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**COPORATE GOVERNANCE AND NIGERIAN BAILED-OUT
BANKS' PERFORMANCE: THE INDIRECT EFFECT OF
PERFORMANCE MEASUREMENT SYSTEM
AND BOARD EQUITY OWNERSHIP**



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UUM
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**DOCTOR OF PHILOSOPHY
UNIVERSITI UTARA MALAYSIA
April 2016**

**COPORATE GOVERNANCE AND NIGERIAN BAILED-OUT BANKS
PERFORMANCE: THE INDIRECT EFFECT OF PERFORMANCE
MEASUREMENT SYSTEM AND BOARD EQUITY OWNERSHIP**



By
NURADDEEN SHEHU ALIYU
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**Thesis Submitted to
Tunku Puteri Intan Safinaz School of Accountancy,
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SCHOOL OF ACCOUNTANCY
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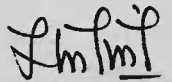
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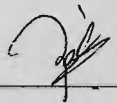
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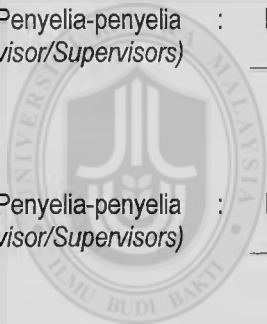


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ABSTRACT

Perennial corporate failures had necessitated a bail-out reform in Nigerian banking sector and also the quest for improving managerial effectiveness especially through performance measurement. Most researches concentrated on direct effect of corporate governance on firm performance despite the calls for indirect path. Recent researches suggested multi-dimensional performance measurement systems (PMS) in mediating corporate governance (CG) and firm performance. Drawing upon the agency theory and the resource dependency theory, this study examines the mediating effect of performance measurement systems and moderating effect of board equity ownership in the relationship between corporate governance and bailed-out banks performance. This study used survey to 467 branches managers of bailed-out banks in Nigeria and data was analyzed using a PLS-SEM. The results indicate that board appointment, board size and female membership on board were positively related to banks performance, with the exception of board independence and audit committee quality. This study also found that all the CG variables were related to PMS and PMS is also related to banks performance. As for mediation, all the CG variables were mediated by PMS except board independence. Furthermore, the results showed that board equity ownership is a full moderator between CG (particularly for board independence and audit committee quality) and banks performance. This study concludes that the good structure of CG play a key role in improving bailed-out banks performance. Besides that the evidence indicated that bailed-out banks should also emphasize on board equity ownership and PMS to improve the effectiveness of their CG which in-turn lead to better performance. This study serves as an input to policy makers and regulators in formulating policies and strategies concerning CG. This study also contributes to the CG and PMS literature as scarce attention given on this issue in prior research.

Keywords: corporate governance, performance measurement system, board equity ownership, bailed out banks performance.



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ABSTRAK

Kegagalan korporat yang tidak berkesudahan telah memerlukan pembaharuan dalam langkah menyelamatkan sektor perbankan di Nigeria dan juga usaha untuk meningkatkan keberkesanan pengurusan terutama melalui pengukuran prestasi. Kebanyakan kajian tertumpu terhadap kesan langsung tadbir urus korporat kepada prestasi firma walaupun ada gesaan untuk melihat kesan tidak langsung. Kajian terkini pula mencadangkan sistem pengukuran prestasi pelbagai dimensi (PMS) sebagai pengantara kepada tadbir urus korporat (CG) dan prestasi firma. Berbekalkan teori agensi dan teori kebergantungan sumber, kajian ini mengkaji kesan pengantara sistem pengukuran prestasi dan kesan penyederhana pemilikan ekuiti lembaga dalam hubungan antara CG dan prestasi bank yang diselamatkan. Kajian ini menggunakan soal selidik yang diedarkan kepada 467 pengurus cawangan bank-bank yang diselamatkan di Nigeria dan data dianalisis menggunakan PLS-SEM. Hasil kajian menunjukkan bahawa pelantikan ahli lembaga, saiz ahli lembaga dan keahlian wanita di dalam lembaga mempunyai kaitan yang positif terhadap prestasi bank, dengan pengecualian kepada kebebasan lembaga dan kualiti jawatankuasa audit. Kajian ini juga mendapati bahawa semua pemboleh ubah CG mempunyai hubungan dengan PMS dan PMS juga mempunyai hubungan dengan prestasi bank. Bagi pengantaraan pula, semua pemboleh ubah CG telah diantarai oleh PMS kecuali kebebasan lembaga. Tambahan pula, dapatan kajian menunjukkan bahawa pemilikan ekuiti lembaga merupakan pengantara penuh antara CG (terutamanya kebebasan lembaga dan kualiti jawatankuasa audit) dan prestasi bank. Oleh itu, kajian ini menyimpulkan bahawa struktur CG yang baik memainkan peranan penting dalam meningkatkan prestasi bank yang diselamatkan. Selain itu, terdapat bukti yang menunjukkan bahawa bank-bank yang diselamatkan perlu memberikan perhatian dalam soal pemilikan ekuiti lembaga dan PMS untuk meningkatkan keberkesanan CG yang akan menyumbang kepada prestasi firma yang lebih baik. Kajian ini menyumbang sebagai input kepada penggubal dasar dan penguat kuasa undang-undang dalam merangka dasar dan strategi mengenai CG. Kajian ini juga menyumbang kepada sumber rujukan CG dan PMS berikutan keterbatasan kajian yang melihat isu ini yang ditunjukkan dalam kajian-kajian yang terdahulu.

Kata Kunci: tadbir urus korporat, sistem pengukuran prestasi, pemilikan ekuiti lembaga, prestasi penyelamatan bank.

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LIST OF ABBREVIATIONS

AC:	Audit committee
ACQ:	Audit Committee Quality
BA:	Board Appointment
BI:	Board Independence
BEO:	Board Equity Ownership
BODs:	Board of Directors
BS:	Board Size
CBN:	Central Bank of Nigeria
CG:	Corporate Governance
FMB:	Female Membership on Board
MCS:	Management Control System
NDIC:	Nigerian Deposit Insurance Corporation
OID:	Outside Independent Director
PLS:	Partial Least Squares
PMS:	Performance Measurement System
SEC:	Securities and Exchange Commission
SEM:	Structural Equations Modelling

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The economic growth and development of an economy depends to a large extent on its financial system. The financial system consists mainly of bank and other non-banking financial institutions. Historically, the banking system in Nigeria after commencement in 1892, has experienced so many major challenges in the banking industry. It has been in records, the crisis is dated back to the late 1940s and early 1950s, 1962 and mostly due to lack of proper regulations, followed by Structural Adjustment Programme (SAP) in 1986, financial liberalisation in 1987-1988 and prudential guidelines in 1991 (Brownbridge, 1996; Oluranti, 1991). Furthermore, between 1990 and 2004, bank regulators, Central Bank of Nigeria (hereafter called CBN) raised the required minimum share capital for banks fully operational within Nigeria about five (5) times, in 1991, 1997, 2000, 2001 and 2005. Yet, all these measures had failed to curtail the spate of bank distress and failures in the 1990s and beyond (Aburime, 2008). Lastly came the consolidation reform in 2005 and then the recent bail-out reform in 2009 (Alford, 2010).

Yet, in the mid-2008, the global financial crisis has eliminated the aforementioned benefits that had been already realized after the period of post-consolidation, in the banking system and capital market in Nigeria. The higher increase in capital availability in 2005, happened when corporate governance (hereafter called CG) standards were ineffective (Sanusi, 2010). Factually, failure of CG was among the key

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Appendix A
Sample of Questionnaire



**CORPORATE GOVERNANCE AND NIGERIAN BANKS PERFORMANCE:
THE INDIRECT EFFECT OF PERFORMANCE MEASUREMENT SYSTEM
AND BOARD EQUITY OWNERSHIP**

QUESTIONNAIRE SURVEY



UUM
Universiti Utara Malaysia

Dear Sir/Ma

I am a PhD (Accounting) student of the University Utara Malaysia and currently conducting a survey on the relationship amongst Measurement System, Board Equity Ownership, Corporate Governance and the Performance of Nigerian banks.

Kindly, assist us by completing this questionnaire as accurately as possible. We sincerely assure you that all your responses will be confidentially used for only academic purpose. You are required to circle the options that best represent your opinion. In some instances, you are required to tick [✓]. There are no rights or wrong answers, hence, we would appreciate your honest and complete response to help us understand your views.

Thank you in anticipation of kind cooperation and assistance.

Yours Sincerely,

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Pusat Pengajian Perakaunan
SCHOOL OF ACCOUNTANCY

Universiti Utara Malaysia

Part 1. Corporate Governance

Please indicate in your opinion the extent to which you agree with each of the following governance attributes in your bank. Please circle the appropriate answers.

Strongly-Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

A. Board Independence

S/N	Statement	SD	D	N	A	SA
In my Bank, ...						
BI1	...The number of outside non-executive directors is higher than executive directors in my board	1	2	3	4	5
BI2	...Outside non-executive directors are absolutely independent of management in decision-making	1	2	3	4	5
BI3	... Outside non-executive directors have no relationships that could influence their independent judgment on strategy implementation	1	2	3	4	5
BI4	... Outside non-executive directors participates in reviewing and guiding corporate strategic planning and decisions.	1	2	3	4	5
BI5	... Outside non-executive directors ensures an effective management system.	1	2	3	4	5
BI6	...Outside non-executive directors follows up on the progress of board resolutions	1	2	3	4	5

B. Board Appointments

S/N	Statement	SD	D	N	A	SA
In my bank, ...						
BA1	...Majority of the independent outside director were appointed before the current CEO assumes office.	1	2	3	4	5
BA2	...The board members were not preferentially selected by the present CEO	1	2	3	4	5
BA3	...The CEO has no personal relationships with the non-executive directors	1	2	3	4	5
BA4	... Directors' open objection of the management proposals or agenda is viewed as an act contrary to behavioral norm	1	2	3	4	5
BA5	...The CEO decides the extension or termination of the directorship	1	2	3	4	5
BA6	... Board of directors guides in developing strategic options	1	2	3	4	5

C. Audit Committee Quality

S/N	Statement	SD	D	N	A	SA
In my bank, ...						
AC1	... The audit committee in my bank has directors with accounting, auditing or financial expertise.	1	2	3	4	5
AC2	... Accounting/financial experts in Audit committee ensures the integrity of the bank's financial reporting	1	2	3	4	5

AC3	... Accounting/financial experts in Audit committee ensures that financial statements comply with a recognized set of accounting standards and codes of corporate governance	1	2	3	4	5
AC4	... Audit committee autonomously select or recommend the external auditor and conduct a proper review of financial reports	1	2	3	4	5
AC5	... Audit committee financial experts ensures that the bank is not currently under investigation for accounting irregularities	1	2	3	4	5
AC6	... Audit committee ensures reviewing of the effectiveness of bank's internal control	1	2	3	4	5

D. Board Size

S/N	Statement	SD	D	N	A	SA
In my bank, ...						
BS1	... The size of its board should be large (between 11 – 20) members.	1	2	3	4	5
BS2	...The size of its board should be small (between 10&below) members.	1	2	3	4	5
BS3	... The size of its board enables understanding of the operating environments, offers better guidance	1	2	3	4	5
BS4	...The size of its board enables understanding of the business process	1	2	3	4	5
BS5	... its board has directors with experiences in the relevant industries	1	2	3	4	5
BS6	...its board has directors with experiences in finance or economic areas	1	2	3	4	5

E. Female Membership in Board

S/N	Statement	SD	D	N	A	SA
In my bank's board, ...						
FM1	.... Female directors has different professional experiences than men	1	2	3	4	5
FM2	... Female directors has different values than men	1	2	3	4	5
FM3	... Female directors has influenced the way the board reviews and guide corporate business strategy	1	2	3	4	5
FM4	...Female directors are equally active in discussions compared to men	1	2	3	4	5
FM5	... Female directors has influenced governance issues which are considered by the board	1	2	3	4	5
FM6	... Female directors are involved in evaluating product quality and customer satisfaction	1	2	3	4	5

Part 2. Board Equity Ownership

Please indicate in your opinion to what extent do you agree with the following statements about "Equity shareholding of board of directors" motivates them in fulfilling their fiduciary monitoring/advisory duties of ensuring good corporate governance in your bank. Please circle the appropriate answer.

Strongly-Disagree	Disagree	Neutral	Agree	Strongly Agree							
1	2	3	4	5							
S/N	Statement						SD	D	N	A	SA
	In my bank, ...										
BEO1	...All executive directors own shares of this bank after excluding stock-options held						1	2	3	4	5
BEO2	... All non-executive directors own shares of this bank after excluding stock-options held						1	2	3	4	5
BEO3	... Their equity shareholding motivates them to effectively monitor and guide CEO.						1	2	3	4	5
BEO4	... Number of shares held by board of directors of this bank has not decreased						1	2	3	4	5
BEO5	...Number of shares held by board of directors of this bank has increased						1	2	3	4	5
BEO6	... Non-executive directors are paid entirely in some form of equity shares compensation						1	2	3	4	5
BEO7	... Non-executive directors paid in cash and some form of equity shares compensation						1	2	3	4	5

Part 3. Performance Measurement System (PMS)

The following Statements assess the extent to which Performance Measurement System is been conducted, used by the top management and reviewed by the board, in order to track the progress in banking strategies implementation. Also, to help board of directors and their CEO/top management to determine what performance issues are important in their bank, and what information directors require about these issues to fulfill their monitoring, advisory responsibilities. Please indicate in your opinion the extent you agree with the following statements by circling the appropriate answer.

Strongly-Disagree	Disagree	Neutral	Agree	Strongly Agree							
1	2	3	4	5							
S/N	Statement										
	In my bar										
PMS1	...directors and management determines the bank's vision and mission to guide strategic direction.						1	2	3	4	5
PMS2	...directors and management determines and reviews bank's objectives to match its mission and vision.						1	2	3	4	5
PMS3	...mission and goals are clear, and are understood and shared throughout the bank.						1	2	3	4	5
PMS4	...branch goals are clearly consistent with the bank's mission						1	2	3	4	5

PMS5	... Key success factors that are believed to be crucial to my bank overall future success are determined by management.	1	2	3	4	5
PMS6	... key success factors are clearly communicated to managers and employees.	1	2	3	4	5
PMS7	... directors and management reviews and evaluates present and future opportunities, threats and risks	1	2	3	4	5
PMS8	... organisational structure and capabilities are appropriate and clear to facilitates sound performance	1	2	3	4	5
PMS9	...managers and staffs has the authority and tools needed to make decisions and take action, consistent with the responsibilities assigned to them.	1	2	3	4	5
PMS10	... units/branches employees relies on standard procedures and rules in performing their tasks.	1	2	3	4	5
PMS11	...strategies and plans has been designed, adopted and communicated to managers and employees in order to achieve our objectives.	1	2	3	4	5
PMS12	... determines the branch strategies and plans designed to achieve banks objectives	1	2	3	4	5
PMS13	... branch can sense the need for strategic change and able to seek new capabilities in light of the need	1	2	3	4	5
PMS14	... branch performance measures are clearly related to the key success factors, mission and goals of the bank.	1	2	3	4	5
PMS15	... performance measures provides a complete picture of the results to be achieved based on strategies and plans	1	2	3	4	5
PMS16	..performance measures are communicated to all managers /employees and used for evaluating their performance	1	2	3	4	5
PMS17	... performance targets are set in order to achieve a performance level on the key success factors.	1	2	3	4	5
PMS18	... managers, employees and branches are levied with a target to achieve	1	2	3	4	5
PMS19	... performance targets are always challenging and difficult to meet	1	2	3	4	5
PMS20	... adopts performance evaluation to monitor individual contribution in the implementation of strategy	1	2	3	4	5
PMS21	... performance evaluations are fair and objective	1	2	3	4	5
PMS22	... managers and other employees are rewarded (financially and/or non-financially) by achieving their performance targets	1	2	3	4	5
PMS23	... managers and employees suffers penalties by failing to achieve performance targets	1	2	3	4	5

How are the following been used by your bank to support the operation of its Performance Measurement System (PMS)?											
Not at all		Slightly		Moderately		Significantly		Extremely			
1		2		3		4		5			
S/N	Statement						N	S	M	Sf	E
In my bank, ...											
PMS24	Feed-forward information flows & networks has been put in place to: <i>i. Set performance goals for the branch or branch employee</i> <i>ii. Guide strategy implementation</i> <i>iii. Develop action plans</i> <i>iv. Communicate important aspects of the branch's strategy</i>						1	2	3	4	5
PMS25	Feed-back information flows and networks has been put in place to: <i>i. Promote organizational learning</i> <i>ii. Analyze the impact of past decisions</i> <i>iii. Prompt re-examination of strategies and targets</i> <i>iv. Identify the need for corrective actions</i>						1	2	3	4	5
PMS26	Performance Measurement System information is used diagnostically to: <i>i. Track progress towards goals achievement</i> <i>ii. Monitor the process and result of strategy implementation</i> <i>iii. Plan and allocate Budget</i> <i>iv. Review key performance measures</i> <i>v. Revise business processes.</i>						1	2	3	4	5
PMS27	Performance Measurement System information is used interactively to: <i>i. Enable discussion in meetings of superiors, subordinates and peers</i> <i>ii. Enable the bank to focus on critical success factors</i> <i>iii. Communicating goals and priorities to employees.</i> <i>iv. Evaluating the appropriateness of goals and/or policy assumptions.</i> <i>v. Reporting to senior management and board.</i>						1	2	3	4	5
PMS28	PMSs is altered in the light of the change dynamics of the bank and its environment`						1	2	3	4	5
PMS29	The links between the components of PMS are strong and coherent						1	2	3	4	5

Part 4. Bank's performance

The statements below assess the Financial and Non-Financial Performance of banks. Please indicate in your opinion to what extent do you think your bank has performed in the last four years based on the rating scale provided. Please circle the appropriate answer.

Significantly- Decrease	Decrease	Neutral	Increase	Significantly- Increase
1	2	3	4	5

H. Financial Performance

S/N	Statement	SD	D	N	I	SI
In my Bank,						
FP1	...The number of performing loan	1	2	3	4	5
FP2	...The number of non-performing loans	1	2	3	4	5
FP	...The number of recovered bad loan	1	2	3	4	5
FP4	...The yearly profit and sales growth	1	2	3	4	5
FP5	...The Return on Assets (ROA) yearly growth	1	2	3	4	5
FP6	...The Return on Equity (ROE) yearly growth	1	2	3	4	5
FP7	...The growth of interest income on loans & advances	1	2	3	4	5
FP8	...The growth of non-interest income, fee/ commission income on transaction services	1	2	3	4	5
FP9	...The volumes of a tenured fund/ fixed deposit.	1	2	3	4	5
FP10	...The financial performance targets achievement by branches.	1	2	3	4	5

I. Non-financial Performance

NP11	...The level of our customer satisfaction with our services	1	2	3	4	5
NP12	...The customer service delivery in our branches	1	2	3	4	5
NP13	...The customer relationship management in our branches	1	2	3	4	5
NP14	...The reputation of our bank in the banking industry	1	2	3	4	5
NP15	...The transaction on-time delivery in our branches	1	2	3	4	5
NP16	...The operating cost of doing business in branches.	1	2	3	4	5
NP17	...The accuracy of operational work produced in your branch and/or the quality of the service delivered.	1	2	3	4	5
NP18	...Number of innovations, process improvements, or new services or products launched and implemented by your unit.	1	2	3	4	5
NP19	...The market share in retail, consumer banking services	1	2	3	4	5
NP20	...The market share in public sector business	1	2	3	4	5

Part 5: Demographic Information (Please tick (✓) in the appropriate box).

1. Gender

Male

Female

2. Years of banking-work experience

1. Between 1 – 5 years 3. Between 10 – 20 years

2. Between 6 – 10 years 4. 21 years and above

3. Your Educational Qualification

Diploma or HND

Bachelor's degree

Master's degree or other Postgraduate degree

Others

4. Your position in the bank

Branch level Manager

Middle-level Manager

Top-level Manager

5. Your bank's ranking in the industry _____

6. Your age _____

Appendix B
Sample Size Calculations

The formula for computing sample size by Dillman (2000) and Weaver (2006) is used as shown below:

$$n = \frac{(N)(p)(1-p)}{(N-1) (B/C)^2 + (p) (1-p)} \quad n = 338 \text{ samples}$$

Given that $N=2,811$, $P=0.5$, $B=0.05$, $C=1.96$.

$$n = \frac{(2,811) (0.5) (1-0.5)}{(2,811 - 1) (0.05/1.96)^2 + (0.5) (1-0.5)} = \frac{2,811 * 0.25}{(2810 * 0.0006508) + 0.25}$$

$$n = \frac{702.75}{2.078748} = 338.06 \text{ approximately } n = 338 \text{ samples}$$

Therefore, the sample size for this study is **338 bank branches**.

Appendix C
Descriptive Statistics of Latent Constructs

Items Label	Items Statement	N	Mean	Std. Deviation
Board Independence				
BI1	In my Bank,..... ... The number of outside non-executive directors is higher than executive directors in my board	321	4.37	.805
BI2	...Outside non-executive directors are absolutely independent of management in decision-making	321	4.26	.837
BI3	... Outside non-executive directors have no relationships that could influence their independent judgment on strategy implementation	321	4.34	.822
BI4	... Outside non-executive directors participates in reviewing and guiding corporate strategic planning and decisions	320	4.24	.773
BI5	... Outside non-executive directors ensures an effective management system	321	4.36	.884
BI6	...Outside non-executive directors follows up on the progress of board resolutions	321	4.33	.773
Board Appointments				
BA1	...Majority of the independent outside director were appointed before the current CEO assumes office	321	4.48	.694
BA2	...The board members were not preferentially selected by the present CEO	321	4.27	.839
BA3	...The CEO has no personal relationships with the non-executive directors	321	4.20	.847
BA4	... Directors' open objection of the management proposals or agenda is viewed as an act contrary to behavioural norm	321	3.71	1.225
BA5	...The CEO decides the extension or termination of the directorship	321	3.77	1.235
BA6	... Board of directors guides in developing strategic options	321	4.36	.741
Audit Committee Quality				
AC1	... The audit committee in my bank has directors with accounting, auditing or financial expertise.	321	4.46	.693
AC2	... Accounting/financial experts in audit committee ensures the integrity of the bank's financial reporting.	321	4.54	.656
AC3	.... Accounting/financial experts in audit committee ensures that financial statements comply with a recognized set of accounting standards and codes of corporate governance.	321	4.53	.652
AC4	... Audit committee autonomously select or recommend the external auditor and conduct a proper review of financial reports	321	4.49	.623
AC5	... Audit committee financial experts ensures that the bank is not currently under investigation for accounting irregularities	321	4.46	.680
AC6	... Audit committee ensures reviewing of the effectiveness of bank's internal control	321	4.45	.631
Board Size				
BS1	... the size of its board should be large (between 11 – 20) members	321	4.45	.749
BS2	...the size of its board should be small (between 10 and below) members	321	3.86	1.234
BS3	... the size of its board enables understanding of the operating environments, offers better guidance	321	4.39	.792

BS4	... the size of its board enables understanding of the business process	321	4.40	.645
BS5	... its board has directors with experiences in the relevant industries	321	4.33	.747
BS6	... its board has directors with experiences in finance or economic areas	321	4.46	.637
Female Membership on Board				
FM1	... Female directors has different professional experiences than men	321	4.16	.991
FM2	... Female directors has different values than men	321	3.87	1.221
FM3	... Female directors has influenced the way the board reviews and guide corporate business strategy	321	4.33	.788
FM4	... Female directors are equally active in discussions compared to men	321	4.31	.831
FM5	... Female directors has influenced governance issues which are considered by the board	321	4.34	.810
FM6	... Female directors are involved in evaluating product quality and customer satisfaction	321	4.47	.754
Board Equity Ownership				
BEO1	... All executive directors own shares of this bank after excluding stock-options held	321	4.33	.697
BEO2	... All non-executive directors own shares of this bank after excluding stock-options held	321	4.34	.779
BEO3	... Their equity shareholding motivates them to effectively monitor and guide CEO	321	4.33	.730
BEO4	... Number of shares held by board of directors of this bank has not decreased	321	4.14	.885
BEO5	... Number of shares held by board of directors of this bank has increased	321	4.31	.803
BEO6	... Non-executive directors are paid entirely in some form of equity shares compensation	321	4.15	.883
BEO7	... Non-executive directors paid in cash and some form of equity shares compensation	321	4.37	.871
Performance Measurement System				
PMS1	... directors and management determines the bank's vision and mission to guide strategic direction	321	4.21	.810
PMS2	... directors and management determines and reviews bank's objectives to match its mission and vision	321	4.30	.744
PMS3	... mission and goals are clear, and are understood and shared throughout the bank	321	4.33	.736
PMS4	... branch goals are clearly consistent with the bank's mission	321	4.26	.819
PMS5	... Key success factors that are believed to be crucial to my bank's overall future success are determined by management	321	4.18	.759
PMS6	... key success factors are clearly communicated to managers and employees	321	4.25	.788
PMS7	... directors and management reviews and evaluates present and future opportunities, threats and risks	321	4.49	.652
PMS8	... organisational structure and capabilities are appropriate and clear to facilitates sound performance	321	4.06	1.317
PMS9	... managers and staffs has the authority and tools needed to make decisions and take action, consistent with the responsibilities assigned to them	321	4.49	.716
PMS10	... units/branches employees relies on standard procedures and rules in performing their tasks	321	4.58	.577
PMS11	... strategies and plans has been designed, adopted and communicated to managers and employees in order to achieve our objectives	321	4.59	.546
PMS12	... determines the branch strategies and plans designed to achieve banks objectives	321	4.53	.607
PMS13	... branch can sense the need for strategic change and able to seek new capabilities in light of the need	321	4.62	.585

PMS14	... branch performance measures are clearly related to the key success factors, mission and goals of the bank.	321	4.51	.618
PMS15	... performance measures provides a complete picture of the results to be achieved based on strategies and plans	321	4.49	.571
PMS16	... performance measures are clearly communicated to all managers and employees and often used for evaluating their performance	321	4.48	.633
PMS17	... performance targets are set in order to achieve a performance level on the key success factors	321	4.42	.608
PMS18	... managers, employees and branches are levied with a target to achieve	321	4.45	.636
PMS19	... performance targets are always challenging and difficult to meet	321	4.17	.816
PMS20	... adopts performance evaluation to monitor individual contribution in the implementation of strategy	321	4.52	.592
PMS21	... performance evaluations are fair and objective	321	4.20	.830
PMS22	... managers and other employees are rewarded (financially and/or non-financially) by achieving their performance targets	321	4.54	.536
PMS23	... managers and employees suffers penalties by failing to achieve performance targets	321	3.74	.984
PMS24	Feed-forward information flows & networks has been put in place to: i. Set performance goals for the branch or branch employee ii. Guide strategy implementation iii. Develop action plans iv. Communicate important aspects of the branch's strategy	321	3.32	1.563
PMS25	Feed-back information flows and networks has been put in place to: i. Promote organizational learning ii. Analyze the impact of past decisions iii. Prompt re-examination of strategies and targets iv. Identify the need for corrective actions	321	3.06	1.291
PMS26	Performance Measurement System information is used diagnostically to: i. Track progress towards goals achievement ii. Monitor the process and result of strategy implementation iii. Plan and allocate Budget iv. Review key performance measures v. Revise business processes	321	3.15	1.361
PMS27	Performance Measurement System information is used interactively to: i. Enable discussion in meetings of superiors, subordinates and peers ii. Enable the bank to focus on critical success factors iii. Communicating goals and priorities to employees iv. Evaluating the appropriateness of goals and/or policy assumptions v. Reporting to senior management and board	321	3.95	.933
PMS28	PMS is altered in the light of the change dynamics of the bank and its environment	321	3.66	1.253
PMS29	The links between the components of PMS are strong and coherent	321	3.18	1.484
Performance (Financial & Non-financial)				
FP1	...The number of performing loan	321	4.45	.665
FP2	...The number of non-performing loans	321	2.76	1.378
FP3	...The number of recovered bad loan	321	4.25	.628
FP4	...The yearly profit and sales growth	321	3.64	1.481
FP5	...The Return on Assets (ROA) yearly growth	321	4.44	.777
FP6	...The Return on Equity (ROE) yearly growth	321	4.45	.727

FP7	...The growth of interest income on loans & advances	321	4.31	.884
FP8	...The growth of non-interest income, fee/commission income on transaction services	321	4.26	.791
FP9	...The volumes of a tenured fund/ fixed deposit	321	4.23	1.001
FP10	...The financial performance targets achievement by branches.	321	4.27	.897
NP11	...The level of our customer satisfaction with our services	321	4.43	.634
NP12	...The customer service delivery in our branches	321	4.28	.815
NP13	...The customer relationship management in our branches	321	4.36	.790
NP14	...The reputation of our bank in the banking industry	321	4.32	.806
NP15	...The transaction on-time delivery in our branches	321	4.36	.720
NP16	...The operating cost of doing business in branches	321	4.02	1.041
NP17	...The accuracy of operational work produced in your branch and/or the quality of the service delivered	321	4.26	.819
NP18	...Number of innovations, process improvements, or new services or products launched and implemented by your unit	321	4.28	.838
NP19	...The market share in retail, consumer corporate banking services	321	3.23	1.206
NP20	...The market share in public sector business	321	3.42	.870
Valid N (listwise)		320		

C2: Multicollinearity Test

		Collinearity Statistics	
Dependent Variable	Independent Variable	Tolerance	VIF
AC	BA	.697	1.434
	BEO	.806	1.240
	BI	.871	1.148
	BS	.634	1.576
	FM	.589	1.698
BA	BEO	.830	1.205
	BI	.937	1.067
	BS	.559	1.788
	FM	.538	1.859
	AC	.582	1.719
BEO	BI	.868	1.152
	BS	.570	1.753
	FM	.514	1.944
	AC	.582	1.718
	BA	.718	1.393
BI	BS	.553	1.809
	FM	.508	1.968
	AC	.584	1.712
	BA	.753	1.328
	BEO	.806	1.241
BS	FM	.544	1.839

	AC	.667	1.500
	BA	.704	1.420
	BEO	.830	1.204
	BI	.866	1.154
	AC	.678	1.476
	BA	.742	1.348
FM	BEO	.820	1.220
	BI	.872	1.147
	BS	.595	1.680

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Appendix D
PLS- Measurement Model outputs (Quality Criteria)

D1: Overview

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
AC	0.519707	0.764172		0.537823	0.519707	
BA	0.506498	0.801271		0.677545	0.506498	
BEO	0.511992	0.752869		0.528745	0.511992	
BI	0.518910	0.842636		0.771919	0.518910	
BS	0.550904	0.785665		0.602428	0.550904	
FM	0.531368	0.772806		0.560136	0.531368	
PERFM	0.506891	0.891385	0.440355	0.861162	0.506891	0.029212
PMS	0.539280	0.776103	0.245210	0.572723	0.539280	-0.056507

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D2: Latent Variable Correlations

	AC	BA	BEO	BI	BS	FM	PERFM	PMS
AC	1.000000							
BA	0.241053	1.000000						
BEO	0.207462	0.335085	1.000000					
BI	0.067226	0.348187	0.172264	1.000000				
BS	0.566720	0.359676	0.355633	0.144969	1.000000			
FM	0.564850	0.439589	0.352674	0.206281	0.579491	1.000000		
PERFM	0.402153	0.414651	0.306095	0.180218	0.514183	0.587059	1.000000	
PMS	0.043370	0.381057	0.211407	0.239986	0.269863	0.353342	0.399984	1.000000

D3: Cross Loadings

	AC	BA	BEO	BI	BS	FM	PERFM	PMS
AC1	0.701501	0.179168	0.182068	0.020035	0.421166	0.465011	0.253310	0.164910
AC2	0.763267	0.090812	0.176393	-0.065333	0.398291	0.434722	0.318242	-0.020935
AC4	0.696017	0.259712	0.090687	0.198951	0.409683	0.325079	0.294497	-0.036526
BA1	0.217461	0.610625	0.246976	0.179344	0.199505	0.310445	0.149992	0.231428
BA2	0.200397	0.614994	0.224378	0.331398	0.242021	0.212745	0.216526	0.232118

BA4	0.129245	0.829171	0.277900	0.322775	0.274031	0.398465	0.420501	0.337064
BA5	0.191318	0.766411	0.215219	0.153875	0.304291	0.309584	0.314167	0.267031
BEO3	0.171959	0.209730	0.808109	0.156445	0.315000	0.275114	0.263448	0.108054
BEO4	0.064870	0.095789	0.523398	0.007800	0.118759	0.106074	0.130145	0.037933
BEO5	0.181076	0.372835	0.780378	0.160445	0.283824	0.329208	0.237497	0.274471
BI2	0.089184	0.255379	0.126124	0.791386	0.154457	0.254069	0.200143	0.208616
BI3	0.055049	0.329088	0.132030	0.758306	0.104781	0.143153	0.107275	0.185698
BI4	0.024880	0.222964	0.164245	0.739217	0.139739	0.160660	0.119199	0.199587
BI5	-0.034324	0.273495	0.120027	0.620282	0.013585	0.053675	0.115529	0.090427
BI6	0.078718	0.185384	0.068824	0.679736	0.054910	0.049454	0.075637	0.144449
BS2	0.375726	0.461200	0.264670	0.083238	0.787686	0.509524	0.475209	0.217359
BS3	0.433241	0.154774	0.301426	0.120471	0.757353	0.366322	0.327697	0.248344
BS4	0.489223	0.108652	0.226056	0.133537	0.677259	0.397663	0.313557	0.121956
FM1	0.488096	0.427671	0.308843	0.255974	0.416580	0.723900	0.451514	0.279046
FM2	0.287603	0.349184	0.238622	0.119282	0.363546	0.731238	0.395791	0.250797
FM4	0.447081	0.178019	0.218864	0.066440	0.484104	0.731685	0.432775	0.240765
FP10	0.239426	0.257173	0.168683	0.175298	0.352038	0.424162	0.714309	0.405315
FP5	0.204334	0.222187	0.152470	0.131552	0.369994	0.346580	0.684612	0.264716
FP7	0.163892	0.242208	0.201315	0.101729	0.290545	0.395589	0.679625	0.262946
FP9	0.371053	0.338641	0.291246	0.164886	0.487093	0.499977	0.707346	0.347249
NP15	0.304871	0.317736	0.222841	0.079775	0.358250	0.412977	0.746062	0.193591
NP16	0.310494	0.423793	0.278816	0.171640	0.378232	0.432619	0.773165	0.289796
NP17	0.362160	0.231646	0.174099	0.101627	0.341465	0.434560	0.672397	0.276880
NP18	0.291409	0.294407	0.224748	0.073061	0.305696	0.358091	0.712363	0.197043
PMS12	0.100766	0.182045	0.136963	0.280131	0.218189	0.210373	0.207456	0.701768
PMS13	0.074895	0.339238	0.229248	0.183288	0.274428	0.389353	0.327223	0.842699
PMS21	-0.076492	0.288846	0.079180	0.091822	0.090708	0.138838	0.327663	0.644376

Q² Predictive Relevance

Total	SSO	SSE	1-SSE/SSO
PERFM	2568	2022.592	.212
PMS	963	846.866	.121

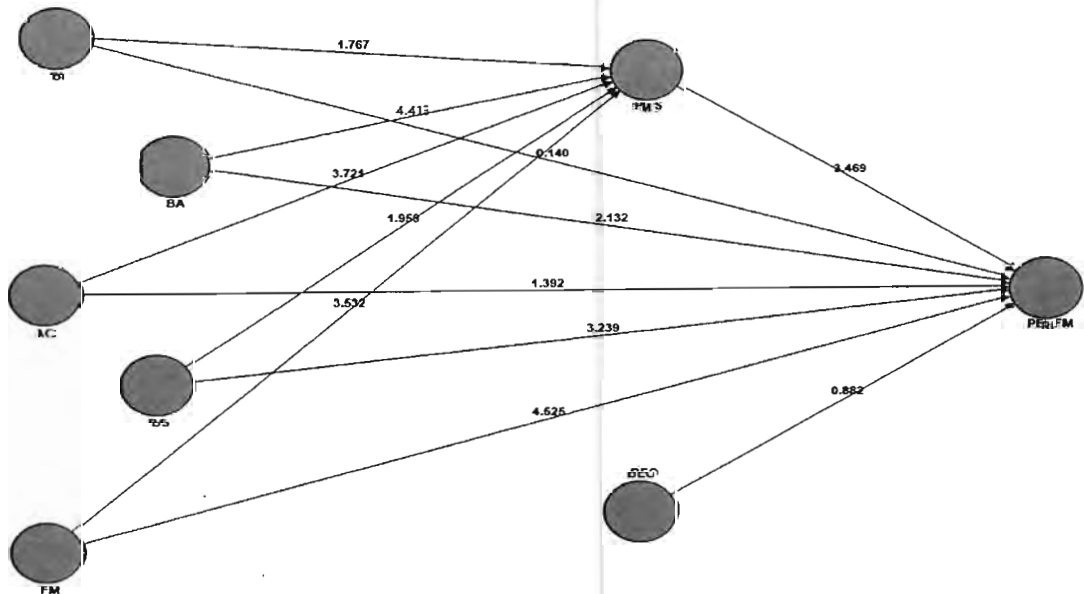
Appendix E
Structural Model Outputs

E1: Direct Effects: Path Coefficients (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
AC -> PERFM	0.081216	0.083625	0.058341	0.058341	1.392104
AC -> PMS	0.275637	-0.270520	0.074086	0.074086	3.720526
BA -> PERFM	0.110579	0.108948	0.051868	0.051868	2.131952
BA -> PMS	0.226372	0.226353	0.051298	0.051298	4.412864
BEO -> PERFM	0.039057	0.046225	0.044304	0.044304	0.881564
BI -> PERFM	-0.005897	-0.002587	0.042056	0.042056	0.140225
BI -> PMS	0.095256	0.099598	0.053916	0.053916	1.766744
BS -> PERFM	0.187991	0.191670	0.058043	0.058043	3.238816
BS -> PMS	0.157956	0.156319	0.080633	0.080633	1.958941
FM -> PERFM	0.304203	0.300563	0.067228	0.067228	4.524932
FM -> PMS	0.298342	0.300544	0.084458	0.084458	3.532421
PMS -> PERFM	0.189264	0.190682	0.054566	0.054566	3.468513

Direct Effects: PLS Structural Model

output



E2: Moderation Effects: Path Coefficients (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
AC -> PERFM	1.090854	0.904598	0.460636	0.460636	2.368147
AC -> PMS	0.274292	-0.268731	0.076101	0.076101	3.604329
AC * BEO -> PERFM	1.776406	-1.443348	0.774964	0.774964	2.292243
BA -> PERFM	-0.340460	-0.340294	0.354017	0.354017	0.961704
BA -> PMS	0.225978	0.227713	0.050649	0.050649	4.461623
BA * BEO -> PERFM	0.589652	0.593824	0.487184	0.487184	1.210328
BEO -> PERFM	0.029076	-0.035592	0.374868	0.374868	0.077562
BI -> PERFM	-0.554151	-0.465546	0.273242	0.273242	2.028061
BI -> PMS	0.095042	0.100192	0.055253	0.055253	1.720130
BI * BEO -> PERFM	0.850533	0.718839	0.377935	0.377935	2.250473
BS -> PERFM	-0.271609	-0.184013	0.322757	0.322757	0.841528
BS -> PMS	0.157251	0.156380	0.081288	0.081288	1.934488
BS * BEO -> PERFM	0.730002	0.594223	0.516216	0.516216	1.414142
FM -> PERFM	0.237118	0.255713	0.324139	0.324139	0.731533
FM -> PMS	0.298215	0.298237	0.085549	0.085549	3.485886
FM * BEO -> PERFM	0.085711	0.062078	0.465944	0.465944	0.183951
PMS -> PERFM	0.210211	0.216636	0.055203	0.055203	3.807991

PLS Moderation Model Output

