Novelty Journals

ISSN 2394-7322

International Journal of Novel Research in Marketing Management and Economics
Vol. 5, Issue 1, pp: (48-71), Month: January - April 2018, Available at: www.noveltyjournals.com

INFLUENCE OF CORPORATE GOVERNANCE ON CORPORATE FINANCIAL PERFORMANCE IN HARMOUD IN SOMALIA

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Abstract: **Corporate governance has received much attention in the accounting literature, with studies focusing on the influence of corporate governance on corporate financial performance in Hormoud in Somalia. The association between quality of corporate governance and firms' profitability is quite major focus in corporate governance studies, but one cannot predict much on the direction as prior literature shows mixed results. Better governed firms might have more efficient operations, resulting in a higher expected future management. The purpose of this study was to determine the influence of corporate governance on corporate financial performance in Hormoud in Somalia, for the purposes of this study; the researcher applied descriptive research design. Primary data was collected from one head of the various persons with different qualification and experiences in Somalia. Self-administered drop and pick questionnaires were distributed among sampled employees currently employed by Telecommunication Companies in Somalia. Quantitative data collected was analyzed by the use of descriptive statistics. The sample size consisted of 92 participants selected from the accessible population the Slovene's formula was used to determine the minimum sample size. Data collected was analyzed by using descriptive statistics. The descriptive statistical tools helped in describing the data and determining the respondents' degree of agreement with the various statements under each factor. The data was analyzed and processed electronically using statistical package for social scientists (SPSS version 22) to analyze the influence of corporate governance on corporate financial performance in Hormoud in Somalia. The study concluded that Organization should choose a sizeable board which are efficient and well informed in matters corporate governance so as to strengthen their corporate financial performance, organizations should have an excellent board composition full of individuals with diverse expertise and knowledge so as to enhance better corporate governance and corporate financial performance, the company policies and guidelines should be followed to the latter so as to caution the firms against bad corporate governance and practices thus enhancing corporate financial performance and the corporate independent committees should be strengthened through having properly trained individuals to sit in this committees so as to properly advice the board and management on various matters concerning corporate governance thus leading to corporate financial performance The study therefore recommends that policy makers for media houses and telecommunications companies should take serious notice of these findings to implement policies that sustain the already existing strong corporate governance structures. The study recommends corporate governance to accomplish the task of preserving companies to be realistic and more advantageous.**

Keywords: **Corporate governance, governance studies, Telecommunication Companies.**

1. INTRODUCTION

1.1 Background of the Study:

Corporate Governance is essentially all about how organizations are directed, controlled and held accountable to their shareholders (Cohen, 2014). In India, the question of Corporate Governance has come up mainly in the wake of economic liberalization and de-regularization of industry and business. The objective of any corporate governance system is to simultaneously improve corporate performance and accountability as a means of attracting financial and human resources on the best possible terms, and of preventing corporate failure (Cohen, 2014). With the rapid pace of globalization many companies have been forced to tap international financial markets and consequently to face greater competition than before. Both policymakers and business managers have become increasingly aware of the importance of improved standards of corporate governance. India launched a series of economic reforms in 1991 in response to a severe balance of payments crisis, many of which directly or indirectly led to a substantial liberalization of the corporate sector. The reforms were aimed at easing restrictions on firms' activities and increasing overall competition by putting an end to the 'license raj,' liberalizing the foreign trade regime, and opening the financial sector. The freeing of capital markets and entry of foreign investors brought new financing and ownership opportunities and significantly raised the volume of new equity issues (Braun, 2014).

Corporate governance is a relatively recent concept, the past decade, the concept has evolved to address the rise of corporate social responsibility (CSR) and the more active participation of both shareholders and stakeholders in corporate decision making. As a result, definitions of corporate governance vary widely. Two categories prevail. The first focuses on the behavioral patterns-the actual behavior of corporations, as measured by performance, efficiency, growth, financial structure, and treatment of shareholders and other stakeholders (Jensen, 2010). The second concerns itself with the normative framework - the rules under which firms operate, with the rules coming from such sources as the legal system, financial markets, and factor (labor) markets. Both definitions include CSR and sustainability concepts. For studies of single countries or firms within a country, the first type of definition is the more logical choice. It considers such matters as how boards of directors operate the role of executive compensation in determining firm performance, the relationship between labor policies and firm performance, and the roles of multiple shareholders and stakeholders. For comparative studies, the second type is more relevant. It investigates how differences in the normative framework affect the behavioral patterns of firms, investors, and others (Jensen & Meckling, 2015).

There are many different ways to measure financial performance, but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investors may wish to look deeper into financial statements and seek out margin growth rates or any capital structure. It is important to note that not all financial ratios are significant to all businesses. Identifying the four to six key ratios for your business, with 4 additions to any lender required financial ratios, is the first step in measuring financial performance (Lamport, 2013).

Socioeconomic development, like the definition of development adopted here, emphasizes progress in terms of economic and social factors within a geographic unit. Social development, on the other hand, refers to the complexity of social dynamics The purpose of economic development is to improve the social and material well-being of all individuals and social institutions with the goal of achieving the highest possible level of human development. Socioeconomic development, therefore, requires the integration of economic and social development. Progress in the quality of social and economic life should only be seen as progress if it is rights-based and minimally effects, conserves or improves the natural environment (Lipton, 2013).

1.1.1 Corporate Governance:

The convention on the Organization for Economic Co-operation and development 2004 (OECD) defines corporate governance in terms of the relationships between the organization's directors, the management and all stakeholders.' In other forums corporate governance has been defined as a combination of both processes and systems used to direct and control organizations as well as making them accountable (Argryis, 2013). Corporate Governance therefore, can be looked at as the way in which firms exercise their mighty in the stewardship of the organization's assets and resources with the aim of maximizing shareholders' wealth while taking into consideration of other stakeholders in the context of SOCs (Organization for Economic Cooperation and Development, 2012).

In a more elaborate way corporate governance is a combination of regulations, practices and processes by which organizations are directed and controlled as they strive to balance the interest of all their stakeholders. According to Bauer (2008) corporate governance involves directing and managing the activities of the organization with the aim of maximizing the shareholders' wealth while putting into consideration other stakeholders' interests (Jensen & Meckling, 2015). Corporate governance may thus be perceived as the set of rules and regulations that govern the corporations' management behavior on a daily basis. These rules include individual organizational culture and other practices that allow it to maintain good governance practices even in the absence of strong monitoring institutions. The practices among others include the following; the corporation's board of directors' characteristics, the ownership structure of the corporation, financial transparency and information disclosure (Masibo, 2015).

Governance refers to the act of exercising power in the management of socioeconomic resources of an organization in order to have sustainable human development (John, 2013). It helps in achieving order and equality in the society as it facilitates production of goods and services in an efficient manner. Governance brings accountability in the use of power, the protection of the citizens' rights and more so their freedom (Berle, 2006). Governance can help in maintaining a conducive corporate environment that enables people to fully participate in contributing towards finding innovative solutions to issues that affect everyone (Organization for Economic Cooperation and Development, 2012).

1.1.2 Financial Performance:

Financial performance refers to the extent to which an organization attains its financial goals and objectives. It simply means measuring the organization's policies and operations in monetary terms. It is the general financial health measure of an organization that can be compared to another organization with similar characteristics (Palia, 2014). According to Rutagi(2013) financial performance of an organization is how well that organization is performing while (Namisi, 2012)defined performance as the extent to which organizations meets its targets.

This type performance is also measured in terms of solvency, profitability, liquidity, financial efficiency and how fast the organization repays its obligations (Bauer, 2013)the financial performance measure used for this study is the return on assets (ROA). ROA measures how an organization converts its assets into earnings. It shows how efficient the management is in using the organization's assets to generate revenues. The formula used to calculate ROA is given by dividing the organization's net profit by the average total assets. In most cases ROA is expressed as a percentage and a higher percentage means the more earnings a company has generated from few assets (Lorch, 2013).

Different organizations measure financial performance differently; some organizations measure their financial performance by comparing themselves with another organization in the same industry and of the same size among other characteristics. Other organizations undertake financial ratio analysis while other use their budgets to measure their financial performance. It is also possible for an organization to use a mix of methodologies in measuring its financial performance. According to Fama (2013) it is the size of the institution, its management of the assets and the efficiency of the organization's operations that affect the financial performance of the organization.

1.1.3 Corporate Governance and Financial Performance:

A lot of attention has been given to corporate governance due to the belief that corporate governance has an effect on the performance of the organization, put firms differently with good governance should perform better than those that are badly governed. This argument holds that the governance structure of an organization affects its ability to respond to its external environment which affects its performance and therefore good corporate governance is essential for any organization (Brown & Caylor, 2009). Clarkson (2015) argues that a good corporate governance structure benefits the organization in easily accessing cheap financing thus increasing its performance. They also argue that organizations with weak corporate governance often result in poor performance. Good corporate governance leads to an increase in the investors' confidence in the organization and also improves its market liquidity (Donaldson, 2013).

Up to date numerous studies have this study providing varied results. One argument by (Masibo, 2015) is that good corporate governance positively affects the financial performance of state-owned corporations through board effectiveness. Freeman (2013) argues that good corporate governance increases the organization's performance due to reduced agency costs and better supervision of the management. They continue arguing that poor corporate governance on the other hand brings about corruption and poor financial performance of the organizations. Different findings have also

been documented with some like in (Gompers, 2015) who found no correlation between an organizations' corporate governance and its operating performance. Mwango (2014) also came up obtained conflicting results on his empirical research on this topic of study.

1.2 Statement of the Problem:

The separation of ownership and control in publicly held corporations induces conflicts of interest between managers and shareholders. Shareholders are interested in maximizing the value of the firm, but managers' objectives may also include the increase of perquisite consumption and job security. A number of governance mechanisms may help to align the interests of managers with those of shareholders (Gabbitas, 2013). The telecommunications play an important role in today's society and the economy. From the above analysis we will have found that it plays a very key role in the development of a country. The relationship between corporate governance and financial performance of firms has been an aggressively debated topic. More particularly, the direction of the relationship; whether better corporate governance leads to better financial performance or the vice versa has often been debated. This debate more often than not results in 9 showing that corporate governance is related and is positively related to financial performance (Martin, 2013).

A study in corporate governance and financial performance found that the average ROA of poorly governed firms' increases by almost 70% if they become well governed. Some researchers have argued that corporate governance reduces information asymmetry between the investors and the firm (Metric, 2013).Since investors dislike information asymmetry, low information asymmetry should translate into high shareholders' value. This in turn has translated to better performance of companies (Eisenhardt, 2014).

According to a World Bank report of Kenya for 2011, Investment in telecoms in Kenya was measured at US Dollar $518,600,000. Investment in telecom projects with private participation covers infrastructure projects in telecommunications that have reached financial closure and directly or indirectly serve the public. From observations the growth in telecommunication industry especially on mobile usage has had a very positive impact on the economy and has substantially benefited the people more than any other industry before. In terms of employment the sector employed approximately 3.5 million people, directly and indirectly from technical fields such as qualified engineers and administrators to indirect employment which has helped spread the wealth to those who don't have the benefit of education or the right connections (Masibo, 2015).

Corporate governance has been a central issue in developing countries long before the recent spate of corporate scandals in advanced economies made headlines. Indeed, corporate governance and economic development are intrinsically linked. Effective corporate governance systems promote the development of strong financial systems – irrespective of whether they are largely bank-based or market-based which, in turn, have an unmistakably positive effect on economic growth and poverty reduction. 3 There are several channels through which the causality works. Effective corporate governance enhances access to external financing by firms, leading to greater investment, as well as higher growth and employment. The proportion of private credit to GDP in countries in the highest quartile of creditor right enactment and enforcement is more than double that in the countries in the lowest quartile.4 As for equity financing, the ratio of stock market capitalization to GDP in the countries in the highest quartile of shareholder right enactment and enforcement is about four times as large as that for countries in the lowest quartile. Poor corporate governance also hinders the creation and development of new firms (Senbet, 2013).

Corporate governance has been proving a very efficient and effective system for our economy and to save the interest of shareholders but some more efficient monitoring and transparent internal audit system, efficient board and management can lead it to effective corporate governance. There is an ongoing need for constant review and course corrections that would keep the country in the pink of health in terms of its corporate excellence by a judicious mix of legislation, regulation and suasion. This task needs to be constantly addressed with growing maturity and competitive compulsions. It should be possible to gradually reduce legislative interventions and increase regulatory compliance with and self-induced adherence to the best practices in this field. Till then, however, legislation and regulations to ensure at least certain minimum standards are inevitable. To facilitate such a graduation into better governance practices, globalization has opened up an array of opportunities to Corporate India to emerge successful in its new tryst with destiny. The scams discovered in a number of large privately owned corporations during the last one decade clearly indicate the nature and extent of corporate mis-governance that exists in the private sector (Kihara, 2015).

1.3 Research Objectives:

This study was guided by both general and specific objectives.

1.3.1 General Objective:

The general objective is to assess the influence of corporate governance on financial performance in Hormoud in Somalia.

1.3.2 Specific Objectives:

1) To establish the effect of corporate board size on financial performance in Hormoud, Somalia.
2) To establish the effect of corporate board composition on financial performance in Hormoud, Somalia.
3) To establish the effect of corporate policy on financial performance in Hormoud, Somalia.
4) To establish the effect of corporate independent committees on financial performance in Hormoud, Somalia.

1.4 Research Questions:

1) What is the influence of corporate board size on financial performance in Hormoud, Somalia?
2) What is the influence of corporate board composition on financial performance in Hormoud, Somalia?
3) What is the influence of corporate policy on financial performance in Hormoud, Somalia?
4) What is the influence of corporate independent committees on financial performance in Hormoud, Somalia?

1.5 Research Hypothesis:

1) Hypothesis One

HO_1: Corporate board size has no statistically significant effect on financial performance in Hormoud, Somalia.

HA_1: Corporate board size has a statistically significant effect on financial performance in Hormoud, Somalia.

2) Hypothesis Two

HO_2: Corporate board composition has no statistically significant effect on financial performance in Hormoud, Somalia.

HA_2: Corporate board composition has a statistically significant effect on financial performance in Hormoud, Somalia.

3) Hypothesis Three

HO_3: Corporate policy has no significant effect on financial performance in Hormoud, Somalia.

HA_3: Corporate policy has a statistically significant effect on financial performance in Hormoud, Somalia.

4) Hypothesis Four

HO_4: Corporate independent committee has no significant effect on financial performance in Hormoud, Somalia.

HA_4: Corporate independent committee has a statistically significant effect on financial performance in Hormoud, Somalia.

1.6 Significance of the study:

The study is important because it revealed relevant information about the influence of corporate governance on financial performance in Hormoud, Somalia. It also provides information on a study that examined the corporate governance system in Somalia.

1.7 Scope of the study:

Corporate governance strategies vary from one organization to another. This study will be by specific objectives that are board size, board composition, corporate policy and independent committees. The study was limited to corporate financial performance in Hormoud, Somalia. The study was conducted within a specified time-period of two semesters (eight months) and the respondents were employees of Hormoud in Somalia.

1.8 Limitations of the study:

The respondents took a lot of time in filling in the questionnaires therefore the researcher had to collect the already filled questionnaires to do the analysis because of the time constraints. This made the response rate not to be 100% as expected. The respondents were also not free to give personal information as they considered it of private nature but the researcher assured them the information would be treated confidentially and purely used for academic purposes.

2. LITERATURE REVIEW

2.1 Introduction:

This chapter deals with the theoretical framework, the conceptual framework, review of key variables influencing implementation of governance strategies, empirical review and gaps that exist in the research.

2.2 Theoretical Framework:

This explains the meaning of some of the theories about the relationships between corporate board size, corporate board composition, corporate policy and corporate independent committees. It involves the agency theory, stewardship theory, stakeholder theory and resource dependency theory.

2.2.1 Agency Theory:

Agency theory was developed by Berle and Means in 1972 and became widely accepted when (Jensen, & Meckling,1976) formulated the agency problems in the governance of firms. According to this theory managers sometimes act in their self-interests rather than in the interests of the shareholders of the organization. Managers will at times use excess cash flows for their own needs instead of maximizing the shareholders wealth (Jensen, 2010). Agency problem results when there laxity in the supervision of the managers activities by the owners of the organization who are the shareholders (Himmerlberg, 2015). They add that solution to agency problem is to give mangers shareholding in the company as a way of realigning their interests to those of the shareholders of the organization.

Giving equity stake to managers, use of debt financing is also a solution to agency problem (Knoeber, 2016). To them they use of debt will shift the supervision role or rather share it with the lenders of money who will always monitor the actions of the managers to ensure that their investment decisions are profitable enough to pay back their loan with interest. (Jensen, 2010)Also believes that agency cost such as audit of managers' work can also significantly minimize the conflict. It is however very crucial to understand the nature of the organization, its operations and the environment that it operates in since different agency solving mechanisms may work to some organization and not in others (Mccolgan, 2013).

2.2.2 Stewardship Theory:

This theory was first contributed to by (Donaldson ,2015). According to this theory managers are trustworthy individuals who are motivated by achievements and freedom endorsed to them in running the affairs of the organization. Therefore managers will always strive to maximize the shareholders wealth by making sure they register maximum profits in the organization. Managers in this theory fear failing as it destroys their reputation.

According to Donaldson (2015) executive directors perform better than non-executive directors since they understand the organizational affairs in a broader spectrum than their counterparts. External directors have more influence on other stakeholders of the organization than on shareholders. They will for example make sure that the organization follows all regulations governing it to ensure survival and going concern (Dalton, 2015).Close monitoring advocated for in the agency theory to resolve conflict cannot be applied to this theory because it will erode managers' freedom in decision making thereby demoralizing them in their work thus will not maximize the value of the organization (Argryis, 2013).

2.2.3 Stakeholder Theory:

This is a theory developed by Freeman (2014). In his view the firm has a broader objective of maximizing the wealth of all stakeholder rather than just shareholders. He advocated for Corporate Social Responsibilities (CSR) by the organization a topic that would hit the corporate world many years later. It is the responsibility of the firm to empower all its stakeholders who provide and control resources to it by turning their stake in the firm into value (Clarkson, 2015).The theory supported by arguing that ethical treatment of all stakeholders will benefit the organization because of stronger trust relationship that will be developed among stakeholders (Keasey, 2013).

ISSN 2394-7322

International Journal of Novel Research in Marketing Management and Economics
Vol. 5, Issue 1, pp: (48-71), Month: January - April 2018, Available at: www.noveltyjournals.com

Organizations should realign their objectives of maximizing the shareholders' interests with those of outside passive shareholders (other stakeholders) who also contribute to the performance of the organization by giving them ownership-like incentives (Blaire, 2013). An idea supported by (Freeman,2014) who said that goal of the company should be to flourishing the company together with all its principal stakeholders.

2.2.4 Resource Dependency Theory:

Resource dependence theory was first contributed by (Penrose, 2015) with (Chandler, 2002) making significant contributions to it. These scholars argued that organizational resources are critical and significantly affect the organizations performance by creating a competitive advantage over the other firms.The theory is based on the idea that external directors to the company bring valuable expertise to the organization. According to him the organization significantly benefits for free of charge or at lower fee the expertise that it would otherwise highly paid for to get. For example an external director who is a lawyer offering free legal advice to the firm (John, 2013).Directors play an important role in accessing resources that are critical to the firm through their linkages to the external environment (Himmerlberg, 2015). According to his argument directors appointed to the firm should be on the basis of what advantage are they bringing to the firm. Peace et al. (2012) argue that it is in the firms directors that organizational competitiveness can be achieved and sustained while Eisenhardt and Martin (2000) add saying that an organization can only be competitive if its resources are valuable, unique in the sense that cannot be replicated and non-substitutable. According to them it is this competitive advantage that brings the difference on performance of various organizations in the same industry (Berle, 2007).

2.3 Conceptual Framework:

A conceptual framework is a diagrammatical representation that shows the relationship between dependent variable and independent variables (Bryman & Bell, 2015). A conceptual framework shows the relationship between independent and dependent variable. In this study, the dependent variable is corruption reduction in Somalia while the independent variables are accountability, transparency, equitable governance and technology deployment as shown in Figure 2.1.

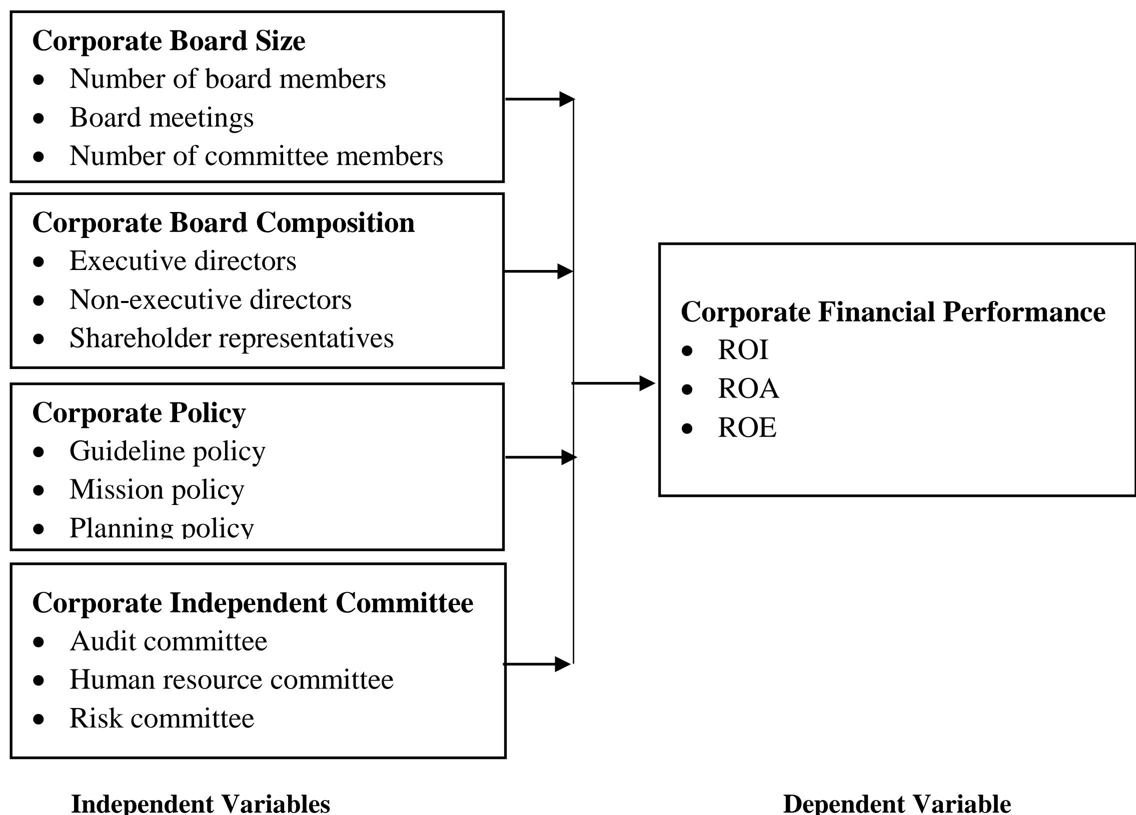

Figure 2.1: Conceptual Framework

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ISSN 2394-7322

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2.4 Review of Literature on Variables:

This section provides the review of literature on the independent variables and dependent variable.

2.4.1 Corporate Board Size:

The Somali Companies Act does not give guidelines on the maximum number of company directors but rather gives a node to a minimum of two directors. However the Somali capital markets guidelines on corporate governance practices states that the size of the board should not be too large to extend that fruitful discussions during meeting cannot be realized. It also cautions on very small boards of directors because such boards may not have the necessary experience and expertise to run on the affairs of that particular organization.

Research on the effect of board size on firm performance has documented mixed views from various scholars. Most of the scholars found out that there is a negative relationship between the financial performance of a firm and its board size, (Acemoglu & Robinson, 2012).These scholars argue that too many members on a board may create agency problem, and some members may be considered free rider without corresponding impact to relevant decision making. They hold the notion that larger boards are disadvantageous and expensive to the firm. Dalton (2015) however concluded that smaller board may lack the expertise, experience and wise decision that would have otherwise been available around a table of more board members.

The size of the board has been shown to have a material impact on the quality of corporate governance. Several studies support the idea that large boards can be dysfunctional. Believe that board size proxies for the board's activity, explaining why smaller board sizes are better than larger ones that may be plagued with free rider and monitoring problems. For example, (Argryis, 2013)find a negative relation between board size and firm value, indicating that smaller boards are more effective since they experience fewer communication and coordination problems (Himmerlberg, 2015).Boards should be ready to increase meetings frequency if the situation requires a high supervision and control. Other studies suggest that boards should balance the costs and benefits of frequency. For example, if the board increases the frequency of its meetings, the recovery from poor performance is faster (Arroyo & Sirker, 2015).

2.4.2 Corporate Board Composition:

According to the Somalia Capital Markets corporate governance guidelines (2002) an effective board should at least contain one-third independent and non-executive directors of diverse skills and expertise to achieve independence and objectivity in the boards' decision-making process (Somalia Capital Markets, 2002). The SCM guidelines are based on the fact that executive directors can easily be influenced by the CEO.

According to (Senbet, 2013) increasing in the number of Non-executive directors in the board increases the boards' independence. Metric(2013) found out that proportion of insider to outsider directors negatively affects the Return on Equity (ROE) of fund managers in Somalia. Clarkson (2009) argue that non-executive directors increases the flexibility of the board towards external environmental changes a major reason to corporate decline. Non-executive directors mostly will act towards maximization of shareholders interest thus shielding the owners from managers' self-interests (Aaronson & Reeves, 2013).

Studies of the impact of boards/board effectiveness on corporate profitability and shareholder value have dominated corporate governance research in finance. These researchers focused on the influence of non-executive directors, splitting of the roles of chairman and chief executive, or the introduction of board sub-committees, have enhanced board effectiveness which in turn has added to shareholder value. For example, (Blaire, 2013)investigated the relationship between top management turnover (a measure of board effectiveness) and financial performance (a measure of management effectiveness). Others have studied the appointment of non-executive directors and their role in monitoring company management, on behalf of shareholders. Research has considered whether there is a positive relationship between the number of non-executive directors and corporate financial performance, generally showing that there is (Fama, 2013).

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2.4.3 Corporate Policy:

A formal declaration of the guiding principles and procedures by which a company will operate typically established by its board of directors or a senior management policy committee. Embedded in corporate policy are the company's mission statement, objectives and the principles by which strategic decisions are to be made. It also forms the basis for measuring performance and ensuring accountability at all levels of the company (Asilis, 2014).

Corporate governance has, in more recent years, become one of the most commonly used terms in the modern corporation. The empirical research and literature has burgeoned and the field is highly interdisciplinary. Stakeholders in the corporate governance arena are many and wide-ranging and their participation in this field has spawned a rich and varied range of information resources pertaining to distinct disciplinary fields and practitioner interests. The corporate governance researcher thus needs to have an in-depth understanding of the diverse roles various stakeholders play and how they “fit” together in the complex arena of corporate governance as it exists today. Corporate governance has come to underpin systematically the work of many business academics and practitioners alike, and their information and research needs present challenges not only for them, but also for the information professionals who assist them (Bauer, 2013). Governance refers to the manner in which power is exercised in the management of economic and social resources for sustainable human development initiative (Mccolgan, 2013).

2.4.4 Corporate Independent Committee:

Independence refers to being uninfluenced by other interested parties or being free from any kind of influence that would restrict anyone from taking the right course of action. It is the ability to stand strong without giving in to inappropriate influences and thus be able to make the decisions given an issue (Somalia Capital Markets, 2002). The board of directors within the mandate of Articles of Association (AOA) can delegate its functions to independent committees made up of board members and or managerial staff whose actions shall be binding on them. These committees may include: Audit Committee, Ethics Committee, Nomination Committee, Remuneration and Corporate Governance Committee depending on many factors of the organization.

According to (Knoeber, 2016) and (Senbet, 2013)independent monitoring committees are more effective in their mandates. Rutagi (2011) found out that reactions on appointment of independent directors on stock market are more positive if the process viewed independent of any interference from the CEO. Knoeber, (2016) shows that earnings management in an organization is likely to be reduced with the formation of an independent audit committee. He further argues that independence of the organizations board of directors is significantly interfered with when the CEO is part of the members of the nominating committee.

2.4.5 Corporate Financial Performance:

Prior research documented that corporate governance play a significant role in the financial performance of organizations. Consequently the performance of organizations to a greater extent reflects the performance of a nation. Several determinants have been used by different scholars to determine the financial performance of a firm. Guzeh(2012) looked at board size, multiple directorship and ownership structure while Njuguna (2012) looked at the independence of directors, independence of committees, board size, and duality problem and board meetings. This research will focus on four governance attributes; board size, board composition, independence of committees and corporate policy.

Mechanisms assure investors in corporations that they will receive adequate returns on their investments if these mechanisms did not exist or did not function properly, outside investors would not lend to firms or buy their equity securities. Overall, economic performance would likely suffer because many good business opportunities would be missed and temporary financial problems at individual firms would spread quickly to other firms, employees and consumers. Previous evidence suggests that corporate governance has a positive influence over corporate performance. For example, based on industry-level view, find that firms in industries that require large amounts of external financing grow faster in countries with high scores on their measures of financial development. Thus, corporate governance (measured through better accounting standards, stronger legal protection of investors, and a stronger rule of law) appears to matter for financial performance (Brown & Caylor, 2009).

Financial performance is part of financial management in organizations which involves the art and science of managing financial resources of an organization. This is an area that requires knowledge, skills and experience and whose goals include: maximising profits, sales, capturing a particular market share, minimising staff turnover and internal conflicts, survival of the firm, and maximising wealth . For any organization to measure financial performance there is need to conduct performance measurement. Performance measurement can be separated into two categories: financial performance measurement and non-financial performance measurement. Financial performance measurement generally looks at a firm's financial ratios which are usually calculated using the accounting figures obtained from financial statements of an organization such as liquidity ratios, activity ratios, profitability ratios, and debt ratio (Bauer, 2013).

3. RESEARCH METHODOLOGY

3.1 Introduction:

This chapter presented the methodology, which will was used to carry out the study. It further described the type and source of data, the target population and sampling methods and the techniques that will were used to select the sample size. It also described how a data was collected and analyzed the suitable methodology in this study gave the guidelines for information gathering and processing.

3.2 Research Design:

This study adopted a descriptive survey method, in which both qualitative and quantitative approaches were used. Qualitative analysis was used in behavioral skills, personal attributes and quality data that cannot be quantified while quantitative approach was used in the numerical data that can be easily measured. Descriptive studies- cross-sectional are more formalized and typically structured with clearly stated investigative questions (Vyas & Bapat, 2011). This study design was used because it is the most commonly used research method in social research. It serves a variety of research objectives such as descriptions of phenomenon or characteristics associated with a subject population, estimates the proportion of a population that have this characteristics and discovery of associations among different variables. This was used to find out the influence of corporate governance on corporate financial performance in Hormoud, Somalia.

3.3 Target Population:

The target population contained members of a group that a researcher will study. The target population of this study will be 140 individuals who include Hormud Telcom staff. These selected people will be suitable and relevant for this study.

A sampling frame is a list of all the items in your population. It's a complete list of everyone or everything you want to study. It contains the names of all items of a universe. The sampling frame will involve study members from the Hormud Telecom.

3.4 Sample Size:

Sample size determination is the act of choosing the number of observations or replicates to include in a statistical sample. The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample (Bryman & Bell, 2015).The total sample size for this study will be obtained using the formulae developed by Cooper and Schinder, (2013) together with (Kothari, 2014). The sample size was 103.

$n = N / 1 + N (\alpha)^2$

Where: n= the sample size,

N= the sample frame (population)

α= the margin of error (0.05%).

$n = 140 / 1+140 (0.05)^2 = 103$

3.5 Sampling Technique:

The study adopted a simple random sampling technique. In this technique, each member of the population has an equal chance of being selected as subject. The entire process of sampling is done in a single step with each subject selected independently of the other members of the population. There are many methods to proceed with simple random sampling (Cooper & Schinder, 2013).

3.6 Data Collection Methods:

This section outlines the methods that were used to collect primary data which was a questionnaire. It also indicates the method that will be used to collect secondary data for the study.

3.6.1 Primary Data:

The primary research data was collected using a semi-structured questionnaire. Items in the questionnaire were arranged in a logical sequence according to the themes being studied and items that would elicit similar responses being grouped together. The questionnaire had both closed and open-ended, predetermined and standardized set of questions. These closed-ended questions were adopted since they are easier to analyze as they are in an immediate usable form, are easier to administer and are economical to use in terms of time and money (Kothari, 2014). The open-ended questions gave the respondents complete freedom of response in one's own words. The researcher hopes to access greater depth of responses from these open-ended questions since the respondents' responses could give an insight into their feelings, background, hidden motivation, interests and decisions (Bryman and Bell, 2015).

3.6.2 Secondary Data:

Secondary data was obtained from literature sources through review of published literature such as journals, articles, published theses and textbooks. The researcher made use of secondary data from the education sector. These sources were reviewed to give insight in the search for the primary information.

3.7 Data Collection Procedures:

The data collection instrument in this study was a questionnaire. The research instrument were conveyed to the respondents through the drop and pick technique. The researcher approached each respondent, introduced himself to the respondents by explaining to them the nature and purpose of the study and then will leave the questionnaires with the respondents for completion and picked later within three days. Before the questionnaire is given out, the researcher will seek for authorization from education ministry in Somalia to collect data. A covering letter explaining the objectives of the study and assuring the respondents' confidentiality and asking them to participate in the study accompanied the questionnaire. Respondents will be asked to willingly to participate in the survey and give the data. Respondents will be required to fill the questionnaires that included responses on measurement of sustainable performance as well as the demographic information

3.8 Pilot Testing:

Cooper and Schindler (2013) indicates that a pilot test was conducted to detect weakness in design and instrumentation and to provide proxy data for selection of a probability sample. Pilot testing provides an opportunity to detect and remedy a wide range of potential problems with an instrument. By conducting a Pilot testing it ensures that appropriate questions are asked, the right data is collected, and the data collection methods works. A pilot study was undertaken on 10 respondents to test the reliability and validity of the questionnaire. The rule of the thumb is that 1% of the sample should constitute the pilot test (Cooper & Schindler, 2013, Creswell, 2013). The proposed pilot test was within the recommendation.

3.8.1 Reliability:

Testing of the reliability of the scale is very important as it shows the extent to which a scale produces consistent results if measurements are made repeatedly. This will be done by determining the association in between scores obtained from different administrations of the scale. If the association is high, the scale yields consistent results, thus it is reliable. Cronbach's alpha will be used to determine the internal reliability of the questionnaire that will be used in this study. Values range between 0 and 1.0; while 1.0 indicates perfect reliability, the value 0.70 is deemed to be the lower level of acceptability (Hair, Black, Barry, Anderson, & Tatham, 2006).

3.8.2 Validity:

Validity is the degree to which results obtained for the analysis of the data actually represent the phenomena under study. It indicates how accurate the data obtained in the study represent the variables of the study (Mugenda & Mugenda, 2009).

The researcher will use the most common internal consistency measure known as KMO Bartlett's test. It may be mentioned that its value varies from 0 to 1 but, satisfactorily value is required to be more than 0.6 for the scale to be reliable (Bryman & Bell, 2015). The recommended value of 0.7 is the cut off of reliability.

3.9 Data Processing and Analysis:

Kothari and Gang, (2014) argue that data collected has to be processed, analyzed and presented in accordance with the outlines laid down for the purpose at the time of developing the research plan. Data analysis involves the transformation of data into meaningful information for decision making. It will involve editing, error correction, rectification of omission and finally putting together or consolidating information gathered. The collected data will be analyzed quantitatively and qualitatively. Descriptive and inferential statistics will be done using SPSS version 22 and specifically multiple regression model will be applied. Set of data will be described using percentage, mean standard deviation and coefficient of variation and presented using tables, charts and graphs. Fraenkel and Wallen, (2014) argue that regression is the working out of a statistical relationship between one or more variables. The researcher will use a multiple regression analysis to show the influence of the independent variables on the dependent variables.

The multiple regression equation is as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Y = Represents the dependent variable, Corporate financial performance

β_0= Intercept of regression line

β_1 - β_4 = Partial regression coefficient of the Independent Variables

X_1 = Corporate board size

X_2= Corporate board composition

X_3= Corporate policy

X_4 = Corporate independent committees

ε = error term or stochastic term.

Table 3.3 Study Hypothesis & Analytical Models

Hypothesis Statement	Hypothesis Test	Decision Rule and Anticipated
HO_1 Corporate board size has no significant effect on financial performance in Hormoud, Somalia.	Karl Pearson (Beta test) product moment. $H0 : \beta 1 = 0$ $HA: \beta 1 \neq 0$ -To conduct an F - test (ANOVA test) to assess overall robustness and significance of the regression model.	Reject $H0_1$ if P- value $\leq$ 0.05 otherwise fail to reject $H0_1$ if P-value is > 0.05 CORPORATE FINANCIAL PERFORMANCE = $\alpha. + \beta_1 X_1 + \varepsilon$ Where: CORPORATE FINANCIAL PERFORMANCE= aggregate mean score of Corporate Board Size α = y – Intercept. $\beta 1$= Regression coefficient(beta) Corporate Board Size = aggregate mean score of CORPORATE FINANCIAL PERFORMANCE ε = error term- random variation due to other unmeasured factors
HO_2 Corporate board composition has no significant effect on	Karl Pearson (Beta test) product moment.	Reject $H0_1$ if P- value $\leq$ 0.05 otherwise fail to reject $H0_1$ if P-

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financial performance in Hormoud, Somalia.	H0 : β1 = 0 HA: β1 ≠ 0 -To conduct an F - test (ANOVA test) to assess overall robustness and significance of the regression model.	value is > 0.05 CORPORATE FINANCIAL PERFORMANCE = α. + $\beta_1 X_1$ + ε Where: CORPORATE FINANCIAL PERFORMANCE= aggregate mean score of Corporate Board Composition α = y – Intercept. β1= Regression coefficient(beta) Corporate Board Composition = aggregate mean score of CORPORATE FINANCIAL PERFORMANCE ε = error term- random variation due to other unmeasured factors
HO_3 Corporate policy has no significant effect on financial performance in Hormoud, Somalia.	Karl Pearson (Beta test) product moment. H0 : β1 = 0 HA: β1 ≠ 0 -To conduct an F - test (ANOVA test) to assess overall robustness and significance of the regression model.	Reject $H0_1$ if P- value ≤ 0.05 otherwise fail to reject $H0_1$ if P-value is > 0.05 CORPORATE FINANCIAL PERFORMANCE= α. + $\beta_1 X_1$ + ε Where: CORPORATE FINANCIAL PERFORMANCE= aggregate mean score of Corporate Policy α = y – Intercept. β1=Regression coefficient(beta) Corporate Policy= aggregate mean score of CORPORATE FINANCIAL PERFORMANCE ε = error term- random variation due to other unmeasured factors
HO_4 Corporate Independent committees has no significant effect on financial performance in Hormoud, Somalia.	Karl Pearson (Beta test) product moment. H0 : β1 = 0 HA: β1 ≠ 0 -To conduct an F - test (ANOVA test) to assess overall robustness and significance of the regression model.	Reject $H0_1$ if P- value ≤ 0.05 otherwise fail to reject $H0_1$ if P-value is > 0.05 CORPORATE FINANCIAL PERFORMANCE= α. + $\beta_1 X_1$ + ε Where: CORPORATE FINANCIAL PERFORMANCE= aggregate mean score of Corporate Independent Committees α = y – Intercept. β1= Regression coefficient(beta) Corporate Independent Committees = aggregate mean score of CORPORATE FINANCIAL PERFORMANCE ε = error term- random variation due to other unmeasured factors

4. RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction:

This chapter presents analysis of the data on influence of corporate governance on corporate financial performance in Hormoud in Somalia. The chapter also provides the major findings and results of the study and discusses those findings and results against the literature reviewed and study objectives. The data is mainly presented in frequency tables, means and standard deviation.

4.2 Response Rate:

The study targeted 140 employees of Hormoud telecommunications in Somalia. From the study, 92 out of the 103 sample respondents filled-in and returned the questionnaires making a response rate of 89.3% as per Table 4.1 below.

Table 4.1: Questionnaire Response Rate

	Frequency	**Percentage**
Response	92	89.3%
Non- Respondents	11	10.7%
TOTAL	**103**	**100**

According to Kothari and Gang, (2014) a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent; therefore, this response rate was adequate for analysis and reporting.

4.2.1 Validity Analysis:

Factor analysis was used to check validity of the constructs. Kaiser-Mayor-Oklin measures of sampling adequacy (KMO) & Bartlett’s Test of Sphericity is a measure of sampling adequacy that is recommended to check the case to variable ratio for the analysis being conducted. In most academic and business studies, KMO & Bartlett’s test play an important role for accepting the sample adequacy. While the KMO ranges from 0 to 1, the world-over accepted index is over 0.5. Also, the Bartlett’s Test of Sphericity relates to the significance of the study and thereby shows the validity and suitability of the responses collected to the problem being addressed through the study. For Factor Analysis to be recommended suitable, the Bartlett’s Test of Sphericity must be less than 0.05.

The study applied the KMO measures of sampling adequacy and Bartlett’s test of sphericity to test whether the relationship among the variables has been significant or not as shown in below in table 4.2. Factor 1 was based on four items that represented corporate board size; Factor 2 was based on four items that represented corporate board composition; Factor 3 was based on four items that represented corporate policy; Factor 4 was based on four items that represented corporate independent committees; Factor 5 was based on four items that represented corporate financial performance. The Kaiser-Mayor-Oklin measures of sampling adequacy shows the value of test statistic as 0.731, which is greater than 0.5 hence an acceptable index. While Bartlett’s test of sphericity shows the value of test statistic as 0.000 which is less than 0.05 acceptable indexes. This result indicates a highly significant relationship among variables.

Table 4.2: KMO & Bartlett Test:

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.731
Bartlett's Test of Sphericity	Approx. Chi-Square	167.105
	Df	10
	Sig.	.000

4.2.2 Reliability Analysis:

Prior to the actual study, a pilot study was carried out to pre-test the validity and reliability of data collected using the questionnaire. The pilot study allowed for pre-testing of the research instrument. The results on reliability of the research instruments are presented in Table 4.3

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ISSN 2394-7322

International Journal of Novel Research in Marketing Management and Economics
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Table 4.3: Reliability Analysis

Scale	Cronbach's Alpha	Number of Items	Remarks
Corporate Board Size	0.776	4	Reliable
Corporate Board Composition	0.709	4	Reliable
Corporate Policy	0.783	4	Reliable
Corporate Independent Committees	0.781	4	Reliable
Corporate Financial Performance	0.891	4	Reliable

The overall Cronbach's alpha for the four categories which is 0.785. The findings of the pilot study showed that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Bryman and Bell, 2015).

4.3 Background Information:

The background information gathered was based on gender and working experience.

4.3.1 Gender:

The study sought to establish the gender of respondents. The study results revealed that 40.2% of the respondents were male and 59.8% were female with a mean score of 1.60 and a standard deviation of 0.493. This shows that majority of respondents that participated in the study were female as shown in Table 4.4

Table 4.4: Gender

Gender	Frequency	Percent
Male	37	40.2
Female	55	59.8
Total	**92**	**100**

4.3.2 Working Experience:

The study sought to establish the working experience of respondents. The study results showed that respondents with working experience of between 1-5 years were 25.0%, between 6-10 years were 40.2% and above 10 years were 34.8% with a mean score of 2.10 and a standard deviation of 0.771. This shows that respondents that participated in the study have a working experience of between 6-10 years as shown in Table 4.5

Table 4.5: Working Experience

Working Experience	Frequency	Percent
Between 1-5 Years	23	25.0
Between 6-10 Years	37	40.2
Above 10 Years	32	34.8
Total	**92**	**100**

4.4 Analysis of Objectives:

In the research analysis the researcher used a tool rating scale of 5 to 1; where 5 were the highest and 1 the lowest. Opinions given by the respondents were rated as follows, 5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1= Strongly Disagree. The analyses for mean, standard deviation were based on this rating scale.

4.4.1 Corporate Board Size:

Table 4.6: Corporate Board Size

Descriptive Statistics			
	N	Mean	Std. Deviation
There is a clear guideline in the company incorporation act on how one should become a board member.	92	3.88	1.316
Board of directors that is larger in size may need to deal with more conflicts among board members and, thereby, have difficulty reaching consensus	92	3.87	1.385
A larger board will bring more expertise and experience to the board	92	3.86	1.347
Large boards improve board performance by reducing CEO domination of the board	92	4.03	1.235

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The first objective of the study was to establish the effects of corporate board size on corporate financial performance in Hormoud Somalia. Respondents were required to respond to set questions related to corporate board size and give their opinions. The statement that there is a clear guideline in the company incorporation act on how one should become a board member had a mean score of 3.88 and standard deviation of 1.316. The statement that board of directors that is larger in size may need to deal with more conflicts among board members and, thereby, have difficulty reaching consensus had a mean score of 3.87 and a standard deviation of 1.385. The statement that a larger board will bring more expertise and experience to the board had a mean score of 3.86 and a standard deviation of 1.347. The statement that large boards improve board performance by reducing CEO domination had a mean score of 4.03 and a standard deviation of 1.235.

4.4.2 Corporate Board Composition:

Table 4.7: Corporate Board Composition

Descriptive Statistics			
	N	Mean	Std. Deviation
The board is more independent when the proportion of outside directors increases	92	4.00	1.318
Executive directors are better placed in handling the affairs of the organization since they have a deeper understanding of the organizations Operations.	92	3.82	1.325
Non- Executive directors can add value to firms by helping to broaden the executives' expertise and perspective.	92	4.21	1.200
The shareholders have a chance to independently choose representatives to the board.	92	4.12	1.283

The second objective of the study was to establish the effects of corporate board composition on corporate financial performance in Hormoud in Somalia. Respondents were required to respond to set questions related to corporate financial performance and give their opinions. The statement that the board is more independent when the proportion of outside director's increases had a mean score of 4.00 and a standard deviation of 1.318. The statement that executive directors are better placed in handling the affairs of the organization since they have a deeper understanding of the organizations operations had a mean score of 3.82 and a standard deviation of 1.325. The statement that non- executive directors can add value to firms by helping to broaden the executives' expertise and perspective had a mean score of 4.21 and a standard deviation of 1.200. The statement that the shareholders have a chance to independently choose representatives to the board had a mean score of 4.12 and a standard deviation of 1.283.

4.4.3 Corporate Policy:

Table 4.8: Corporate Policy

Descriptive Statistics			
	N	Mean	Std. Deviation
The company discloses the extent to which it complies with corporate policy and procedures	92	3.85	1.374
The company has a management person responsible for business conduct and compliance.	92	4.11	1.313
The company has a code of conduct in place and it is strictly followed	92	3.75	1.419
The company publishes relevant financial disclosures to shareholders so as to keep informed of corporate affairs.	92	4.04	1.266

The third objective of the study was to establish the effects of corporate policy on corporate financial performance in Hormoud Somalia. Respondents were required to respond to set questions related to corporate policy and give their opinions. The statement that the company discloses the extent to which it complies with corporate policy and procedures had a mean score of 3.85 and a standard deviation of 1.374. The statement that the company has a management person responsible for business conduct and compliance had a mean score of 4.11 and a standard deviation of 1.313. The statement that the company has a code of conduct in place and it is strictly followed had a mean score of 3.75 and a standard deviation of 1.419. The statement that the company publishes relevant financial disclosures to shareholders so as to keep informed of corporate affairs had a mean score 4.04 and a standard deviation of 1.266.

4.4.4 Corporate Independent Committees:

Table 4.9: Corporate Independent Committees

Descriptive Statistics			
	N	Mean	Std. Deviation
The existence of independent committees enhances financial performance of the organization	92	4.40	1.059
There is an audit committee established on the board to ensure compliance and accountability	92	4.35	1.032
The audit committee is independent, competent, financially literate, adequately resourced and properly compensated	92	4.32	1.109
There is a human resource committee established at the board responsible for quality hiring of directors and top executives and there remuneration.	92	4.16	1.151

The fourth objective of the study was to establish the effects of corporate independent committees on corporate financial performance in Hormoud in Somalia. Respondents were required to respond to set questions related to corporate independent committees and give their opinions. The statement that the existence of independent committees enhances financial performance of the organization had a mean score of 4.40 and a standard deviation 1.059. The statement that there is an audit committee established on the board to ensure compliance and accountability had a mean score of 4.35 and a standard deviation of 1.032. The statement that the audit committee is independent, competent, financially literate, adequately resourced and properly compensated had a mean score of 4.32 and a standard deviation of 1.109. The statement that there is a human resource committee established at the board responsible for quality hiring of directors and top executives and their remuneration had a mean score of 4.16 and a standard deviation of 1.151.

4.4.5 Corporate Financial Performance:

Table 4.10: Corporate Financial Performance

Descriptive Statistics			
	N	Mean	Std. Deviation
The organization sets realistic financial targets for employees	92	4.21	1.218
Employee are facilitated to work efficiently and effectively so as to meet corporate financial targets.	92	4.28	1.216
The organization has a carrot and stick reward policy so as to reward hard-working employees while keeping on toes the lazy ones.	92	4.17	1.182
The organization conducts frequent reviews so as to inform employees of where they are and where they are supposed to be in terms of financial performance.	92	4.26	1.108

The statement that the organization sets realistic financial targets for employees had a mean score of 4.21 and a standard deviation of 1.218. The statement that employee are facilitated to work efficiently and effectively so as to meet corporate financial targets had a mean score of 4.28 and standard deviation of 1.216. The statement that the organization has a carrot and stick reward policy so as to reward hard-working employees while keeping on toes the lazy ones had a mean score 4.17 and a standard deviation of 1.182. The statement that the organization conducts frequent reviews so as to inform employees of where they are and where they are supposed to be in terms of financial performance had a mean score of 4.26 and a standard deviation 1.108.

4.5 Correlation Analysis:

To establish the relationship between the independent variables and the dependent variable the study conducted correlation analysis which involved coefficient of correlation and coefficient of determination.

4.5.1 Coefficient of Correlation:

Pearson Bivariate correlation coefficient was used to compute the correlation between the dependent variable (corporate financial performance) and the independent variables (corporate board size, corporate board composition, corporate policy and corporate independent committees). According to Sekaran, (2015), this relationship is assumed to be linear and the correlation coefficient ranges from -1.0 (perfect negative correlation) to +1.0 (perfect positive relationship). The

Novelty Journals

ISSN 2394-7322

International Journal of Novel Research in Marketing Management and Economics
Vol. 5, Issue 1, pp: (48-71), Month: January - April 2018, Available at: www.noveltyjournals.com

correlation coefficient was calculated to determine the strength of the relationship between dependent and independent variables (Kothari and Gang, 2014).

In trying to show the relationship between the study variables and their findings, the study used the Karl Pearson's coefficient of correlation (r). This is as shown in Table 4.11 below. According to the findings, it was clear that there was a positive correlation between the independent variables, corporate board size, corporate board composition, corporate policy and corporate independent committees and the dependent variable corporate financial performance. The analysis indicates the coefficient of correlation, r equal to 0.149, 0.122, 0.187 and 0.843 for corporate board size, corporate board composition, corporate policy and corporate independent committees respectively. This indicates positive relationship between the independent variable namely corporate board size, corporate board composition, corporate policy and corporate independent committees and the dependent variable corporate financial performance.

Table 4.11: Pearson Correlation

Correlations						
		Corporate Financial performance	Corporate Board size	Corporate Board composition	Corporate policy	Corporate Independent committees
Corporatefinancialperformance		1				
		92				
Corporateboardsize		.149	1			
		.000				
		92	92			
Corporateboardcomposition		.122	.053	1		
		.000	.000			
		92	92	92		
Corporatepolicy		.187	.305**	.531**	1	
		.000	.000	.000		
		92	92	92	92	
Corporateindependentcommittees		.843**	.086	.058	.093	1
		.000	.000	.000	.000	
		92	92	92	92	92
**. Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).						

4.5.2 Coefficient of Determination (R2):

To assess the research model, a confirmatory factors analysis was conducted. The four factors were then subjected to linear regression analysis in order to measure the success of the model and predict causal relationship between independent variables (corporate board size, corporate board composition, corporate policy and corporate independent committees), and the dependent variable (corporate financial performance).

Table 4.12: Coefficient of Determination (R^2)

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.867[a]	.753	.741	1.45329
a. Dependent Variable: Corporate financial performance b. Predictors: (Constant), Corporate independent committees, Corporate board composition, Corporate board size, Corporate policy				

The model explains 75.3% of the variance (Adjusted R Square = 0.741) on corporate financial performance. Clearly, there are factors other than the four proposed in this model which can be used to predict corporate financial performance. However, this is still a good model as Cooper and Schinder, (2013) pointed out that as much as lower value R square 0.10-0.20 is acceptable in social science research.

This means that 75.3% of the relationship is explained by the identified four factors namely corporate board size, corporate board composition, corporate policy and corporate independent committees. The rest 24.7% is explained by other factors in the corporate financial performance not studied in this research. In summary the four factors studied namely corporate board size, corporate board composition, corporate policy and corporate independent committees determines 75.3% of the relationship while the rest 24.7% is explained or determined by other factors.

4.6 Regression Analysis:

4.6.1 Analysis of Variance (ANOVA):

The study used ANOVA to establish the significance of the regression model. In testing the significance level, the statistical significance was considered significant if the p-value was less or equal to 0.05. The significance of the regression model is as per Table 4.13 below with P-value of 0.00 which is less than 0.05. This indicates that the regression model is statistically significant in predicting factors of corporate financial performance. Basing the confidence level at 95% the analysis indicates high reliability of the results obtained. The overall ANOVA results indicates that the model was significant at F = 66.135, p = 0.000.

Table 4.13: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	558.719	4	139.680	66.135	.000[b]
	Residual	183.748	87	2.112		
	Total	742.467	91			

a. Dependent Variable: Corporate financial performance
b. Predictors: (Constant), Corporate independent committee, Corporate board composition, Corporate board size, Corporate policy.

4.6.2 Multiple Regression:

Table 4.14: Multiple Regression

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.542	2.945		3.919	.000
	Corporate board size	.063	.061	.058	1.024	.000
	Corporate board composition	.293	.083	.226	3.520	.000
	Corporate policy	.190	.136	.095	3.404	.000
	Corporate independent committees	.818	.052	.860	15.761	.000

a. Dependent Variable: Corporate financial performance

The regression equation was:

$$Y = 11.542 + 0.063\mathbf{X_1} + 0.293\mathbf{X_2} + 0.190\mathbf{X_3} + 0.818\mathbf{X_4}$$

Where;

Y = the dependent variable (Corporate Financial Performance)

X_1 = Corporate Board Size

X_2 = Corporate Board Composition

X_3 = Corporate Policy

X_4 = Corporate Independent Committee

The regression equation above has established that taking all factors into account (corporate financial performance as a result of corporate board size, corporate board composition, corporate policy and corporate independent committees) constant at zero corporate financial performance was 11.542. The findings presented also shows that taking all other independent variables at zero, a unit increase in corporate board size will lead to a 0.063 increase in the scores of corporate financial performance; a unit increase in corporate board composition will lead to a 0.293 increase in corporate financial performance; a unit increase in corporate policy will lead to a 0.190 increase in the scores of corporate financial performance ; a unit increase in corporate independent committees will lead to a 0.818 increase in the score of corporate financial performance. This therefore implies that all the four variables have a positive relationship with corporate independent committees contributing most to the dependent variable. From the table we can see that the predictor variables of corporate board size, corporate board composition, corporate policy and corporate independent committees got variable coefficients statistically significant since their p-values are less than the common alpha level of 0.05.

4.6.3 Results of Hypotheses Testing:

1) Hypothesis 1

The first research hypothesis, HO_1: Corporate board size has no significant effect on financial performance in Hormoud, Somalia. ($\beta = 0.058$; $t = 1.024$; $p \leq 0.05$) was rejected and conclusion made that there was a statistically significant influence of corporate board size on corporate financial performance in Hormoud in Somalia. The result was consistent with Kalungu (2013) who did a study on the impact of corporate governance practice on financial performance of the commercial banking industry in Kenya. The findings of this study indicate that there exists a positive effect of corporate governance on the financial performance of banks. It also revealed that there is a positive correlation between composition of directors and the financial performance of Kenya commercial banks. According to regression analysis results of this study both board composition and board size affect the financial performance of the bank. The board composition attribute positively affects the ROA while board size has a negative effect on ROA. From this study there was no duality in all banks except one.

2) Hypothesis 2

The second research hypothesis, HO_2: Corporate board composition has no significant effect on financial performance in Hormoud, Somalia. ($\beta = 0.226$; $t = 3.520$; $p \leq 0.05$) was rejected and conclusion made that there was a statistically significant influence of corporate board composition on corporate financial performance in Hormoud in Somalia. The result was consistent with Kalungu (2013) who did a study on the impact of corporate governance practice on financial performance of the commercial banking industry in Kenya. The findings of this study indicate that there exists a positive effect of corporate governance on the financial performance of banks. It also revealed that there is a positive correlation between composition of directors and the financial performance of Kenya commercial banks. According to regression analysis results of this study both board composition and board size affect the financial performance of the bank. The board composition attribute positively affects the ROA while board size has a negative effect on ROA. From this study there was no duality in all banks except one.

3) Hypothesis 3

The third research hypothesis, HO_3: Corporate policy has no significant effect on financial performance in Hormoud, Somalia. ($\beta = 0.095$; $t = 3.404$; $p \leq 0.05$) was rejected and conclusion made that there was a statistically significant influence of corporate policy on corporate financial performance in Hormoud in Somalia. The result was consistent with Otieno (2011) studied the effect of corporate governance on the performance of companies listed at the Nairobi Securities Exchange (NSE), found out that there is a positive relationship between performance and board composition, governance disclosure issues, shareholder rights and compensation.

4) Hypothesis 4

The fourth research hypothesis, HO_4: Corporate Independent Committees has no significant effect on financial performance in Hormoud, Somalia. ($\beta = 0.860$; $t = 15.761$; $p \leq 0.05$) was rejected and conclusion made that there was a statistically significant influence of corporate policy on corporate financial performance in Hormoud in Somalia. The result was consistent with Otieno (2011) studied the effect of corporate governance on the performance of companies listed at the Nairobi Securities Exchange (NSE), found out that there is a positive relationship between performance and board composition, governance disclosure issues, shareholder rights and compensation.

ISSN 2394-7322

International Journal of Novel Research in Marketing Management and Economics
Vol. 5, Issue 1, pp: (48-71), Month: January - April 2018, Available at: www.noveltyjournals.com

Table 4.15: Hypotheses Testing

Research Hypothesis	β	t	Sig	Comments
HO_1: Corporate board size has no significant effect on financial performance in Hormoud, Somalia.	.058	1.024	.000	Reject HO_1
HO_2: Corporate board composition has no significant effect on financial performance in Hormoud, Somalia.	.226	3.520	.000	Reject HO_2
HO_3: Corporate policy has no significant effect on financial performance in Hormoud, Somalia.	.095	3.404	.000	Reject HO_3
HO_4: Corporate Independent Committees has no significant effect on financial performance in Hormoud, Somalia.	.860	15.761	.000	Reject HO_4

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction:

The chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The chapter finally presents the limitations of the study and suggestions for further studies and research.

5.2 Summary of Major Findings:

From the study findings, there were more female respondents having a working experience of between 6-10 years. The study showed that there was a positive correlation between independent variable and dependent variable. The goodness of fit was 75.3%.

5.2.1 Influence of Corporate Board Size on Corporate Financial Performance:

The study results showed that there was a statistically significant influence of corporate board size on corporate financial performance in Hormoud in Somalia.

5.2.2 Influence of Corporate Board Composition on Corporate Financial Performance:

The study results showed that there was a statistically significant influence of corporate board composition on corporate financial performance in Hormoud in Somalia.

5.2.3 Influence of Corporate Policy on Corporate Financial Performance:

The study results showed that there was a statistically significant influence of corporate policy on corporate financial performance in Hormoud in Somalia.

5.2.4 Influence of Corporate Independent committees on Corporate Financial Performance:

The study results showed that there was a statistically significant influence of corporate policy on corporate financial performance in Hormoud in Somalia.

5.3 Conclusions:

The study concluded the following:

5.3.1 Influence of Corporate Board Size on Corporate Financial Performance:

The study concluded that there was a statistically significant influence of corporate board size on corporate financial performance in Hormoud in Somalia.

5.3.2 Influence of Corporate Board Composition on Corporate Financial Performance:

The study concluded that there was a statistically significant influence of corporate board composition on corporate financial performance in Hormoud in Somalia.

5.3.3 Influence of Corporate Policy on Corporate Financial Performance:

The study concluded that there was a statistically significant influence of corporate policy on corporate financial performance in Hormoud in Somalia.

5.3.4 Influence of Corporate Independent Committees on Corporate Financial Performance:

The study concluded that there was a statistically significant influence of corporate independent committees on corporate financial performance in Hormoud in Somalia.

5.4 Recommendations:

The study made the following recommendations: First, Hormoud in Somalia should choose a sizeable board which is efficient and well informed in matters corporate governance so as to strengthen their corporate financial performance. Second, Hormoud in Somalia should have an excellent board composition full of individuals with diverse expertise and knowledge so as to enhance better corporate governance and corporate financial performance. Third, Hormoud in Somalia should ensure that policies and guidelines are followed to the latter so as to caution the firms against bad corporate governance and practices thus enhancing corporate financial performance. Fourth, Hormoud in Somalia should establish corporate independent committees are strengthened through having properly trained individuals to sit in these committees so as to properly advice the board and management on various matters concerning corporate governance thus leading to corporate financial performance.

5.5 Areas for Further Research:

This study focused on the influence of corporate governance on corporate financial performance in Hormoud in Somalia. Since only 75.3% of results were explained by the independent variables in this study, it is recommended that a study be carried out on other factors on corporate financial performance in another country. The research should also be done in other government corporation or private sector and the results compared so as to ascertain whether there is consistency on corporate financial performance.

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International Journal of Novel Research in Marketing Management and Economics
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