

# Effectiveness of Corporate Governance on the Performance of Commercial Banks in Zimbabwe

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## Abstract

The study analysed the effectiveness of the governance within the Zimbabwean commercial banking sector. The study was based on the rationale that the Zimbabwean commercial banking sector had witnessed a negative trend in terms of return on investment. The study adopted a combination of exploratory and explanatory research designs and gathered data from 124 participants using questionnaires and interview guides. In terms of data analysis, the thematic analysis, descriptive statistics, correlation analysis and random effects panel regression was adopted with data for 12 banks for the period 2018-2020. The study revealed that effective boards can be rated based on board composition, independence and level of skill diversity. Most of the banks in Zimbabwe are using a formal two-tier structure, whereas other banks which are private owned are using a one-tier structure and others adopted the mixed tier system. The study concluded that both the size of the governing board and audit committee composition positively significantly influenced the Zimbabwean commercial banking sector.

**Key words:** Corporate Governance, Banks, Boards

## Introduction

Boards are expected to lead the organization by providing direction, monitoring and evaluation, which can only be accomplished if the boards have appropriate board sizes, diverse skills and competencies, board independence and transparent appointments. These are the elements that contribute to a board performing at its best. The boards have executives who are expected to possess skills (Mazulu, 2016). The financial institutions of India developed governing boards based on quality aspects and in terms of their performance and Rasten (2018) pointed out that Indian financial institutions have been rated high in terms of accountability and integrity. According to Levitt (2019) nations such as Indians have adopted corporate governance which has significantly instilled a strong confidence level of shareholders. The report from the Committee, Blue Ribbon (2019) acknowledges the fact that regulators in nations like USA and UK are among nations who has successfully enacted corporate governance reforms and have realized a significant benefit from such an intervention. Moving down to the African continent, in early 2000s the Eastern part of Africa in Kenya microfinance association and employees were highly valued in terms of their obligations and wages for employees at the same time managing performance and sustainability aspect of their institutions (Marian & Levitt, 2019). Marian and Levitt (2019) reiterate that the model of Kenya was successful as the board performance was been improved by considering several aspects like experience, exposure, knowledge and ethics. In Zimbabwe, the statistics between 1980 and 2015 there were close to

twenty cases related to bank failures, but little is known on whether corporate governance has a major contributing factor (RBZ, 2015). Drawing from RBZ (2018) the commercial banking sector registered a negative 20.24% growth rate in total assets over the one-year period to \$242.55 million as at 31 March 2019 from \$291.66 million as at 31 March 2018. This was in contradiction to total loans which constituted 73.74% of the sector's total assets, increased by 14.80% from \$187.49 million as at 31 March 2018 to \$218.38 million as at 31 March 2019 which was expected to yield positive performance. In addition, to level of total assets, the industrial performance, drawing from RBZ Reports (2018-2020) the findings have shown negative rates on return on investment. There has been a negative trend with 4%, 3.2%, 3.3% respectively for the period 2018-2020 and this has resulted in poor performance among commercial banking institutions in Zimbabwe. In the same period according to the Ministry of Finance Reports (2018; 2019; 2020) there has been a change in the financial institutions governing boards. First Capital Bank and Standard Chartered Bank changed its governing board in 2018 and at the same time CBZ, ZB, Eco Bank and NMB also altered the board structure in 2019. Several studies have been conducted in Zimbabwe, which focused on economic variables such as price stability, monetary policy and fiscal policies but non-of those factors answer the poor performance of the commercial banks in Zimbabwe. Even though from an international perspective boards were reported to have a significant contribution towards the performance of financial institutions, little is known about corporate governance in the commercial banking sector of Zimbabwe that has witnessed a negative trend in terms of a return on investment. The question to how and whether commercial bank performance is related to governance structure is yet to be confirmed since issues to do with corporate governance has extensively not yet received adequate consideration especially in the banking industry of Zimbabwe. From the existing literature in Zimbabwe Mavambo (2020), Ruman (2021) pointed out that performance of commercial banks is mostly affected by macroeconomic variables such as inflation, employment level and economic growth leaving out the issues to do with corporate governance.

## Research methodology

The study adopted explanatory and exploratory research designs which involved the collection of quantitative data such as ROA for the commercial bank through factsheets and annual reported financial statements. An explanatory research design was selected on the basis that it permits qualitative data on corporate governance to be collected using interview guides. In addition, explanatory research design allowed the use of analysis of categorical qualitative data, establishment of themes and at the same time allows quantitative data analysis (Saunders, 2016). The target population of the study constituted bank employees in the finance departments and directors of 12 existing commercial banks in Zimbabwe.

**Table 1: Target Population**

| Targeted Participants              | Name of Commercial Banks | Participants at HQ |
|------------------------------------|--------------------------|--------------------|
| Employees under Finance Department | AFC                      | 15                 |
|                                    | Banc ABC Zimbabwe        | 7                  |
|                                    | First Capital Zimbabwe   | 18                 |
|                                    | CBZ Bank Limited         | 15                 |
|                                    | Eco bank Zimbabwe        | 8                  |
|                                    | FBC Bank Limited         | 15                 |
|                                    | MBCA Bank Limited        | 12                 |
|                                    | NMB Bank Limited         | 11                 |

|           |                               |            |
|-----------|-------------------------------|------------|
|           | Stanbic Bank Zimbabwe Limited | 10         |
|           | Standard Chartered Zimbabwe   | 12         |
|           | Steward Bank                  | 19         |
|           | ZB Bank Limited               | 14         |
| Directors | All Banks                     | 12         |
|           | <b>TOTAL</b>                  | <b>168</b> |

**Source: Bank Survey 1<sup>st</sup> Quarter (2021)**

The target population was 168, which was constituted of 156 employees from finance departments, and 12 Directors in the commercial banks in Zimbabwe. Employees from the finance department were targeted as they provided information on the performance of the banks. The study adopted the stratified random sampling. First, the researchers divided the 168 participants into 2 strata based on roles they play. The first stratum consisted of directors and the second stratum consisted of employees from the finance departments. Furthermore, within each stratum the researcher used the Raosoft Calculator where a margin of error was 5% at 95% confidence level and response distribution at 50%. Based on the adopted sample size formula, for the stratum with 156 employees in total 112 were the deduced sample sizes. In addition, for the second stratum with 12 managers according to the Raosoft Calculator the sample size was made up of 12 managers. However, to ensure that equal distribution across the banks was ensured a weighted sample was drawn from each bank and this resulted in the following sampling framework as shown in Table 2.

**Table 1: Sampling Frame of the Study**

| Targeted Participants                         | Name of Banks          | Population | Weighted % | Sampled Units |
|---|------------------------|------------|------------|---------------|
| Employees under Finance Department            | AFC                    | 15         | 10%        | 11            |
|   | Banc ABC Zimbabwe      | 7          | 4%         | 5             |
|   | First Capital Zimbabwe | 18         | 12%        | 13            |
|   | CBZ Bank Limited       | 15         | 10%        | 11            |
|   | Eco bank Zimbabwe      | 8          | 5%         | 6             |
|   | FBC Bank Limited       | 15         | 10%        | 11            |
|   | MBCA Bank Limited      | 12         | 8%         | 9             |
|   | NMB Bank Limited       | 11         | 7%         | 8             |
|   | Stanbic Bank           | 10         | 6%         | 7             |
|   | Standard Chartered     | 12         | 8%         | 9             |
|   | Steward Bank           | 19         | 12%        | 14            |
|   | ZB Bank Limited        | 14         | 9%         | 10            |
| Subtotal – Employees under Finance Department |                        | 156        | 100%       | 112           |
| Directors                                     | All Banks              | 12         | 100%       | 12            |
|   | <b>TOTAL</b>           | <b>168</b> |            | <b>124</b>    |

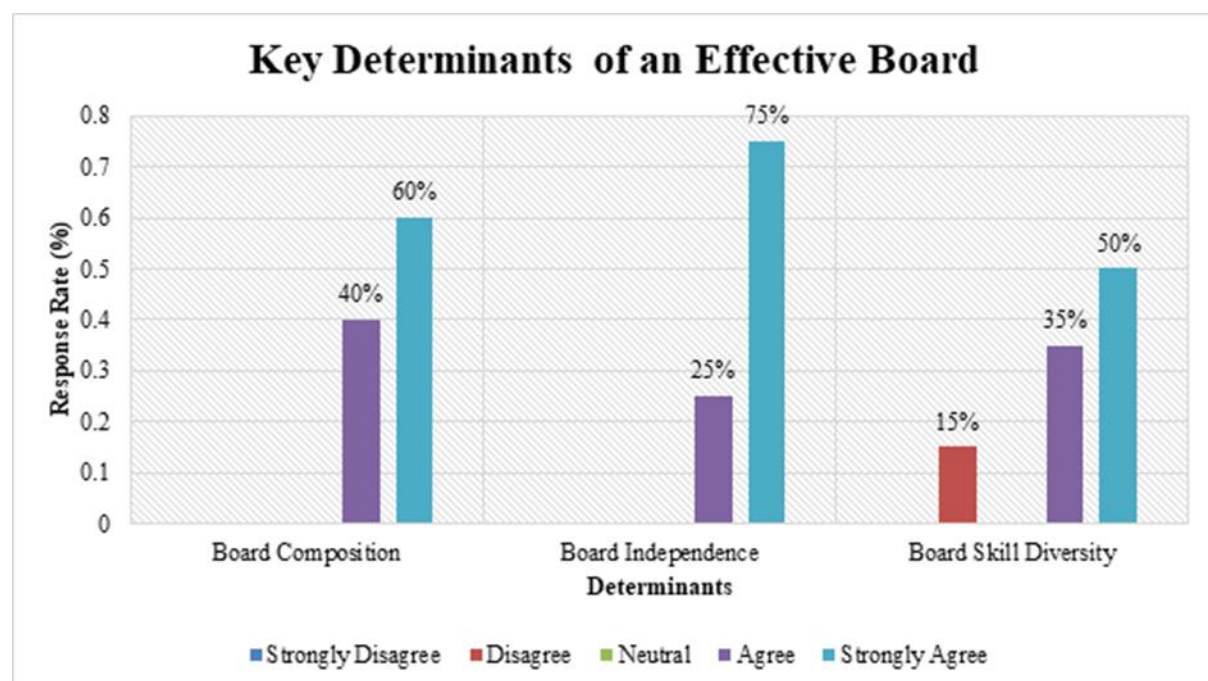
**Source: Researcher Computations**

A guide for a face-to-face interview was developed and was utilized for gathering primary information. However, to maximize participants' response rate, appointments were made with the selected 12 Directors and a 20 minute-interview was used per participant. Rawls (2018) indicates that a guide for key informant interview manage cost and time associated with data collection. However, face to face interviews could not be used for larger population and they require lot of preparations and appointments. An alternative for employees in finance

departments was to adopt a questionnaire. The questionnaire was developed and used to gather data from the 112 employees in finance departments in commercial banks in Zimbabwe based in Harare. The questionnaire was a semi-structured tool which allowed the collection of responses from both open and closed ended questions. To maximize response rate from the questionnaire, the researcher developed both online and hard copy questionnaires since other respondents preferred computer-based questionnaire while others required paper-based questions. However, an internet-based questionnaire was faster in collecting data. The quantitative analysis used SPSS version 21 and STATA to compute measurements of location and dispersion. Correlation analysis, to measure relationships and effects of the variables under the objectives and conceptual framework, was adopted. In terms of the qualitative data, thematic analysis was adopted to analyse findings from the interview guides. Themes were used as they are more deductive in nature.

## Results and discussion

### Key determinants of an effective governing board



**Figure 1: Key determinants for effective commercial bank board**

**Sources: Computations from Primary Data**

Figure 1 showed that 60% of the participants strongly agreed that an effective board can be rated based on board composition while 40% of the participants agreed to the same statement. Based on the data gathered from the interview the researchers confirmed that the board members used corporate governance in the banking sector and Participant B highlighted that:

*“Usually we use corporate governance to promote transparency, accountability of the banking resources on behalf of the shareholders”*

A researcher asked a follow-up question on the general composition of the boards of the banks and Participant X, from one of the commercial banks clearly highlighted that:

*“Our governance board structures constitute the executive main committee, the risk management, finance, audit, HR committees. The diversity in such a composition is*

*based on the skills, nature of the issues we want to be deliberated and ratification we sought to be established to improve performance of board and bank performance. Some of boards lack effectiveness if composed of people without listening, contributory skills from diverse areas.”*

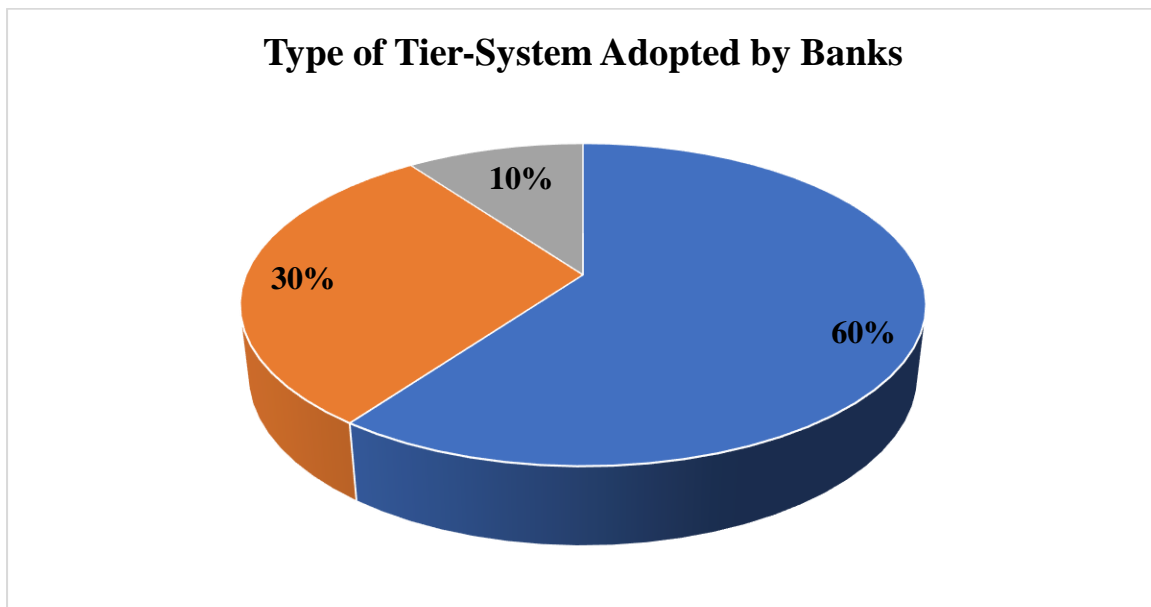
The researcher also posed an additional follow-up question which sought to establish the general roles of the board in the commercial banks and majority of the participants highlighted that:

*“As a board we develop the strategic plan of the bank we have to consider the interests of the shareholders, depositors among the other critical shareholders. However, we also look into the existing legal framework also when setting out the boards’ responsibilities and activities.”*

Another Respondent H, from one of the boards, responded by highlighting the following:

*“The effectiveness of the governance structure is reflected in its ability to tackle certain issues which can be of HR, audit, management and IT basis based on the diversified interests, knowledge and skills that exists among the board members in the commercial banking sector.”*

In terms of actual board structure or tier system the findings were as follows:



**Figure 2: Structure of the Boards under Commercial Banks in Zimbabwe**  
**Sources: Primary Data**

Figure 2 showed that 60% of the banks especially under the public sector such as AFC are using 2-tier system where executives has no overall control over the decisions. The findings revealed that 30% of the banks who were privately owned, such as NMB, Stewart Bank and ABC in Zimbabwe, are using a 1-tier system. It was noted that the other 10% of the commercial banks such as FBC, Stanbic and Standard Chartered others adopted the mixed tier system, an approach where senior management cannot be part of the board, and the committee is led by the non-executive independent members. Such a variation in the composition of the boards has

varied effects on the board performance. A correlation analysis was conducted to check how each structure was related to board performance and the results were as follows:

**Table 2: Correlation Analysis: Board Composition and Board Performance**

|                   |            | Board Performance | Board Composition |         |            |
|-------------------|------------|-------------------|-------------------|---------|------------|
|                   |            |                   | 1-Tier            | 2-Tier  | Mixed Tier |
| Board Performance |            | 1.000             |                   |         |            |
| Board Composition | 1-Tier     | 0.8216            | 1.000             |         |            |
|                   | 2-Tier     | 0.7906            | 0.4330            | 1.000   |            |
|                   | Mixed Tier | -0.7746           | -0.7071           | -0.6124 | 1.000      |

**Sources: STATA Computation**

A correlation analysis was used to determine whether the choice of board structure was related to the board performance. Table 3 showed a Pearson correlation coefficient value of 0.8216 which suggested that one tier board structure is strongly and positively related with board performance. In addition, two tier board structure had a Pearson correlation coefficient value of 0.7906 which meant there is another good positive relationship between the adopted two-tier board structure and board performance. However, a negative relationship between a mixed tier board structures which was adopted by only 10% of the commercial banks was witnessed to have a negative relationship (-0.7746) with board performance. The findings suggested that a one-tier board structure performed better than a mixed and two-tier boards. However, by combining the findings from questionnaires and interviews, the study concluded that the composition of the boards determines board effectiveness. Jizi (2017) postulates that the composition of the board influences corporates' board performance in terms of the traits and leading styles each board member possesses. Max (2020) is of the view that a 1-tier system can be used by the boards to improve the performance of the bank since no bureaucratic form the long tier structure is involved. In addition, Hist (2019) is of the view that a mixed tier might be the best since its situational it allows a board to choose between 1-tier and 2-tier depending on the situation at hand within the banking sector.

### **Board Independence as determinant of an Effective Board**

Figure 1 has showed that 75% of the participants strongly agreed that the independence of board members was key for its effectiveness while 25% of the participants agreed that the independency of board members was key for its effectiveness. The interviews conducted, participants in general highlighted that:

*“The commercial banking boards are expected to be independent, and their decisions must not be influenced by any impersonal or personal relationships one might have developed with time with either other peer board members or staff in general under the commercial bank.”*

The researcher confirmed that independence was related to board effectiveness and Participant K in the interview highlighted that:

*“We value independency because it will not compromise the decisions of the board member and board as a whole because remember the board is accountable to its own actions as individuals and as a board in its totality. Lack of independency affect its effectiveness and as members they are liable in any action within the act of the board.”*

### **Board Skill Diversity as Determinant of an Effective Board**

Figure 1 showed that 50% of the participants strongly agreed that board skills were important, 35% agreed, and a paltry 15% disagreed. Participant G, from one of the commercial banks, was of the view that;

*“An effective board is resembled on with quality of its membership looking at diversified skills they possess. Generally, we expect a diversified membership with either of the following skills, questioning, negotiating, leadership and knowledge in a special area assigned.”*

Participant B highlighted that;

*“In general, bank board members are assumed and are always expected to possess various skills either in human resources, finance, legal issues, management, and risk analysis among the endless risk in order to tackle the critical major issues that require deliberations and ratifications during the strategic board meetings.”*

The correlation analysis was used to determine whether board skill diversity was related to the board performance. Table 3 showed a Pearson correlation coefficient value of 0.8000 which suggested that board skill diversity was positively related with board performance. The more the board skill diversity increased by 80% the better the board performance increase by a single unit. However, combining the findings from questionnaires and interviews, the study suggested that board skill diversity was a key determinant factor to board effectiveness. Max (2020) argued that board skills predict performance of the banks hence other scholars like Leung (2015) advocated for board diversity as one of the ways to enhance board effectiveness. Scholars referred to board diversity as a demographic phenomenon entailing age, gender, ethnicity, skills and educational background (Daily, 2019). According to Chidziva (2016) the best boards were composed of directors with different skills, knowledge, information, power and time to contribute. Post (2016); Rao (2017); Webb (2004). The greater the proportion of women directors in the boards, the more the company appeared ethical and demonstrate good corporate citizenship (Landry 2016).

### **Influence of Size of the Board on the Company Performance**

In terms of modelling, a panel data regression model was adopted to estimate the influence of corporate governance on the commercial banking performance. Data were gathered using questionnaires and presented as follows:

**Table 0: Descriptive Statistics on Size of the governing board under Commercial Banks**

| <b>Panel Observations = 300; N = 100</b> | <b>Measurement</b>          |
|--|-----------------------------|
| Variable                                 | Size of the governing board |
| Mean                                     | 22.1                        |
| Standard Deviation                       | 7.238727                    |

|         |    |
|---------|----|
| Minimum | 11 |
| Maximum | 36 |

**Sources: STATA Computations (2021)**

Table 4 showed that on average the commercial boards possess an average of 22 members of the boards although some had as low as 11 members and maximum of 36 members who seats for board meetings in terms of corporate governance. The deviation from the mean was as large as 7.24 implying the deviation from the mean was large across the commercial banking sector. To confirm the influence of the size of the governing board towards return on investment the researcher further conducted a random effects regression model for the data for the period 2018-2020 and the model including the chi-square test results is presented in Table 5.

**Table 5: Random-Effects Regression Analysis: size of the governing board and ROA**

```
. xtreg ROA BoardSize, re
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```
Random-effects GLS regression              Number of obs   =          300
Group variable: Year                      Number of groups =           3

R-sq:                                     Obs per group:
      within = 0.1711                      min =          159
      between = 0.7867                     avg =         160.0
      overall = 0.4028                     max =          162

Wald chi2(1) =          100.47
corr(u_i, X) = 0 (assumed)               Prob > chi2      =          0.0000
```

| ROA       | Coef.     | Std. Err.                         | z     | P> z  | [95% Conf. Interval] |           |
|-----------|-----------|-----------------------------------|-------|-------|----------------------|-----------|
| BoardSize | .1175934  | .0117317                          | 10.02 | 0.000 | .1405871             | -.0945998 |
| _cons     | 7.961534  | .8147198                          | 9.77  | 0.000 | 6.364713             | 9.558355  |
| sigma_u   | 1.3292557 |                                   |       |       |                      |           |
| sigma_e   | 1.4648188 |                                   |       |       |                      |           |
| rho       | .45159587 | (fraction of variance due to u_i) |       |       |                      |           |

**Sources: STATA Computations (2021)**

The results showed that the relationship between the size of the governing board and bank performance was statistically significant since a p-value of 0.000 was noted at 95% significance level. The following hypothesis was tested:

**H<sub>1</sub>:** Size of the governing board significantly influence the performance of the commercial banks in Zimbabwe

The Coefficient of Determination value ( $R^2$ ) of 0.4028 suggested that 40.28% variation in the performance of Zimbabwean commercial banks was explained by the size of the governing board. This also suggested that 59.72% variation in the performance of Zimbabwean commercial banks was explained by other factors such as quality of the board, inflation rate and economic performance in the error term. The Wald-chi value of 100.47 was large enough and statistically significant signifying a goodness of fit of the model in estimation how size of the governing board influence performance of Zimbabwean commercial banks. However, since



a positive significant relationship was established, the research rejected the null hypothesis and accepted the alternate hypothesis that size of the governing board positively significantly influences the performance of the commercial banks in Zimbabwe. The findings from the interviews highlighted that:

*“From my understanding a large board means the bank possess a diversified quantifiable skill that are key in promoting good governance in terms of accountability, transparency and overall company performance.”*

Contrary to that, the other respondents highlighted that:

*“The larger the size of the governing board to more cost on board allowances and costs related to meetings which tend to consume money intended to improve the return on investment.”*

Combining the findings from questionnaires and interviews, the study suggested that the board average was 22 members, which was on the high side. Statistics suggested that the size of the governing board should increase a return on investment by 11.8%. The findings of the study concurred with literature which emphasized that the presence of more directors improves the monitoring role hence promoting increased sustainability reporting encouraging more communication with stakeholders and shareholders (Davis, 2017). According to Ngwakwe, Ganda and John (2016), a board size predicts performance of board and overall company performance. Ibrahim and Angelidis (2016) explain that the more the directors, the more they advocate for more social oriented objectives since they are aware and are sensitive to society's demands. Whilst the Agency theorists favour large boards, the stewardship theory advocates for smaller sizes of the governing boards since they argue that a large size of the governing board negatively impact the firm's performance and sustainability (Max, 2020). Mueller (2019) and Vance (2018) have explained the different roles boards have which are strategy roles whereby boards are responsible for formulating strategies and monitoring their effective implementation; service roles whereby boards are supposed to enhance the company's reputation, establishing contacts, giving counsel and advice to the management (Pfeffer, 2017); control role whereby boards have the power to assess firm performance, evaluate CEOs and define executive reward policies (Chidziva, 2016). Said (2009) supports that the presence of large number of directors improves the monitoring role hence promoting increased sustainability reporting encouraging more communication with stakeholders and shareholders (Davis, 2017). The Stewardship Theory advocates that smaller boards are easy to manage and there is no conflict. The theory states that the goals of the directors and their managers are aligned, and sustainability goals can be easily achieved.

### **Establishment of audit committee and board performance**

Return on Assets (ROA) was used as a dependent variable. The ROA was estimated by board size. It was moderated by board age and board skills. A modelling panel data regression model was adopted to estimate influence of governance structure towards performance of the commercial banking sector. Data for Audit Committee and their General Terms were collected and participants in interviews responded in general that:

*“The general structure of our bank audit committee constitutes at least 3 members, all of whom are non-executive directors and a majority of which are independent. The Chair of the Committee is to be independent and in all the cases maintain independency*

*and good corporate governance. From time to time, non-Committee members may be invited to attend meetings of the Committee, if it is considered appropriate.”*

It was also noted that:

*“At least one member is to have relevant qualifications either in accounting, forensic studies, financial intelligence, auditing and must possess a notable experience.”*

The researchers posed another question on the role of the audit committee and based on the terms of references provided to the researchers as secondary data sources. It was noted that the role of the committee was to monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments; review the Company’s internal financial control system and, unless expressly addressed by a separate risk committee, or by the Board itself, risk management systems; monitor, review and oversee the external audit function including matters concerning the appointment and remuneration, independence and non-audit services; monitor and review compliance with the Company's Code of Conduct Policy; and perform such other functions as assigned by law, the Company's Constitution or the Board. The researcher confirmed the views from interviews with statistical analysis from questionnaire data using a following random effects regression model:

**Table 0.3: Composition of audit committee and board performance of commercial banks**

| . xtreg ROA AuditCommittee Education BoardSkills, re |           |                                   |                  |       |                      |          |
|--|-----------|-----------------------------------|------------------|-------|----------------------|----------|
| Random-effects GLS regression                        |           |                                   | Number of obs    | =     | 300                  |          |
| Group variable: Year                                 |           |                                   | Number of groups | =     | 3                    |          |
| R-sq:  |           |                                   | Obs per group:   |       |                      |          |
|  | within    | = 0.4188                          |                  | min   | =                    | 159      |
|  | between   | = 0.9598                          |                  | avg   | =                    | 160.0    |
|  | overall   | = 0.6914                          |                  | max   | =                    | 162      |
| corr(u_i, X) = 0 (assumed)                           |           |                                   | Wald chi2(3)     | =     | 1066.63              |          |
|  |           |                                   | Prob > chi2      | =     | 0.0000               |          |
| ROA  | Coef.     | Std. Err.                         | z                | P> z  | [95% Conf. Interval] |          |
| AuditCommittee                                       | .6797019  | .1218115                          | 5.58             | 0.000 | .4409558             | .9184481 |
| Education  | 1.268125  | .0629399                          | -20.15           | 0.000 | 1.391485             | 1.144765 |
| BoardSkills  | 3.732825  | .1348462                          | -27.68           | 0.000 | 3.997119             | 3.468531 |
| _cons  | 22.0385   | .972093                           | 22.67            | 0.000 | 20.13323             | 23.94376 |
| sigma_u  | 0         |                                   |                  |       |                      |          |
| sigma_e  | 1.2195434 |                                   |                  |       |                      |          |
| rho  | 0         | (fraction of variance due to u_i) |                  |       |                      |          |

**Source: STATA Computations (2021)**

The results showed that the influence between an audit committee composition and bank performance is statistically significant since a p-value of 0.000 was noted at 95% significance level.

The results also showed that the influence between education status of board members and bank performance was statistically significant since a p-value of 0.000 was noted at 95% significance level. Furthermore, the results showed that the influence between board member skills and bank performance was statistically significant since a p-value of 0.000 was noted at 95% significance level. However, the researcher stated the following hypothesis:

**H<sub>2</sub>:** There is a significant relationship between performance of Zimbabwean commercial banks and audit committee composition

The Coefficient of Determination value ( $R^2$ ) of 0.6914, suggested that 69.14% variation in the performance of Zimbabwean commercial banks was explained by education of board members, composition of audit committee and board member skills. This also suggested that 30.86% variation in the performance of Zimbabwean commercial banks was explained by other factors such as inflation, bank size and economic operating environment in the error term. The Wald-chi<sup>2</sup> value of 1066.33 was large enough and statistically significant signifying goodness of fit of the model in predicting the relationship between education of board members, composition of audit committee and board member skills and performance of Zimbabwean commercial banks. However, since a positive significant relationship was established, the research rejected the null hypothesis and accepted the alternate hypothesis that there was a significance relationship between performance of Zimbabwean commercial banks and audit committee composition.

The findings from the interviews highlighted that:

*“Corporate scandals are being published in newspapers and shown on the news and every time this happens society is affected, and some companies return on investment is swallowed due to those issues, yet in our cases we have managed such crisis through effective audit committee.”*

However, the combining the findings from questionnaires and interviews, the study suggested that the composition of an audit committee played a significant contribution towards return on investment of the banks. Aras and Crowther (2018) suggest that audit committees can be highly influential for firm return on investment and performance. Firms need to know the corporate governance principles and how these can help to improve the success of the firm. The main corporate governance principles are transparency, accountability, responsibility and fairness. These principles are related to the firms' audit committee. Sethi (2012) advocates that corporate need to efficiently use resources, need to be accountable for all their actions and their behaviour should be reputable and ethical in the society. Good corporate governance creates sustainable value for firms. According to Thomas (2015), auditing has an impact upon the daily experience of stakeholders. With the growing investor attention to return on investment, there is greater emphasis on the governance element of environmental, social and the board's fiduciary duty to oversee the company's strategy, risk and capital allocation (Max, 2020). Davis (2017) stated that successful integration and improvement in return on investment at a company requires having committed leadership, clear direction and strategic influence but above all a robust auditing committee is the main drive of return on investment.

## **Conclusion and recommendations**

The study revealed that board skill diversity and education were key for the board and company performance which concurred with proposition by stewardship, alluding to the fact that the

executive managers possess critical skills and qualification to attain interests of shareholders to ensure economic viability and performance. In addition, the research supported the McGregor X and Y theory established in 1960 which is of the opinion that employees possessed self-driven motivation which was key in the achievement of the corporate goals. In this case the study has established that the board require critical attributes such as motivation and skills to achieve both board and company performance.

Since there are three (3) different tier systems that exist within the Zimbabwean banking sector, banks must find the perfect structure that ensured maximum performance in terms of the board effectiveness, decision making and overall company performance. Effective implementation of the corporate government system required a strong and support framework which is also supported by the government of Zimbabwe. Therefore, the government must ensure all the statutes and regulations that support the governance structures are in place to improve board performance and overall banking performance. There was need for the board members to maintain independency to ensure independent decisions in execution of their mandate and duties as it improves board effectiveness. There was a need to improve the size of the governing board to an optimum size that permit more talents and skills to stimulate performance of the commercial banks while on the same note maintaining a size that would not become a liability in terms of board allowances and board meetings related costs. There is need to consider board quality as the board increase in size to manage return on investment. The recruitment must be tallied to critical skills and education requirements to match the return on investment of the commercial bank. The board should ensure that it is well composed in terms of age, gender, and education. The auditors on the other hand should protect the interests of the clients, among other interested parties like the central bank of Zimbabwe for effective relationship building which are key in improving the bank performance.

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