



**UNIVERSITY OF RWANDA
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF BUSINESS**

**CAPITAL MARKET CODE OF CORPORATE GOVERNANCE AND THE
FINANCIAL PERFORMANCE OF LISTED COMPANIES IN RWANDA.**

**A THESIS SUBMITTED TO THE UNIVERSITY OF RWANDA, COLLEGE OF
BUSINESS AND ECONOMICS IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF A MASTER OF BUSINESS
ADMINISTRATION, FINANCE OPTION**

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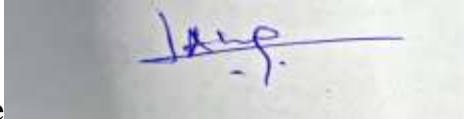
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August, 2024

DECLARATION

I hereby declare that this study is my original work and it has not been submitted to any other University, research institution or any other organization for any purpose.

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CERTIFICATION

This is to certify that the work entitled “*Capital market code of corporate governance and the financial performance of listed companies in Rwanda*” is a study carried out by **GIRIHIRWE Ariane** under my guidance and supervision.

Signature.....

Date: .../08/2024

Supervisor: **Dr. MUTARINDWA Samuel**

DEDICATION

To

Almighty God,

My Beloved Husband

My Kid

My parents

My family members,

My classmates,

All my friends and relatives

ACKNOWLEDGMENTS

First and foremost, gratitude goes to the Almighty God for his grace, love, care, protection and providence. My deep gratitude is directed especially to the administration of UR, College of Business and Economics School of Business. I offer my sincerest gratitude to my supervisor, **Dr. MUTARINDWA Samuel**, for his patience and knowledge, valuable guidance, advice, suggestion and encouragement towards the completion of this study. My appreciation to all my lecturers at Masters' level at UR College of Business and Economics School of Business for the invaluable knowledge passed unto me and their professional advice, practical ideas and their readiness to listen to whatever irrelevant junk I had to bother them with whenever I needed a help. I deeply thank my beloved husband and my parents who gave me the love and enabled me to work hard and directed in all, as well as taking care of me during my studies. My heartfelt appreciation goes to my brothers and sisters for their love which is invaluable moral support in my studies as well as in this research. I thank my classmates especially those from Master of Business Administration with specialization in Finance with whom I shared knowledge and happiness during my studies at UR College of Business and Economics School of Business. Finally, my thanks go to everyone who contributed to the success of this work find in the great value he/she is in front of me, especially to my classmates.

May God Bless You All!

ABSTRACT

This research examined the influence of corporate governance codes on the financial performance of publicly traded companies in Rwanda. The objectives included emphasizing the significance of these governance codes for institutional investors and the Rwandan capital market, evaluating the financial performance of BK Plc, and investigating the link between corporate governance and financial performance. Employing a correlational research design, the study utilized quantitative methods for data collection and analysis. The sample included companies listed on the Rwanda Stock Exchange (RSE) such as Bralirwa, Bank of Kigali, I&M Bank, Equity, Cimerwa, KCB, MTN Rwanda, and National Media, chosen through random sampling. Data was collected via questionnaires and document reviews, and analyzed through frequencies, means, standard deviations, and multiple regression to identify relationships between variables. The findings highlighted the importance of corporate governance codes for institutional investors and the capital market, promoting transparency, accountability, protecting investor interests, fostering long-term value creation, managing risks, reducing conflicts between management and shareholders, and enhancing market efficiency and confidence. BK Plc exhibited robust financial performance from 2020-2022, with a correlation coefficient (R) of 0.982, indicating a strong positive correlation between corporate governance codes and the financial performance of listed companies in Rwanda. The adjusted R Square value of 0.826 revealed that 82.6% of the variance in financial performance could be attributed to the implementation of corporate governance codes, with the remaining 17.4% explained by other factors not included in the model. The study concluded that corporate governance codes significantly affect the financial performance of listed companies in Rwanda. It recommended that Rwanda's capital market should enforce robust corporate governance practices to build investor confidence, reduce risks, and promote sustainable business practices, thereby enhancing financial performance and ensuring the long-term success of listed companies.

Keywords: **CAPITAL MARKET CODE OF CORPORATE GOVERNANCE**

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LIST OF ABBREVIATIONS

AIM: Alternative Investment Market

ANOVA: Analysis of Variance

CG: Corporate Governance

CMA: Capital Market Authority

ISE: Istanbul Capital Market

IRRC: Investor Responsibility Research Centre

ISS: Institutional Shareholder Service

KCB: Kenya Commercial Banks

MTN : Mobile Telephone Number

NED: National Endowment for Democracy

OECD: Organization for Economic Co-operation and Development

QCA: Quoted Companies Alliance

ROA: Return on Assets

ROE: Return on Equity

ROS: Return on Sales

RSE : Rwanda Stock Exchange

SD: Standard Deviation

SPSS: Statistical Package for Social Sciences

UK: United Kingdom

US: United States

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In today's business landscape, shareholders are increasingly demanding accountability from the directors' panel regarding company success. The performance and actions of these boards are under scrutiny, especially after the collapse of several major global companies. As the top management body, the governing body is in charge of determining the strategic trajectory of an organization. Heracleous (2001) points out that there is now more of a divide between managers and owners. The need for corporate governance to address conflicts between managers and shareholders.

A "corporate governance code" is a system of guidelines and rewards aimed at guiding and controlling company management to maximize profits and add value for both management and shareholders (Ilyas & Rafiq, 2012). Effective corporate governance is essential for business success, influencing the economic foundations of companies. Over the last twenty years, research in finance has increasingly concentrated on corporate governance. These governance codes aim to oversee the panel of executives and investors' connections in order to achieve the goals of the corporation.

Rezaee (2019) said that "corporate governance is a process through which shareholders induce management to act in their interest, facilitating a degree of investors' confidence that is necessary for the capital markets to function effectively." Corporate governance deals with strategies, mechanism and aligning of power to ensure that the interest of all stakeholders is satisfied.

In Nigeria, corporate governance evolution started in the banking industry after the financial crisis of 1990's. The Nigerian Bankers committee in 2003 issued a code of corporate governance for banks and other financial institutions, later same year the Securities and Exchange Commission issued its code of best practice on corporate governance in Nigeria. However, the SEC code presented major reforms; it was however, found to be inadequate in addressing new challenges. This therefore, led to issuance of code of corporate governance for specific industry like the CBN code in 2006, PENCOT code in 2018 and NAICOM code in 2009. However, in 2011, SEC harmonized the industry-specific codes of corporate governance by replacing its 2003

legislation with the code of corporate governance for public companies in Nigeria. The studies of Akpan and Amran, (2014) surveyed board structure dimension as board size, board independence, board age, board education and board equity.

The results of various studies on the impact of corporate governance on financial performance has been mixed, while the studies such as Obembe and Soetan, (2015); and Zango, Kamardin and Ishak, (2016) reveals a positive effect, other studies such as Ahmed, (2012); and Afolabi, (2015) show a negative relationship between corporate governance and financial performance. Corporate failure that resulted from weak corporate governance has affected various sectors in the Nigerian economy of which conglomerate companies are not an exemption.

The Rwandan listed companies penetration in the country is quite low, the total banking sector assets to GDP standing at 28% in local currency terms, and representing a massive growth opportunity and their terms of Return on Equity are the lowest in all of East Africa. The listed companies are among the major institutions that have a significant role to maintain corporate governance in Rwanda (Mwika, 2012).

Listed companies in Rwanda play an important role in the economic development of the country. One way to attain efficiency and effectiveness in the private institutions in Rwanda is through good corporate governance practices. Sound corporate governance practices will also bolster confidence in the capital market and the confidence of the Rwandan society in general, in the way in which business functions (Private Sector Federation of Rwanda, 2009).

Therefore, due to the fact that, there were no existing studies conducted on the effect of capital market code of corporate governance on financial performance of listed companies in Rwanda. The main objective of this study is to examine the effect of corporate governance on financial performance of listed companies in Rwanda. Hence, this study aims to explore if there is an importance and need for corporate governance codes for institutional investors and the capital market. To examine whether there is an introduction, adoption or implementation of corporate governance codes leading to the financial performance of the listed companies in Rwanda. If financial performance indicators of BK Plc as one of listed companies in Rwanda and if there is a relationship between corporate governance codes and firm financial performance.

1.2. Research problem

The financial sector of the East African Community is rapidly becoming the most dynamic in the region. Innovations in financial services, thriving emerging markets, economic liberalization, and integration with global financial systems have all played a role in this growth (Rwangombwa, 2017). However, despite these advancements, the region has faced issues such as malpractice, misinformed leadership, and mismanagement of listed companies; they had been related to bad corporation control.

In Rwanda, 51 financial institutions have been declared insolvent or bankrupt due to inadequate and the absence of governance code. Before the implementation of the corporate governance law, the Rwandan stock market experienced a significantly lower investment propensity, leading to the underperformance of listed companies. The poor performance of both the capital market and the listed companies, driven by inadequate corporate governance, resulted in decreased efficiency, transparency, and accountability, negatively affecting investor confidence and deterring many potential investors from participating in the Rwandan capital market exchange (Himbaza, 2015).

There are several studies that have been conducted on corporate governance and its impact on financial performance in Rwanda. Raissa (2014) conducted a study on corporate governance on financial performance of the listed companies. The study investigated the influence of board size, board composition, board sub-committees and board meetings on financial performance.

Gatsimbanyi (2015) conducted a study on Corporate Governance and Financial Performance of Commercial Banks in Rwanda. The study examined the influence of only ownership structure on performance of banks. Xavier, Shukla, Oduor and Mbabazize (2015) examined the effect of corporate governance on the financial performance of commercial banking industry in Rwanda. The study measured the effect of board size, Chief Executive Officer (CEO) duality, and board composition and institution ownership on financial performance and found no effect of these variables on performance of commercial banks. The financial sector of Rwanda is blooming and still growing and there is need to identify the right mix of corporate governance mechanisms to catapult Rwanda's financial sector role in the region.

These studies however did not measure the influence of board size, director equity interest, board gender diversity and introduction, adoption and implementation of codes on financial

performance of listed companies in Rwanda Capital market is a gap that this study intends to fill. The study proposes to look at how introduction, adoption and implementation of codes affect the financial performance of the listed companies in Rwanda.

1.3. Research Objectives

Two types of objectives namely general objective and specific objectives direct this study. The following are the objectives of this study.

1.3.1. General objective

The general objective of this thesis is to assess the effect of capital market code of corporate governance on financial performance of listed companies in Rwanda.

1.3.2. Specific objectives

This research topic has the following specific objective:

- (i) To describe and understand the importance and need for corporate governance codes for institutional investors and the capital market in Rwanda;
- (ii) To analyze the financial performance indicators of BK Plc as one of listed companies in Rwanda;
- (ii) To analyze whether there is a relationship between corporate governance codes and firm financial performance.

1.4. Research Questions

- (i) What is the importance and need for corporate governance codes for institutional investors and the capital market?
- (ii) What are financial performance indicators of BK Plc as one of listed companies in Rwanda?
- (iii) Is there is a relationship between corporate governance codes and firm financial performance?

1.5. Scope of the Study

The study is limited to the impact of the country's listed commercial banks' earnings on their capital marketplace code of business conduct. The study focused on the listed companies in Rwanda namely: Bralirwa, Bank of Kigali, M Bank, Equity, CIMERWA, KCB, MTN Rwanda cell and National Media&I.

1.6. The significance of the study

1.6.1. Personal interests

The need to comprehend the impact of Rwanda's capital market code of the impact of corporate responsibility on listed business profitability drives the researcher's work. The researcher also sought to correlate what was learned in the classroom with actual fieldwork. This will broaden the researcher's understanding.

1.6.2. Academicians/ Researchers

Scholars should take note of this work, as it will expand on our understanding of corporate responsibility and the financial achievements of listed businesses. It will fulfill the University's requirement for final-year students to complete a dissertation as part of the criteria for earning a master's degree. The study will also be used as an outline for future scholars and propose areas for further investigation.

1.6.3. Top Management

The study will be valuable to top managers in Rwanda. The insights gained will prompt discussions about the function of the business oversight policy and how it affects output. These data can assist leaders in making informed decisions when selecting and considering candidates for the board of directors.

1.6.4. Policy Makers

This study will be vital for Rwanda's commercial banking policymakers, as it will provide guidance on creating a corporate governance regulatory framework for the financial sector. The National Bank of Rwanda (NBR), which regulates financial services in the country, will be particularly interested in the study's insights. This information will support NBR in fulfilling its role as the industry regulator. Based on the study's recommendations, various decision-makers will become aware of areas needing improvement within the banking industry.

1.6.5. Shareholders and Investors

The research aims to be valuable to those who own shares of publicly traded banks since it will provide comprehensive data on certain areas whereby corporate management may be changed to enhance listed business results and increase the value of their stakes.

1.7. Thesis structure

There are five chapters in this thesis: A summary of the study's background information, statement of problem, purpose, research objectives, research questions, hypotheses, scope, importance, definitions of important terminology, and general dissertation format are all included in the first chapter. Chapter Two of this study refers to Literature Review. It discusses published literature and detailed case studies. The research layout, study participants, sampling procedures, data collecting tools and instruments, reliability and validity testing, data manipulation, data assessment, limits and deli and ethical issues are all covered in the third chapter of the study, which is titled "Research Methodology."

Chapter Four: Findings and Discussion discusses the findings from questionnaires, interviews, and additional information gathered during field surveys. It addresses objectives such as the sustainability measures of the capital market code of corporate governance at the Bank of Kigali, the usefulness of corporate responsibility values, the significance of codes of corporate governance for the growth of the stock marketplace, and the connection among the Bank of Kigali's financial health and its capital markets code of corporate governance and Chapter Five is concerned with Summary, Conclusion, and Recommendations.

CHAPTER TWO: LITERATURE REVIEW

2.0. Introduction

This chapter comprises an introduction and three primary sections. The first section defines the key terms utilized in the study. The second section offers a theoretical review, concentrating on the corporate governance code for the capital market, the conceptual framework, and the elements influencing listed firms' profitability. The third section provides an empirical literature review.

2.1. Definition of Key Concepts

This part explores the etymology and origin of the terms used in the study, drawing from books, the internet, and other resources. It aims to enhance readers' understanding of the study.

2.1.1. Capital market

According to Amar Gill (2001), "capital markets" are financial markets where long-term debt or securities with a maturity duration of at least one year are bought and sold. These markets direct savers' wealth toward entities that can use it for long-term capital expenditures or investments, such as businesses or governments.

2.1.2. Corporate Governance Code

The term "code of corporate governance" denotes a set of laws and regulations designed to guide and restrict business activities to maximize profits, thereby benefiting both management and shareholders (Ilyas & Rafiq, 2012).

2.1.3. Financial performance

The capacity of the business to accomplish its aims and objectives in an effective and efficient manner is referred to as financial performance. How effectively an organization uses resources to accomplish its goals serves as a gauge of its financial performance. Profitability, market value, and return to shareholders are examples of metrics that characterize financial performance in terms of maximizing shareholder wealth (Borba, 2005). In this study, financial performance is measured using Return on Equity (ROE) and Return on Assets (ROA). These metrics serve as indicators of how effectively a company utilizes its core resources to generate income. Additionally, a business's future viability is often gauged by its financial success. Investors and

analysts use financial performance to compare companies within the same industry or across different industries (Albertazzi, 2008).

2.2. Theoretical framework

2.2.1. Agency theory

The theory originates from Smith's (1876) claim that managers without share ownership might not act in the owners' best interests when managing a firm. An agency relationship occurs when a shareholder hires a third party to perform specific tasks on their behalf. Whether both the agent and principal's goals are to optimize their individual usefulness, the agent may make decisions that do not align with the shareholders' best interests (Jensen & Mackling, 1976).

Agency theory posits that corporations represent their shareholders. Shareholders entrust the corporation's directors and officers with managing their resources. In larger organizations, the interests of officers and stockholders can significantly diverge, especially because of the emphasis on immediate earnings with the informational disparity among stakeholders and executives or executives. Leaders and members may start to neglect the desires of investors because of the resulting conflict economic purpose (Jensen & Mackling, 1976).

The goal of regulatory legislation is to create a structure that mimics the agent-principal relationship. By establishing standards and procedures that lessen the adverse impacts of competing company goals, such rules aim to strike an equilibrium between the best interests of executives and managers and investors. Additionally, the idea highlights the duties that executives and directors have to the business (Jensen & Mackling, 1976).

2.2.2. Stakeholders theory

If a corporate organization identifies stakeholders as the only interest groups, it must provide an explanation. This theory asserts that a company must continuously strive to balance the interests of its various stakeholders to ensure some level of satisfaction for each group. This involves expanding the scope of involved parties beyond just shareholders (Abrams, 1999). By highlighting the diverse elements of a company, It appears that the beneficiary hypothesis is more successful than the agency theory in comprehending corporate governance. Customers, employees, government, and society are all regarded as relevant stakeholders.

Additionally, John and David (2007) conduct a comprehensive examination of stakeholders and corporate governance theory, uncovering multiple parties with conflicting interests within the

industry. They emphasize the importance of non-market factors such as board size, committee composition, and structure in a bank's success. According to Mitchel et al. (2005), management should consider society as a significant stakeholder in a firm's environment. This builds upon previous theories suggesting that business operations extend beyond mere profit making. It illustrates that publicly traded corporations seeking ethical positioning in the industry need to grasp the conceptual framework of this theory.

OECD (2011) notes that whereas there is generally an assumption that shareholders will look out for their best interests as long as they are provided with the right information and their rights are protected. However with a rise in a new breed of highly skilled and well-funded professional investors who have unique costs, benefits and objectives there have been changes in the source of influence exerted on managerial discretion and decision-making.

Mallin (2010) explains that separation of ownership led to agency problems between the owners and management. But over the last century the ownership structure in most companies in the West changed from small individual shareholders to institutional share ownerships.

2.3. Effective business governance precepts

It is generally agreed that good corporate practices lead to reduced agency costs in firms, and there is a reduction in inefficiencies caused by conflict of interest between managers, owners and stakeholders, firms have improved competitive advantage over other firms, and there is fulfilment of their social responsibilities towards the communities that they operate in. A company's objectives are set on the basis of its corporate governance system, and the strategies for reaching these objectives as well as performance evaluation are all based on the corporate governance system (OECD, 2004). Schleifer (1997) notes that having a good corporate governance system ensures firms have access to capital and increased returns.

According to OECD Principles of Corporate Governance (2004), Corporate Governance is a key element in improving economic efficiency and growth as well as enhancing investor confidence. These principles are targeted at investors, stock exchange, corporations and other parties that play a role in development of financial markets.

Empirical studies show that amongst firms, those with good corporate governance practice have lower costs of capital, higher access to financing, and better share values in comparison to those

that do not have good corporate governance practices in place. Ho (2003) notes that companies with low corporate governance are high investment risks, and markets and stocks with poor corporate governance are punished. According to investment bank's (CLSA) research, there is a strong correlation between high corporate governance ranking and financial returns, higher valuations and earnings per share performance in emerging markets of Asia.

Ho and CLSA provide insight into the increasing importance of corporate governance in financial markets of emerging economies, and suggest a correlation between corporate governance and financial indicators. These findings should be used by governments and firm management to enhance the levels of corporate governance to higher standards. Standard & Poor's uses a GAMMA (Governance, Accountability, Management Metrics & Analysis) to reflect its opinion of the relative strength of a company's corporate governance practices as an investor protection against potential governance-related losses of value or failure to create value. It shows that investors are willing to pay a premium for shares in higher ranked companies than in those with a lower governance ranking.

Ho (2003) notes that good corporate governance practice is not a 100% guarantee for the success of a company, but poor governance systems is a definite recipe for organization failure. As noted in the mid 1990's to early 2000's when there were corporate scandals, big firm collapses, hostile take-overs, shoddy privatization of enterprises in the communist bloc, and the emergence of institutional investors – there has been an urgent need to assess the way companies are being run and directed. Questionable management behaviour in developed economies has led to financial losses and collapse of major corporations like Enron and WorldCom. There are recent cases like Olympus in Japan where reported losses of \$2billion were covered-up, as well as JP Morgan where losses of up to \$2billion were reported in Q1 of 2012. These call for the necessity of improved effective corporate governance.

These issues are not restricted to developed countries only, and have occurred in developing countries like Uganda and Kenya in East Africa. Though the bulk of the recorded cases of corporate governance failure have been in the United States, United Kingdom, and Asia, Africa and Latin America have also had their corporate governance failures. Taking examples of the bank failures in Uganda in the 1990's, International Credit Bank had practically no corporate governance practice and had for Board Directors, including a six-year old child. The Greenland

Bank collapse showed that there was no distinction between the management and the board of directors. There was poor governance practices such that by the time the bank collapsed there were insider lending's amounting to 47% of customer's deposits. These collapses indicate the failure of the enforcement of the legal and regulatory framework, particularly the fiduciary responsibilities by the central bank. These and other incidents not only affected the capital markets development, but also significantly affected investor confidence in the financial market and the banking system.

Johnson et al., (2000) assert that strong corporate governance practices are closely tied to business success, sustainability, and expansion. The collapse of major firms such as Enron and WorldCom due to financial crises spanning the last two decades, beginning with the Asian Financial Crisis in 1997-1998 and the US Corporate Financial Crisis in the early 2000s, underscores the urgent necessity for businesses to establish effective and well-structured corporate governance frameworks.

The OECD (2004) underscores the significance of corporate governance in ensuring that all stakeholders within a corporate entity fulfill their duties diligently, thereby upholding the company's competitiveness in the market. Efficient corporate governance enables firms to attract institutional investors and ultimately lower their capital costs. Access to capital is crucial for any business's success; thus, both principals and agents must behave ethically and conscientiously to facilitate the company is funding endeavors. While there is not a singular perfect model for corporate governance, there exist guiding principles that can be adapted into diverse corporate governance codes. Numerous OECD member nations, such as the United States, Canada, France, Germany, and Sweden, have embraced these universal principles. The OECD (2004) Principles of Corporate Governance delineate globally acknowledged standards for effective corporate governance.

2.3.1. Establishing an Effective Corporate Governance Framework

A well-defined framework ought to be utilized for the purpose of promoting transparency, market efficiency, and a clear division of responsibilities among key parties such as regulators, supervisors, and enforcers. It should also ensure compliance with existing laws, positively influence economic performance, and benefit all market participants.

2.3.2. Rights and Fair Treatment of Shareholders

Every investor are to be fairly treated and protected under the scheme for corporate governance, allowing them to buy or sell shares, access information promptly, participate in shareholder meetings, vote on board member elections, and receive dividends. Management should provide accessible financial information to boost investor confidence and demonstrate alignment with shareholders' interests. Any notable modifications, such alterations to the firm's bylaws, major transactions, or issues affecting share value, must be communicated to all shareholders. Fair treatment of minority and international shareholders is crucial, with strict bans on insider trading and required disclosures prospective disputes related to interests by board members and executives, fostering accountability and transparency (OECD, 2004).

2.3.3. Further Partners' Involvement

Corporate governance acknowledges and promotes the involvement of diverse parties, including suppliers, employees, and creditors, in fostering job creation, wealth generation, and overall business advancement. It is imperative for company management to recognize these interests, uphold legal rights, and prioritize transparency to instill confidence among stakeholders (OECD, 2004).

2.3.4. Disclosure and Transparency

Businesses are obligated to provide prompt and accurate information to all concerned parties regarding financial performance, audit statements, corporate operations, ownership structure, and governance practices. This disclosure should encompass details such as board member compensation, selection criteria, and independence. Annual audits conducted by independent and competent professionals are essential to ensure the reliability of financial reports. Adequate resources should be allocated to enable board members to fulfill their duties effectively, and regular meetings should be held to inform shareholders and stakeholders about significant decisions. Additionally, companies should establish mechanisms for financial analysis or professional advice to assist investors in making well-informed decisions free from conflicts of interest.

2.3.5. Integrity and Ethical Behavior

The entire corporate hierarchy, spanning from upholding the most rigorous standards of integrity is demanded of everyone from stockholders to the council of executives and administration. The

collapse of Enron and other corporate scandals from the early 2000s underscored the repercussions of unethical conduct, such as the fabrication of financial reports and the dissemination of misleading information to shareholders. Such actions resulted in job losses, financial losses for investors, and legal consequences for senior executives. Adherence to integrity and ethical behavior could have averted these crises.

2.3.6. The duties and roles of the governing board of Directors

The primary responsibilities of the board entail strategic management, supervising managerial decisions, and being accountable to both shareholders and stakeholders. Board members are obligated to act with integrity and thoroughness, putting the firm's and its stockholders' highest priorities first. They possess the power to recruit or dismiss management if performance standards are not met. Their conduct should be fair and ethical, concentrating on performance management and guaranteeing the accuracy of financial statements. Key duties include defining corporate strategy, evaluating budgets and business strategies, tracking performance, supervising significant expenditures, appointing or terminating senior executives, and resolving conflicts between top management and shareholders.

2.4. Influencing Factors of Corporate Governance Codes

The adoption of international corporate governance standards is driven by financial market deregulation and competition for finance (Yoshikawa & Rasheed, 2009). Empirical studies show that an economy's openness influences the convergence of global governance, with new technology demands and external best practices promoting the dissemination of governance codes (Aguilera & Cuervo-Cazurra, 2004). Internal forces aim to improve system efficiency, while external forces seek credibility in the capital market. In nations with low shareholder protection, internal pressure drives code adoption, while institutional investors provide external motivation. The dynamic process of adopting and updating corporate governance codes is influenced by changes in the socioeconomic environment, with legitimacy often being more important than efficiency in civil law countries. Key aspects promoting the acceptance of governance codes include increased financing sources, reduced capital costs, improved operational efficiency, and enhanced financial market performance (Claessens & Yurtoglu, 2013).

2.5. Evolution of Corporate Governance Codes

Modern corporate governance codes have evolved from the initial Cadbury Code (1992), shifting from voluntary best practice recommendations to mandatory requirements for listed companies due to global economic pressures. Organizations like the OECD have accelerated this process, focusing on financial system stability. Voluntary governance codes promote the "comply or explain" principle, encouraging companies to follow specific governance standards or justify non-compliance. These codes aim to implement improved procedures without directly intervening in a company's operations. Empirical studies show that higher compliance with governance codes, such as in the German capital market, can lead to premiums for companies. Public institutions and corporate-level reforms, focusing on independent directors, transparency, minority shareholder protection, and performance-based compensation, drive governance code harmonization.

2.6. Types of Corporate Governance Codes

Governance codes have evolved from best practices to components of regulated market legislation, necessitating the gradual adoption of specific procedures. The European Commission (2009) suggests categorizing governance codes based on their nature and the entities responsible for implementation.

2.7. Good governance codes

It is also important to bear in mind that the concept of corporate governance is framed within business ethics. Business ethics is the ethics applied to the organizational field, which refers to human quality, the excellence of people and their actions, within the framework of their work in them. Good business conduct practices are embodied in codes of ethics, which contemplate the set of values that are established in the same system or code in order to benefit the company as a whole. us, corporate governance framed within the area of business ethics is defined as the system by which companies are directed and controlled, Cadbury (1992) and embodied in the so-called codes of good governance.

In this way, the objective of all good governance codes is to protect shareholders from the power of managers, as well as to ensure that there is good control of the former towards the latter, avoiding the agency problems existing between them. In this context, it is agency theory that studies the relationships between shareholders and managers and the underlying conflicts of

interest between the two. Currently, there are various control mechanisms, both externally (goods and services market, capital market, job market for managers and corporate control market) and internal (board of directors, design of compensation contracts, general meeting of shareholders and financial structure). All of them aim to reduce existing agency problems, such as opportunistic and self-interested profit-making by managers.

In order to reconcile the common objectives between the shareholders (principal) and the managers (agents), the figure of the board of directors appears. It is a key entity within the internal mechanisms used by companies to control their executives (Dalton, Daily, Ellstrand and Johnson, 1998). The directors belonging to the boards of directors will have a level of information about the composition and characteristics of said boards in matters of corporate governance.

Depending on a series of characteristics of the board, a level of corporate governance culture is determined, in which, at a higher level of corporate culture, fewer agency problems between shareholders and company executives. In fact, existing agency problems in a company can be minimized. On the one hand, through the control of internal mechanisms such as those related to the composition of the board of directors (Baek, 2009) and, on the other, favoring the transparency of organizations, through the issuance of more adequate financial-accounting information to reality (Fernández-Rodríguez, Gómez-Ansón and Cuervo- García, 2008).

The issuance of good governance codes by different countries improves the level of corporate governance culture by companies (Zattoni and Coumo, 2008), which favors obtaining better business results (Alix Valenti, Luce and Mayfield , 2011). This is achieved through comply or explain recommendations, which dictate procedures that favor the disclosure of more and better information for all the agents involved (Van den Berghe, 2002; Monks and Minow, 2004). By obtaining better results, on the one hand, and information more appropriate to the reality of the company on the other, the ultimate goal of value creation companies is achieved. These ethical standards and regulatory provisions included in the Corporate Governance reports are essential to avoid tensions between managers and company owners. These are the so-called agency problems, developed in agency theory by Jensen and Meckling (1976). This theory was later expanded by Tosi and Gomez-Mejia (1994). The agency theory is the most used to date to justify the

relationships between the company and its interest groups (Hermalin, Weisbach, 000) compared to the rest of the existing theories (Jensen and Meckling 1976; Eisenhardt, 1989).

Corporate Governance is embodied in specific codes developed by each of the different countries¹. Until now, it has not been possible to create a single international code that is capable of providing general enough recommendations to encompass the different Corporate Governance policies in different cultures.

2.8. Structure of corporate governance

The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the corporation, such as the board, managers, shareholders and other interested parties, and details the rules and procedures for making decisions on corporate matters (Hebble and Ramaswamy , 2005). Additionally, other definitions of GC can be found in the body of existing literature. For example, GC is a system that aims to provide control and direction to organizations as described by Cadbury (1992); they provided another definition: GC is a process in which the Financiers of an organization expect to obtain a return on their investment.

2.9. Principles of Corporate Governance

Since 1999, the Organization for Economic Cooperation and Development (OECD) issued its Principles of Corporate Governance (OECD, 2004). These have become reference documents for policy makers, investors, corporations and other interest groups (stakeholders) around the world, who have increased the agenda and provide a specialized guide to good practices for their implementation that can be adapted to the particular circumstances of each country (members or non-members of the OECD) or region, whether for legislative and / or regulatory initiatives in member and non-member countries. Such principles can be summarized with the following postulates: OECD, (2004) Protect the rights of shareholders and ensure equitable treatment for all of them (minority and foreigners). Have the opportunity (all shareholders) to obtain an effective compensation for damages for the violation of their rights. Recognize the rights of interested third parties and promote active cooperation between them and societies in the creation of wealth, the generation of jobs and the achievement of sustainable financial enterprises. Be informed adequately and on time of all the relevant matters of the company (financial situation, performance, shareholding and its administration). Have a strategic guide for

the company, effective monitoring of management by the Board of Directors (hereinafter CA, which in some countries would be the same JD) and its responsibilities with its shareholders.

Regarding the first principle mentioned above, when the CG architecture establishes as a central point the effective protection of the interests of investors outside the company, they will be willing to pay more for corporate stocks and bonds, encouraging companies to issue these instruments to finance new projects (La Porta, et al., 2000).

The aim is to provide better protection to company investors in those nations where they have less legal coverage. Countries within the common law or Anglo-Saxon environment (common law countries) offer better legal protection than countries with a civil legal tradition (code law countries) (La Porta et al. 1998;

La Porta et al. 2000). For this reason, the latter include a greater number of good governance measures than those corresponding to common law countries (Zattoni and Cuomo, 2008). It is clear that the more recently drafted codes seek greater investor coverage than the pioneer codes.

2.10. The efficiency of governance codes in the emergence and operation of the stock market

Effective corporate governance regulations enhance financial market functionality and attract foreign investment, with transparency being a key factor. Poor corporate governance hinders financial markets and reduces foreign investment. Governance codes protect investors, prevent insider trading, increase transparency, and improve financial market performance. The legal and institutional framework of a state affects share prices, with greater transparency leading to more accurate market assessments. Studies show a correlation between governance systems, financial market growth, and economic development. Improved governance structures lower capital costs and increase financing sources. Transparency reduces information asymmetry and theoretically decreases company risk, further lowering the cost of capital.

2.11. Financial performance

Investors and financial analysts evaluate the financial results in order to rank similar companies within the same sector or to rank a particular sector or industry overall. The degree to which an organization earns revenue and manages its assets, obligations, and the financial interests of its stakeholders affects its financial success (Albertazzi, 2008). One of the metrics used to assess a financial institution's success in terms of financial yield is its financial performance. These data

also allow governmental agencies to assess the general stability of financial services and adherence to regulations. It is frequently thought of as a standard by which stakeholders can perform historical analyses or evaluate the status of an investment. Although each nation has its own accounting principles and financial reporting frameworks, the majority of financial institutions employ a set of standard financial performance metrics (Sackitey, 2016). Success can be measured by having a strong financial foundation and performing well, but social performance is also a key sign of success for many institutions.

Institutions to evaluate both their social and financial performance at the same time to make sure that they not only produce benefits but also improve the lives of their customers use a “double bottom line” method. A firm's total financial stability during a specific period of time is measured by how well it finances (Pandey, 2005).

Financial performance serves as a comprehensive gauge of the financial health of a business during a particular time frame, facilitating comparisons among entities within the same sector or across industries. It encompasses quantifying the monetary impacts of a company's strategies and operations, typically evaluated through financial metrics measures. Performance extends beyond individual tasks to encompass the organization's effectiveness in attaining its objectives through efficient resource utilization. It involves assessing the quality of work against established benchmarks in terms of accuracy, completeness, cost, and timeliness. A thriving business achieves requisite standards, expands market share, improves infrastructure, ensures profitability, and minimizes expenses. Moreover, performance is subjectively evaluated based on how efficiently a company utilizes its core resources to generate profits, commonly applied for intra-industry or inter-sectorial comparisons. According to performance measurement principles, employees contribute to a company's value by optimizing future cash flows, expediting receipts, or mitigating risks (Pandey, 2005). The outcomes metrics that enable firms to concentrate their attempts on achieving their marketing goals are the appropriate ones. In addition, using performance measures to better understand how a firm operates helps improve decision-making at all levels of management, including senior management.

Finally, using performance metrics to reward specific actions and outcomes, promote accountability, and inspire workers (Parker, 2012). Performance refers to an organization's capacity to satisfy standards, upgrade facilities, grow market share, secure returns on investment,

and provide consumers with convenient service. Once these objectives are met, an organization is considered to be performing effectively (Mwaura, 2005). Performance is also evaluated based on how well A business makes use of its financial assets to accomplish its goals and targets. It is a company's capacity to compete and outperform rivals in its industry. Efficiency is the ability to execute tasks efficiently, successfully, persevere, progress, and react to chances and dangers in the external environment (Parker, 2012). Performance refers to achieving organizational goals and objectives, and it is determined by how effectively an organization uses its resources to do so.

Performance is what comes out of organizational operations as outcomes, final products, and accomplishments. The profit margins on sales, assets, and equity, and net profit margin are a few examples of financial performance metrics that can be used to gauge a company's performance. Enterprises may concentrate their focus on achieving their goals when they use suitable achievement metrics. Moreover, performance metrics can be useful in comprehending how a firm operates, which improves decision-making at both the top management and operating levels. Finally, using performance metrics to reward specific actions and outcomes, promote accountability, and inspire workers (Parker, 2012).

2.11.1. Financial performance measures

According to Proimos (2009), performance metrics are frequently used to define and assess an organization's success, typically in terms of moving closer to its long-term objectives. As a result, performance indicators are measurements that concentrate on achieving results that are essential to an organization's present and future success. Where possible, these indicators should be quantified and influenced and should address issues related to the organization's mission and vision. Consequently, profitability, market share, and liquidity are the three main performance indicators.

2.11.1.1. Liquidity

The sustained endurance of any organization depends on maintaining adequate liquidity. Therefore, managing liquidity is a critical task for banks (Olagunju, 2011). Effective liquidity management ensures that a company can consistently secure funds to meet its financial obligations or maturing liabilities at a reasonable cost. Liquidity also refers to the institution's capacity to hold sufficient funds to meet both operational needs and client withdrawal demands.

Since illiquidity signals potential, crises and can quickly damage a company's reputation and public confidence, the liquidity of a commercial bank is vital (Diamond & Rajan, 2005). These ratios measure a firm's ability to pay for immediate commitments when they become due, with the current ratio and quick ratio being the primary liquidity ratios.

Current Ratio

The current ratio evaluates the immediate solvency of a corporation by dividing its current assets by its current liabilities (Mathuva, 2010). Current liabilities are debts that mature within a year, including accrued expenses, tax liabilities, bills and notes payable, and accounts payable. While it is challenging to establish a definitive benchmark for all organizations, a current ratio greater than one is generally considered satisfactory for most firms (Lazardis & Tryfonidis, 2006). However, the current ratio has limitations as it evaluates only the quantity, not the quality, of assets, potentially obscuring a firm's true liquidity position. Despite this, the current ratio offers a rough estimate of a firm's liquidity.

$$\text{Current Ratio} = (\text{Current Assets}) / (\text{Current Liabilities})$$

Profitability

Profitability pertains to a business's capacity to produce income using its resources. Most organizations aim to maximize profit, which is the ability to earn income from all operations (Adeusi et al., 2014). The variance among overall costs, which include labor, cost of materials, and other expenditures, and income from sales is known as profit. The discipline of accounting defines viability as an excessive amount of earnings over costs for a specific time, which in a developing economy represents money earned from different sources. Net profit acts as an indicator of a company's financial viability. A company is considered profitable if it generates significant financial returns from invested capital. The success of a company is thus evaluated based on the earnings generated within a specific fiscal year. Profitability also reflects the relationship between total income and the company's ability to extend loans to clients while increasing its profit (Anwar, 2014).

Proper business processes are dependent on sustainability in the current economic climate, significantly, impacts company performance, and economic development. It is also essential for the ongoing operation of an organization and for providing fair returns to shareholders (Abebe,

2014). Profitability is a key component of financial reporting for many businesses (Brigham & Houston, 2007). Since it provides a clear indication of business performance, profitability is important to managers, owners, and other stakeholders connected to the firm (Dahmash, 2015).

Measures of Profitability

Profitability is measured to determine a company's effectiveness. According to Pandey (2005), assessing profitability involves evaluating a company's annual earnings performance. Profitability ratios include net profit margin, return on investment, gross profit margin, return on assets, and return on equity. The primary profitability indicators are return on equity (ROE) and return on assets (ROA).

Net Profit Margin Ratio

The capacity of a business to turn revenues into profits is assessed by the margin of net profit ratio. It is computed as the following link among net earnings and net revenue.:

$$\text{Net Profit Ratio} = (\text{Net Profit After Tax}) / (\text{Net Sales}) * 100$$

Higher ratios indicate greater profitability compared to the industry average, while lower ratios are less favorable. Pandey (2005) explained that this return can be from sales, invested capital, or utilized assets. The net profit margin shows the return on each unit of sales after deducting the cost of sales and expenses. A higher ratio compared to the industry average indicates greater profitability, and vice versa (Paradogonas, 2007). Kakuru (2003) noted that the net profit margin reflects the return on every unit of sale after accounting for costs and expenses.

Return on Assets (ROA)

ROA gauges the ability of executives to get deposit at fair rates and use those monies for successful enterprises. (Ahmed, 2009). Ross et al. (2005) emphasized that ROA indicates the amount of money the business makes after taxes for every single dollar contributed. ROA gauges managerial effectiveness by showing how well management converts the bank's assets into profits.

$$\text{ROA} = (\text{Net Income}) / (\text{Total Assets})$$

Corporate firms can use ROA to determine if their assets are idle or generating significant returns. A higher ratio compared to the industry average indicates that assets are providing

substantial returns, while a lower ratio suggests idle assets. Accounting ratios, particularly ROA, are commonly used to measure profitability (Brigham & Houston, 2007). ROA calculates profit per unit of assets, demonstrating how effectively managers use the institution's resources to generate profits. A high ROA ratio indicates successful operations and profitability. ROA measures a business's ability to profit from its asset investment, showing how efficiently it can turn capital into net income or profits (Bentum, 2012).

Return on Equity (ROE)

ROE assesses the ability of the firm to earn a profit from shareholders' investments. ROE reflects the return on Members' capital and their effect on the overall value of stock (Van Horne & Wachowicz, 2005). ROE is a measure of how well oversight funds services and expands the business using capital from shareholders.

ROE = (Net Income) / (Shareholders' Equity)

The best measure of a bank's financial health and future development is its return on equity (ROE). It displays the yield on each share of stock purchased in a corporation. A higher ROE indicates effective use of shareholder capital to generate profits and expand the business (Bentum, 2012). The return on assets ratio evaluates an organization's profitability by comparing the ratio of net revenue compared to typical overall assets shows how successfully a business uses its resources to turn a profit (Oluyemi & Chiyenre, 2021). Van-Horne and Wachowicz (2005) highlighted that ROE shows the profitability to shareholders after all expenses and taxes are accounted for.

2.12. Empirical review

Several empirical investigations have investigated the relationship between corporate governance codes and the performance of firms in developed markets. These studies consistently illustrate how robust corporate governance practices contribute to a nation's economic value, firm value, productivity enhancement, and mitigated risk of prolonged financial distress. Noteworthy literature reviews in this realm include works by Shleifer and Vishny (1997), John and Senbet (2003), which have sparked considerable interest in emerging markets.

Typically, research demonstrating the potential correlation corporate governance norms and the success of the company tends to focus on specific markets or nations. For instance, Brown and

Caylor (2004) utilized a dataset from the Institutional Shareholder Service (ISS) to scrutinize corporate governance scores across 2,327 US corporations, evaluating 51 criteria and 8 subcategories. Their findings revealed that companies with superior governance structures tend to exhibit higher valuation, profitability, and shareholder returns.

Gompers, Ishii, and Metrick (2003) examined data from the Investor Responsibility Research Centre (IRRC), revealing that companies with stronger shareholder rights tend to have higher valuations and superior stock returns. Their study classified governance factors into five categories, which involves state laws pertaining to acquisition safeguards, voting rights, director/officer safeguarding, and hostile takeover tactics, demonstrating that firms with robust shareholder rights generally enjoy higher firm value, profitability, and sales growth.

In a study by Khatab et al. (2011) considering metrics like ROA and ROE, the link amongst business governance and business efficiency was examined, concentrating on 20 businesses registered on the Karachi Stock Exchange. Their findings suggested that companies' strong corporate oversight procedures typically surpass companies with lax management frameworks.

Similarly, Sencitak (2007) examined how corporate governance guidelines affected the success of listed industrial businesses on the Istanbul Capital Market (ISE), revealing a significant positive association between adherence to corporate governance codes and firm performance.

Research on compliance with corporate governance codes, predominantly in developed nations, consistently reports positive outcomes. For example, Conyon and Mallin (1997) observed high compliance with the Cadbury Code among UK-listed firms, largely driven by the London Stock Exchange's disclosure requirements. Comparable levels of compliance have been reported in studies on other governance codes in various countries, including Germany, the Netherlands, Ireland, and Spain.

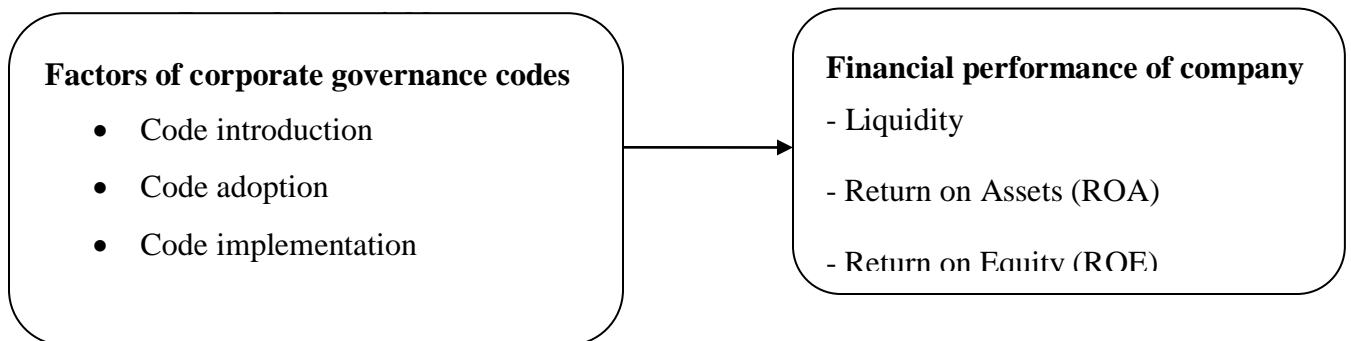
However, some studies have raised questions about the effectiveness of these codes. Bauer et al. (2004) discovered a detrimental relationship between operational efficiency and regulatory norms, challenging previous findings. Nonetheless, subsequent research by Bauwhede (2009) contested this assertion, suggesting that better compliance with international best practices is positively associated with operating performance, attributing the earlier negative findings to poorly governed companies resorting to asset sales to mask poor performance.

2.13. Conceptual framework

The variables that were taken into account for this research is presented in the theoretical structure. The purpose of the research project is to evaluate the impact of Rwanda's financial performance of commercial banks on the capital markets and the code of governance for corporations. The chart below highlights the dependents and independent variables.

Figure 2.1: Conceptual framework diagram

Independent variable



Source: Researcher's compilation, 2024

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The study methods and strategies selected to address the research issues being investigated are justified in this part of the report. The study design, demographic and sample design, data collecting, research methodologies, and data analysis techniques are all covered in the various parts that make up this chapter.

3.2. Research Design

The research design establishes the groundwork for data collection, measurement, and analysis, guiding how the research project unfolds and addresses its specific objectives. A correlational research design was used by focusing on understanding the association between multiple variables without implying causation (Bridget & Cathy, 2015). This approach involves gathering and scrutinizing data related to at least two variables to identify potential connections between them. Correlational research design aims to depict the natural relationships between variables, with an emphasis on describing these relationships rather than inferring causality (Creswell & Plano-Clark, 2016). Within this framework, the researcher explored whether changes in one variable corresponded with changes in another. Quantitative methods were utilized for both data collection and analysis, rendering the research as quantitative. Questionnaires provided the primary source of data, which was then analyzed and interpreted using statistical measures such as mean and standard deviation.

3.3. Population of the study

The listed firms were the target population for this study the Rwanda Stock Exchange (RSE). The listed companies in Rwanda include Bralirwa, Bank of Kigali, M Bank, Equity, CIMERWA, KCB, MTN Rwanda cell and National Media&I.

Therefore, the population's under study motivations were based on the curiosity to know if really there is a positive and significant effect of capital market code of corporate governance on financial performance of listed companies in Rwanda.

The selection process was based only on managers and accountants of the companies listed above due to the limited time and means. Additionally, the mentioned selected population was due to their position in the companies which enabled them to offer valuable and reliable information need for the current study. Therefore, due to the limited time and financial means, the study focused only on Bank of Kigali to come up with the findings of the current study. So, the total population included 28 persons of Bank of Kigali drawn from branches of Bank of

Kigali operating in Northern-West of Rwanda. The selection was based on only 1 manager and 1 accountant for each branch selected.

The information delivered by the selected population stated above had greater support for this study because they delivered financial statement of the years 2020 and 2022 which were in their responsibilities. Furthermore, managers are ones who are responsible to introduce, adopt and implement code within their companies, so the results of these codes are the core focus on financial performance of the companies if they are well applied.

3.4. Data Collection

Bowling (2002) asserts that primary data originates directly from the individuals under investigation, making it the immediate form of information accessible to a researcher. It constitutes firsthand observations and inquiries. In the study, primary data was acquired through self-administered questionnaires. Conversely, secondary data comprises information derived from pre-existing research relevant to the study. Secondary data were deemed suitable for the research due to their accessibility and were utilized to assess the correlation the relationship between listed firms' financial success and their corporate governance regulations.

3.5. Data Analysis Methods

Data analysis seeks to meet research objectives and address research inquiries. Upon receiving questionnaires from participants, responses underwent editing, classification, coding, and tabulation utilizing the statistical software SPSS 16.0 was utilized for data analysis, employing descriptive statistical techniques such as frequencies, means, and standard deviations. Financial data sourced from audited financial statements of publicly traded companies underwent examination, focusing on financial performance indicators like liquidity ratios, Return on Assets, Return on Equity, and Net Profit Margin.

Furthermore, a combination of multiple regression modeling and correlation analysis was employed to explore the connection among listed companies' financial success and managerial norms. ANOVA to understand the interactions among variables. The statistical significance of the model, determined during regression analysis, was assessed at a 5% significance level. The regression model adhered to the specified format:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where: Y = Dependent variable (financial performance)

X₁-X₃ = Independent variables

X₁ = Code introduction

X₂= Code adoption

X₃= Code implementation

β₁, β₂, & β₃ = The regression coefficient

e= Error term

In this context, α represents a fixed value that the dependent variable is anticipated to possess when the independent variables are all zero, while β signifies the coefficient of the function. Utilizing this information, the regression equation facilitates the prediction of variations in the dependent variable attributable to changes in the independent variables. Consequently, if the β coefficient is negative, it indicates that the predictor or independent variable exerts a negative influence on the dependent variable, causing it to decrease by the coefficient's magnitude for each unit increase in the independent variable. Conversely, if the β coefficient is positive, the dependent variable increases by an amount equivalent to the coefficient.

Variable	Definition of the variable	Measurement of the variable	Source of data
Corporate governance code	Corporate governance code is a system of laws and rules that ensures that listed firms are managed and controlled in a just and open way.	Measuring the situation before the introduction of code and the one after the introduction of code	Primary data through questionnaire tool
Financial performance	Financial performance refers to a company's capacity to control its resources in a way that will effectively and efficiently	Financial performance is measured by using financial ratios including liquidity	Secondary data through documentary review tool

	<p>advance its goals and objectives.</p> <p>A company's financial performance is determined by its assets, liabilities, revenue, expenses, equity, and profitability.</p>	<p>ratios, Return on Asset, Return on Equity and Net profit Margin.</p>	
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Evaluation of positive coefficient of correlation

Correlation coefficient/positive or negative	Label/ positive or negative
$r=1$	Perfect linear correlation
$0.9 < r < 1$	Positive strong correlation
$0.7 < r < 0.9$	Positive high correlation
$0.5 < r < 0.7$	Positive moderate correlation
$0 < r < 0.5$	Weak correlation
$r=0$	No, relationship
$-1 < r < 0$	Negative correlation

Interpretation of mean and standard deviation

- $1.0 < \mu < 1.7$: Very low mean (the fact not appears)
- $1.8 < \mu < 2.5$: Low mean (the fact appear less)
- $2.6 < \mu < 3.3$: Neutrality
- $3.4 < \mu < 4.1$: High mean (the fact appear more)
- $4.2 < \mu < 5.0$: Very high mean (strong evidence of existence of the fact)

$\sigma \leq 0.5$: Homogeneity of respondents

$\sigma > 0.5$: Heterogeneity of respondents

3.6. Reliability and Validity of research instruments

The following section presents the measure of validity and reliability of the instruments.

3.6.1. Validity of the instruments

Validity refers to the extent to which the data analysis accurately reflects the phenomenon being studied (Morris, 2006). To ensure the instruments accurately measured their intended constructs, validation procedures were employed. Additionally, a research supervisor, an expert in the field, to ensure their accuracy and relevance, reviewed the questionnaires. The researcher heavily relied on the expertise and guidance of the university supervisor throughout the study. The supervisor played a significant role in designing the study instruments to align with the research topic, objectives, and questions, thus ensuring the instruments effectively captured the desired data.

In this study, therefore, the information was collected from managers and accountants of the listed companies in Rwanda, which are involved with corporate governance codes. More importantly, to enhance the validity of the information to be collected, the researcher stated the purpose and objectives of the research plainly to the respondents before starting the interview process.

3.6.2. Reliability

If one person tests research instruments several times and always receives the same results, the test is reliable. Reliability refers to the extent to which an evaluation instrument yields dependable and uniform outcomes. It signifies that the methodologies employed in the study, such as data collection procedures, can be replicated consistently, yielding similar results. By repeating the same steps, the researcher ensures consistency in outcomes, enabling the drawing of identical conclusions using identical techniques.

In this study, information reliability was ensured by gathering similar data from different respondents (information triangulation) which helped to reduce the chances of having biased information. In addition to that, pretesting of the data collection tools were also done to check the consistence of the tool with the intended purposes.

3.7. Ethical consideration

This pertains to ethical guidelines that researchers must adhere to across all stages of research methodology. When human subjects are involved in research endeavors, it is imperative to safeguard their rights (Polit and Hungler, 1999). The ethical principles upheld in this study include anonymity, informed consent, privacy, and confidentiality. Privacy concerns individuals' personal space and information. Participants have the right to control the dissemination of their personal information and to prevent intrusion into their lives. Confidentiality involves an agreement that limits access to private data (Willis, 2005), determining who can access the information. In this study, privacy rights were upheld by conducting individual interviews in private settings and treating collected data with confidentiality.

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND DISCUSSION

This chapter encompasses the presentation of research outcomes, featuring data derived from both field questionnaires and secondary sources such as the audited financial statements of BK Plc. The data are organized in alignment with the predefined research objectives and offer insights into their fulfillment. Analysis of the research findings involved the utilization of Statistical Packages for Social Sciences (SPSS) to analyze both primary and secondary data. To present the findings and interpretations, tables, frequencies, and percentages were employed as analytical tools. Responses were obtained from a randomly selected sample of 28 employees from companies listed on the Rwanda Stock Exchange. The researcher was confident that the data collected through questionnaires and documentary review adequately addressed the research objectives.

4.1. Identification of respondents

Identification of respondents was collected during the study and this section aimed at presenting gender, age, education level and experience of respondents. By presenting this data, it is possible to have a complete understanding of the people who were sampled and make sure they have enough skills for this research..

4.1.1. Gender and e

To make certain the research addressed the issues of equal treatment and balancing, the gender makeup of those who participated were determined. Therefore, it was requested of those surveyed to describe their gender traits. Moreover, the respondents provided their views about

Table 1: Distribution of respondents by gender and experience of respondents

Gender		%	Experience		%	Age		%	Education level		%
Male	15	53.5		12	42.9	21-39 years	17	60.7	Undergraduate level	22	78.5
Female	13	46.5		16	57.1	41 – 50 years	11	39.3	Postgraduate level	6	21.5

Total	28	100	Total	28	100	Total	28	100	Total	28	100
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Table 4.1 showed that that 53.5% of respondents were male while 46.5% were female. This suggests that a higher proportion of males than women answered the survey. The gender-neutral nature of the inquires means that the variation in the total number of responses has no statistical value.. Hence, findings only give an indication that there could be more men than women in bank workplace and it was believed that For the purposes of this research, the data acquired from men and women is equally valuable and essential.

he same table then 39.3while 60.7.

The similar table illustrates that 60.7% of participants fell within the age range of 21-39 years, while 39.3% were aged 41-50 years. This suggests that a considerable majority of respondents are relatively young and mature, with the majority being under 40 years of age. Furthermore, this indicates that a significant portion of participants are in their youthful and mature stages, potentially possessing a fresh perspective and mental acuity conducive to cooperation and the provision of comprehensive and precise information regarding the variables under investigation.

he same table illustrates that 78.5% of respondents had undergraduate level as their highest level of education achievement and 21.5% of respondents had postgraduate level. This demonstrates that the majority of respondents selected for this study have achieved university level in different field of study. This implies that most of the respondents have adequate knowledge about the relationship between corporate governance codes and financial performance of listed companies on Rwanda Stock Exchange and are able to provide the necessary information for the completion of this study.

4.2.4. Experience of respondents

To ascertain if participants knew enough about the connection involving the requirements for corporate governance and business financial success, they were asked to provide the length of time they had worked for companies that traded on the Rwanda Securities Market. Their views and opinions on the question are illustrated in the table below:

Table : Distribution of respondents by years of service

	Frequency	Percent
Valid Between 1-2 years	7	25.0
Between 3-4 years	10	35.7
5 years and above	11	39.3
Total	28	100.0

Source: Primary Data, 2024

Table 4.4 summarizes the experience level of the respondents. From the table 25.0% of respondents worked for the bank in a period between 1-2years; 35.7% worked for listed companies in a period between 3-4 years and 39.3% of respondents worked for listed companies in a period of 5 years and above respectively. From these findings, it was established that the majority of respondents have a sufficient experience with at least 3-4 years of working experience while another significant portion have above this period. From these findings, it was found that the majority of the participants had significant tenure, suggesting that they possessed substantial expertise that could be deemed dependable for this study.

4.2. Respondents' views on the significance and necessity of corporate governance codes for institutional investors and the capital market in Rwanda

Participants were queried to elucidate their perspectives regarding the importance and requirement of such codes for institutional investors and the capital market in Rwanda, with their insights delineated in the ensuing table.

Table 2: Respondents' views on importance and need for corporate governance codes for institutional investors and the capital market in Rwanda

Statements	Mean	Std. Deviation

Corporate governance code helps to enhance accountability and ensure that listed companies are directed and controlled in a fair and transparent manner	4.23	.430
Corporate governance code provides the guidance on how the objectives are set and achieved	4.25	.442
Corporate governance code shows how risk is monitored and assessed	4.27	.450
Corporate governance code helps to maximize the interests of shareholders and attract more investors	4.30	.466
Corporate governance code promotes the efficient use of resources	4.40	.492
Corporate governance code promotes long term value creation	4.33	.479
Corporate governance code promotes the accountability of Board and management to shareholders	4.23	.430
Corporate governance code reduces The leadership team and stockholders' rivalry.	4.34	.482
Corporate governance code improves market confidence and efficiency	4.40	.492
Overall mean	4.3056	

Source: Primary data, (2024)

From the above findings, majority of respondents strongly agreed that corporate governance code helps to enhance accountability and ensure that listed companies are directed and controlled in a fair and transparent manner (Mean= 4.23, S.D=0.430); Corporate governance code provides the guidance on how the objectives are set and achieved(Mean= 4.25, S.D=0.442); corporate

governance code shows how risk is monitored and assessed (Mean= 4.27, S.D=0.450); Corporate governance code helps to maximize the interests of shareholders and attract more investors (Mean= 4.30, S.D=0.466); corporate governance code promotes the efficient use of resources (Mean= 4.40, S.D=0.492); corporate governance code promotes long term value creation (Mean= 4.33, S.D=0.479); corporate governance code promotes the accountability of Board and management to shareholders (Mean= 4.23, S.D=0.430); corporate governance code reduces the conflicts of interests between management and shareholders (Mean= 4.34, S.D=0.482); corporate governance code improves market confidence and efficiency (Mean= 4.40, S.D=0.492). Generally, all statements stressing the significance and necessity of corporate governance standards for Rwanda's capital markets and institutional investors revealed the overall mean of 4.3056 (strong).

The interview made with managers of selected branches of Bank of Kigali. concluded that corporate governance codes for institutional investors and the capital market are very crucial as they help to ensure the efficient functioning of capital markets, protect investor interests, and promote economic stability and growth. Corporate governance codes for institutional investors and the capital market are essential for promoting transparency and accountability, protecting investor interests, encouraging long-term value creation, mitigating risks, reducing conflicts of interests between management and shareholders and improving overall market efficiency and confidence. By adhering to these codes, institutional investors can play a pivotal role in fostering a stable, fair, and sustainable financial system in Rwanda.

These findings are in accordance with Brown and Caylor (2004) who discovered that businesses with superior governance tend to be more valuable, more profitable, and pay their shareholders more money. Outa and Waweru (2016) who found out that financial achievement and worth of a company are linked with business policies of governance.

4.3. Analysis of perception about financial performance of BK Plc

Respondent were asked to highlight their perceptions about the financial performance indicators in BK Plc. Respondents' views are presented in table below as revealed by their means and standard deviations.

Table 3: Respondents' view on perception about financial performance indicators in BK Plc

Statements	Mean	Std. Deviation
Liquidity of BK Plc was highly appreciated in 2020 up to 2022	4.23	.430
Return on Asset of the Bank was highly appreciated in 2020 up to 2022	4.25	.442
Return on Equity of the Bank was highly appreciated in 2020 up to 2022	4.26	.448
Net profit margin of the Bank was highly appreciated in 2020 up to 2022	4.27	.450
Overall mean	4.25	

Primary data, (2024)

Table 4.6 presents the respondents' perspectives on BK Group Plc's financial performance indicators. Four statements (items) were evaluated concerning this variable, and the results are detailed in the table above.

The second statement aimed to ascertain whether respondents highly valued BK Plc's liquidity from 2020 to 2022. It garnered a mean score of 4.23, indicating strong agreement among respondents that the company's liquidity was indeed appreciated during this period. The standard deviation of .430 suggests uniformity in respondents' attitudes.

Similarly, the third statement sought to gauge the perception of BK Plc's Return on Asset (ROA) during the same timeframe. With a mean score of 4.25, respondents strongly concurred that the company's ROA was highly appreciated. The standard deviation of .442 indicates unanimity in respondents' viewpoints.

The third element assessed respondents' opinions on BK Plc's Return on Equity (ROE) for the years 2020 to 2022. The mean score of 4.26 indicates a strong consensus among respondents in

favor of BK Plc's ROE during this period, with a standard deviation of .448 denoting agreement among respondents.

The fourth item, concerning the Net Profit Margin of BK Plc from 2020 to 2022, received a mean score of 4.27, indicating a robust level of agreement among respondents. The standard deviation of .450 suggests uniformity in understanding among respondents.

Overall, the three statements assessing BK Group Plc's financial performance indicators yielded an average mean of 4.25. This suggests a strong consensus among respondents that the company's financial performance was highly esteemed from 2020 to 2022.

4.4. Effect of capital market code of corporate governance on financial performance of listed companies in Rwanda

Respondents were asked to present their views on the effect of capital market code of corporate governance on financial performance of listed companies in Rwanda. Table below presents their views.

Table 4: Respondents' view on the effect of capital market code of corporate governance on financial performance of listed companies in Rwanda

Statements	Mean	Std. Deviation
Corporate governance codes enhances risk management	4.21	.426
Corporate governance code supports strategic decision making process	4.23	.430
Corporate governance code enhances management efficiency	4.25	.442
Corporate governance code reduces agency costs	4.20	.422
Corporate governance code improve financial reporting and control	4.26	.448
Overall mean	4.23	

Source: Primary data, (2024)

From the above findings, the majority of respondents strongly agreed that corporate governance codes enhance risk management (Mean= 4.21, S.D=0.426); corporate governance code supports strategic decision making process (Mean= 4.23, S.D=0.430); corporate governance code enhances management efficiency (Mean= 4.25, S.D=0.442); corporate governance code reduces agency costs (Mean= 4.20, S.D=0.422) and corporate governance code improve financial reporting and control (Mean= 4.26, S.D=0.448). Generally, all statements demonstrating the effect of capital market code of corporate governance on financial performance of listed companies in Rwanda showed the overall mean of 4.23 (strong or Very high mean). Based on the above findings it was concluded that capital market code of corporate governance has a significant positive effect on the financial performance of listed companies in Rwanda. If listed firms adhere to strong corporate governance code, they are better positioned to achieve and sustain high profitability and achieve to financial performance. These findings are in agreement with Myring and Shortridge (2010) who showed that corporate governance code has a positive effect on firm performance in many ways. Outa and Waweru (2016) who discovered that the value and performance of a company are favorably and strongly correlated with corporate governance principles.

Throughout the previous findings, the researcher firmly confirms that there is a clear significant and positive relationship between capital market code of corporate governance and financial performance of listed companies in Rwanda resulting from risk management enhanced, strategic decision making process supported, efficiency in management enhanced, agency costs reduced and financial reporting and control improved within listed companies in Rwanda.

The interview made with managers of selected branches of Bank of Kigali witnessed the following: *“capital market code of corporate governance contributed positively on financial performance of their companies resulted from risk management enhanced, strategic decision making process supported, efficiency in management enhanced, agency costs reduced and financial reporting and control improved within their companies.”*

The above findings were in line of Claessens & Yurtoglu, (2013) who proved that effective corporate governance regulations enhance financial market functionality and attract foreign investment, with transparency being a key factor. Poor corporate governance hinders financial markets and reduces foreign investment. Governance codes protect investors, prevent insider

trading, increase transparency, and improve financial market performance. The legal and institutional framework of a state affects share prices, with greater transparency leading to more accurate market assessments. Studies show a correlation between governance systems, financial market growth, and economic development. Improved governance structures lower capital costs and increase financing sources. Transparency reduces information asymmetry and theoretically decreases company risk, further lowering the cost of capital.

Johnson et al., (2000) assert that strong corporate governance practices are closely tied to business success, sustainability, and expansion. The collapse of major firms such as Enron and WorldCom due to financial crises spanning the last two decades, beginning with the Asian Financial Crisis in 1997-1998 and the US Corporate Financial Crisis in the early 2000s, underscores the urgent necessity for businesses to establish effective and well-structured corporate governance frameworks.

4.5. Multiple regression analysis

To investigate the effect of capital market code of corporate governance on financial performance of listed companies in Rwanda, the study carried out multiple regression analysis, and the results contained model summary, analysis of variance (ANOVA), and regression model coefficients. Tables 4.13 present these results.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.982 ^a	.884	.826	.000

a. Predictors: (Constant), Code introduction; Code adoption and Code implementation

b. Dependent Variable: financial performance of listed companies

Table 4.5 above shows that the coefficient correlation $R=0.982$. This indicates that there is a positive strong relationship between capital market code of corporate governance and financial performance of listed companies in Rwanda. These findings are in agreement with Bauer *et al.* (2004) found out a positive association between corporate governance standards and share price.

Sencitak (2007) indicated that there is a strong connection between the corporate governance code and firm performance. The findings are in contrast with Alves and Mendes (2004) who discovered a negative relationship between governance standards and operating performance. The coefficient of determination, adjusted R Square indicates the variance brought about by shifts in the independent variable in the dependent variable (performance). According to the results in the table previously mentioned, the amount of adjusted R square was 0.826. This indicates that there was a variation of 82.6% in financial performance of listed companies in Rwanda due to changes in Code introduction, Code adoption and Code implementation. However, this model only accounts for 17.4% of the variability in the financial performance of listed companies, leaving a significant portion unexplained by the factors it includes.

Table 6: Analysis of Variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.822	3	1.941	30.681	.000 ^a
	Residual	1.645	25	.063		
	Total	7.467	28			

a. Predictors: (Constant), Code introduction; Code adoption and Code implementation

b. Dependent Variable: Financial performance of listed companies

Table 4.6 displays a significance value (p-value) of .000, which is below 5%. This suggests that the chosen variables (Code introduction, Code adoption, and Code implementation) serve as accurate predictors of listed companies' financial performance. Moreover, these variables are suitable for drawing conclusions, given their significance level below 5%. It is evident that Code introduction, Code adoption, and Code implementation exert a significant influence on the

financial performance of listed companies. With a significance value below 0.05, the model demonstrates statistical significance at a confidence level of 95%.

Table 7: 'Regression Model Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.634	.243		4.568	.000
Code introduction	.449	.293	.113	5.513	.003
Code adoption	.434	.211	.144	2.910	.002
Code implementation	.417	.192	.071	1.455	.000

a. Dependent Variable: Financial performance of listed companies

Table 4.7 above illustrates that when holding code introduction, code adoption, and code implementation constant at zero, the performance of listed companies would be 0.634. A unit increase in code introduction corresponds to an increase in the financial performance of listed companies by a factor of 0.449, while a unit increase in code adoption leads to a similar increase by a factor of 0.434, and a unit increase in code implementation results in a factor of 0.417 increase in financial performance. Additionally, the study found that the p-values for code introduction (0.003), code adoption (0.002), and code implementation (0.000) were all less than 0.05, indicating that the influence of these factors was significant enough to enhance the financial performance of listed companies on the Rwanda Stock Exchange. Consequently, the researcher concluded that code introduction, code adoption, and code implementation each have a positive and significant relationship with the financial performance of listed companies on the Rwanda Stock Exchange. These factors collectively exert a positive influence on financial performance. Thus, the specified regression model (Equation) was identified as follows:

$$Y=0.634+0.449X_1+0.434X_2+0.417 X_3$$

The above data are also by the researcher who argues that the financial performance identified within BK ranging from 2020 and 2022 was not random. Thus, the focal areas of the financial performance resulted from the introducción, adoption and implimentation of Code boosted a positive influence on financial performance within BK.

The interview made with managers of selected branches of Bank of Kigali witnessed the following: *“the financial performance resulted from the introduction, adoption and e implimentation of Code boosted a positive influence on financial performance in their companies.”*

The above information was in line of Aguilera & Cuervo-Cazurra (2004) who proved that the adoption of international corporate governance standards is driven by financial market deregulation and competition for finance (Yoshikawa & Rasheed, 2009). Empirical studies show that an economy's openness influences the convergence of global governance, with new technology demands and external best practices promoting the dissemination of governance codes (Aguilera & Cuervo-Cazurra, 2004). Internal forces aim to improve system efficiency, while external forces seek credibility in the capital market. In nations with low shareholder protection, internal pressure drives code adoption, while institutional investors provide external motivation. The dynamic process of adopting and updating corporate governance codes is influenced by changes in the socioeconomic environment, with legitimacy often being more important than efficiency in civil law countries. Key aspects promoting the acceptance of governance codes include increased financing sources, reduced capital costs, improved operational efficiency, and enhanced financial market performance (Claessens & Yurtoglu, 2013).

4.6. Impact of capital market code of corporate governance on profitability of Bank of Kigali Plc

4.6.1. Profitability ratio

The major ratios used are return on investment (ROI), return on equity (ROE), net Interest margin (NIM), capital turnover ratio as well as amount of profit ratio. There ratios are used to assess to analyze the profitability of Bank of Kigali Plc.

4.6.1.1. Increase of sales volume

Table 8: Sales volume

Year	2020 (Rwf in million)	2021 (Rwf in million)	2022 (Rwf in million)
Sales volume	1,894	2,076	2,318

Source: Bank of Kigali Plc income statement 2020 – 2022

According to the table there are increases of the sales volume which can be like this 2020 up to 2021 there is an increase of 78,503,492 million. In 2021 up to 2022 there is an increase of 79,238,392 Bank of Kigali Plc as income statement and in 2013-2022 there was an increase of 84,087,747 Rwf.

4.6.1.2. Increase of shares

The increases of shares volume in Bank of Kigali Plc are clear in the table below.

Year	2020 (Rwf in million)	2021 (Rwf in million)	2022 (Rwf in million)
Share capital	5,143	5,143	5,143

Source: Bank of Kigali Plc income statement 2020 – 2022

According to the table there are increases of the shares volume which can be like this 2020 up to 2021 there is an increase of 5,143 Rwf. In 2021 up to 2022 there is an increase of 5,143 Rwf form Bank of Kigali Plc as income statement and in 2013-2022 there was an increase of 5,143Rwf.

4.6.1.3. Return on investment (ROI)

This is the important indicator of managerial efficiency which highlights how management of Bank of Kigali Plc has converted the organizational assets into net earnings through marketing strategies used by the bank.

It is calculated as follows: **ROI= Profit before tax x100/Total assets**

Table 4.10: Return on Investment

Year	2020 (Rwf in million)	2021 (Rwf in million)	2022 (Rwf in million)
Profit before tax	12,994	25,624	35,790
Total assets	127,271	116,408	155,989
ROI ratios	10.2%	22%	22.9%

Source: Financial report of Bank of Kigali Plc (2020-2022)

The table above shows that return on investment is 10.2% in 2020. For this case, 1Rwf invested brought a profit of 0.1 in period of a year. In 2021 was 22% means that 1Rwf invested brought a profit of 0.22 in period of a year. In 2022 was 22.9% means that 1Rwf invested brought a profit of 0.229 in period of a year. ROI is the amount of net income invested as a percentage of shareholders. Therefore, then return on investment measure of Bank of Kigali Plc profitability by revealing how much profit of the Bank of Kigali Plc generates income with the money shareholders have invested, so, Bank of Kigali Plc returned the money invested.

4.6.1.4. Return on Assets (ROA)

This is the important indicator of managerial efficiency. It highlights how management of Bank of Kigali Plc has converted the organizational assets into net earnings.

It is calculated as follows: **ROA= Net income x100/Total assets**

Table 9: Return on Assets

Year	2020 (Rwf in million)	2021 (Rwf in million)	2022 (Rwf in million)
Net income	9,005	17,524	22,545
Total assets	127,271	116,408	155,989
ROI ratios	7%	15%	14.4%

Source: Financial report of Bank of Kigali Plc (2020-2022)

The table above shows that return on investment is 7% in 2020 means that 1Rwf invested in cost capital management brought a profit of 0.07 in period of a year. In 2021 was 15% means that 1Rwf invested in cost capital management brought a profit of 0.15 in period of a year. In 2022 was 14.4% means that 1Rwf invested brought a profit of 0.144 in period of a year. ROA is the amount of net income invested in capital management as a percentage of shareholders. Therefore, then return on investment measure of Bank of Kigali Plc profitability by revealing how much profit of the Bank of Kigali Plc generates income with the money shareholders have invested, so, Bank of Kigali Plc returned the money invested in capital management.

4.6.2. Solvency ratios

The need for solvency ratio is the process of using financial statements to enable the users to take economic and investment decisions. Managers use accounting information to ensure that the enterprise is on the right direction and if not, take decisions to put it on the right track. Managers use accounting information (Hermanson, 2004).

The financial ratio includes the ratio as follows:

4.6.2.1. Liquidity ratios

There are used to measure the ability of Bank of Kigali Plc to meet the current assets or short term obligations when are due for payment.

4.6.2.1.1. Current Asset ratio

Thus, Bank of Kigali Plc current assets are divided by its current liabilities. It is computed as follows:

Current ratio= current Asset/ Current Liabilities.

Table 10: Current ratio analysis

Years	2020	2021	2022
Current assets	38,011	29,290	51,780
Current liabilities	68,877	51,739	77,426

CA Ratio	0.55	0.56	0.66
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Source: Financial report of Bank of Kigali Plc, 2020-2022

The actual current ratio calculated with help of the relevant figure has to be compared with standard. If the actual current ratio is less than the standard, the conclusion is that the concern does not enjoy sufficient liquidity and will not able to meet its short-term obligations and vice-versa. Normally a current ratio of 2:1 is considered satisfactory. This table shows that during three accounting periods, Bank of Kigali Plc is not able to cover its short term obligations. Financial ratios are employed to measure the profitability, liquidity and quality of Bank of Kigali Plc limited as commercial Bank of Kigali Plc.

4.7. Relationship between amount allocated to capital market code of corporate governance management practices and profit at Bank of Kigali Plc

According to GUJARATI D.N. (2009) correlation coefficient determines the degree of linear association between two variables as mentioned above. Thus when the correlation coefficient is closer to +1, it reveals a strong and positive correlation. When correlation coefficient is closer to -1, it reveals a weak and negative correlation. Thus, the table below indicates clearly correlation coefficient between amount allocated in Capital market code of corporate governance management practices and sales for the three consecutive years from 2020 to 2022.

Table 11: Evolution of capital market code of corporate governance management practices allocation and sales at Bank of Kigali(2020-2022)

Years	Capital market code of corporate governance management practices allocation	Sales (In million)
2020	38,011	1,894
2021	29,291	2,076
2022	51,780	2,318
Total	119,082	6,288

Source: Computerization of data, 2022

The table above indicates that capital market code of corporate governance management practices allocation in 2020 was 16,857 Rwf in million while in 2021 was 14,667 Rwf in million and in 2022 was 24,679 Rwf in million. The total capital market code of corporate governance management practices allocation from 2020 to 2022 was 56,203 Rwf in million. About sales at Bank of Kigali Plc, in 2020 were 60,079 Rwf in million while in 2021 were 66,161 Rwf in million and in 2022 were 65,814 Rwf in million. The total sales from 2020-2022 were 192,054 Rwf in million.

4.7.1. Correlation coefficient between capital market code of corporate governance management practices allocation and sales at Bank of Kigali Plc

In the table below, X represents capital market code of corporate governance management practices allocation from 2020 to 2022 at Bank of Kigali Plc while Y represents sales at Bank of Kigali Plc from 2020 to 2022.

Table 12: Correlation coefficient between amount allocated to capital market code of corporate governance management practices and sales at Bank of Kigali Plc

Year	X	Y	X ²	Y ²	XY
2020	38,011	1,894	1,444,836,121	3,587,236	71,992,834
2021	29,291	2,076	857,962,681	4,309,776	60,808,116
2022	51,780	2,318	2,681,168,400	5,373,124	120,026,040
	119,082	6,288	Σ=6,220,299,481	Σ=13,270,136	Σ=252,826,990

Source: Computerization of data, 2022

$$r = \frac{n \sum xy - (\sum x * \sum y)}{\sqrt{(n \sum x^2 - (\sum x)^2 * n \sum y^2 - (\sum y)^2)}}$$

$$r = \frac{3795042405}{3795042405} = 1$$

$$R^2 = (1)^2 = 1 * 100 = 100\%$$

The correlation coefficient (r=1) means that there is strong and positive correlation between the two variables of this study, which are the amount allocated in Capital market code of corporate governance management practices and sales over the study period. As far as the determination coefficient is concerned, the R² is 100%. This means that 100% of the variation of the amount allocated in Capital market code of corporate governance management practices is fully explained by the variation in sales over the study period.

4.8. Relationship between capital market code of corporate governance management practices allocation and profit at Bank of Kigali Plc (2020-2022)

According to GUJARATI D.N. (2009) correlation coefficient determines the degree of linear association between two variables as mentioned above. Thus when the correlation coefficient is closer to +1, it reveals a strong and positive correlation. When correlation coefficient is closer to -1, it reveals a weak and negative correlation. Thus, the table below indicates clearly correlation coefficient between amount allocated in capital market code of corporate governance management practices and amount of profit for the three consecutive years from 2020 to 2022.

Table 13: Evolution of capital management practices allocation and profit at Bank of Kigali Plc

Years	Capital market code of corporate governance management practices allocation	Profit (In million)
2020	38,011	9,005
2021	29,291	17,524
2022	51,780	22,545
Total	119,082	49,074

Source: Computerization of data, 2022

The table above indicates that capital market code of corporate governance management practices allocation in 2020 was 38,011Rwf in million while in 2021 was 29,291 Rwf in million and in 2022 was 51,780 Rwf in million. The total capital market code of corporate governance management practices allocation from 2020 to 2022 was 56,203 Rwf in million. About profit at Bank of Kigali Plc, in 2020 was 26,275Rwf in million while in 2021 was 32,793Rwf in million and in 2022 were 34,877 Rwf in million. The total profit from 2020-3029 was 93,945 Rwf in million.

4.8.1. Correlation coefficient between capital market code of corporate governance management practices allocation and profit at Bank of Kigali

In the table below, X represents capital market code of corporate governance management practices allocation from 2020 to 2022 at Bank of Kigali Plc while Y represents profit at Bank of Kigali Plc from 2020 to 2022.

Table 14: Correlation coefficient between capital market code of corporate governance management practices allocation and profit of Bank of Kigali Plc

Year	X	Y	X ²	Y ²	XY
2020	16,857	26,275	284,158,449	690,375,625	442,917,675
2021	14,667	32,793	215,120,889	1,075,380,849	480,974,931
2022	24,679	34,877	609,053,041	1,216,405,129	860,729,483
	Σ=56,203	Σ=93,945	Σ=1,108,332,379	Σ=2,98,2161,603	Σ=1,784,622,089

Source: Computerization of data, 2022

$$r = \frac{n \sum xy - (\sum x)(\sum y)}{\sqrt{(n \sum x^2 - (\sum x)^2)(n \sum y^2 - (\sum y)^2)}}$$

$$r = \frac{2993233677}{2993233594.87} = 1$$

$$R^2 = (1)^2 = 1 * 100 = 100\%$$

The correlation coefficient (r=1) means that there is strong and positive correlation between the two variables of this study, which are the amount allocated in capital market code of corporate governance management practices and the amount of profit over the study period. As far as the determination coefficient is concerned, the R² is 100%. This means that 100% of the variation of the amount allocated in cost control is fully explained by the variation in amount of profit over the study period.

CHAPTER FIVE: FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter presents the summary of major findings, conclusion drawn from the research findings and recommendations to concerned parties as well as recommendations for future research.

5.1. Summary of major findings

This sub-section describes the major findings of the study presented according to research specific objectives stated by the researcher.

5.1.1. Findings on the importance and need for corporate governance codes for institutional investors and the capital market in Rwanda

Findings revealed that the majority of respondents strongly agreed that corporate governance code helps to enhance accountability and ensure that listed companies are directed and controlled in a fair and transparent manner (Mean= 4.23, S.D=0.430); Corporate governance code provides the guidance on how the objectives are set and achieved (Mean= 4.25, S.D=0.442); corporate governance code shows how risk is monitored and assessed (Mean= 4.27, S.D=0.450); Corporate governance code helps to maximize the interests of shareholders and attract more investors (Mean= 4.30, S.D=0.466); corporate governance code promotes the efficient use of resources (Mean= 4.40, S.D=0.492); corporate governance code promotes long term value creation (Mean= 4.33, S.D=0.479); corporate governance code promotes the accountability of Board and management to shareholders (Mean= 4.23, S.D=0.430); corporate governance code reduces the conflicts of interests between management and shareholders (Mean= 4.34, S.D=0.482); corporate governance code improves market confidence and efficiency (Mean= 4.40, S.D=0.492). Generally, all statements highlighting the significance and need for corporate governance codes for institutional investors and the capital market in Rwanda revealed the overall mean of 4.3056 (strong).

5.1.2. Findings on level of financial performance indicators in BK Plc (2020-2022)

Respondents proved that the level of financial performance of BK Plc was highly appreciated as indicated by the overall mean of 4.25. This is to conclude that respondents strongly agreed that financial performance was highly appreciated from 2020 up to 2022.

5.1.3. Findings on the relationship between capital market code of corporate governance and financial performance of listed companies in Rwanda

The research concluded that adherence to the capital market's corporate governance code significantly enhances the performance of publicly traded companies in Rwanda. The correlation coefficient ($r=1$) means that there is strong and positive correlation between the two variables of this study, which are the amount allocated in capital market code of corporate governance management practices and the amount of profit over the study period. As far as the determination coefficient is concerned, the R^2 is 100%. This means that 100% of the variation of the amount allocated in cost control is fully explained by the variation in amount of profit over the study period.

5.2. Conclusion

In summary, the study aimed to investigate how the capital market's corporate governance code impacts the financial performance of listed companies in Rwanda. The findings suggest that the code plays a crucial role in shaping financial outcomes by promoting transparency, accountability, efficient risk management, strategic decision-making, access to capital, regulatory compliance, reduced agency costs, accurate financial reporting, and enhanced investor confidence. Listed companies prioritize robust corporate governance practices to optimize financial performance, sustain growth, and create value for shareholders and stakeholders alike.

5.3. Recommendations

Considering the findings of this study and the weaknesses identified, the following are key recommendations formulated:

Capital market in Rwanda should establish strong corporate governance code in order to build investor confidence, reduce risks, and foster sustainable business practices; as a result, this may significantly contribute to effective financial performance and long-term financial success of listed companies.

Capital market in Rwanda should implement comprehensive risk management frameworks to identify, assess, and mitigate risks that could impact financial performance of listed companies.

Capital market in Rwanda should increase the number of independent directors to provide unbiased point of view and reduce potential conflicts of interest.

Capital market in Rwanda should establish strong corporate governance code that may promote transparency and accountability; this may attract new investors and strengthen the confidence of existing ones, consequently, this may lead to sustainable financial performance of listed companies

5.4. Areas for future research

Since the author did not have time to look into every pertinent topic throughout the study, the researcher offers pertinent questions that could require more research beyond the purview of the present research. The subsequent areas require more research.

1. Corporate governance code and its influence on non-financial performance of listed companies in Rwanda
2. Effect of corporate governance code in promoting investment on capital market

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APPENDICES

APPENDIX 1 : QUESTIONNAIRES

PART I: IDENTIFICATION OF RESPONDENTS (Tick where applicable)

1. Gender

(a) Male

(b) Female

2. Age bracket (years)

(a) 21 – 30 years

(b) 31 – 40 years

(c) 41-49 years

(d) 50 years and above

3. Education level

(a) Undergraduate level

(b) Postgraduate level

(c) Others (please specify).....

4. Years of experience

Between 1-2 years

Between 3-4 years

5 years and above

PART II: THE NECESSITY OF CORPORATE GOVERNANCE CODES IN RWANDA

5. To what extent do you agree with the following statements on the necessity of corporate governance codes in Rwanda? Rate using a scale of 1 to 5

1=Strongly agree

2=Agree

3=Neutral

4= Disagree

5= Strongly disagree

Statement	1	2	3	4	5
1. Corporate governance code helps to enhance accountability and ensure that listed companies are directed and controlled in a fair and transparent manner					
2. Corporate governance code provides the guidance on how the objectives are set and achieved					
3. Corporate governance code shows how risk is monitored and assessed					
4. Corporate governance code helps to maximize the interests of shareholders and attract more investors					
5. Corporate governance code promotes the efficient use of resources					
6. Corporate governance code promotes long term value creation					
7. Corporate governance code promotes the accountability of Board and management to shareholders					
8. Corporate governance code reduces the conflicts of interests between management and shareholders.					
9. Corporate governance code improves market confidence and efficiency					

7. SECTION FIVE: FINANCIAL PERFORMANCE INDICATORS

1. To what extent do you agree with the following statement about financial performance indicators in BK Plc?

Statement	1	2	3	4	5
Liquidity of BK Plc was highly appreciated in 2020 up to 2022					
Return on Asset of the Bank was highly appreciated in 2020 up to 2022					
Return on Equity of the Bank was highly appreciated in 2020 up to 2022					
Net profit margin of the Bank was highly appreciated in 2020 up to 2022					

SECTION SIX: EFFECT OF CAPITAL MARKET CODE OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF LISTED COMPANIES IN RWANDA

7. To what extent do you agree with the following statements about the Effect of capital market code of corporate governance on financial performance of listed companies in Rwanda? Rate using 5-point Likert scale such as:

Statement	1	2	3	4	5
Corporate governance codes enhances risk management					
Corporate governance code supports strategic decision making process					
Corporate governance code enhances management efficiency					
Corporate governance code reduces agency costs					
Corporate governance code improve financial reporting and control					

THANK YOU FOR YOUR TIME AND YOUR KIND COOPERATION

Ariane 8th check

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