firms under study.

The researcher used only three corporate governance indicators and neglected various other indicators, therefore the researcher recommends that the future studies should consider incorporating other corporate governance indicators.

The researcher only used 13 questions out of 23 questions that measure corporate governance indicators thus future studies must be done by including all the questions in the Zimbabwean context.

The study of was premised on Zimbabwean commercial banks, future studies must be conducted across various industries as the issue corporate governance is also a major problem in those sectors.

References

- Aduda, J., Chogii, R. & Magutu, P. O. (2013). An empirical test of competing corporate governance theories on the performance of firms listed at the Nairobi securities exchange. *European Scientific Journal*, 9(13), 107-137. Retrieved from <https://profiles.uonbi.ac.ke>
- Aebi V., Sabato, G., & Schmid, M. (2012). Risk management, corporate governance, and bank performance in the financial crisis. *Journal of Banking and Finance*, 36,3313-3326. doi:10.1016/j.jbankfin.2011.10.020
- Ahmed, E., & Hamdan, A. (2015). The impact of corporate governance on firm performance: Evidence from Bahrain bourse. *International Management Review*, 11(2), 21-37. Retrieved from <http://www.usimr.org>
- Akbar, A. (2014). Corporate governance and firm performance: Evidence from textile sector of Pakistan. *Journal of Business Strategy*, 4, 200-207. Retrieved from <http://aressweb.com>
- Akpan, E. O., & Amran, N. A. (2014). Board characteristics and company performance: Evidence from Nigeria. *Journal of Finance and Accounting*, 2(3), 81-89. doi: 10.11648/j.jfa.20140203.17
- Akpan, E. O., & Amran, N. A. (2014). Board characteristics and company performance:
- Alabdullah, T. T. Y., Yahya, S., & Ramayah, T. (2014). Corporate governance mechanisms and Jordanian companies' financial performance. *Asian Social Science*, 10, 247-262. Retrieved from www.cscsnet.org
- Alalade, Y. S. A., Onadeko, B.B., & Okezie, O.F. (2015). Corporate governance practices and firms' financial performance of selected manufacturing companies in Lagos State, Nigeria. *International Journal of Economics, Finance, and Management Sciences*, 2, 285-296. doi:10.11648/j.ijefm.20140205.13
- Ammann, M., Oesch., D., and Markus., M., (2010). Corporate Governance and Firm Value: International Evidence. University of St. Gallen, University Press.
- Arcot, Sridhar R. and Bruno, Valentina G. Giulia, (2007), "One Size Does Not Fit All, After All: Evidence from Corporate Governance," 1st Annual Conference on Empirical Legal Studies, Available at SSRN: <http://ssrn.com/abstract=887947>

Arnold MC, Bassen A, Frank R (2012) Integrating sustainability reports into financial statements: an experimental study

Atanasov, Vladimir A., Black, Bernard S., Ciccotello, Conrad S. and Gyoshev, Stanley B., (2017), How Does Law Affect Finance? An Examination of Financial Tunneling in an Emerging Market," ECGI - Finance Working Paper No. 123/2017.

Attiya., Y., and Robina., I., (2007). Relationship between Corporate Governance Indicators and Firm Value: A case of Kenyan Stock Exchange. Munich PersonalRePEC Archive.

Babalola, A., & Adedipe, O. A. (2014). Corporate governance and sustainable banking sector: Evidence from Nigeria. *Research Journal of Finance and Accounting*, 5(12), 32-43. Retrieved from www.iiste.org

Bassen, S. U., & Frank, M. A. (2012). Board of director's characteristics and performance of listed deposit money banks in Nigeria. *Journal of Finance and Bank Management*, 2, 89-105. Retrieved www.aripd.org

Bayoud NS, Kavanagh M, Slaughter G (2012) Corporate social responsibility disclosure and corporate reputation in developing countries: the case of Libya. *Journal of Business and Policy Research* 7(1):131–160 ISSN 1838-3742

Bayoud, J. L., Kavanagh, D. F., & Slaughter, A. P. (2012). Qualitative research methods for medical educators. *Academic Pediatrics* 11, 375-86. doi: 10.1016/j.acap.2011.05.001.

Berle, A. A. & Means, G. C. (1932). *The modern corporation and private property*. New York, N.Y: Macmillan.

Black, B, (2001) "The Corporate Governance Behavior and Market Value of Russian Firms," *Emerging Markets Review*, Vol. 2, pp. 89-108.

Black, B. (2001) The corporate governance behavior and market value of Russian firms, *Emerging Markets Review*, 2: 89–108.

Black, B., Jang, H. and Kim, W. (2006a) Does corporate governance affect firms' market values? Evidence from Korea, *Journal of Law, Economics and Organization*, 22: 366–413

- Black, B., Love, I. and Rachinsky, A. (2006b) Corporate governance indices and firms' market values: Time series evidence from Russia, *Emerging Market Review*, 7: 361–79.
- Black, B., Love, I. and Rachinsky, A. (2006b) Corporate governance indices and firms' market values: Time series evidence from Russia, *Emerging Market Review*, 7: 361–79.
- Black, C. and Khana., T. (2017), Corporate Governance and Market Valuation in China, William Davidson Institute Working Papers Series No. 2003-564.
- Bortolotti, Bernardo and Andrea Beltratti, (2018). "The Nontradable Share Reform in the Chinese Stock Market: The Role of Fundamentals," IDEAS Working Papers 2007.131, Fondazione Eni Enrico Mattei.
- Bosse, D. A., & Phillips, R. A. (2016). Agency theory and bounded self-interest *Academy of Management Review*, 41, 276-297.doi:10.5465/amr.2013.0420
- Brigham, L. F., & Houston, I. (2015). Corporate governance, investor protection, and performance in emerging markets. *Journal of Corporate Finance*, 10(3), 703-28.
- Busch, A. (2018). Banking regulation and globalization. Oxford University Press.
- Changunda, S and Foya, P.R. (2019), Corporate governance, structure and accountability as affected by national government infrastructure in developing countries
- Chhaochharia, Vidhi and Grinstein, Yaniv, (2007), "Corporate Governance and Firm Value: The Impact of the 2002 Governance Rules" Johnson School Research Paper Series No. 23-06.
- Chidambaran, N. K., Palia, Darius and Zheng, Yudan, (2006), "Does Better Corporate Governance 'Cause' Better Firm Performance?" (March 2006). Available at SSRN: <http://ssrn.com/abstract=891556>
- Choi, JungYong, Dong Wook Lee, and Kyung Suh Park, (2007), Corporate Governance and Firm Value: Endogeneity-Free Evidence from Korea, Presented at the International Conference on Corporate Governance in Emerging Markets, November 2007.
- Chong, A. and López-de-Silanes, F. (2007) Corporate Governance in Latin America. Inter-American Development Bank Working Paper, #591

Core, John E., Robert W. Holthausen and David F. Larcker, (2006), Corporate Governance, CEO Compensation, and Firm Performance, *Journal of Financial Economics*, 51, 371-406.

Cornett, M. M., McNutt, J. J., & Tehranian, H. (2019). Corporate governance and earnings management at large U.S. bank holding companies. *Journal of Corporate Finance*, 15(5), 412–430.

Cornett, M., Hassan. T., Alan J. M. and Anthony. S. (2006) Earnings Management, Corporate Governance, and True Financial Performance, Available at SSRN: <http://ssrn.com/abstract=886142>.

Cornett, Marcia Millon, Hassan Tehranian, Alan J. Marcus and Anthony Saunders, (2006), Earnings Management, Corporate Governance, and True Financial Performance, Available at SSRN: <http://ssrn.com/abstract=886142>.

Dalwai, T. A. R., Basiruddin, R., & Rasod, S. Z. A. (2015). A critical review of relationship between corporate governance and firm performance: GCC banking sector perspective. *Corporate Governance*, 15, 18-30.doi:10.1108/cg-042013- 0048

Dang, R., Nguyen, D. K., & Vo, L. C. (2013). Women on corporate boards and firm performance: A comparative study. Retrieved from <http://events.em-lyon.com>

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. *Academy of Management Review*, 22(1), 20-47. Retrieved from <http://www.jstor.org>

De Andres, P., & Vallelado, E. (2018). Corporate governance in banking: the role of the board of directors. *Journal of Banking and Finance*, 32(9), 2570-2580.

Dedman, Elisabeth B., (2002), Cadbury Committee Recommendations on Corporate Governance - A Review of Compliance and Performance Impacts". *International Journal of Management Reviews*, Vol. 4, pp. 335-352, December 2002.

Dedman, Elisabeth B., (2002), Cadbury Committee Recommendations on Corporate Governance - A Review of Compliance and Performance Impacts". *International Journal of Management Reviews*, Vol. 4, pp. 335-352, December 2002.

Eisenhard, A. Y (1989). Corporate governance in Pakistan: Corporate valuation, ownership and financing. Working Papers & Research Reports.

- Enobakhare, A. (2015). Corporate governance and bank performance in Nigeria. Diss. Stellenbosch: University of Stellenbosch.
- Evidence from Nigeria. *Journal of Finance and Accounting*, 2(3), 81-89. doi: 10.11648/j.jfa.20140203.17
- Farber, D. B. (2015). Restoring trust after fraud: does corporate governance matter? *The Accounting Review*, 80(2), 539-561.
- Fauzi, F., & Locke, S. (2012). Board structure, ownership structure, and firm performance: A study of New Zealand listed-firms. *Asian Academy of Management Journal of Accounting and Finance*, 8(2), 43-67. Retrieved from <http://researchcommons.waikato.ac.nz>
- Fidanoski, F., Mateska, V., & Simeonovski, K. (2013). Corporate governance and bank performance: Evidence from Macedonia. *Munich Personal RePEc Archive (MPRA Paper No. 46773)*. Retrieved from <http://mpa.ub.unimuenchen.de/46773/>
- Foya, D. and Changunda, G. (2019). An Investigation of Corporate Governance Challenges Facing Indigenous Banks in Zimbabwe; National University of Science and Technology. University Press.
- Freeman, R. E. (1994). The politics of stakeholder theory. *Business Ethics Quart*, 4, 409-421. Retrieved from <http://www.jstor.org>
- Gebba, T. R. (2015). Corporate governance mechanisms adopted by UAE national commercial banks. *Journal of Applied Finance and Banking*, 5(5), 23-61. Retrieved from <http://www.scienpress.com>
- Gibson, H.& Singhal, V.R. (2010). Firm characteristics, total quality management, and financial performance, *Journal of Operations Management*, 19, 269-85
- Goel., P. (2018) Implications of corporate governance on financial performance: an analytical review of governance and social reporting reforms in India: *Asian Journal of Sustainability and social responsibility*
- Gompers, P., Ishii, J. and Metrick, A. (2003) Corporate governance and equity prices, *Quarterly Journal of Economics*, 118: 107–55.

- Gompers, P., Ishii, J. and Metrick, A. (2003) Corporate governance and equity prices, *Quarterly Journal of Economics*, 118: 107–55.
- Gone C. (2008), An Analysis of credit risk management practices in commercial banking institutions in Zimbabwe, Volume 4 online@www.ijeronline.com
- Gonzalez. M., Garay., U. (2019). Corporate Governance and Firm Value: The case of Venezuela. *Corporate Governance an International Review*. www.researchgate.net
- Griffin, J.J. & Mahon, J.F. (1997). The corporate social performance and corporate financial performance debate: Twenty-five years of incomparable research. *Business and Society*. 36(1). 5–31
- Griffin, R., Mahon, M., (1997). Diversity, corporate governance and implication on firm financial performance. *Global business and management research: An International Journal*, 7 (2), 28-36. Retrieved from <https://www.researchgate.net>
- Hassan, M. S, & Omar, N. (2015). The impact of firm’s level corporate governance on market capitalization. *Journal of Investment and Management*, 4, 119-131. doi: 10.11648/j.jim.20150404.14
- Hermain, A. (2005). Corporate governance and equity prices. *Quarterly Journal of Economics*, 118(9), 107-155.
- Huse, M. (2015). Accountability and creating accountability: a framework for exploring behavioral perspectives of corporate governance. *British Journal of Management*, 6(4), 65–79.
- Jan, S., & Sangmi, M. (2016). The role board of directors in corporate governance. *Imperial Journal of Interdisciplinary Research*, 2, 707-715. Retrieved from www.onlinejournal.in
- Jang, S., and Kim, R, (2006), “Corporate Governance Indices and Firms' Market Values: Time Series Evidence from Russia,” *Emerging Markets Review*, vol. 7 No. 4, December 2006, pp.361-379.
- Jensen, M. (2018). The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems. *Journal of Finance*, 48(5), 831-880.

- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. Retrieved from <http://www.sfu.ca>
- Jo, A.Y., & Kim, R. (2007). Ownership concentration, corporate governance and firm performance: Evidence from Pakistan. *The Pakistan Development Review*, 47(4), 643- 659.
- Jo., H., and Harjoto., M. (2017). Corporate Governance and firm value: The impact of corporate social responsibility. www.researchgate.net
- Kaur, J. (2014). Corporate governance and financial performance: A Case of Indian banking industry. *Asian Journal of Multidisciplinary Studies*, 2(2), 91-96. Retrieved from www.ajms.com
- Kiel, M. S, & Nicholson, N. (2003). The impact of firm's level corporate governance on market capitalization. *Journal of Investment and Management*, 4, 119-131. doi: 10.11648/j.jim.20150404.14
- Klapper, L. and Love, I. (2004). Corporate governance, investor protection and performance in emerging markets, *Journal of Corporate Finance*, 10: 703–28
- Klapper, Leora F. and Inessa Love, (2004) Corporate Governance, Investor Protection, and Performance in Emerging Markets, *Journal of Corporate Finance* Vol.10, pp.287-322.
- Klein, R. (2005). The case for case studies: Deriving theory from evidence. *Journal of business case studies*, 9, 261-266. Retrieved from www.cluteinstitute.com
- La Porta, R., F. Lopez-de-Silanes, A. Shleifer, and R. Vishny, (2002). Investor protection and corporate valuation. *Journal of Finance*, 57(3), 1147-1170.
- La Porta, R., López-de-Silanes, F., Shleifer, A. and Vishny, R. (2002) Investor protection and corporate valuation, *Journal of Finance*, 57: 1147–70.
- Lappalainen, J., & Niskanen, M. (2012). Financial performance of SMEs: Impact of ownership structure and board composition. *Management Research Review*, 35, 1088-1108. doi:10.1108/01409171211276954.
- Leal, P., and Carvalhal-da-Silva, A. (2005) corporate governance and value in Brazil (and in Chile). Inter-American Development Bank Working Paper, #514.

- Lefort, F. and Walker, E. (2005) The effect of corporate governance practices on company market valuation and payout policy in Chile. Inter-American Development Bank Working Paper, #515.
- Manmu, A., Yasser, Q. R., & Rahman, D. A. (2013). A discussion of the suitability of only one vs. more than one theory for depicting corporate governance. *Modern Economy*, 4, 37-48. doi:10.4236/me.2013.41005
- Meuter, M. L., Ostrom, A. L., Roundtree, R. I., & Bitner, M. J. (2010). Self-service technologies Understanding customer satisfaction with technology-based service encounters. *Journal of Marketing*, 64, 50–64
- Miller, C. (2005). Corporate governance and national institutions: A review and emerging research agenda. *Asia Pacific Journal of Management*, 30(4), 965-986.
- Morck, R., Shleifer A. and Vishny, R. (1988) Management ownership and market valuation: An empirical analysis, *Journal of Financial Economics*, 20: 293–315.
- Moscu, R. (2013). The relationship between firm performance and board characteristics in Romania. *International Journal of Academic Research in Economics and Management Sciences*, 2(1), 167-175. Retrieved from www.hrmars.com
- Muhammad., F., Rashid., A., and Sijid., G. (2018). The impact of corporate governance on firm value: The case of small, medium and large firms. www.researchgate.net
- Mulyadi MS, Anwar Y (2012) Impact of corporate social responsibility toward firm value and profitability. *The Business Review*, Cambridge 19(2):316–322
- Nenova, Tatiana, (2015), The Value of Corporate Voting Rights and Control: A Cross-Country Analysis, *Journal of Financial Economics*, June 2003, v. 68(3), pp. 325-51.
- Oladi, B., Gerivani, A., & Nasibeh, S. (2013). Relationship between gender diversity and financial ratios in the board of directors of companies listed in Teharan stock exchange. *World Sciences Journal*, 1(16), 153-160. Retrieved from <http://www.engineerspress.com>
- Omankhanlen, A. E., Taiwo, N. J. & Okorie, U. (2013). The role of corporate governance in the growth of Nigerian banks. *Journal of Business law and Ethics*, 1(1), 44-56. Retrieved from www.aripd.org

Pombo, Carlos; Gutiérrez, Luis H. (2007): Corporate Governance and Firm Valuation in Colombia, Working Paper, No. 568, Inter-American Development Bank, Research Department, Washington, DC

Ramano, G., Ferretti, P. & Quirici, M. C. (2017). Corporate Governance and Efficiency of Italian Bank Holding Companies during the financial crisis: an empirical analysis, in Mizuno, M., Pizzo, M. and Kostyuk, A. (eds), "Evolution of corporate governance in banks", *Virtusinterpress. Sumy*, 98(2012), 128-140.

Reserve bank of Zimbabwe (2015). Limiting the risk of failure in financial institutions: Remarks by the deputy governor of the Reserve Bank of Zimbabwe on the occasion of the Public Accountants & Auditors Board conference held at Rainbow Towers in Harare, from 9 - 10 April 2015. Retrieved from www.rbz.zw

Roudaki, J. (2013). Earnings management in developing countries: Iranian listed companies. *Journal of Accounting, Business & Management*, 20(2), 14-32. Retrieved from <http://jabm.stie-mce.ac.id/>

Sakilu, O. B., & Kibret, B. G. (2015). Determinants of the financial performances of commercial banks in Ethiopia: From internal corporate governance practices perspective. *Journal of Eastern European and Central Asian Research*, 2 (1), 110. doi:10.15549/jeecar.v2il.82

Shleifer, Y and R. Vishny, 2000, Investor protection and corporate governance. *Journal of Financial Economics* 58, 3-27.

Shungu., P., Ngirande., H., and Ndlovu., G. (2014). Impact of Corporate Governance on the Performance of Commercial Banks in Zimbabwe. *Mediterranean Journal of Social Sciences* MCSER Publishing, Rome-Italy

Venkatraman, N. & Ramanujam, V. (1986), Measurement of business performance in strategy research: A comparison of approaches, *Academy of Management Review*, 11(4), 801-814.

Williams, S. M. (2015). Board of Director Determinants of Voluntary Audit Committee Disclosures: Evidence from Singapore, *Corporate Governance and Intellectual Capital Archive Research Paper*, Singapore Management University,7(11), 5976-89.

Yousuf, S., & Alhaji, M. D. (2012). The concept of corporate governance and its evolution in Asia. *Research Journal of Finance and Accounting* 6 (5), 19-25. Retrieved from www.iiste.org

Yousuf, S., & Islam, M. D. (2015). The concept of corporate governance and its evolution in Asia. *Research Journal of Finance and Accounting* 6 (5), 19-25. Retrieved from www.iiste.org

Zainol, S., and Apadore., K. (2014). Determinants of corporate governance and corporate performance among consumer product industry: A Theoretical Model. *International Journal of Academic Research in Accounting, Finance and Management Sciences*.

APPENDICES

APPENDIX A: Raw data set

DISCLOSURE	DISCLOSURE	DISCLOSURE	DISCLOSURE	DISCLOSURE
4	4	4	4	4
4	4	4	4	4
4	4	4	4	4
4	4	4	4	4
4	4	4	4	4
4	4	4	4	4
3	3	3	3	3
4	4	4	4	4
4	4	4	4	4
3	3	3	3	3
4	4	4	4	4
3	3	3	3	3
3	3	3	3	3

BOARD-COMP	BOARD-COMP	BOARD-COMP	BOARD-COMP	BOARD-COMP	ETHICS	ETHICS	ETHICS	TOBIN'S Q
4	4	4	4	4	4	4	4	0.72
4	3	2	4	4	4	3	4	0.704
4	4	2	4	4	4	4	4	0.7093
4	4	2	4	4	4	4	4	0.7093
3	4	2	4	4	4	4	2	0.7073
3	3	2	4	4	4	3	2	0.702
3	4	4	3	3	4	4	4	0.7007
3	4	4	4	4	4	4	4	0.718
3	3	4	4	4	4	3	4	0.7127
3	4	4	3	3	3	4	4	0.7007

3	3	4	4	4	4	4	4	0.7127
4	4	4	3	3	4	4	4	0.7027
4	3	4	3	3	3	3	4	0.6973

APPENDIX B: Diagnostic Test Results

Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
TQ	.150	13	.200*	.949	13	.589

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.973 ^a	.946	.928	.00187514	.685

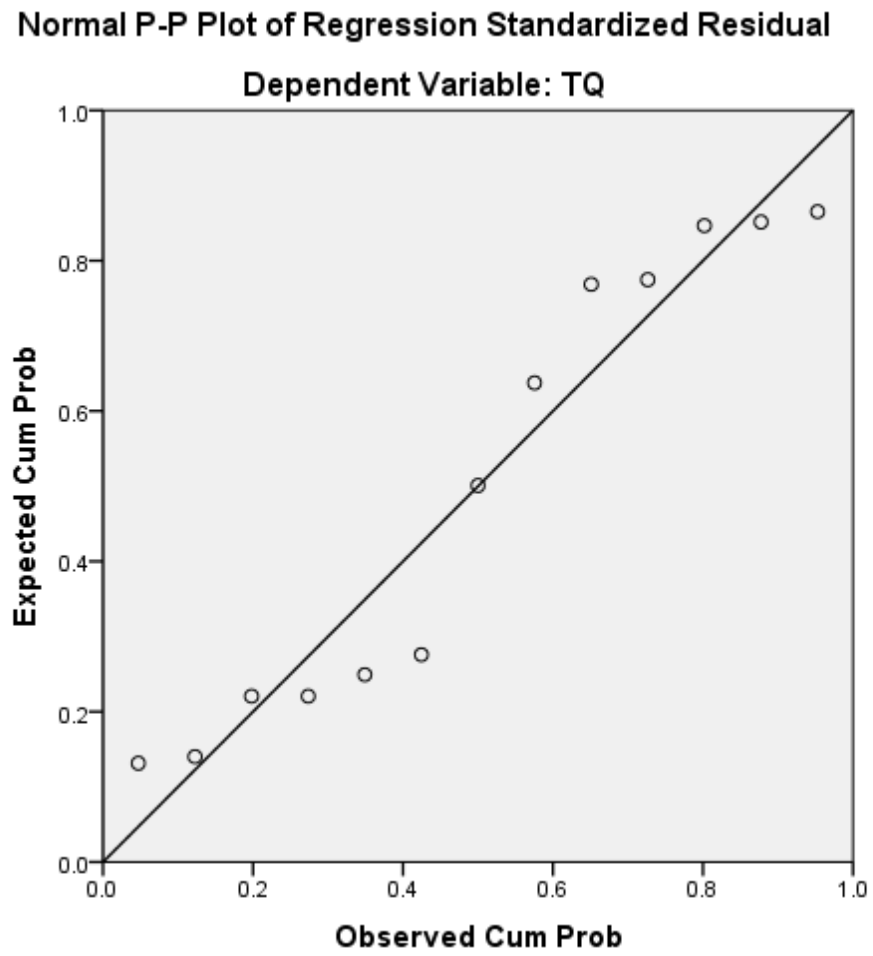
a. Predictors: (Constant), Ethics_and_conflict_of_interest, Disclosure, Board_Composition_and_performance

b. Dependent Variable: TQ

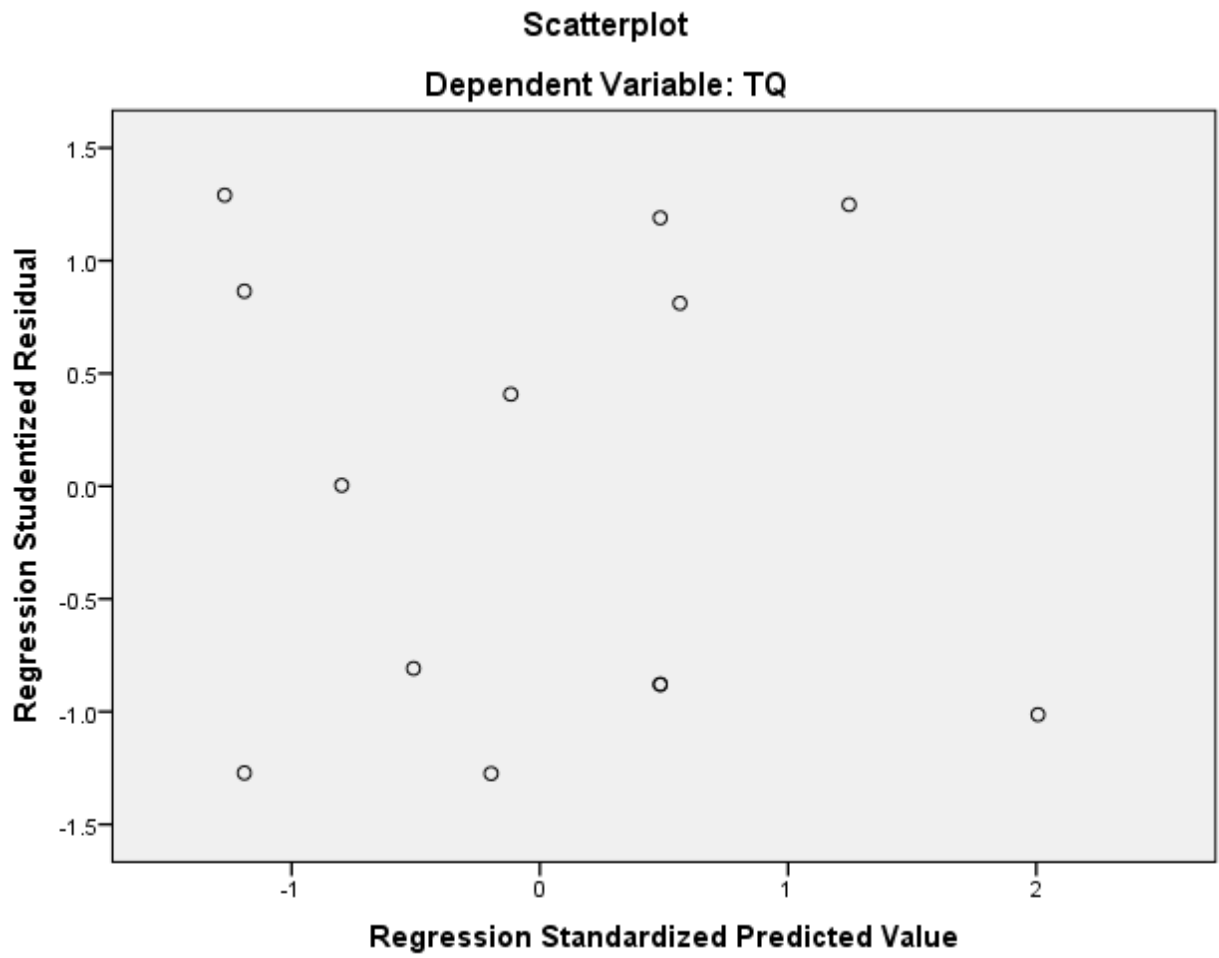
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.597	.009		63.178	.000		
	Disclosure	.007	.001	.465	4.924	.001	.670	1.492
	Board_Composition_and_performance	.026	.004	.763	5.822	.000	.347	2.881
	Ethics_and_conflict_of_interest	-.002	.003	-.073	-.578	.577	.373	2.680

a. Dependent Variable: TQ



Heteroscedasticity results



APPENDIX C: Output of results

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.973 ^a	.946	.928	.00187514	.685

a. Predictors: (Constant), Ethics_and_conflict_of_interest, Disclosure, Board_Composition_and_performance

b. Dependent Variable: TQ

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.597	.009		63.178	.000		
	Disclosure	.007	.001	.465	4.924	.001	.670	1.492
	Board_Composition_and_performance	.026	.004	.763	5.822	.000	.347	2.881
	Ethics_and_conflict_of_interest	-.002	.003	-.073	-.578	.577	.373	2.680

a. Dependent Variable: TQ

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	3	.000	52.848	.000 ^b
	Residual	.000	9	.000		
	Total	.001	12			

a. Dependent Variable: TQ

b. Predictors: (Constant), Ethics_and_conflict_of_interest, Disclosure,
Board_Composition_and_performance

zacks

ORIGINALITY REPORT

15%

SIMILARITY INDEX

1%

INTERNET SOURCES

0%

PUBLICATIONS

14%

STUDENT PAPERS
