Corporate Governance and Social Responsibility in Banking- Case Study Mogadishu Somalia

Abdulkadir Khalif Abdulle
Graduate School of Finance
Istanbul Commerce University, Turkey

Esin Okay
Lecturer, Department of Business Administration
Istanbul Commerce University, Turkey

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

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

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

Keywords:- *Corporate governance, Corporate Social responsibility, Financial Performance, Return on Equity, Return on Assets.*

I. INTRODUCTION

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

High risk taking is considered a dominant reason causing meltdown of financial markets (Peni & Vähämaa, 2011). This can be under control through corporate governance strategies that are intended to provide an agent concern on the misbehaviors for the managers that can't reduce the welfare for the people in the organizations (Gup, 2007).

The value for the governance in corporate environment is hence increasing the case for urgency challenges that can restrict the transactions cost that can generate effective contact solutions for the organizations.

Since both conditions are present, it's not surprising that researchers connect results of crisis to shortcomings in existing corporate governance practices and regulation (Ellul and Yerramilli, 2013).

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

The evidence concerning the straight developed focus on the issue of corporate governance practice is supported by the relationship of the CSR concepts to the once of corporate governance (Louche & Van den Berghe, 2005). The long discussion provided to the managers of the organization indicate that CSR is a clear and related concept to corporate social performances for the responsiveness of the organizations under corporate citizens in the controversy that initiate the difficulty for the studies.

A. Objectives of the Study

In order to accomplish my research objective, this study seeks to address the following research objectives;

- To examine the influence of corporate governance and its effects on financial performance for commercial banks in Mogadishu.
  - To determine the influence that corporate governance has on profitability for commercial banks in Mogadishu Somalia.
  - To assess the influence of corporate governance on the sales growth in commercial banks in Mogadishu Somalia.
  - To examine the effect that corporate governance on return on equity and assets in banks in Mogadishu.

- To determine how corporate social responsibility influence the financial performance for the commercial banks
  - To assess the effect that corporate social responsibility has profitability of commercial banks in Mogadishu.
  - To examine the influence of corporate social responsibility on sales generations for the commercial banks.
  - To examine the influence that corporate social responsibility has on Return on equity and assets in the banks Mogadishu.

II. REVIEW OF RELEVANT LITERATURE

❖ *Corporate Governance*

The issue of corporate governance is measured on the management of the separations for the ownership and manageable focus for the organizations that are identified for the Berle and Means (1932). Berle and Means (1932) have provided the means for the exploration of the structures of the effect of the separations for the owner and controls (Clarke, 2004, p.154).

The form focuses on the wide knowledge that contemplate for the sought for the corporations of the governance for (Chau, 2011) for the hypothesis for the building block that corporate governance for the (Kiel and Nicholson, 2003).

To provide a resolution to the change in the corporation's strategies that are involved in the organizations setting in that stakeholders are taken as important for the management of the agents and acting to ensure the principles interests.

Corporate governance is a broader and expected form of corporate citizenship behaviors that is expected for an accountable and shareholder that are wide connected to the communities in which they exist (Ingley, 2008, p.18).

Corporate governance is hence the depended view of the world (Shahin and Zairi, 2007). The main form of the categories for the corporations is mechanisms of protection of the interests that owners of the companies have in the protection of the perspectives of the views that are connected to protection of the wide range stakeholder values.

A. Principles of Corporate Governance and Institutional Recommendations

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

Good corporate governance is not end in self; it is the means for creation of a market confidence that the business integrate support that in case turns essential for the companies that need accessibility for the equity in the long-term environment for investments. Therefore, accessibility is the equity value of capital needed to provide importance to the orientation of the growth in the companies to balance the increases and leverage the formal development concern. The update of G20 principles for corporate governance is hence provided in the timely and touched contributions to the G20 priorities in the 2015 that support the investments for the growth in resources.

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

B. Supervisory Authorities: Monitoring Risk Management

Organizations in the industry specific characteristics, some of which even distinguishes them from other financial institutions. Venuti and Alfiero (2016) outline the following industry specific traits that influence application of corporate governance mechanisms in insurance companies:

- The regulate for the sector solvency is above price provided for the many regulators in the legislations.
- The inversion for the product lifecycle is raising a concern on the premium required for the corresponding costs that are incurred
- There is special quest concerning the revenue connected to the certainty of the former in amount of time and certainty for the policy expiration
- The high social importance for the community policy holders and financial market is the value of the investors.

C. Changes in Corporate Governance Regarding the Global Financial Crisis

The financial crisis of the 2008 that provide an indication of the shortcoming in corporate governance and the motivations for the investigations for the them. The 2008-2010 the Organization for Economic Co-operation and Development (OECD) steering group and the corporations that present the analysis of the weakness in the corporate governance that contribute to the development of the crisis and the conclusion and recommended in the three documents of corporate governance lessons for the financial crisis in 2009, corporate governance and financial crisis, 2009 and the CG and financial crisis presenting conclusions and emergence of the good practices for implementing the principles.

The issue corporate governance lesson for the financial crisis in 2009 concluding that the weak corporate governance procedure can be taken as the cause financial crisis that is important to some extent.

❖ *Corporate Social Responsibility*

A. Definition and Importance

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

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

B. Effect of CSR and Financial Perfomance

Proponents of the first strand such as Akindele (2011) set to investigate on the extent to which the banking of retail nature contributes to corporate responsible society practices adopted a survey deign were ex-post facto. The information based on data that was descriptive and inferential statistics revealed that a significant effect was detected profits and CSR practices Olayinka and Temitope (2011) in reaching similar findings, focused on developing economies using a qualitative research method.

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

Jerotich & Mwangi (2013) has been criticized for its inadequacies particularly subjectivity in ratings and inconsistencies in reporting. The Kinder, Lydenberg and Domini database (KLD), a rating service is deemed the best measure for CSR in that it which assesses the dimension effect for CSR and interests for performance of the organisations financially through using internal and external sources of information.

III. METHODOLOGY

- *Research Design and Population*

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

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

- *Sample Size*

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

ISSN No:-2456-2165

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

Table 1:- Populations and Sampling in the study
Source: Primary Source, 2018.

➢ *Sampling Techniques*

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

➢ *Data Collection Methods*

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

➢ *Survey*

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

➢ *Interview Method*

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

❖ *Data Collection Instruments*

➢ *Questionnaire*

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

➢ *Data Quality Control*

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

➢ *Validity*

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

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

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

➢ *Reliability*

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

ISSN No:-2456-2165

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

Table 2:- Reliability of the Study

This Research involved the use of quantitative data analysis.

➢ *Quantitative Data Analysis*

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

The interpretations are provided based on the data provided below.

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

IV. RESULTS AND DISCUSSIONS

This part is concerned with the findings of the study based on the topic, corporate governance, corporate social responsibility and sales, profits and returns on the commercial banks in Mogadishu Somalia. The section presents the demography of respondents, descriptive statics and inferential statistics based on the regression analysis. The presentations are based on the specific research objectives of the study that are presented in the provided form below.

A. Response Rate

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

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

Table 3:- Response Rate
Source: Primary Data, 2019

Results in table 3 above reveal that majority respondents in the study were 168 respondents. Although the response was not on the actual, the data was collected from responsible respondents hence not doubtable for data collections.

B. Demographic Profile of Respondents

➢ *Gender of Respondents*

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

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

Table 4:- Gender of Respondents
Source: Field Data, 2019

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

➢ *Age of Respondents*

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

Table 5:- Age of Respondent
Source: Field data, 2019

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

ISSN No:-2456-2165

➢ *Findings on Education of Respondents*

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

Table 6:- Show Education of the Respondents
Source: Field data, 2019

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

➢ *Marital status*

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

Table 7:- Marital Status of Respondents
Source: Field data, 2019

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

➢ *Time of work*

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

Table 8:- Time of Work of Respondents
Source: Field data, 2019

Findings in table 8 show that many respondents were in the age of work of 10-14 years while those of 1-4 years were 29.2%, those of 5-9 years were 15.5% and those of 15 years above were 19.6% respondents. The study findings indicate that the majority respondents had experience in working with the banks in Mogadishu, they hence understand the study.

V. DESCRIPTIVE STATISTICS ON CORPORATE GOVERNANCE IN BANKS IN SOMALIA

Before focusing on the objectives of the study and measuring the effect between variables. The study first sought to investigate the description of corporate governance in banks in Somalia while focusing on the descriptive statistics after linear regression is conducted to determine the effect between the variables of the study. The presentation of the data is connected to the like scale measure of 5, 1. Based on strongly agree to strongly disagree.

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

Table 9:- Descriptive Statistics on Corporate Governance in Banks in Somalia
Source: Field data, 2019

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

➢ *Descriptive statistics on corporate social responsibility in banks in Mogadishu Somalia*

Descriptive Statistics				
Corporate Social responsibility	N	Mean	Std. Dev	Interpretation
The bank provides a wide range of indirect benefits to improve the quality of employees' lives.	168	3.053	1.296	Good
The bank policies provide a safe and healthy working environment to all its employees.	168	2.434	1.343	Poor
There are sufficient numbers of opportunities to develop my skills in my current job.	168	3.488	1.418	Fairly good
Our bank policies encourage the employees to develop their skills and careers.	168	2.827	1.555	Fairly good
Our bank implements flexible policies to provide a good work & life balance for its employees	168	3.250	1.352	Fairly good
The bank provides full and accurate information about its products to its customers	168	2.988	1.308	Fairly good
The bank contributes to schools, hospitals, and parks according to the needs of the society.	168	3.488	1.539	Fairly good
Our company always pays its taxes on a regular and continuing basis	168	3.297	1.595	Fairly good
The bank complies with legal regulations completely and promptly	168	3.309	1.484	Fairly good
The bank's main principle is honesty in every business dealing	168	2.982	1.424	Fairly good
The bank implements special programs to minimize its negative impact on the natural environment	168	2.702	1.274	Fairly good
The bank supports nongovernmental organizations working in problematic areas.	168	3.053	1.473	Fairly good
Corporate Social Responsibility	**168**	**3.072**	**.401**	**Fairly good**

Table 10:- Corporate social responsibility in banks in Mogadishu
Source: Field data, 2019

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

➢ *Financial Performance of banks in Mogadishu Somalia*

Descriptive Statistics				
	N	Mean	Std. Dev	**Interpretation**
Profits have increased over the past three years	168	2.9881	1.435	Fairly good
There has been increment in the profits due to cost reduction	168	3.1905	1.451	Fairly good
Profits earned been sufficient to meeting the returns on investments	168	3.6548	1.203	Fairly good
Profitability	**168**	**3.2778**	**.767**	**Fairly good**
There is growth in the sales capacity	168	2.3988	1.300	Poor
There is effectiveness in the marketing for the products	168	2.3988	1.300	Poor
Loyalty for the customers increased the sales growth	168	3.0893	1.396	Fairly good
Sales growth	**168**	**2.9220**	**.647**	**Fairly good**
The returns on equity employed is high annually	168	2.9405	1.260	Fairly good
There is equitable flows in the returns on the equity	168	2.8929	1.262	Fairly good
The ban returns on the assets is sufficient on the annual basis	168	3.2381	1.253	Fairly good
Return on assets and Equity	**168**	**3.0357**	**.706**	**Fairly good**
Financial Performances	**168**	**3.0785**	**.706**	**Fairly good**

Table 11:- Financial Performance of banks in Mogadishu Somalia
Source: Field data, 2019

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

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

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

- To determine the effect of corporate governance on Profits of the banks in Mogadishu Somalia.
- To examine the effect of corporate governance on sales growth in banks in Mogadishu Somalia.
- To examine the effect of corporate governance on return on equity and assets in banks in Mogadishu.

➢ *Effect of corporate governance on Profits of the banks in Mogadishu Somalia*

Model Summary

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

a. Predictors: (Constant), Corporate Governance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.901	1	5.901	10.594	.001[b]
	Residual	92.49	166	.557		
	Total	98.370	167			

a. Dependent Variable: Profitability
b.Predictors: (Constant), Corporate Governance

Coefficients[a]

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

a. Dependent Variable: Profitability

Table 12:- Regression on corporate governance and Profitability of the banks in Mogadishu Somalia
Source: Field Data, 2019

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

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

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

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

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.116[a]	.013	.007	.64472
a. Predictors: (Constant), Corporate Governance				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.940	1	.940	2.261	.035[b]
	Residual	69.000	166	.416		
	Total	69.940	167			
a. Dependent Variable: Sales growth						
b. Predictors: (Constant), Corporate Governance						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.505	.391		8.965	.000
	Corporate Governance	.185	.123	.116	1.504	.035
a. Dependent Variable: Sales growth						

Table 13:- Effect of corporate governance on sales growth
Source: Field Data, 2019

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

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

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

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

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.129[a]	.017	.011	.70267
a. Predictors: (Constant), Corporate Governance				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.379	1	1.379	2.792	.007[b]
	Residual	81.963	166	.494		
	Total	83.341	167			
a. Dependent Variable: Return on assets and Equity						
a. Predictors: (Constant), Corporate Governance						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.329	.426		5.466	.000
	Corporate Governance	.224	.134	.129	1.671	.007
a. Dependent Variable: Return on assets and Equity						

Table 14:- Regression on corporate governance on return on equity and assets in banks
Source: Field Data, 2019

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

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

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

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

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

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

- To assess the contribution of corporate social responsibility on profitability of the banks in Mogadishu.
- To examine the effect of corporate social responsibility on sales of banks Mogadishu.
- To examine how corporate social responsibility of corporate organisations on Return on equity and assets in the banks Mogadishu.

➢ *Effect of corporate social responsibility on profitability of the banks in Mogadishu*

Model Summary

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

a. Predictors: (Constant), Corporate Social Responsibility

ANOVA[a]

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

a. Dependent Variable: Profitability
b. Predictors: (Constant), Corporate Social Responsibility

Coefficients[a]

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

a. Dependent Variable: Profitability

Table 15:- Regression on corporate social responsibility on profitability of the banks
Source: Field Data, 2019

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

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

ISSN No:-2456-2165

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

➢ *Effect of corporate social responsibility on sales of banks Mogadishu.*

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.179[a]	.032	.026	.63856
a. Predictors: (Constant), Corporate Social Responsibility				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.252	1	2.252	5.524	.020[b]
	Residual	67.687	166	.408		
	Total	69.940	167			
a. Dependent Variable: Sales growth						
b. Predictors: (Constant), Corporate Social Responsibility						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.811	.381		9.990	.000
	Corporate Social Responsibility	-.289	.123	-.179	2.350	.020
a. Dependent Variable: Sales growth						

Table 16:- Regression on corporate social responsibility and sales of banks Mogadishu
Source: Field Data, 2019

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

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.016[a]	.000	-.006	.70847
a. Predictors: (Constant), Corporate Social Responsibility				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.021	1	.021	.042	.837[b]
	Residual	83.320	166	.502		
	Total	83.341	167			
a. Dependent Variable: Return on assets and Equity						
b. Predictors: (Constant), Corporate Social Responsibility						

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.949	.423		6.968	.000
	Corporate Social Responsibility	.028	.137	.016	.206	.837
a. Dependent Variable: Return on assets and Equity						

Table 17:- Regression on corporate social responsibility on return on equity and assets.
Source: Field Data, 2019

Findings in table above regarding the effect of corporate social responsibility on return on equity and assets of banks in Mogadishu, the results reveal that the R value was .016, this imply that corporate governance leads to return on assets and equity by 1.6%. The error estimate of .70847 signifies the closeness of data.

The Analysis of variance (ANOVA) table reveal that the effect between Corporate social responsibility and returns on assets and equity of the banks in Mogadishu was non-significant (Sig=.837) that is above the level of significance of 0.05.

The study results imply that corporate social responsibility has no significant effect on returns of the banks in Mogadishu Somalia.

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

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

VI. CONCLUSION

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

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

REFERENCES

[1]. **Adams, R. B**. (2012, March). Governance and the Financial Crisis. *International Review of Finance, 12*(1), 7–38. doi:10.1111/j.1468-2443.2011. 01147.x

[2]. **Agoraki, M.-E. K., Delis, M. D., & Staikouras**, P. (2010). The effect of board size and composition on bank efficiency. *International Journal of Banking Accounting and Finance, 2*(4). doi:10.1504/IJBAAF.2010.03715

[3]. **Appelbaum, B**. (2012) March 23). ECONOMIX: NEW YORK TIMES. Retrieved 01 08, 2016, from NEW YORK TIMES: http://economix.blogs.nytimes.com/2012/03/23/recessions-lasting-effects/?_r=0.

[4]. **BERLE, A. A. & MEANS, G. C**. 1932. *The modern corporation and private property*, Transaction Pub

[5]. **Bowen, H.R.** (1953). *Social Responsibilities of the Businessman*, Harper & Brothers Publishers, New York, NY. European Commission 2001, *Promoting a European framework for corporate social responsibility Green Paper*, Office for Official Publications of the European Communities, Luxembourg

[6]. **Caprio, G., Laeven, L., & Levine**, R. (2007, October). Governance and bank valuation. *Journal of Financial Intermediation, 16*(4), 584–617. doi: 10.1016/j.jfi.2006.10.003

[7]. **CLARKE, T**. 2004. Cycles of Crisis and Regulation: the enduring agency and stewardship problems of corporate governance. *Corporate Governance: An International Review*, 12**,** 153-161.

[8]. **Cornett, M. M., McNutt, J. J., & Tehranian, H**. (2009). Corporate governance and earnings management at large U.S. bank. *Journal of Corporate Finance*, 412–430

[9]. **De Haan, J., & Vlahu, R**. (2015, January 13). Corporate Governance of Banks: A Survey. *Journal of Economic Surveys*, 1–50. doi:10.1111/joes.12101

[10]. **DEY, A**. 2008. Corporate governance and agency conflicts. *Journal of Accounting Research,* 46**,**1143-1181.

[11]. **Friedman, M**. (1970). A Friedman doctrine: The social responsibility of business is to increase its profits." The New York Times Magazine 13(1970): 32-33. 226

[12]. **Ellul, A., & Yerramilli, V**. (2013). Stronger Risk Controls, Lower Risk: Evidence from U.S. Bank Holding Companies. *The Journal of Finance, 65*(5), 1757–1803. doi:10.1111/jofi.12057

[13]. **. Fernandes, N., & Fich, E. M**. (2014). Does Financial Experience Help Banks during Credit Crises? Retrieved May 10, 2016, from ftp://ftp.cemfi.es/pdf/papers/wshop/WPM$60DE.pd

[14]. **Grove, H., Patelli, L., Victoravich, L. M., & Xu, P**. (. (2011). Corporate Governance and Performance in the Wake of the Financial Crisis: Evidence from US Commercial Banks. *Corporate Governance: An International Review, 19*(5), 418–436. doi:10.1111/j.1467-8683.2011.00882

[15]. **He, E., & Sommer, D. W**. (2011). CEO Turnover and Ownership Structure: Evidence from the U.S. Property–Liability Insurance Industry. *Journal of Risk and Insurance*, *78*(3), 673–701. doi:10.1111/j.1539-6975.2011. 01416.x
[16]. **Howard, C.** (2014). Basel III's Corporate Governance Impact: How Increased Banking Regulations Pose Challenges to Corporate Compliance While Simultaneously Furthering Stakeholder Objectives. *Journal of Business Systems, Governance & Ethics*, *9*(1), 39-49.
[17]. **INGLEY, C. B**. 2008. Company growth and Board attitudes to corporate social responsibility. *International Journal of Business Governance and Ethics*, 4**,** 17-39.
[18]. **Ittner, C.D., Larcker, D.F. & Randall, T**. (2003). Performance implications for strategic performance measurement in financial services firms.
[19]. **KIEL, G. C. & NICHOLSON, G. J**. 2003. Board composition and corporate performance: How the Australian experience informs contrasting theories of corporate governance. *Corporate Governance: An International Review*, 11**,** 189-205.
[20]. **Kim, P. K and Rasiah, D,** (2016). Relationship between corporate governance and bank performance in Malaysia during the pre and post Asian Financial Crisis". European journal of Economics, Finance and Administrative sciences, ISSN 14502275 Issue 21 (2010), 56 – 58
[21]. **Laeven, L. (2013).** Corporate Governance: What's Special About Banks? *Annual Review of Financial Economics*, *5*, 63-92. doi:10.1146/annurev-financial-021113-074421
[22]. **Louche, C., & Van den Berghe, L**. (2005). The Link Between Corporate Governance and Corporate Social Responsibility in Insurance. *Geneva Papers on Risk and Insurance - Issues and Practice*, 425–442. doi: 10.1057/palgrave.gpp.251003
[23]. **MACKENZIE, C**. 2007. Boards, Incentives and Corporate Social Responsibility: the case for a change of emphasis. *Corporate Governance: An International Review,* 15**,** 935-943
[24]. **Mallin, C.A**. (2004). Corporate Governance, Oxford: Oxford University Press.
[25]. **Manafi R**. (2015) Study of the Relationship between Corporate Governance and Financial Performance of the Companies Listed in Tehran Stock Exchange Market.
[26]. **Manville, B. & Ober, J**. (2003). Beyond empowerment: building a company of citizens, Harvard Business Review, 81(1), 48-53.
[27]. **Margolis, J. D., & Walsh, J. P**. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48, 268-305.
[28]. **Matama Rogers** (2008). Corporate Governance and Financial Performance of Selected Commercial Banks in Uganda.
[29]. **Matengo, M**. (2008). The Relationship between Corporate Governance Practices and Performance: The case of Banking Industry in Kenya, unpublished MBA of the University of Nairobi
[30]. **Mugenda, O. M., & Mugenda, A. G**. (2003). Research Methods: Quantitative and Qualitative Approaches. Nairobi. Acts Press.
[31]. **Muriithi, A.M.** (2005). The relationship between corporate governance mechanisms and performance of firms quoted on the NSE. Unpublished MBA Project. University of Nairobi.
[32]. **Mutuku, K.** (2015) The relationship between corporate social responsibility & Financial performance, A case of Publicly Quoted Companies in Kenya, *Unpublished MBA Thesis*, University of Nairobi.
[33]. **Mwangi M. W**. (2013). The effect of corporate governance on financial performance of companies listed at Nairobi Security Exchange. Unpublished MBA Project. University of Nairobi.
[34]. **Mwega, F. M**, (2010). "Global Financial Crisis Discussion Series Paper 17: Kenya Phase 2". January 2010, Overseas Development Institute 111 Westminster Bridge Road. London SE1 7JD
[35]. **Orlitzky, M., F. L. Schmidt and S.L. Rynes** (2003). "Corporate social and financial performance: A metaanalysis. Organization Studies 24(3): 403-441.
[36]. **Shabirr, A. and Padgett, C**. (2015). The UK Code of Corporate Governance: Link Between Compliance and Firm Performance.
[37]. **Shleifer, A. & Vishny, R. W**. (1996). A survey of corporate governance. National Bureau of Economic Research Cambridge, Mass., USA.
[38]. **Simpson & Kohers**, (2012). The corporate social performance and corporate financial performance debate", *Business and Society, 36*, 5-32.
[39]. **Valsamakis** (2005) Measuring Performance of Microfinance Institutions. A Framework for Reporting Analysis and Monitoring, Washington D.C, USA.
[40]. **Van Marrewijk M**. (2001). *The Concept and Definition of Corporate Social Responsibility*. Triple P Performance Center:
[41]. **Zvavahera and Gladys, Ruvimbo, Ndoda**, (2014). Corporate governance and ethical behaviour: The case of the Zimbabwe Broadcasting Corporation, Journal of Academic and Business Ethics, Volume 9
[42]. **Tannaa, S., Pasiouras, F., & Nnadi, M**. (2011). The Effect of Board Size and Composition on the Efficiency of UK Banks. *International Journal of the Economics of Business, 18*(3), 441-462. doi:10.1080/13571516.2011.618617
[43]. **Peni, E., & Vähämaa, S**. (2011, April). Did Good Corporate Governance Improve Bank Performance during the Financial Crisis? *Journal of Financial Services Research, 41*(1-2), 19-35. doi:10.1007/s10693-011-0108-9.