An Assessment on the Influence of Corporate Governance on Financial Performance of Micro-Financing Institutes (MFIs): A Zambian Case Study

[1]Temwani Zulu (MSc)., [2]Prudence Mumba (MSc)

[1]Ministry of Education, Zimba. Zambia.

[2]Accountant Cotton Board of Zambia P.O Box 33734, Lusaka Zambia

DOI: https://dx.doi.org/10.47772/IJRISS.2024.8100004

Received: 28 August 2024; Revised: 12 September 2024; Accepted: 17 September 2024; Published: 26 October 2024

ABSTRACT

The purpose of the study was to assess the influence of on financial performance of MFIs in Zambia. The main objective of the study was to investigate the influence of Corporate Governance on financial performance of Micro Financing institutes in Zambia.

The study used descriptive approach, where a total of 57 MFI's representing 94 % participated in the study. Questionnaires were purposively administered to the participants. Data analysis was done through the statistical package for social science (SPSS V26), presented using descriptive and inferential statistic. The findings of the study indicate that: MFIs' in Zambia are mostly private and equity owned, and they adhere to Corporate Governance policies and have structures which support corporate governance; MFIs' have a small Board Size, in which the Chief Executive Officer (CEO) and Chief Financial Controller (CFO) are appointed by the board; most MFIs' financial statements are not audited but the Corporate Governance in place enhances quality of service, building of trust and confidence to shareholders; all MFI business dealing are legitimate and they operate within the confines of the law. MFIs' have independent committees which operate with levels of autonomy; MFI in Zambia also have advisory groups in place that are skillful, resourced autonomous, monetary educated, satisfactory and appropriate redressed. The study tested a regression of $p= 0.035 < 0.05$, hence concluding that exceptional Corporate Governance practices are statistically associated with financial performance of MFIs in Zambia, therefore MFIs regardless of their Size should put up Corporate Governance structures, and ensure adherence of Corporate Governance polices to maximize financial performance

Keywords: Corporate Governance, MFIs, Board, Financial Performance, Financial Reporting, GAAP, IFRS

INTRODUCTION

Micro Finance Institutes (MFIs) are one of the most resourceful weapons for global economic development, as they have enabled the transformation of economies from low to medium sized economies through supporting individuals and businesses by granting loans at reasonable rates. The majority of citizens in Zambia operate in informal sector, thus since the introduction of MFIs in between 1992/93 the informal sector has benefited tremendously (Chiumya, 2004). The major objective of MFIs is to aid the financially incapacitated individuals and businesses through consistent provision of credit services such as loans and insurance covers. Financial performance of MFIs is dependent on a number of factors some such as effective management, control and corporate governance. Therefore, this article will focus on the impact of Corporate Governance on financial performance of MFIs.

Corporate Governance in relation to microfinance is a set of system and culture, where the business board sets out suitable business standards or processes that would be adhered to the operation and management of corporations, with the view of attaining the objectives and vision of MFIs (Fekadu, 2018). However, concerns have arisen about the quality of corporate governance, and its influence to financial performance of MFIs considering the fact that the performance of good Corporate Governance is reliant on management efforts to enforce it. Good Corporate Governance safeguards company's investments as it assures stakeholders of better control of resources since it limits misuse of resources, thus leading to profitability.

Many studies on Corporate Governance and its impact to financial performance has been conducted both in developed and developing countries which include**:** (Affes & Jarboui, 2023) United Kingdom focused on the general impact of Corporate Governance on financial performance. (Thrikawala, 2016), in Sri Lanka and India studied Corporate Governance and financial performance of MFIs. In Africa different studies have been conducted by (Fekadu, 2018), Ethiopia, North East Africa (Oluwaseyi, et al., 2022) Nigeria, (Nachendeh, 2016), Cameron west Africa, who all studied the relationship between Corporate Governance and financial performance of (MFIs and Banks). (Leseyio, 2014) , (Wanjau, 2007), (Miring'u & Muoria, 2011), all of Kenya, East Africa, studied the impact of Corporate Governance on SMEs MFIs and commercial state operation. (Matanda & Matanda, 2019), Zimbabwe, Southern Africa studied Corporate Governance and Ethics on Microfinance Institutions. In Zambia, three studies have been identified which include; (Chikuta, 2020) who studied the impact of Corporate Governance on state owned companies. (Musthusamy, 2022), who investigated the role of Micro Financing Institutions on financial Performance of Small and medium Enterprises. (Sichamba & Siwila, 2019) examined the efficacy of microfinance institutions on poverty reduction. To this effect, no study has directly addressed the impact of Corporate Governance on financial performance of MFIs both public and private owned in Zambia. Therefore, the present study will endeavor to seal the gap that has not been studied.

The statement of the problem is that Corporate Governance is considered as one of the protuberant factor to effective management of companies (Affes & Jarboui, 2023), (Oluwaseyi, et al., 2022). Despite many studies having been conducted globally, regionally and locally, very few studies have addressed the influence of Corporate Governance to the enhancement of quality of services, building of trust, confidence and reputation to stakeholders and how it enhances legitimacy in company dealings of MFIs. Furthermore, few studies have addressed whether Corporate Governance has enhanced Committees and advisory groups that operate with degree of autonomy and the competence of the committees and advisory groups in setting standards for Corporate Governance procedures. Also unknown is the efficiency of the presentation of Corporate Governance in the financial statements and reviews and how all these mechanisms contribute to maximizing of financial performance of MFIs in the context of a developing country.

The study contributed to Sustainable Development Goal Number Eight (8) (decent work and economic development). Through quality corporate governance, profitability is enhanced which will in turn improve the work place consequently fostering economic development. The study also contributed to Sustainable Development Goal Sixteen (16) (Peace, justice and strong institutions). Subsequently, Corporate Governance brings out the procedure of how MFIs should operate, thus fostering peace and justice between agents as well as principles and strong institutions.

The parts of the study consist of the following: Section One consists of the introduction, Section two includes review of literature, section three covers the theoretical and conceptual framework while Section four covers the research methods, with section five and six presenting the results and discussion of the research findings. To end, section eight concludes and suggests recommendations based on the discussions

LITERATURE REVIEW

Corporate Governance is considered as a procedure which encompasses supervision and control, which is envisioned to warrant that a company's management acts in line with the interest of shareholders and Stakeholders (Nachendeh, 2016). Empirical studies by different authors have presented dissimilar findings; (Nachendeh, 2016), found that monetary profitability of MFIs was significantly affected by the procedures and composition of the governing board of directors. (Oluwaseyi, et al., 2022), in their findings revealed that the size of the board has a favorable correlation with financial institution's performance, showing that larger boards improve bank performance. (Affes & Jarboui, 2023), in their study indicated that the enactment of good Corporate Governance brings about improvement of financial performance of companies, measured by the return on equity. (Fekadu, 2018), found that board size has a negative and insignificant relationship with financial performance of MFIs. Additionally, (Peter & Eyeasn, 2015) found an insignificant relationship between

Corporate Governance mechanisms (board independence, gender diversity) and financial sustainability.

Other Studies also found that many organizations who adhere to proper and sound Corporate Governance have shown improvement in financial performance (Chikuta, 2020), (Nachendeh, 2016), (Thrikawala, 2016), (Wanjau, 2007). Therefore, using empirical evidence the study looked at different ways in which Corporate Governance impacts financial performance of MFIs. As such, the article is important in comprehending how well Corporate Governance impact financial performance of MFIs in Zambia.

Corporate Governance and its Influence on Financial Performance of Microfinance Institutions

The financial performance of a company is not only subject to eminence administration, company growth and proficiency but also on standard of corporate governance, which is key to financial performance of firms (Sharma, 2006). The practice of Corporate Governance measures financial performance through budgetary execution of the company, utilization of all company assets and wealth creation through profitability and economies of scale. (Peter & Eyeasn, 2015), found that poor Corporate Governance structures have the capability of exposing companies to money scandals and corporate mismanagement which results to loss of revenue. On the other hand, Corporate Governance encourages feasible scrutiny and proficient control of business. (Uchenna, et al., 2020), this is so as corporate administration structures are designed to create atmospheres of enhanced financial performance using heightened financial control and regulations, (Boohene & Agyepong, 2023). Corporate Governance identifies the roles of directors towards shareholders and other stakeholders, which helps to build mutual trust in companies which thus leads to increased profitability and improved financial performance. (Affes & Jarboui, 2023), also found that the implementation of good Corporate Governance causes an improvement of the financial performance of companies measured by profitability levels through the return on equity (ROE). (Wanjau, 2007), found that there is a relationship between different aspects of Corporate Governance and firm performance. (Peter & Eyeasn, 2015), found an insignificant relationship between Corporate Governance mechanisms (board independence, gender diversity) and financial sustainability. (Chikuta, 2020) revealed that, certain structures of Corporate Governance such as independent committees, board size and board composition negatively impacted financial performance of SOE's. (Miring'u & Muoria, 2011), found a connection between Corporate Governance and budgetary execution. The study further found that advisory groups had a positive relationship with return on assets. As revealed by most scholars, Corporate Governance is regarded as an important variable that affects development of companies and economies, as it increases chances of opportunities, improves the flow of all money related executions, formation of financial and management regulations (Boohene & Agyepong, 2023). Exceptional Corporate Governance adds to higher market valuation and return of assets notable with companies in developed countries. Remarkably, companies that have enhanced corporate administration alternations typically have better return exchange and quality financial specialists as a study conducted in Asia confirms, (Minghu, 2013). (Matanda & Matanda, 2019), in their study found that Corporate Governance and ethics have a crucial role to play in the growth and development of MFIs' products and services. The study also affirmed that good Corporate Governance is of vital importance for profitability and success of any organization. (Thrikawala, 2016) indicated that, a well composed Corporate Governance structure has statistically and significantly correlated with financial performance of MFIs.

The Effect of Board and Firm Size On the Financial Performance.

It is assumed that smaller board size of directors and executives are influential and that companies that have assumed smaller board sizes have an accomplishment of wealth maximization, and have better utilization of capital (Rock, et al., 1998). (Chikuta, 2020), (Peter & Eyeasn, 2015), condemn large board size indicating that they have poor or low firm execution with high income for executives. On the contrary, (Uchenna, et al., 2020) found that smaller board sizes have high wealth maximization and reduced costs, dissimilar to (Chikuta, 2020) and (Wanjau, 2007), who denoted that larger board sizes have combinations of experiences and additional time and experience than smaller board sizes, and that large boards are positively correlated with turn-over or disbursements, implying that large boards translate to high turn-over for MFIs. (Oluwaseyi, et al., 2022) found that, board size correlates favorably and significantly with bank performance. meaning that larger boards improve bank performance. Board composition exhibited a strong positive relationship with MFBs' performance. (Fekadu, 2018) found that, board size has negative and insignificant relationship with financial performance of MFIs. A different study by (Ssekiziyivu, et al., 2018), suggest that Micro-finance institutions mostly have boards that are ineffective, as they are not constituted board committees with no respect for shareholder's rights coupled with accountability failures that are common. (Chikuta, 2020), (Leseyio, 2014), and (Affes & Jarboui, 2023) agree that the board size of the company is more related to firm execution, basing on assumptions that bigger firms have the obligation to expand their roles to increased company positions as opposed to smaller sized firms. Additionally, firms that are big in size have a favorable position to acquire profit maximization, this on the other hand limits and increases economies of scale which lowers company costs as opposed to smaller little firms. (Thrikawala, 2016) found that, the number of board members has a bearing on the financial performance of MFIs.

Board Composition Influence and Financial Performance of MFIs

Board composition is important in the performance MFIs since they hold responsibility of choosing company's directors who can set the company to the achievement of company goals. Additionally, (Mallin, 2007) elaborates that, the quantity of non-official chiefs in the board builds the board's independency. (Uchenna, et al., 2020), in their study found that the extent of insider to superior directors have an impact on Return on Equity (ROE). As noted by (Mallin, 2007) who asserts that, non-official executives develop the compliance of the board members to the outer relationship with stakeholders. Non-official chiefs of the board normally increase the investor's wealth. Therefore, affecting the company's resources. (Sharma, 2006), emphases that a board should be composed in a way that has proper balance of power is observed with no supremacy of power in few executives.

(Oluwaseyi, et al., 2022), in their study found that board size correlates favorably and significantly with financial institution's performance. Suggesting that larger boards improve financial institution's performance. The study revealed that the composition of the board has a strong positive relationship with MFIs financial performance. The study also revealed that, audit committees associate positively and significantly with MFI's financial performance, demonstrating that audit committees are important components of corporate governance. (Fekadu, 2018) finds that, the size of the board has negative and insignificant relationship with financial performance of MFIs. However, the study revealed that the diversity of gender, together with the educational qualification of directors has positive although statistically insignificant association with performance of MFIs. (Boohene & Agyepong, 2023) found that, the composition of board, the quantity of Board gatherings, frequency of board sub-committee's gatherings, were found to have influence on money related execution of MFIs in a positive bearing, implying that there is a positive relationship between MFI's money related execution and corporate Governance. (Baysinger, 1985) found a positive connection between board composition, corporate administration and financial performance. (Thrikawala, 2016) found that better results can be achieved when there is a female chair, when there are more female directors and more international/donor agencies representatives on the board. However, (Sharma, 2006) suggests that, despite having a stable board composition it is very important that the board has full autonomy, so that their decisions are not influenced by stakeholders or investors, it's equally important that the company is free from impact that can confine the cohesion of decisions, it is the capacity to remain committed without any impact on external influence by others.

Corporate Governance Reforms in Different Sectors

Corporate Governance is applicable in all firms, regardless of their nature. Despite of the difference in firm, Corporate Governance is of vital importance, a study of Corporate Governance in banking by (Pytkowska, 2022 Edition) reveals an effect of corporate administration on firm performance in material part. Furthermore, in Nigeria manufacturing companies, insurance, service and banking showed better performance after the performance of corporate management changes (Rock, et al., 1998) and (Olusansenu, 2013). It was further discovered that board size is essentially recognized by better-quality CSR acquaintances for banking companies. (Nachendeh, 2016) found that, the application of a sound management control has a positive and significantly impact on the economic profitability of MFIs.

Theoretical and Conceptual Framework

The study was governed by the following theories; stewardship theory, agency theory, resource dependency theory, transactional cost theory, Stakeholder Theory and Total quality management Theory.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue X October 2024

Stewardship Theory (ST)

The Stewardship Theory was propounded by Donaldson and Davis in 1991, adopted with the motive of examining decision making actions and performance of executives who are acting as faithful stewards for principals (Chrisman, 2019). ST assumes that managers are essentially, self-motivated, trustworthy, and capable, to drive the objectives of the company. It also assumes that managers are intrinsically motivated and self-interested as such there are not motivated by financial drive. ST assumes also that interests of the managers are automatically aligned with those of the shareholders thus driving organizational success (Chrisman, 2019). The Criticism of the ST is that it is only applicable were the relationship between shareholders and Stewards are laid on collaboration and mutual trust, and is normally used in situations where the company is a family-owned businesses or whether the company has a strong emphasis on corporate social responsibility (CSR), or it is a non-governmental organization. However ST is more valid in an optimistic view of managerial behavior, were managers are accorded with the right environment with quality non-financial support (Sharma, 2006).

The theory is applicable in Corporate Governances it advocates for a balanced structure and board composition, who all share a strong commitment to the organization's mission and long-term success. ST also demands that the company groups i.e. advisory groups, board of directors and CEO embrace a stewardship attitude, where focus on long-term value is on creation as opposed to temporary financial gains. ST also demands that stewards must be faithful to the company thus enhancing legitimacy in business transactions.

Agency Theory (AT)

The Agency Theory was propounded by Ross and Mitnick, which was based on increased agent principle conflict in the early 1970s. AT is based on the principle that there is a basic conflict of interest between the shareholders and managers of the company and how the two parties can meet in unison (Linda Tucci, 2020). AT assumes that there is a conflict of interest between principals and agents, and that the principal delegates power and authority to the agent to make decisions on their behalf (Zogning, 2017). AT, however assume that agents pursue their own self-interests and objectives, which do not align with the principals. As such, agents may make decisions which are one sided (Linda Tucci, 2020). AT further assumes that agents have abundant information about the day-to-day operations of the company and as such, agent can act in a manner that is not fully transparent to the principal (Zogning, 2017). The theory is criticized so much for portraying managers as workers who are self-interested and untrusted, who may need the application of incentives and external controls to act in the best interests of the shareholders, as such it is a non-motivating theory. However, AT provides a background for understanding and managing agent-principal relationship with an emphasis on reducing conflicts of interest and warranting that agents act in the best interests of principals (Zogning, 2017).

The theory is applicable in Corporate governance as it categorically separates ownership and control which can align with the interest of the shareholders and agents, thus moderating the conflict of interest between the two parties. AT also highlights that shareholders incur costs of establishing a robust Corporate Governance structure which reviews performance and establishes independent boards of directors. AT likewise advocates for independent board of directors who push the agenda for effective Corporate Governance mechanisms, which enhance legitimacy and compliance to government and regulatory bodies.

Resource Dependency Theory (RDT)

The Resource Dependency Theory (RDT) was propounded by Pfeffer and Salancik in 1978. It examines how external resources of an organization have an influence on its behavior, structure, and power dynamics (Fiorini, et al., 2018). RDT assumes that companies depend on resources that are frequently controlled by other companies in their environment, as a result companies that control vital resources have influence over those that depend on them (Linda Tucci, 2020). RDT assumes also that, the external environment is regularly indeterminate and dynamic, thus affecting the availability and control of resources (Fiorini, et al., 2018). The theory further assumes that the composition of board of directors is advantageously designed to comprise of individuals who are capable of securing critical resources (Linda Tucci, 2020). The RDT is criticised for mainly overemphasizing the role of external resources in influencing organizational behavior and it undervalues the significance of internal factors (Fiorini, et al., 2018). The theory is not applicable in rapidly altering environments, as the premise of constant resource dependencies may not hold for long (Fiorini, et al., 2018). However, the Theory gives a base of comprehending how organizations interrelate with their external environment and how they manage their dependences on critical resources.

The theory is relevant to Corporate Governanceas it demands that should the board should be well composed of various experts who bring indispensable resources to the company. The theory is relevant as it balances the power dynamics among the company and its external resource providers. Using RDT, Corporate Governance comprises of making strategic decisions, that secures critical resources while managing dependencies (Fiorini, et al., 2018).

Transaction Cost Theory (TCT)

Transaction Cost Theory was propounded by Ronald Coase and further expanded by Oliver Williamson, it is a an economic theory that describes and forecasts the conditions that companies will opt to perform certain activities internally or outsource them to the market (Nachendeh, 2016). TCT assumes that in instances where transaction costs are high, companies are more expected to internalize operations to minimize costs. Based on the assumption that the more regularly a transaction occurs, the lower the average transaction cost, since fixed costs are spread over many transactions (Fiorini, et al., 2018). TCT also assume that there is opportunism by managers, where parties in a transaction can act in their own self-interest at the expense of others, which leads to higher transaction costs (Boohene & Agyepong, 2023). TCT is mainly criticized for its emphasis on cost minimization, which overlooks other factors that enhance organizational success. TCT may be also less appropriate in quickly changing environments, which have costs that are demanding to forecast and predict (Fiorini, et al., 2018). TCT also puts much emphasis on opportunism which might overgeneralize human behavior while ignoring cooperation, long-term relationships and trust in the company (Mallin, 2007). The Theory however, offers a robust basis for understanding the economic motivation behind organizational decisions, mainly in relative to the governance and structure of firms

TCT is appropriate in Corporate Governance as it advocates for boards of directors to play a significant role in minimizing transaction costs, through efficient management decisions which ensure that the companies' internal processes are efficient. TCT also advocate that firms adopt control mechanisms in their governance structures that reduce opportunistic attitudes by managers. TCT also advocate that companies establish compound governance structures of board of directors, with a view of monitoring management and ensuring that the majority of decisions are in agreement with shareholder interest (Fiorini, et al., 2018).

Stakeholder Theory (ST)

The Stakeholder Theory was propounded by R Edward Freeman. It focuses on corporate activities which affect all its stakeholders (Chrisman, 2019). ST assumes that all stake holders are of value thus focus should not only be on shareholders. ST assumes that, companies are only deemed fruitful when they deliver worth to the all the stakeholders. ST likewise, assumes that once all stakeholders are satisfied it directly boosts a company's public image (Linda Tucci, 2020). The theory is criticized for involving a wide variety of interests by stakeholders which pull each stakeholders in opposing directions, as a consequence working against the organization (Chrisman, 2019). The theory also shows some loopholes in crafting policies for stakeholder engagement because of the difference in nature and needs of stakeholders. The theory is nevertheless valid in understanding and in improving the governance of corporations through stakeholder relations.

The theory is applied in Corporate Governance as it includes all stakeholders such as; customers, suppliers, employees, and the community and advocates, that value is to be created for all stakeholders. The theory is also appropriate as it advocates for governance practices that are inclusive of numerous shareholder interests (Fiorini, et al., 2018).

Total Quality Management (TQM)

Total Quality Management (TQM) is an approach that was introduced by W. Edwards Deming. It is a complete management approach which is targeted at improving organizational performance based on the principle of customer satisfaction and continuous quality improvement (Arikkök, 2017). The approach assumes that quality is not just the obligation of a particular department but a shared responsibility in the organization. It also assumes that improving quality is a continuous process that requires commitment from all levels of the organization (Thrikawala, 2016). The approach is largely criticized as its implementation is costly, and can face resistance from employees who are familiar to existing systems, processes and practices. The approach also involves massive consistent procedures and metrics, which require bureaucracy (Arikkök, 2017).

The theory is applied in Corporate Governance as it demands effective governance through communication on decision performance and strategies with stakeholders. It also advocates that governance structures and processes should be frequently reviewed and upgraded. The approach also demands that there is training on governance principles and practices (Thrikawala, 2016). The approach further ensure that the board of directors has a blend of members with diverse skills, proficiencies, and perspectives, this improves the efficiency governance. The approach requires transparency in governance practices through providing regular reports and updates to both shareholders and stakeholders on governance performance and activities (Arikkök, 2017).

Conceptual Framework

This will be based on assumption that there are certain multiple factors that influence financial performance of MFIs, Figure 1 depicts the conceptual framework (CF) of the study. Included are the Independent and Dependent variables, where the independent variables have been presented as the factors that have exaggerated the dependent variables. The independent variable in this case is financial performance while the dependent variables are corporate governance, Board size, firm size and board composition.

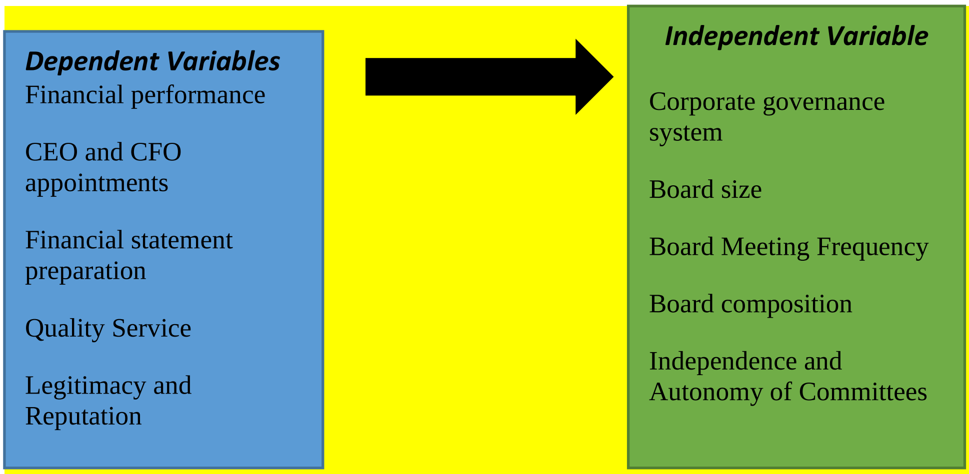

Figure 1: Conceptual Framework; Source: Author (s) 2024

RESEARCH METHODS

Research type

The research typically applied questionnaires to collect data. The study used descriptive research, permitting quantitative data to be collected. Questionnaires were distributed purposively to the intended participants, some physically, while others electronically.

Study area

Copies of questionnaires were distributed physically and electronically, using company email address, to the headquarters of each MFI in Zambia, whose headquarters are located differently.

Target Population

The target population was 72 MFIs with major concentration being the full time workers of MFIs with knowledge of their company's Corporate Governance structure.

Research Design

The study applied a descriptive research design. To enrich the outcome of the study, quantitative method was used.

Sampling Technique

The researcher applied purposive sampling technique to collect data. Purposive method was used based on registered MFIs by the bank of Zambia.

Sample Selection and Procedure

The study used the Bank of Zambia registered MFIs to purposively select the participants of the study.

Sample Size

The number of registered MFIs according to the Bank of Zambia is 72 as at 2022 (Bank of Zambia, 2022). The sample size was calculated as 61 MFIs using the Slovan and Taro Yamane's formula

$$n = \frac{N}{1 + N(e)^2} = \frac{72}{1 + 72(0.05)^2} \approx 61$$

Data Collection Instruments

The study used physical and electronic questionnaires which were mailed in google form administered to employees of targeted MFIs. Data was collected using questionnaires administered to MFIs.

Data Collection procedures

MFIs were selected in Zambia through the use of Bank of Zambia registered MFIs. The Bank of Zambia was used because it is the regulatory body of financial companies in Zambia. The study recorded a total number of 57 responses representing 93.4% response rate.

Data Analysis

Primary data was gathered using questionnaires. Data analysis was done through IBM's SPSS V26. Data presentation was presented in descriptive and inferential statistics, were mean scores, percentages, graphs and illustrations, were used for descriptive statistics and regression and correlation coefficient were used for inferential statistics.

DISCUSSION OF FINDINGS

This chapter comprises presentation of the findings. The data presented includes information of the respondents and a presentation of the findings. Table 1 represents the bio and pre- data which is discussed below:

The gender of the respondents of the study, the findings comprised of 34 males with a percentage of 59.6% and 23 females with a 40.4%.

The age of the respondents who participated in the study was as follows: 7 participants, representing 12.3%, are in the age of 18-25; 10 participants representing, 17.5%, are between the age of 26-30; 14 participants representing 24.6% are, between the age of 31-35 years; 9 participants representing 15.8% are between the ages of 35-40; 6 participants representing 10.5% are between the age of 41-45; 7 participants representing 12.3% are aged between 46-50 whereas 4 participants representing 7% were above the age of 50. The mean age is 3.60 indicating that the most frequent age limit was between 31-35.

The level of education of the participants. The results indicate that: 9 participants representing 15.8% were

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue X October 2024

Tertiary Certificate Holders; 11 participants representing 19.3% were Diploma holders; 31 participants representing 54.4% were Bachelors' Degree holders and 6 participants presenting 10.5% were Master's Degree holders.

Job level, the study constituted of a mix of Job levels which included, 6 participants representing 10.5% were in lower management, 29 participants representing 50.9% were in middle management whereas 22 participants representing 38.6% were in senior management.

Ownership structure of MFIs, the results indicated that 32 MFIs with 56.1% were private equity owned, 1 MFI representing 1.8% was government owned, 3 MFIs with percentage of 5.3% were public owned and 21 MFIs representing 36.8% were single owned.

Table 1

Table 2 Shows information relating to the quality of Corporate Governance practices of MFIs in Zambia.

VARIABLE	***FREQUENCY***	***PERCENTAGE %***
GENDER		
Male	34	59.6
Female	23	40.4
Total	57	100
AGE		
18-25	7	12.3
26-30	10	17.5
31-35	14	24.6
36-40	9	15.8
41-45	6	10.5
46-50	7	12.3
50 and Above	4	7.0
Total/Mean age	57 (3.60)	100
YEARS OF EXPERIENCE		
Below 1 Year	2	3.5
2-5	14	24.6
6-10	20	35.1
Above 10	21	36.5
Total	57	100
EDUCATION LEVEL		
Tertiary Certificate	9	15.8
Diploma	11	19.3
Degree	31	54.4

Master's Degree	6	10.5
JOB LEVEL		
Lower Management	6	10.5
Middle- Management	29	50.9
Senior- Management	22	38.6
Total	57	100
OWNERSHIP STRUCTURE		
Private Equity	32	56.1
Government Owned	1	1.8
Public Owned	3	5.3
Single Owned	21	36.8
Total	57	100

Adherence to Corporate Governance system found a median, mode and mean of 2, all falling in the scale of "Agree". Therefore, the participants agreed that the majority of MFIs in Zambia adhere to a Corporate Governance system.

MFI Board Performance has a median mode and mean of 2, which falls in the scale of "Agree". Therefore, the majority of the participants agreed that MFIs have well-functioning boards.

MFI's Board Meeting, has a mean of 2, which falls in the scale of "Agree" thus MFIs agreed that they hold board meetings.

Frequency of board meetings, has a mode of 2 medians of 2 and mean of 2 all falling in the scale of "Simi Annually" indicating that the MFI's board meetings were held Simi Annually.

Table 2

Table 3 Shows The effectiveness of Corporate Governance practices of MFIs in Zambia.

Variable	Median statistic	Mode Statistics	Mean Statistic	Std. Deviation Statistic	Remarks
Adherence to Corporate Governance System	2.00	2	2.16	.134	The median, mode mean Standard Deviation "AGREES" that MFI Companies Adhere to Corporate Governance system.
MFI Board Performance	2.00	2	2.82	.192	The median, mode mean and standard deviation "AGREE " that MFI's have functioning Boards
MFI's Board Meetings	2	2	1.77	.106	The median, mode and standard "AGREES" that MFI have Board Meetings
Frequency of Board Meetings	2	2	2.61	.122	The median, mode, mean and standard deviation Suggests that Board meetings are held Simi Annually.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue X October 2024

Size of the board, the finding revealed a median of 1.72, mode 2, and mean 2. The most frequent is 2 falling in scale of small implying that the majority of the MFIs board Size in Zambia were "Small".

CEO appointed by board of directors has a median of 2, mode 2, and mean 2.32. The most frequent been 2 falling in the Scale of "Agree". Thus the majority of MFI's agreed that CEO are appointed by the board of directors.

Company Appoints Independent CFO has a median of 2, mode 2, and mean of 2.49, the most frequent been 2 falling in the Scale of "Agree". Thus the majority of MFIs agreed that company CFO are appointed by board of Directors.

Financial Statement Audits has a median of 5, mode of 5, and Mean of .4.07, the most frequent been 5 falling in the Scale of "Strongly Disagree". Thus the majority of the MFIs disagreed that MFI's do not audit their Financial Statements.

Table 3

Table 4 shows Corporate Governance practices.

Variable	Median statistic	Mode Statistics	Mean Statistic	Std. Deviation Statistic	Remarks
Board Size	1.72	2	2	0.60	The mode mean Standard Deviation suggests that the board Size of MFIs is "Small".
CEO is appointed by Board of Directors	2.00	2	2.32	.192	The median, mode mean and standard deviation "AGREE" that MFI's CEO is appointed by the Board of Directors.
Company Appoints Independent CFO	2	2	2.49	.155	The median, mode and mean and standard "AGREES" that MFI appoints independent CFO
Financial Statement Audits	5	5	4.07	.164	The mean, mode and median "STRONGLY DISAGREE" that their financial statements are not audited.

Company enhance quality of service and building of trust and confidence to stakeholders, has a median of 2 mode 1[a] the mean 2.70, the most frequent is 2 which falls in the scale of "Agree" the findings thus Agreed that Corporate Governance enhances quality of service and building of trust and confidence to stakeholders.

Efficiency of presentation of Corporate Governance in the financial statements and reviews, has a median of 4, mode of 3 and mean of 3.51 the most frequent falling in the scale of 3 "Not Sure". Implying that the majority of participants were not sure if Corporate Governance leads to Efficiency of presentation of Corporate Governance in the financial statements and reviews.

Trust that the company has created between all stakeholders, has a median of 2, mode of 1 and mean of 2.40 the frequent been 2 falling in the scale of "Agree". Thus the findings agreed that Corporate Governance creates trust with the shareholders.

Company's reputation with stakeholders has a median of 2, mode of 1 and mean of 2.40, the most frequent falling in the scale of 2 "Agree" thus agreeing that the company has created good reputation with its stakeholders.

Company ensure legitimacy in all its dealings, has a median of 2, mode of 1 and mean of 2.40, the most frequent falling in the scale of 2 "Agree" thus the findings agreed that the company maintains a high level of legitimacy in all its business transactions.

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Table 4

Table 5 shows Corporate Governance internal practices

Variable	Median statistic	Mode Statistics	Mean Statistic	Std. Deviation Statistic	Remarks
Corporate Governance enhance quality of service and building of trust and confidence to stakeholders	2.00	1[a]	2.70	.199	The median, mean Standard Deviation “AGREE” that Corporate Governance enhances quality of service and building of trust and confidence to stakeholders
Efficiency of presentation of Corporate Governance in the financial statements and reviews	4	3	3.51	.164	The median, mode mean and standard deviation “NOT SURE” to if there is Efficiency of presentation of Corporate Governance in the financial statements and reviews.
Corporate Governance build Trust that the company has created between all stakeholders	2	1	2.40	.155	The median, mode and mean and standard “AGREES” that MFI companies have created a trust with stakeholders
Company's reputation with stakeholders	2	1	2.40	.185	The median, mode, mean and standard deviation “AGREE” that the company has good reputation with Shareholders.
Company ensure legitimacy in all its dealings	2	1	2.40	.193	The mean, mode and median “AGREE” that MFI companies ensure legitimacy in all their dealings.

Company has Committees that operate with Degree of Autonomy, has a median of 4, mode of 4 and mean of 3.33 with the most frequent been 4 thus failing in the scale of “Disagree”. Thus the findings disagreeing that most MFI do not have committees that operate with degree of autonomy.

Company has Review advisory group, has a mean of 2, mode of 2 and median of 2.2 with the most frequent been 2 failing in the scale of “Agree”. Thus the majority of MFIs agreed to having review advisory groups.

Review advisory group autonomous, skillful, monetarily educated, satisfactorily resourced and appropriately redressed, has a mean of 2, mode of 2 and median of 2.72, falling in the scale of “Agree” thus the findings agreed that MFI’s review advisory group are autonomous, skillful, monetarily educated, satisfactorily resourced and appropriately redressed.

Review advisory group capable of administering corporate administration, money related announcing, inside control structure, inner review capacities, and outside review administrations, has a median of 2, mode of 2 and Mean of 2 the most frequent been 2 falling in the scale of “Agree”, Thus the majority of MFI agreed to having Review advisory group which are capable of administering corporate administration, money related announcing, inside control structure, inner review capacities, and outside review administrations.

Advisory groups improve money related execution of the Company reveals a median of 1, mode of 2 and mean

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of 2 the most frequent been 2 falling in the scale of "Agree", MFI agreed that advisory groups improve money related execution of the Company.

Table 5

Variable	Median statistic	Mode Statistics	Mean Statistic	Std. Deviation Statistic	Remarks
Company has Committees that operate with Degree of Autonomy	4	4	3.--- 33	.199	The median, mode Standard Deviation "DISAGREE" that MFI do not have committees that operate with degree of Autonomy
Company has Review advisory group	2	2	2.61	.195	The median, mode mean and standard deviation "AGREE" that company has review advisory group.
Review advisory group autonomous, skillful, monetarily educated, satisfactorily resourced and appropriately redressed	2	2	2.72	.167	The median, mode and mean and standard "AGREES" that the Review advisory group is autonomous, skillful, monetarily educated, satisfactorily resourced and appropriately redressed
Review advisory group capable of administering corporate administration, money related announcing, inside control structure, inner review capacities, and outside review administrations	2	2	2.64	.174	The median, mode, mean and standard deviation "AGREE" that the review advisory group capable of administering corporate administration, money related announcing, inside control structure, inner review capacities, and outside review administrations.
Advisory groups improves money related execution of the Company	1	2	2.19	.171	The, mode and median "AGREE" that MFI companies have Advisory groups improves money related execution of the Company.

Inferential Statistic

Regression test

HO_1 - company enhance quality of service and building of trust and confidence to stakeholders, has a hypothesis of p=0.05= 0.05 the null hypothesis has been accepted implying a statistical relationship between the two variables.

HO_2- Efficiency of presentation of Corporate Governance in the financial statements and reviews independence of directors independent in their decision making of the company, has a hypothesis of $p= 0.13 > 0.05$, the null hypothesis has been rejected signifying that there no statistically relationship that exists between the two variables.

HO_3 - trust that the company has created between all stakeholder company have a good reputation to all its

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stakeholders and company ensures legitimacy in all its dealings has a hypothesis of p= 0.06 > 0.05 the null hypothesis has been rejected denoting that there is no statistical relationship between the variables.

HO_4 - Board size and enhancement quality of service and building of trust and confidence to stakeholders is p= 0.10 > 0.05 the null hypothesis has been rejected denoting that there is no statistical relationship between the two variables.

HO_5 - Board size and Efficiency of presentation Corporate Governance in the financial statements and reviews is p= 0.024, < 0.05 the null hypothesis has been accepted a statistically relationship between the two variables.

HO_6 - Regression test between Board size and independence of directors independent in their decision making of the company is p= 0.024 < 0.05 the null hypothesis has been accepted denoting that there is no statistically relationship between the two variables.

HO_7 - Board size and trust that the company has created between all stakeholders, is p= 0.07 > 0.05 the null hypothesis has been rejected denoting that there is no statistically relationship between the two variables.

Table 6: Regression Test

Parameter	Mode	Mean	Sig.	Remarks
HO_1 - company enhance quality of service and building of trust and confidence to stakeholders	.043	.043	.005	Significant: the null hypothesis has been accepted. Showing a relationship between the two variables.
HO_2- Efficiency of presentation of Corporate Governance in the financial statements and reviews independence of directors independent in their decision making of the company	.061	.061	.13	Significant: the null hypothesis has been rejected Showing that no relationship between the two variables.
HO_3 - trust that the company has created between all stakeholder company has a good relationship with its stakeholders and company ensure legitimacy in all its dealings	-0.45	-0.45	.006	insignificant: the null hypothesis has been rejected showing a relationship between the two variables.
HO_4 - Board size and enhancement quality of service and building of trust and confidence to stakeholders is	0.09	.009	0.10	insignificant: the null hypothesis has been rejected showing a relationship between the two variables
HO_5 Board size and Efficiency of presentation Corporate Governance in the financial statements and reviews	0.04	.004	0.024	Significant: the null hypothesis has been rejected Showing that no relationship between the two variables.
HO_6 - Board size and independence of directors independent in their decision making of the company	0.004	0.004	0.024	Significant: the null hypothesis has been rejected Showing that no relationship between the two variables
HO_7 - Board size and trust that the company has created between all stakeholders,	0.0094	0.0094	0.07	insignificant: the null hypothesis has been rejected showing a relationship between the two variables

INTERNATIONAL JOURNAL OF RESEARCH AND INNOVATION IN SOCIAL SCIENCE (IJRISS)
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Pearson correlation

HO_8 - Corporate Governance system that company adheres and Company ensure legitimacy in all its dealings has $p= 0.377 > 0.05$ Therefore, the null hypothesis has not been rejected, denoting that there is a statistical relationship between the two variables.

HO_9 - Board Performance and autonomous councils improving the company's execution and aggressiveness, $p= 0.0936 < 0.01$ Therefore, the null hypothesis has been rejected, denoting a there is no statistical relationship between the two variables.

HO_{10} - Board frequency meeting and review advisory group autonomous, skillful, monetarily educated, satisfactorily resourced and appropriately redressed has a correlation $p=0.276 > 0.05$, Consequently, the null hypothesis has been rejected, denoting that there is no statistical significant relationship between the two variables.

HO_{11} CEO appointed by company board and review advisory group capable of administering corporate administration, money related announcing, inside control structure, inner review capacities, and outside review administrations $p= 0.0461 > 0.05$ the null hypothesis has been accepted, denoting a statistical relationship between the two variables.

HO_{12} - Company uses independent CFO and Company ensure legitimacy in all its dealings $p = 0.461 > 0.05$, the null hypothesis has been rejected denoting a there is no statistically relationship between the two variables

HO_{13}- Independent CFO and autonomous advisory groups improve money related execution of the Company has a $p= 0.0832 > 0.05$ Therefore, the null hypothesis has been rejected, denoting that there is no statistically relationship between the two variables.

Table 7 Pearson- Correlation Test

Variables Correlated	Correlation Coefficient	Sig (2 Tailed)	Significate at	Comment
HO_8 - Corporate Governance system that company adheres and Company ensure legitimacy in all its dealings	0.205	0.377	.05	insignificant reject alternative hypothesis.
HO_9 - Board Performance – Autonomous councils improving the company's execution and aggressiveness	-0.017	0.0936	.05	Significant reject alternative null hypothesis.
H_{10} - Board Frequency meeting – Review advisory group autonomous, skillful, skillful, monetarily educated, satisfactorily resourced and appropriately redressed.	0.231	0.276	.0 5	Insignificant reject alternative null hypothesis.
HO_{11} - CEO appointed by company board- review advisory group capable of administering corporate administration, money related announcing, inside control structure, inner review capacities, and outside review administrations	0.158	0.0461	.05	Significant accept alternative null hypothesis.
HO_{12} - Company uses independent CFO and Company ensure legitimacy in all its dealings	0.158	0.461	.05	Insignificant reject alternative null hypothesis.
HO_{13} - Financial statements of the company audited autonomous advisory groups improve money related execution of the Company	-0.48	0.823	.005	Significant reject alternative null hypothesis.

DISCUSSION OF FINDINGS

The study comprised more of males than females, consistent with the findings of (Thrikawala, 2016. However, the diffrence between the two is minimal, as such the diversity in gender ensured that the study had diverse Perspectives, Enhanced Creativity and Innovation, Improved Research Quality, inclusive, socially and morally relevant. As such the study contributed to broader goals of social justice and equity.

The study constituted of a cluster of ages, which allowed for more diverse perspectives and insights, as it enhanced Improved Research Quality, Relevance and Applicability, which also Enhanced Creativity and Innovation. It also enriched a Holistic Understanding of Issues, encouraged the investigation of Policy Compliance, in relation to corporate governance, and a variation of age also encouraged Better Representation of the Society, as such the findings were inclusive and applicable to all age groups. However, the mean age was between the age of 31-35, this is so as this age range is the most youthful and productive age.

The study consisted of a combination of education level which included Certificate, Diploma, Degree and Master's Degree, similar to the study by (Mulili, 2010) and (Peter & Eyeasn, 2015), a cluster of Education Level enabled enhanced generalizability with complete broader acceptability, inclusive insights which enabled varied Perspectives. Different education levels brought in the study diverse perspectives, experiences, and ways of thinking, enriching the study with a broader range of viewpoints and diverse Knowledge Bases. It also enabled a Competent research quality, which reduced biasness and brought in a holistic analysis of the study. The cluster of job level also enabled Relevance and Inclusivity, where all groups were included with quality informed practice and policy. It also enhanced Creativity and Innovation, through Creative Interaction and Interdisciplinary Association, it also encouraged Social Impartiality and Responsibility. The cluster also brought about a holistic Understanding of how Corporate Governance enhances MFIs profitability, and it also improved Data Validity and Reliability, so the study was applicable to a wide range of educational backgrounds.

The study found that, the majority of MFIs in Zambia are Private Equity and Single owned MFIs this is consisted with the findings of (Bank of Zambia, 2022). The findings are plausible because of the current high demand for financial services, in which Private MFIs offer banking and financial services to citizens and business that are not serviced by traditional banks. Also the growing number of SMEs and urgent need for financial bailout by citizens in which Private MFIs has provided the needed capital that businesses and individuals need but cannot obtain from traditional banks because of bank bureaucracy (Duscha, 2009). The government through the bank of Zambia has supported a stable regulatory environment with supportive Policies, which encourage entrepreneurship and financial inclusion (Bank of Zambia, 2022) and (Chiumya, 2006). Economic factors have also led to the rise of MFI, together with the flexibility of finance offered by MFIs. Since the inception of MFI in Zambia, there is evidence of private MFIs having impacts on social-economic status, as they have facilitated poverty reduction and the empowerment of Vulnerable Groups, which is not the case with public MFIs, (Nuwagaba, 2015). Because of the high demand for finances private MFIs attracts investor interest, thus they are able to build a strong partnership with NGOs and donors which has accelerated the growth of private MFIs in Zambia (Chikuta, 2020) and (Duscha, 2009).

The mean of the study suggests that MFI Companies in Zambia Adhere to Corporate Governance system, the findings are consistent with those of (Chikuta, 2020), (Miring'u & Muoria, 2011) and (Thrikawala, 2016). The adherence of Corporate Governance system shows that: MFIs in Zambia are accountable and transparent as they have established roles and responsibilities for the board of directors, management, and shareholders, as such decision-making process is transparent and accountability to those in power is assured, (Baysinger, 1985); This implies also that MFIs in Zambia Protects Shareholders' Interests through enabling that minority shareholders have a voice in vital company decisions were everyone is treated equitably and fairly, this ensures the reduction in abuse, conflict of interest and insider trading (Pytkowska, 2022 Edition). MFIs have enhanced Corporate Reputation, because of proper governance practices, as such they enjoy a better reputation of integrity that attracts investors, customers, and talented employees (Thrikawala, 2016); MFIs in Zambia Facilitates access to Capital, as investors are more probable to invest in business with good governance practices, this clearly explains the growth and expansion of MFIs (Uchenna, et al., 2020); MFI mitigate risks, because of a well-designed governance system, which has helped to detect, evaluate, and manage risks, through a well-established process

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue X October 2024

for risk management, that ensures the company is prepared for unanticipated challenges (Oluwaseyi, et al., 2022). Adherence to Corporate Governance ensures MFIs contribute to supporting long-term sustainability, because Corporate Governance centers on long-term strategies and sustainability as opposed to short-term benefits (Pytkowska, 2022 Edition). MFIs are Compliant with Laws and Regulations. Non-compliance would have resulted in legal penalties, financial losses, and reputational damage of MFIs (Sichamba & Siwila, 2019) . MFIs have an improved operational efficiency, as Corporate Governance has established guidelines and procedures, which enables improved decision-making processes and operational competence (Ssekiziyivu, et al., 2018), MFIs also have a Positive Corporate Culture, where the company's values and ethical standards are adhered to, consequently enhancing employees to act in the MFI's best interests (Peter & Eyeasn, 2015).

The findings of the study suggest that MFIs in Zambia have functioning Boards, consistent with the findings of (Chikuta, 2020), and (Fekadu, 2018). Functioning boards of board of directors is precarious for the success and sustainability of a company. The board plays a central role in governance, oversight, and strategic decision-making. The findings indicate that; MFIs have clear and strategic guidance and oversight, ensures that the company's management pursues strategies that are aligned with the long-term interests of shareholders and other stakeholders objectives, (Chiumya, 2006); MFI's have appropriate Accountability and Governance, this is because the board holds the company's executives and management responsible for their actions and decisions, ensuring that the board monitors the company's financial performance which results in improved financial performance of MFIs as competent risk management practices are applied (Aebi, 2010). MFI's have concise decision making processes, because functioning boards which play a crucial role in making important corporate decisions, leading to profitability such as acquisitions, mergers and foremost investments, which leads to growth and positive financial performance (Matanda & Matanda, 2019). MFIs also best represents its stakeholder interests as the board represents the interests of various stakeholders, including shareholders, employees, customers, and the community. Through their experience and expertise, board members assist in coming up with balance competing interests and make informed decisions that increase financial performance therefore benefiting the company and its stakeholders as noted by (Linda Tucci, 2020).

Effective functioning board also indicates that MFIs in Zambia have stable leadership and succession plans, which are equipped for leadership conversions through succession planning (Baysinger, 1985). MFIs also have a stable Corporate Culture and Ethics, this is so as functioning board dictates the company's corporate culture and ethical standards, through establishing policies and frameworks that promote ethical behavior, transparency, and accountability (Linda Tucci, 2020). Studies by (Chikuta, 2020) and (Affes & Jarboui, 2023) indicate that companies with effective boards have a tendency to perform better financially and operationally, this is the case with Zambian MFIs because of functioning boards they have improved financial performance, this can also be attributed to the efficiency of the board's ability to effectively manage crisis such as economic downturns, pandemics such as COVID-19 and regulatory challenges, or corporate scandals.

The findings have established that MFIs in Zambia have board meetings, consistent with the findings of (Miring'u & Muoria, 2011) and (Chikuta, 2020). The results are reasonable as Board meetings are a serious component for Corporate Governance and the effective functioning of a company's board of directors enable MFIs to enhance strategic planning and decision making, which enables board members to review and approve long-term plans, assess progress towards strategic goals, and make informed decisions on financial performance, capital investments, and major business initiatives (Pytkowska, 2022 Edition), Encourage Monitoring and Oversight, as throughout board meetings, directors have the capacity of reviewing the company's performance, financial status, and compliance with laws and regulations, this creates company stability, enhancement of communication and coordination, as the board enhances the opportunity for management to present updates on, financial performance, operations and strategic initiatives, (Linda Tucci, 2020). Boards also evaluate management performance of the CEO and other senior executives, which should align to financial performance of the MFIs, which also gives the board a planned way to communicate decisions and developments to stakeholders, in line with financial performance of MFIs in Zambia (Musthusamy, 2022).

The study has also found that the majority of MFIs conduct their board meeting Simi Annually, implying that they hold their meetings twice a year, the findings are similar to other of (Ssekiziyivu, et al., 2018). Holding of meetings Simi annually is justifiable because most of the MFIs in Zambia are private equity, implying that there are small in Size, frequency of meeting maximize on Cost and Time Efficiency and focus is based on strategic issues encouraging more in-depth discussions on critical topics that result in financial performance while giving enough preparation time to make accurate and informed decision based on precision information (Thrikawala, 2016).

The Study found that, the mean agree that Corporate Governance enhances quality of service and building of trust and confidence to stakeholders, these findings are consistent with the findings of (Nachendeh, 2016), this implies that MFIs in Zambia are accountable in quality of service and transparent, this builds trust and confidence to stakeholder; because of the quality of service, MFI have a good risk management strategy with Ethical standards which enhances Long term Sustainability (Miring'u & Muoria, 2011).

The mean of the study found that most MFI are not sure if there is Efficiency of presentation of Corporate Governance in the financial statements and reviews, inconsistent with the findings of (Chikuta, 2020), who found that state owned MFIs have efficiency of presentation, and quality presentation of Corporate Governance information in financial statement reviews , this outcome raises a lot of questions about the presentation of Corporate Governance in financial statements, implying that there is poor reporting standards, with doubts of adherence to consistent reporting frameworks such as GAAP (Generally Accepted Accounting Principles) and IFRS (International Financial Reporting Standards) as such the findings imply that most MFIs do not have improved efficiency and quality of financial statement presentations and reviews, the findings also suggests that there are doubts if MFIs have well promoted clear standards, which are accountable, transparent, compliant, and effective, as such the financial reporting for MFIs in Zambia may be unreliable and untrustworthy.

The findings have further revealed that Corporate Governance has enabled MFI build trust between all stakeholders, the findings are consistent with those of (Affes & Jarboui, 2023), trust building is very important as it enhances long-term success for MFIs through fostering and maintaining trust, between an organization and its stakeholders, through promoting transparency, accountability, consistency ethical behavior, risk management fairness, sustainability, financial integrity and effective oversight (Fekadu, 2018). Therefore, Corporate Governance has the capability of creating a compacted foundation based on trust, that supports an organization’s long-term accomplishment, and a healthy financial performance which fosters constructive stakeholder relationships, and enhances sustainability.

The study has also found that MFI companies in Zambia have built a strong reputation with its shareholders the findings are consistent with the findings of (Matanda & Matanda, 2019), A strong relationship between a company and its shareholders cannot be built in the absence of corporate governance. Financial performance of any company is dependent on business reputation. This implies that MFI companies in Zambia are perceived highly by its stakeholders and clients inclusive. This has accelerated the growth of MFIs in Zambia as noted by the (Economic Association of Zambia, 2021), the reputation has increased the level of willingness to engage with and support the companies. The findings also suggest that because of the increased relationship MFIs in Zambia have improved trust and trustworthiness, which has in turn retains customers, together with boosting investor confidence, providing a competitive advantage which has enabled MFIs have a strengthened crisis management, and support of long long-term sustainability which has aided MFI’s financial performance and growth.

The study has also found that the MFIs in Zambia ensure legitimacy in all its dealings, the findings are consistent with the findings of (Chikuta, 2020), (Thrikawala, 2016) and (Uchenna, et al., 2020). It is apparent, that legitimacy comes in as a result of applying corporate governance, as such MFIs in Zambia operate within the confines of the laws, ethical standards, and societal norms. This has undoubtedly enabled MFIs to maintain its financial performance and long-term sustainability as they avoid losses that can be incurred as a result of not been legal compliant, this in turn has, built trust, customer loyalty, sustainable growth, regulatory relationships, competitive advantage, employee morale and investor confidence.

The findings have found that most MFIs do not have committees that operate with a degree of autonomy, these findings are in conflict with (Chikuta, 2020) and (Aebi, 2010) one of the viable reasons for this, is that most MFIs are private or equity owned which means that committees are attached to the majority shareholders, entailing that most MFIs do not have a degree of autonomy to make cognizant decisions, customize to changing situations and take possession of consequences, because of lack of separation of powers. autonomy is important as it promotes a nous of accountability, innovation, and enables reliable decision-making progression, (Musthusamy, 2022), as such, lack of degree autonomy makes committees to be irrelevant incompetent, demotivated, and initially unproductive in achieving their envisioned roles.

On the other hand, the findings indicate that most MFIs have review advisory groups. These findings are consistent with the findings of (Fekadu, 2018). This means that most MFIs in Zambia have experienced and diverse professionals who offers perilous oversight, guidance, and response on key capacities of the business. The presence of a review committee is that it enhances efficiency, liability, and tactical course of MFI, through providing autonomous oversight, proficient guidance, and long-term viewpoint, the group enhances that MFI's remain competitive, innovative, and resilient in a fast altering business environment to drive value to all stakeholders in line with the stakeholder theory (Affes & Jarboui, 2023).

The study further found that MFIs Review advisory groups are autonomous, skillful, monetarily educated, satisfactorily resourced and appropriately redressed, and are proficient of administering corporate administration, money related announcing, inside control structure, inner review capacities, and outside review administrations, and advisory groups improve money related execution of the Company, the findings are consistent with those of (Nachendeh, 2016) and (Thrikawala, 2016) but inconsistent with (Chikuta, 2020). The findings suggests that MFI advisory groups deliver valued, self-governing, and up-to-date guidance which improves the MFI's governance and decision-making processes (Miring'u & Muoria, 2011). Advisory groups also provide MFIs financial reporting, internal audit functions, internal control structures, quality corporate governance, and external audit services, (Thrikawala, 2016) thus providing MFIs with quality reliability and competent operations. Notwithstanding that advisory groups offer a company's financial performance by providing strategic insights, optimizing capital allocation enhancing risk management, (Musthusamy, 2022). Undoubtedly, the presence of advisory groups enhance MFIs to circumnavigate intricate financial landscapes, enabling an eye opener of avenues available for growth, and uphold a competitive edge, through leveraging the proficiency and capability of advisory groups, (Uchenna, et al., 2020) this has more likely enhanced MFIs in Zambia to attain sustainable financial success, together with the creation of long-term value for stakeholders and shareholders.

Inferential Statistics

Regression

HO_1 - Regression statistical technique was used to test the relationship between company enhanced quality of service and building of trust and confidence to stakeholders, which established a relationship between the two variables. The findings are reasonable because once there is enhanced quality service, trust is built to shareholders, this is so as improved service quality builds Trust, the trust then leads to resilient relationships, which fosters enhancement of improved service quality through stable continuous improvement and reputation management, in line with the total quality management theory (TQM) (Peter & Eyeasn, 2015). Total quality management thus fosters a culture of risk mitigation, which continue to build trust and confidence among stakeholders, thus strengthening relationship which leads to customer loyalty consequently improving financial performance of MFIs.

Hypothesis tested found no relationship between efficiency of presentation of Corporate Governance in the financial statements and reviews independence of directors independent in their decision making of the company. The results are justifiable as most MFIs do not include Corporate Governance reporting in their Financial statements, as such little is known on the independence of directors in their decision making of the company, which may create a conflict of interest between Directors and Shareholder in line with the Agency theory. It must be noted that the effectiveness of the presentation of Corporate Governance in financial statements is vital for demonstrating transparency, accountability, and sturdiness of a company's governance structure, (Nachendeh, 2016). Since no presentation of Corporate Governance is done in the financial statements, it is unclear whether MFI directors make decisions which are free from unwarranted influence and whether they are made in the best interest of the stakeholders and the company in general.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue X October 2024

In contrast to Stewardship Theory, the findings indicate a non-relationship between trust that the company has created between all stakeholders and whether the company has a good relationship with its stakeholders and company ensure legitimacy. The implication of the findings is the fact that board size does not significantly influence director independence would imply that, there are other factors that are significant in maintaining a good relationship and reputation among stakeholders, that could include transparency quality of governance practices, and ethical leadership. The relationship of stakeholders is not generally driven by board Size, but by decision making procedures which foster fairness, transparency and stakeholder involvement. To enhance legitimacy in dealings does not always require a board (Uchenna, et al., 2020), but rather ensuring that directors, irrespective of board size, are always free from any conflicts of interest and that directors are of good moral standards to uphold ethical standards (Nachendeh, 2016).

The regression analysis found that there is no relationship between Board size and enhancement of quality of service and building of trust and confidence, which implies that board and enhancement of quality of service and building of trust and confidence are not statically related. The implication of this regression test is that, there are other factors that influence the achievement of goals such as strategic management, stakeholder engagement and effective governance practices, which are pivotal (Matanda & Matanda, 2019). Board size may not play a role but the board composition, culture, and specific governance practices may influence enhancement of quality and building of confidence to shareholders in line with Total Quality Management.

The regression suggests that, there is a statistically significant relationship between board size and the efficiency of Corporate Governance presentation in financial statements. These findings imply that board size does influence how competently Corporate Governance is presented and reviewed in the financial statements, consistent with the findings of (Nachendeh, 2016). The implications of the regression test are that MFIs have effective audit committee with qualified and experienced management, a sign that their CFOs and finance team have experience and are experts in preparing financial statements and are equipped with knowledge in financial reporting standards such as GAAP and IFRS and are normally updated with regulatory changes, enabling competent adherence to accounting standards, in line with IFRS and GAAP, this reduces costs of outsourcing accounting experts in line with the Transactional Cost Theory. This shows that MFI have enhanced quality of internal financial reporting which is accurate, transparent, compliant with regulatory standards. This explains the robust relations and reputation which MFIs have with investors, regulators, and other stakeholders.

The regression test has found a statistically significant relationship between board size and the independence of directors in their decision-making within the company. This result implies that; the size of the board has a significant impact on how independently directors make their decisions. The results are in line with the resource dependency theory which suggest that the board of directors provide valuable resources, such as expertise, access to networks, and external connections, which are crucial for a company's success (Miring'u & Muoria, 2011), meaning that the size of the board has influence on decision making dynamics as they give diversity of perspectives, potential for conflicts of interest power distribution, and accountability. (Affes & Jarboui, 2023) argues that, larger boards lean towards providing a more favorable environment for independent decision-making because of specialization diversity, and checks and balances they offer (Uchenna, et al., 2020) also allude that smaller boards may face challenges related to groupthink, focused power, and less diversity of thought, which has the probability of hindering the independence of directors in their decision-making processes.

Regression test has found no statistically significant relationship between board size and the trust that the company has created between all stakeholders. The results imply that Board size can potentially enhance trust that the company creates among its stakeholders in line with the Stakeholder Theory (Oluwaseyi, et al., 2022), which is dependent mainly on how well the board engages its stakeholders and functions. This implies that trust is not fostered by the size of the board but rather the quality of its governance practices and transparency as demanded by the Total Management Quality Approach.

Pearson Correlation

Pearson correlation finds that there is no strong evidence of a relationship between Corporate Governance system and the company's ability to ensure legitimacy in its dealings, these findings are inconsistent with prior findings of (Thrikawala, 2016), (Nachendeh, 2016) and (Chikuta, 2020), who found that, companies with stronger governance practices incline to have enhanced reputations, fewer legal issues, and more robust stakeholder relationships, which is enhanced by legitimacy in relation to Total Management Quality . The implications of the findings are that despite Corporate Governance practices enhancing legitimacy, MFI companies have an obligation of legitimacy. Additionally, the Bank of Zambia requires all MFI companies to be compliant with regulatory demands of legitimacy and operate according to the statues of the law (Bank of Zambia, 2022). Therefore, with or without Corporate Governance practice legitimacy should be practiced by companies in the best interest of the shareholders as demanded by the Stewardship Theory.

The Pearson correlation did provide strong evidence to conclude that there is a significant relationship between board performance, autonomous councils, and the company's execution and aggressiveness, the conceivable explanations are that companies differ in firm type as such the relationship between governance structures and company performance may vary considerably by industry and or company as outlined by Total Quality Management Approach. In some industries, board performance and autonomous councils might have a stronger impact while in others, their influence may be minimal (Affes & Jarboui, 2023). The present study also found that most MFIs in Zambia are private or equity owned and are not big in size consequently the influence of board performance and autonomous councils may be more definite in large corporations or those in a growth phase, as opposed to smaller or more established companies (Linda Tucci, 2020).

The Pearson's correlation test did not also provide evidence to make inferences that there is a significant relationship between the frequency of board meetings and the attributes of the review advisory group. The implication of the finding is that the frequency of board meetings and the attributes of the review advisory group are distinct and that there are other factors that are more significant in defining their effectiveness. The efficiency of an advisory group might be contingent more on its internal qualities and autonomy as opposed to how many times the board meets, (Affes & Jarboui, 2023) whereas the board's meeting frequency may be driven by external demands or broader strategic concerns, which do not directly relate to the advisory group's characteristics.

In line with the Stewardship theory the Pearson correlation has found indications to suggest that the CEO's appointment by the company board is significantly related to the review advisory group's capability in administering various Corporate Governance and audit functions, consistent with the findings of (Affes & Jarboui, 2023), (Baysinger, 1985), (Musthusamy, 2022), (Chikuta, 2020), and (Thrikawala, 2016). The implication of the results is that, the significant relationship between the CEO's appointment by the company board and the review advisory group's competence in overseeing Corporate Governance and audit functions submits that the choice of the CEO by the board plays a critical role in influencing the efficiency of functions of the CEO, as such by the board selecting a CEO whose experience, skills, and values are in line with the company's governance objectives, it improves the review advisory capacity to manage the assigned functions more independently and effectively.

Similar to Agency theory Pearson Correlation establishes evidence that suggest that the there is a significant relationship between the company having an independent CFO and its ability to ensure legitimacy in its dealings similar to the findings of (Matanda & Matanda, 2019). This significant relationship implies that, the independence of the CFO plays a critical role in upholding MFI's accountability, transparency and financial integrity through being free from conflict of interest and internal biases, it is thus the responsibility of an independent CFO to efficiently superintend on financial practices, which ensure adequate compliance with government regulations, and also to effectively stimulate strong corporate governance, which consequently contribute to the general legitimacy of the MFI's operations.

Pearson Correlation found evidence which suggests that the presence of an independent CFO and autonomous advisory groups has a significant impact on improving the financial performance of the company. The implication of the results boarder on the complexity of financial outcomes, the variability in how MFI structures are implemented, and the multidimensional nature of MFI success, (Linda Tucci, 2020),despite the governance roles been significant, their influence on financial performance may be indirect, long standing, or dependent on other factors.

CONCLUSION AND RECOMMENDATION

Conclusion

The present study's principle objective was to assess the influence of Corporate Governance on financial performance of micro-financing companies in Zambia. The findings have revealed that most of the MFIs in Zambia are Private Equity and Single owned, who Adhere to Corporate Governance and have functioning boards who have strategic meetings conducted Simi annually. The study has also found that Corporate Governance has enabled MFIs in Zambia to build a strong business relationship and reputation with its stakeholders, this has encouraged the demand for legitimacy which has created high levels of trust between directors and stakeholders. The board also appoints independent CEO and CFOs, who are impartial, unbiased and free from conflict of interest, MFI have also review advisory groups which are capable of administering corporate administration, money related announcing, inside control structure, inner review capacities, and outside review administrations, this has consequently improved financial performance of MFIs. The study has concluded by finding a hypothesis $p = 0.035 < 0.05$ establishing that exceptional Corporate Governance practices are statistically associated with financial performance of MFIs in Zambia.

It must nonetheless be noted that there are a number of factors that influence financial performance of companies besides corporate governance, but because of corporate governance, there is enhanced accountability, transparency and legitimacy which are major influencers of financial performance of any company, so MFI should focus on effective Corporate Governance practices and policies which enhances profitability and financial performance.

Recommendations

Based on the findings the following recommendations have been drawn:

MFIs regardless of their size should ensure that they adopt a robust Corporate Governance system which promotes ethical behavior, transparency, and accountability, and that all the Corporate Governance principles are adhered to.

For transparency, it is recommended that MFIs in Zambia have their financial statements audited by independent auditors, so as to ensure that no financial fraud goes undetected.

Despite board Sizes of MFIs been Small, MFIs should ensure that the board composition is well balanced, with the right mix of skills and perspectives to oversee strategic initiatives effectively.

The study accessed the influence of Corporate Governance practices on financial performance of MFIs, the study does not find out on the extent of Corporate Governance reporting and the effect on quality financial reporting. Thus there is need to conduct further future studies which should concentrate on the extent of financial reporting of Corporate Governance adherence by MFI, and if IFRS and GAAP can be adopted by MFIs with exceptional Corporate Governance practices.

The study's population were active employees of MFIs; future studies should also consider including MFI's major stakeholders such as the clients. Additionally, the study only utilized, questionnaire survey which limited the responses of the participants, future studies should adopt a mixed methods strategy that will collect responses both using questionnaires and interview guides.

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ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VIII Issue X October 2024

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