CORPORATE TRANSPARENCY, REPORTING AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS
A CASE STUDY OF EQUITY BANK UGANDA LTD

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A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS AND MANAGEMENT IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A BACHELORS DEGREE OF BUSINESS ADMINISTRATION OF KAMPALA INTERNATIONAL UNIVERSITY

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APPROVAL

This research report is submitted to Kampala International University, School of Business and Management with the approval of my Supervisor, Mr. SUNDAY ARTHUR.

Signature.....

Date.....17:09:2011.....

DECLARATION

I declare that this research report is my Original work and has not been published and / or submitted for any other degree to any other University /institution before.

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DEDICATION

The researcher dedicates this work to her Supervisor and all her friends.

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ABSTRACT

The study sought to analyze the impact of transparency, reporting and financial performance of commercial banks. A case study of Equity Bank Uganda Limited which was created in 2008 when the equity bank group purchased Uganda Micro finance limited a tier 11, for all share price valued at US $ 27 Million. Equity bank launched under its new brand on the 30th as a subsidiary of the equity bank group which commenced business on registration.

The study was guided by a number of objectives as listed below;

To assess the relationship between transparency, reporting and financial performance of commercial banks,

To assess strategies of improving corporate transparency and reporting

To assess the effect of URA in effective transparency, reporting and performance of commercial banks.

The study employed both qualitative and quantitative research designs and the Questionnaire method was used to collect primary data.

The population sample that was interviewed and fitted the questionnaires included employees of the bank i.e. workers, Staff and customers of Equity Bank and the Uganda Revenue Officials. A sample size of seventy (70) respondents was used of which fifty (50) were bank customers and staff and twenty (20) were URA Officials.

Findings of the study showed that Equity bank has not disclosed and been transparent enough hence the poor performance in the related areas. This was revealed in the respondents' opinion on release of quarterly reports. The reports revealed 54.5% of majority customers were not aware of quarterly reports.

The study concluded that transparency and disclosure of information should be given priority since it influences 34% of the banks financial performance.

When banks establish mechanisms to enforce proper transparency and disclosure, practices, they will build bond and trust with their numerous stakeholders including customers, society and government which will influence them to invest their funds in banks i.e. they can buy shares when a respective commercial bank is listed on Uganda stock exchange (USE) or On international Capital Markets like New York stock exchange (NYSE) or any other Market.

CHAPTER ONE

1.0 INTRODUCTION

BACKGROUND TO THE STUDY

This chapter consists of the bank ground of equity bank Uganda Ltd and the back ground to the study, statement of the problem, Purpose objectives to the study, research questions, Scope, significance of the study.

Corporate transparence and reporting are integral to corporate governance (Sandeep et al)

And corporate governance is about building credibility, ensuring transparence and accountability as well maintaining an effective channel of information disclosure that would foster good corporate performance says Kaheeru (2000). Therefore the background of corporate transparence and reporting can be explained in that of corporate governance.

In the 19th century, state corporation laws enhanced the rights of corporate boards to govern without unanimous consent of stake holders in exchange for statutory benefit to make corporate governance more efficient (Hovey & Naughton 2007). (Holton, 2006) says since that time, the rights of individual owners have become increasingly derivative and dissipated.

In the 20th century in the aftermath of the Wall Street crash of 1929, legal scholars started on the changing role of modern corporation society Moedert et al, (2007). Since the late 1970's, corporate governance (which include corporate transparence and reporting) has been the subject of the significant debate around the globe. Bold, broad efforts to reform corporate governance have been driven, in part, by the needs and desires of the owner and the public to exercise their rights McGraw Hill (2004). Today, the massive bankruptcies as well as corporate debacles have led to increased shareholder, public and government interest in corporate governance.

The concept of financial performance is defined as a situation where depositors' funds are safe in a stable banking system (bank of Uganda, 2002). While on the other side, Yaron, (2002) financial performance is defined as the extent to which the full cost of providing services is directly paid for by service users. In the years between 2000 and 2006, commercial banks performance improved in areas of capital adequacy and asset quality, and was poor in earnings and liquidity (bank of Uganda, 2002). In the years 2006 to 2008 banks have increasingly performed better compared to previous years bringing growth to the banking sector (background to the budget, 2007/2008).

James (2003) disclosed that financial transparency and reporting had positive relationships with most of the financial performance dimensions in commercial banks in Uganda. This is also in agreement with McKinsey quarterly survey Mark (2000) and the corporate governance survey (2000) by Kuala Lumpar stock exchange and the accounting firm price water cooper that noted that there is a link between corporate governance and financial performance due to the investor's willingness to inject more funds in a well governed firm.

Equity Bank Uganda was created in 2008 when the equity bank Group purchased Uganda Micro Finance Limited, a Tier II, Uganda Micro finance company for all share price valued at US$27 Million. Equity bank Uganda launched under its new brand on March 30th as a subsidiary of the equity bank Group which commenced business on registration in 1984 in Kenya. It evolved from a building society, a micro finance institution to now the all inclusive Nairobi stock exchange. The Ugandan subsidiary owns 11,333,333 ordinary shares of the parent company based in Nairobi, Kenya. Equity bank Uganda has its headquarters in Uganda Capital city, Kampala. The bank has a total of forty two (42) branches located in the central, Eastern, Northern and Western parts of Uganda.

1.1 STATEMENT OF THE PROBLEM

Corporate governance is about promoting corporate transparency, disclosure, trust and others like fairness& accountability. Companies can use corporate governance as a tool to improve both stock market and financial performance. But in Uganda, the public knows little about information from companies, it's not sure of the information companies give out. This was shown in the Number of questions that were asked by the public in the business pages of the New Vision for the month of March. The questions were addressed to URA and answered by the Top Management Official Allen Kagina. She tried to enlighten the public on how banks work hand in hand with URA to ensure transparency and compatibility in both institutions. In the same month many companies came up to explain what they are and how their companies can be a great contribution to the public due to the various questions that were addressed to them. So if the public has no information, they will have little or no trust and interest to invest in companies shares hence the poor performance of stock markets.

1.2 PURPOSE OF THE STUDY

The study was aimed at examining the relationship between transparency, reporting and performance of commercial banks, a case study of Equity Bank Uganda Ltd.

1.3 OBJECTIVES OF THE STUDY

The study was guided by the following objectives;

i. To assess the relationship between transparence, reporting and the financial performance of commercial banks
ii. To asses strategies of improving corporate transparency and reporting.

iii. To assess the effect of U.R.A in effective transparency, reporting and performance of commercial banks.

1.4 RESEARCH QUESTIONS

While conducting the research, the following questions were a guide to the researcher.

i. What is the relationship between transparence, reporting and the financial performance of commercial banks?
ii. What are the strategies to improve corporate transparency and disclosure/ reporting?
iii. What is the effect of U.R.A to effective transparency, reporting and performance of commercial banks?

1.5 SCOPE OF THE STUDY

Subject scope

The study was focused on the two variables; transparency, reporting and performance of commercial banks.

Geographical scope

The study was carried out in Kampala Head Offices of the equity Bank of Uganda.

1.6 SIGNIFICANCY OF THE STUDY

This research will be beneficial in the following ways:

i. This research will help management to minimize fraud and generally improve performance, especially financial performance by looking at all performance measures

ii. To the stake holders it will enable them to make rational decisions regarding which financial institution to deal with basing on its transparency and accountability in reporting financial matters.

iii. To the intending researcher it will act as a referential material for research.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This gives a review of the literature and what has been written on the concepts of corporate transparency disclosure and financial performance of commercial banks.

2.1 THE CONCEPT OF TRANSPARENCY AND HOW IT IS DONE

The concept of bank transparency refers to the quality and quantity of public information on a bank's risk profile and to the timing of it's reporting, including the bank's past and current decisions and actions as well assist plans for the future. The transparency of the banking sector as a whole also includes public information on bank regulations and on safety net operations of central bank (Enoch et al, 1997 and Rosengren, 1998). Higher transparency reduces the information asymmetry between a firms management and financial stakeholders (equity and bondholders), mitigating the agency problem in corporate governance (Sandeep et al, 2002). In Uganda, lack of transparency is attributed to the closures of commercial banks (Yunus, 2001).

Weak transparency makes banks' asset risks opaque. Stock market participants including profession analysists such as Moody's encounter difficulties in measuring banks' credit worthiness and risk exposures (Poon, Firth, and Fung, 1999, and Jojordern, Peek, Rosepngren, (2000)). Ball (2001) argues that timely incorporation of economic losses in published financial statements increases the effectiveness of transparency, compensation systems, and debt agreements in motivating and monitoring managers. For example, improved transparency can manifest in a reduction of the private benefits that managers can extract from the company or in a reduction of the legal and auditing costs that shareholders must bear to prevent managerial opportunism.

Governance research in accounting exploits the role of accounting information as a source of credible information variables that support the existence of enforceable contracts, such as compensation contracts with payoffs to managers contingent on realized measures of performance, the monitoring of managers by boards of directors and outside investors and regulators, and the exercise of investor rights granted by existing securities laws. There are a number of issues to consider in this regard.

First, the existence of a strong financial accounting regime is likely a precondition for the existence of a vibrant stock market and in its absence the notions of equity-based pay and diffuse ownership of firms become moot (Ball (2001) and black (2000))

Institutional variables used to measure corporate transparency comprises; Financial accounting disclosures of major stakeholders, timeliness of reporting, information dissemination and completeness of information. Robert & Abbie (2001) concur with BPS especially on institutional transparency, they outline the transparency dimensions as; completeness of financial information, release of information, Timeliness, and Means of dissemination.

2.2 THE CONCEPT OF DISCLOSURE AND HOW IT IS DONE.

Given the recent corporate scandals (US Based; Eron, WorldCom. (Heidi and Marleen (2003) and Uganda Based; Greenland Bank limited, ICB..(japeth (20001)) restoring public trust is at the top of the agenda of today's business leaders. Greater information reporting on the company's capital and control structure can be an important means to achieve this goal. High quality and relevant information is crucial for the exercise of governance powers. Full Disclosure seeks to avoid financial statements fraud (Beasely, 1996; Beasely et al, 2000). Prior studies have concentrated on disclosure of items such as management earnings forecasts (Johnson et al, 2001; Lev and Penman 1990) or interim earnings (Leftwich and Zimmerman 1981), or have examined a very general

disclosure index of financial and/or non financial items (Chow and Wong Borren, 2007).

The most common arguments against reporting from a managerial perspective is fear of giving away sensitive information to competitor and procurement of extra costs for collecting and disclosing the information (Eccles and Mavrinac (1995), Healy and Paplepu (113), Reich and Cylinder (2007). However, it is worth noting that as completion continues to bite, the "basket of secret" information tends to reduce.

Generally, it's revealed that financial transparency and disclosure enhance trust between the stakeholders and organizations like commercial banks.

2.3 TRUST:

Trust means many things. Every one knows intuitively what it is to trust; yet articulating a precise definition is not a simple matter (wayne & megan 2002)

Trust is a multifaceted construct, which may have different bases and phases depending on the context; it is also a dynamic construct that can change over the course of a relationship (Wayne and Megan, 2002).

There are five Components of trust that can be gleaned from the literature on trust (Hoy & Tschannen-Maran, 2001) benevolence, reliability, competence; honesty and openness are all elements of trust (Wayne & Megan 2002).

2.3.1 BENEVOLENCE; perhaps the most common facet of trust is a sense of benevolence confidence that one's well being or something one cares about will be protected and not harmed by the trusted party (Bairer, 1986; Butter & Cantecelll, 1984; Cummings & Bramily, 1996)

2.3.2 RELIABILITY; at its most basic level trust has to do with predictability that is, constancy of behavior and knowing what to expect from others (butter & Cantrell, 1984; Hosmer1985). In and of itself, however, predictability is insufficient for trust. We can expect a person to be invariably late, consistently malicious,

inauthentic, or dishonest when our wellbeing is diminished or damaged in a predictable way, expectations may be met, but the sense in which we trust the other person or group is weak.

2.3.3 **COMPETENCE;** Good intentions are not always enough when a person is dependent on another but some level of skill is involved in fulfilling an expectation an individual who means well may nonetheless not be trusted (Baier 1986; Butter & Cantrell, 1984; Mishra, 1996). Competence is the ability to perform as expected and according to standards appropriate to task at hand, many organizations task rely on competence.

2.2.4 **HONESTY**; Honesty is the person's character, integrity and authenticity Rotter (1967)00 defined trust as "the expectancy that the word, promise, verbal or written statement of another individual or group can be relied upon". Statements are truthful when they conform to "what really happened" from that perspective and when commitments made about future actins are kept. A correspondence between a person's statements and deeds demonstrates integrity.

2.3.5 **OPENNESS**; openness is the extent to which relevant information is shared; it is a process by which individuals make themselves vulnerable to others. The information shared may be strictly about organization matters or it may be personal information, but it is a giving of oneself (Butter and Cantrell, 1984, Mishra, 1996) such openness signals reciprocal trust a confidence that neither the information nor the individual will be exploited and recipients can feel the same confidence in return. Individual who are unwilling to extend trust through openness end up isolated (Kramer, Brewer & Hanna, 1996). In Uganda, as in many other countries, there is a rooted distrust in most of the public sector Shleifer, and Vishny, (1993) this may also be the case for the private sector in which the commercial banks fall.

2.4 FINANCIAL PERFORMANCE

Financial performance is a situation where depositor's funds are safe in a stable banking system. The financial performance of a financial institution may be strong or unsatisfactory varying from one bank to another (bank of Uganda, 2002). External factors such as deregulation; lack of information among banks do cause bank failure. Some useful measure of financial performance include; capital adequacy, Asset quality, Earnings and liquidity.

2.4.1 CAPITAL ADQUACY: This ultimately determines how well financial institutions can cope with shocks to their balance sheets. The bank monitors the adequacy of its capital using ratios established by The Bank for International Settlements. Capital adequacy in commercial banks is measured in relation to the relative risk weight assigned to the different category of assets held both on and off the balance sheet items (Bank of Uganda, 2002).

2.4.2 ASSET QUALITY: The solvency if financial institutions typically is at risk when their assets become impaired, so it is important to monitor indicators of quality of their assets in terms of overexposure to specific risks trends in non-performing loans, and the health and profitability of bank borrowers especially the corporate sector. Credit risk is inherent in lending, which is the major banking business. It arises when a borrower defaults on the loan repayment agreement. A financial institution whose borrowers default on their repayments may face cash flow problems, which eventually affects its liquidity position. Ultimately, this negatively impacts on the profitability and capital through extra specific provisions for bad debts (bank of Uganda, 20002).

2.4.3 EARNINGS: The continued viability of a bank depends on its ability to earn an adequate return on its assets and capital. Good earnings performance enables a bank to fund its expansion, remain competitive in the market and replenish and /or increase its capital (Bank of Uganda, 2002). A number of authors have argued that, banks that must survive need; Higher Return in Assets (ROA), better return

on equity (ROE), sound capital base for example capital adequacy ratio (CAR), transparency and reporting that is; to equity holders, regulators and the public.

2.4.4 **LIQUIDITY:** Initially solvent financial institutions may be driven toward closure by poor management of short term liquidity. Indicators should cover funding sources and capture large maturity mismatches. An unmatched position potentially enhances profitability but also increases the risk of losses (the Ugandan Bank, June 2001).

2.5 STRATEGIES TO IMPROVE CORPORATE TRANSPARENCY AND DISCLOSURE / REPORTING.

Commercial banks must ensure transparency and disclosure. These can be in form of strategies to help them maintain a remarkable position in the market and a good public image.

Reich, S. & Rylander ,A. (2007), say that in transparency, banks should not only mind about how much information is offered, but how useful the data is to the people consume it in their goal of understanding and fairly valuing their business. In other wards making information useful to broad spectrum of investors and customers.

Rosegren, E (2007) also adds that the spirit of regulation fair disclosure calls for all companies not to not only make information available for users but also enable them use the information.

A good strategy to ensure corporate transparency and disclosure framework is to ensure strategic guidance to the company. Effective monitoring of management by the board's accountability to the company and share holders. Corporate strategies like major action plans to be undertaken, risk policy, annual budget and business plan should be emphasized. (Jame,E.M 2003)

Commercial banks should publish their strategic objectives as part of their activities. A large number of companies do not publish strategic objectives yet

most time these give a sense of direction to the entire public and investors are more interested in this (Kaheeru, V. 2000)

Hosmer, L.T (2007), says many banks have really advertised the products they offer but should do the same on the terms, conditions and agreements undertaken. Sometimes customers acquire loans they are not well explained to. This causes losses resulting from defaults in loan repayments yet many people fail to get mortgages because there is little information about them. (Genay, H. 2008)
Lastly, Leftwich,R, Watts,R. & Zimmerman, J (2000) say, to regain investor confidence companies amidst the current client distrust, companies should be more transparent. The best approach to do this is to leverage advances in technology to enhance methods by which investors and customers can have relevant and timely information.

2.6 RELATIONSHIP BETWEEN CORPORATE TRANSPARENCY, REPORTING AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS

It has been approved that transparency and disclosure had positive relationships with most of financial performance dimensions in commercial banks in Uganda. For instance, Capital adequacy, earnings and asset quality highly show positive correlations with openness, and competence and honesty, (Bank of Uganda 2002). This agrees with Mckinsey Quarterly Survey Mark (2000) and the corporate governance Survey (2000) by the kaula Lumpar stock exchange Price water house Coopers that noted that there is a link between transparency, disclosure and financial performance due to investors' willingness to invest in a firm that is transparent and discloses information.

CHAPTER THREE
METHODOLOGY

3.0 INTRODUCTION

This Chapter presents the methodology that was applied while conducting the study. It focuses on the research design, the study population, sample size, Sampling techniques, data collection techniques, data measurement, data processing and analysis, coding and editing and the limitations of the study.

This chapter presents the methodology that was applied while conducting the study. It focuses on the research design, the study population, sample size, sampling techniques, and data collection techniques, sources of data, data analysis and limitations to the study.

3.1 RESEARCH DESIGN;

A descriptive survey design was employed in the study to ensure the collection of information from the respondents. Wilkinson (2004) asserts that the survey is concerned with collecting data from usually a large number of respondents and data normally collected focuses upon the views, ideas and attitudes of the respondents in relation to the phenomenon under study. The design therefore gave attention to the entire essential steps involved in the survey concerning transparency and reporting on performance of commercial banks, a case study of Housing Finance Bank

3.2 STUDY POPULATION

The population that was interviewed and fitted the questionnaires included the employees of the bank which included the bank workers and the staff, customers of Housing Finance Bank and the Uganda revenue officials.

3.3 SAMPLE SIZE;

According to the five point linkert scale, a sample size which is greater or equal to twenty five is appropriate. Therefore, size of the sample was seventy (70) respondents of which Fifty (50) were bank customers and twenty (20) were Uganda revenue Authority officials.

3.4 SAMPLING TECHNIQUE

According to Kamari (2002:187), sampling usually enables the researcher to estimate the sampling errors and thus assists in obtaining information concerning the same characteristics of the population. For the case of Uganda revenue officials, purposive sampling was used because they were knowledgeable about the research problem; equally for some customers purposive sampling was used on the customers who were account holders this is because of the large number of customers. Using judgmental sampling, account holders that are literate, approachable and ready to provide data were selected. Respondents were screened to those who would have used bank services for at least one year to ensure thorough data collection. Data was collected from both corporate and retail customers.

3.5 DATA COLLECTION METHODS/INSTRUMENTS

The instruments that were used in data collection included; questionnaires, interviews and documents like textbooks, Journals, magazines and newspapers among others.

Uma (2000:258) argues that because almost all data from single method s has biasness associated with them, collecting data from multiple sources leads to rigor to research .its therefore important that several sources of data are used for data collection.

3.5.1 QUESTIONNAIRES;

The questionnaire method was used to help identify; how transparent companies are, whether they disclose the right information and how the public perceives them in terms of trust.

It easily justifies further investment in the stock markets by exposing the information to the public.

Kakinda (1990: 24-25), asserts that a questionnaire is a set of a similar questions framed to gather information from the respondents.

This method is advantageous because it is free from bias of interviewers since answers are the respondents own words and large sample can be used and thus the results can be more dependable and reliable.

3.5.2 INTERVIEWS

Interview method was used and this supplemented and increased the response rate of questionnaires. An interview is a dialogue between interviewers and interviewees for the purpose of gathering data about the respondent (Mbabazi, 2008). Interviews were conducted to the key informants who included; the employees, customers and the Uganda Revenue Authority officials.

Interviews were used because they have more control over the exercise of data collection in terms of the order of questioning, the pace and the language.

3.5.3 DOCUMENTS

Relevant documents like journals, News papers, magazines, brochures about stock markets, textbooks were used to collect data. These provided right information for the research report.

These were used because they provided ready data about the research problem under study and also helped to save time and resources.

3.6 MEASUREMENT

The measurement of the dependent variable which was performance of commercial banks was done by determining how the bank was transparent, whether discloses its information and whether the public has trust in the information disclosed and also examining the of performance of Commercial banks.

FINANCIAL TRANSPARENCY SCALE

The researcher used four dimensions of transparency that include, release of results, completeness of results, timeliness release of results and means of dissemination in measuring financial transparency variable (Robert & Abbie, 2003) this was also measured on a 5-point linkert scale.

DISCLOSURE /REPORTING SCALE

Disclosure /reporting was measured using dimensions of bank disclosure according to the Basel capital accord which include; Capital adequacy, credit risk, asset risk, asset quality geographic and business line diversification accounting and presentation policies (Basel Capital Accord,2003) This was also measured on a 5-point linkert scale.

FINANCIAL PERFORMANCE SCALE

The financial performance of commercial banks was measured on the CAEL framework; Capital Adequacy, Asset quality, Earnings, and liquidity (Jose, 1999)

3.7 DATAPROCESSING AND DATA ANALYSIS

Data collected from primary sources through questionnaires, interviews and documents was coded, edited, and analyzed both qualitatively and quantitatively.

3.8 DATA CODING AND EDITING

The questionnaire data was organized in groups of similar responses from all respondents, the data gathered was then edited out how well the questions were answered.

Percentages and table presentations were used for quantified information and also ton quantify item into frequencies and judgmental facts upon which the use of percentages and other methods and enhance simplicity and easy understanding was made.

3.9 LIMITATIONS TO THE STUDY

There was limited time given to collect and process data to meet the deadline as the researcher had to do this during the normal days of study.

The staff members of the company were sensitive as regards to revealing certain information that would be necessary and useful to the study.

Some respondents had a tendency of postponing appointments because they were always very busy. This increased research expenses.

There were restrictions on some data such as journals and text books as some libraries were restricted and some journals needed to be purchased from the internet.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.0 INTRODUCTION

The chapter describes the findings from which the field which were put in table form and calculated using the frequency and percentages for easy interpretation.

A total of seventy (70) questionnaires were given to respondents which included; Equity bank customers and Uganda Revenue officials.

A total of fifty (50) were filled and returned by customers representing a response rate of 71.4%. A total of twelve (12) questionnaires were returned from Uganda Revenue Authority which represented a response of 19.4% and a total percentage of 90.8%

The following are the representations and findings analyzed from the questionnaires.

4.1 GENDER DISTRIBUTIONS AMONG RESPONDENTS

Table 1 showing Gender Distribution.

Bank customers

Sex	Frequency	Percentage
Female	36	72%
Male	14	28%
Total	50	100%

Source; field data

From the above table, the female response in terms of gender among the customers was high (72%) compared to that of the male (28%). This implies that most account holders in the Bank are female. It could mean that the policies of the bank favor mostly women in terms of loans acquisition and general operations and the fact that the Bank is located in Katwe area an all people busy business centre, Female account holders find it easier to deposit their money onto their accounts at the end of the working day instead of carrying it home.

Table 2 showing Gender Distribution of URA Officials

URA Officials

Sex	Frequency	Percentage
Female	5	41.7%
Male	7	58.3%
Total	12	100%

Source; Primary data

On the contrary, the male respondents among URA officials were higher than that of the female. This was because most of the field work in URA is usually assigned to the males the females are preferred in the administrative and internal positions. This was advantageous to the researcher because the data collected was first hand information from the right source of respondents.

4.2 EDUCATION QUALIFICATION

Table 3 showing education qualification among respondents

Bank Customers

Education qualification	Frequency	Percentage
Post Graduate	-	-
Under graduate	12	24%
Diploma	16	32%
Certificate	24	44%
Total	50	100%

Source; field data

Concerning education qualification or levels while putting emphasis on the above tables, all respondents at least had attained high levels of education. Majority of customers were on certificate level (44%) followed by Diploma (32%) and lastly under graduates (24%). The Equity Bank was meant to serve common or to reach the grass root people especially with low level qualifications. This justifies the fact that the biggest percentage of respondents (44%) as certificate holders.

Table 4 showing Education qualification among Officials

URA Officials

Education qualification	Frequency	Percentage
Post graduate	-	-
Under graduate	6	50%
Diploma	3	25%
Certificate	3	25%
Total	12	100%

Source; Field data.

For the URA officials, undergraduates had a bigger percentage of 50 while both diploma and certificate holders were 25% respectively. This enabled the researcher to obtain the reliable information because the biggest percentages of URA officials (50%) were highly knowledgeable and qualified enough to give the right information about the transparency of the case study in question.

4.3 PERIOD TAKEN WHEN HOLDING THE BANK ACCOUNT

Table 5 showing the period taken by customers when holding bank accounts with Equity bank

Period	Frequency	Percentage
Below 1 year	5	10%
1 year	25	50%
1-2 years	15	30%
2-3 years	5	10%
Above 3 years	-	-
Total	50	100%

From the table above, findings show that most of the customers had been holding bank accounts with Equity bank for a period of one year and above. With the highest percentage (50%) being those customers who had held it for 1 year followed by those with for 1-2 years (30%), then 2-3 years and 1 year with each 10%. This made the field data more accurate since the researcher needed information from respondents who had held accounts for at least one year.

4.4 LEVEL OF TRANSPARENCY

The following findings and presentations indicate the intensity of transparency, reporting and financial variables.

The financial transparency dimensions specified by Robert and Abbie (2003) were engaged in order to single out opinions and responses from the stakeholders; commercial bank customers and Uganda Revenue Officials (URA Officials).

Table 6 showing response on release of quarterly reports

Respondents	Respondents' opinion in percentage				
	SA	A	U	D	SD
Customers		18.5%	54.5%	19%	8%
URA Officials	10%	78%	12%	-	-

Source; field data

The findings generally show that under financial transparency, specifically in the release of financial period reports, the majority of customers (54.5%) were not aware about the quarterly reports. This is inconsistent with the research undertaken by Enoch et al 1987) & Rosen (1998) who noted that bank transparency involves presenting public information

Under timely release of results among the bank customers, the largest percentage (53%) disagreed on this, while for URA officials, their major response was "agree" and emphasizing that mostly they receive these results in time. But considering the major stakeholders which were public customers, if information is not presented in time, then transparency is not being emphasized. Hosmer, L, T, (2005) says, timeliness is an important measure of transparency.

The table 7 showing findings on timely release of information under transparency

Respondents	**SA**	**A**	**U**	**D**	**SD**
Bank customers	10%	15%	25%	35%	10%
URA Officials	-	40%	30%	30%	-

Source; field data

Under completeness of financial statements, respondents from both sides (bank customers and URA officials) confirmed this statement with a "No" reflecting

that almost all times, financial statements miss out some important information. This was reflected by 90% response from both sides.

When the respondents were asked which financial statements they thought would miss information, the largest percentage (88%) of customers indicated the statement of financial position. For URA the statement of comprehensive income was mostly pointed out.

4.5 LEVEL OF DISCLOSURE/ REPORTING

On capital structure dimension, it was established that banks on average do not provide information on the amount of shareholder's equity.(54.3%) and total capital base (41.3%), under this dimension of reporting, the biggest percentage of respondents indicated that they are either not aware or have never received information concerning the total capital base and preference shares. The managers of Equity bank may be ensuring the arguments of Eccles & Mavrinac (1998), Healy & Palepu (1999), whose studies make note that disclosure of information for instance total capital bases Tier 1 & Tier 2 capital and preference shares may give away sensitive information to competitors and the disclosure it's self may lead to extra bank operating costs.

Table 7 showing detailed findings shareholders' equity, total capital base and preference shares.

Respondents	SA	A	U	D	SD
Bank Customers	-	-	27%	62%	11%
URA Officials	2%	13%	32%	25%	28%

Source; field data

4.6 THE LEVEL OF TRUST IN COMMERCIAL BANKS.

On average, the commercial banks are not open on matters concerning the bank the majority indicated that managers do not tell them what is really going on in the bank; over 62% were not sure and affirmed that statement. The lack of openness in this commercial bank may raise distrust and noted by Beatty & Cantrell (2000) who notes that openness signals reciprocal trust a confidence that neither the information nor the individual will be exploited and recipients can feel

the same confidence. Many authors concluded that reliability implies a sense of confidence. From URA, it is revealed for commercial banks are open to URA officials about what is going on in the bank (62.5%), what was also found out indicated that the Equity bank is competent in doing it's work. Majority of URA official also indicated that this commercial bank is honest to URA, overall analysis from the findings institute a piece of evidence that URA trusts the URA bank activities.

4.7 LEVEL OF FINANCIAL PERFORMANCE IN COMMERCIAL BANKs

As noted earlier, financial performance was considered the independent variable in this research, before correlating it with transparency and disclosure it's magnitude within the commercial banks was ascertained. Secondary data especially from the respective commercial banks annual reports (from 2007 to 2008) were used to extract the summary of banks financial performance based on capital Adequacy, Asset quality, Earnings and liquidity and as recommended by Bank of Uganda for measuring financial performance (Bank of Uganda 2002)

Capital adequacy, which is measured by CK/RWAs ratio (core capital / risk weighted Asset), in this bank was above the central banks, required level of 12%. Asset quality, which was measured by NPA/ Total advances and specific provisions, also indicated that in this bank was above the FIS (1993) requirement of 25%. Earnings, which are measured by ROE and ROA ratios, indicated that it was below zero. Liquidity which is measured by liquidity Assets/ Total deposits and total advances/ total deposits ratios, indicated that in the overall commercial banks were highly liquid in 2008, for instance for equity bank liquidity Assets / Total deposits ratio were 179%, this implied a weakness in the performance of commercial banks.

4.8 THE RELATIONSHIP BETWEEN TRANSPARENCY REPORTING AND FINANCIAL PERFORMANCE

It was disclosed that transparency and disclosure had positive relationships with most of financial performance dimensions in commercial banks in Uganda. For

instance, capital adequacy, earnings and asset quality highly showed positive correlations with openness, competence and honesty. This is in agreement with the Mckinsey Quarterly Survey mark (2000) and corporate Governance Survey (2002) by the Kuala Lumper stock exchange Price water House coopers that noted that there is a link between transparency, reporting and financial performance due to investors' willingness to invest in the firm that is transparent and reports its information.

An analysis was done to measure to the extent to which transparency, reporting affect financial performance. More over, results indicated that transparency and reporting predict 34.5% of the variance in the general financial performance of commercial banks in Uganda.

On the other hand, credit risk as a measure of reporting had negative relationship with financial performance; this is in harmony with the extant finance literature which highlights that, it's probable that when the risky lending increases the pay backs decline. This in turn affects commercial bank earnings.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 INTRODUCTION

This chapter brings out the summary, conclusions and recommendations of research about the study. It spells out what improvements or way forward to be done.

5.1 SUMMARY OF FINDINGS

The title of the study was corporate transparency and reporting on financial transparency of commercial banks; a case study of Equity bank Uganda limited. The aim of the study was to analyze the impact of corporate transparency and reporting on financial performance of commercial banks.

5.2 THE MAJOR OBJECTIVE OF THE STUDY INCLUDES;

Objective 1

This objective was to examine how the concepts of the study are done in commercial banks. They are done by releasing the complete results, releasing these results in time and timely incorporation of economic losses in public financial statements.

Objective 2;

The objective was to find strategies to improve transparency and reporting and these included; Commercial banks publishing their strategic objectives as part of their strategic activities, embarking on advanced technology to provide relevant and timely information to stake holders among others.

Objective 3;

To asses the relationship between corporate transparency, disclosure and financial performance of commercial banks. The relationship between transparency and disclosure of financial performance was found to exist due to the investors' willingness to pay as much as 28% for the shares of well governed companies in emerging markets.

The researcher employed both qualitative and quantitative research designs and the method used to collect the data was questionnaire method

Findings of the study revealed that there are low levels of transparency and disclosure among commercial banks.

A large percentage of respondents could not even understand what was going on in their banks; they were ignorant about quarterly reports released by commercial banks.

Transparency and disclosure was found to affect 34.5% of financial performance of commercial banks.

Some of the challenges encountered during the research study were; balancing research with academic schedule of the university and busy schedule of the respondents and financial constraints.

5.3 RECOMMENDATIONS

Disclosure whose strongest dimension was ascertained as credit risk in this research is in agreement with the new Basel Capital Accord (2003) and Lopez (2001). On the side of reliability, openness and honesty came out to be the strongest dimension gauge trust in commercial banks. This in conformity with the study undertaken by Butter and Cantell (2004), and Wayne & Megan (2002) whereas completeness came out as the significant dimensions when measuring transparency, Recommendations based on the above findings include;

Given the corporate transparency and disclosure can influence 34% of the financial performance of banks, commercial banks need to adopt and strengthen the corporate transparency and disclosure principles especially on dimensions of timeliness in diverting financial reports to bank of Uganda and presenting the details on loan advances. This means that issues regarding transparency where timeliness and completeness fall not to be under estimated.

Information that is supposed to be disclosed should be disclosed. Both the concerned institutions, that is to say Capital markets Authority and the banks themselves should emphasize this so that public can be able to know what is taking place.

Commercial banks should continue to employ highly skilled employees as well as training them in their respective position to help avail them and avail them with advanced technology so that they are able to prepare all the necessary information

in time. In this way, such well prepared information can be confidently presented to the public.

5.4 CONCLUSION

After commercial banks have established the mechanisms to enforce proper transparency and disclosure practices, they will automatically build bonds of trust with their numerous stakeholders including customers, society and government among others. Some of the stakeholders especially customers will in tern invest their funds in these banks for instance; they buy shares when the respective commercial bank is listed on the Uganda stock exchange (USE) or international Capital Markets like the New York stock exchange (NYSE) or any other Market.

5.5 AREAS OF FURTHER RESEARCH

Considering areas for further research, banks and other researchers should find out the reasons why some customers are not willing to transact with banks, why banks continue to leave out important information yet they know it is for their benefit and other factors that may affect their confidence.

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QUESTIONAIRE

Dear respondent,

I am Mupalya Olive of Kampala International University pursuing a Bachelor in Business Administration. I am conducting a research on "Corporate transparency and reporting on financial performance of commercial banks" a case study of Equity Bank Uganda Ltd.

I am asking you to please take part in my research by answering the questionnaire provided to you. I appreciate your time and effort you have foregone.

Please the information you provide will be treated with strict confidentiality and will be used strictly on research.

SECTION A

Background to the study

Tick where appropriate

1 Sex

Male ☐ Female ☐

2 Age group

Below 18 ☐ 18-25 ☐

26-40 ☐ Above 40 ☐

3 Qualification

Post Graduate ☐ Under graduate ☐

Diploma ☐ Secondary ☐

Others specify.....

Please this question is to be answered by only customers.

4. Period for which you have been holding a bank account

Below 1 year ☐ 1-2 years ☐ 2-3 years ☐

Above 5 years ☐

For section B and part C please indicate for the following statement the extent to which you agree or disagree by ticking SA for strongly agree, A agree, U uncertain, D disagree and SD for strongly disagree.

	SA	A	U	D	SD
You are aware that Equity bank releases financial results					
You are also aware of the quarterly reports Equity bank releases (after every three months)					
The financial results and reports of equity bank are presented to you in time.					
Your bank provides information concerning the amount of share holders' equity					
You are also aware of the total capital base of your bank					
You have information concerning preference share held by your bank					
Managers of Equity bank tell you what is really going on in the bank					
Equity bank is competent in doing it's work					
Information released by Equity bank is reliable					
You have confidence in the information presented to you					

Strategies to improve transparency and reporting

1. Commercial banks should publish their strategic objectives as part of their activities.					
2. The terms and conditions on which borrowing is made should be well explained and understood by the public					
3. Banks need to embark on advanced technology to provide relevant and timely information to stakeholders					
4. Transparency can be improved by ensuring strategic guidance of the company, effective monitoring of management work by the board and the board's accountability to the public					

Please tick where appropriate

1. Are the financial statements presented to you complete; (Nothing misses in each of the financial statements)?

   Yes ☐ No ☐ Not sure ☐

2. If No or not sure, which of the following in the whole set of financial statements do you think may not be complete?

   Statement of financial position 34 ☐

   Statement of comprehensive income ☐

   Statement of changes in equity ☐

   Statement of Equity ☐