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An Examination and Analysis of Bank Corporate Governance Regulation in The Gambia: A Grounded Theory Approach

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**An Examination and Analysis of Bank Corporate Governance
Regulation in The Gambia: A Grounded Theory Approach**

By

Sainey Faye

This thesis is submitted to the University of Plymouth in partial fulfilment
for the degree of

DOCTOR OF PHILOSOPHY

School of Management
The University of Plymouth

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Author's Declaration

This is to confirm that at no time during the registration for the degree of Doctor of Philosophy has the author been registered for any other University award. My employers paid for this study aimed at enhancing my academic development and progression. This experience will also be shared with staff and students at Kaplan as well as contributing to the search for an alternative corporate governance mechanism for banks in The Gambia.

During this course of study, the following activities have been undertaken:

- Participating in the Staff Development Sessions held at Kaplan Holborn College in June 2013. I presented a paper entitled 'My experience pursuing a PhD Research and the Challenges'.
- I appeared as a guest lecturer for students attending the University of West of England undergraduate programme in April 2014 sharing my experience in PhD research and what it means to pursue a Doctorate degree.
- I also attended a number of courses both at Plymouth Business School and Kaplan Holborn College including: endnote referencing, research presentation, how to access and use the University's online resources, research methodology and modules, how to manage disruptive students and how to deliver an outstanding lecture.
- A number of academic conferences were also attended including: The 2nd International Forum on Responsible Banking and Finance held 24th June 2013 Cass Business School. Financing Recovery – the Impact of Financial Regulation on Long Term Investment 31st October 2013 Mansion House - London. 4th International Banking and Finance Forum – Restoring Confidence, Creditability and Growth 13th February 2014 – Thomson Reuters – London.

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List of Abbreviations

Acronym	Full Term
BOD	Board of Directors
CACG	Commonwealth Association for Corporate Governance
CBG	The Central Bank of The Gambia
CEO	Chief Executive Officer
CEPS	Centre for European Policy Studies
CI	Categorical Imperative
CSR	Corporate Social Responsibility
EU	European Union
FSA	Financial Services Authority now Financial Conduct Authority
GCGF	The Global Corporate Governance Forum
GT	Grounded Theory
HBOS	Halifax Bank of Scotland
ICGN	The International Corporate Governance Network
IMF	International Monetary Fund
NED	Non-Executive Director
OECD	Organisation for Economic Co-operation and Development
PLCs	Public Listed Companies
SEC	Securities and Exchange Commission
SMEs	Small and Medium sized Enterprises
SOX	Sarbanes-Oxley Act
WB	World Bank

An Examination and Analysis of Bank Corporate Governance Regulation in The Gambia: A Grounded Theory Approach

Abstract

The purpose of this research is to carry out an empirical investigation of bank corporate governance regulation in The Gambia. The aim is to determine what contributions, if any, effective governance systems can make to the management of the needs of different stakeholder groups within the financial sector. Through the application of grounded theory methodology this research aims to build a substantive theory of corporate governance regulation within The Gambian banking sector. The substantive theory identified the main phenomena and as such outlined the model of corporate governance currently prevailing in The Gambian banking sector.

The grounded theory methodology adopted for this research includes a three stage process of analysing data namely open coding, axial coding and selective coding. Firstly, through the application of comparative method in open coding semi structured interviews and focus groups discussions were conducted with senior bank executives, employees and customers, as well as regulators across The Gambian banking sector. Open coding process enables the development and identification of properties and dimensions. The interviews were informed by survey questionnaires designed to sensitise and gain access to the identified participants and subsequently guided the semi structured interview questionnaires and focus groups that followed. Secondly, through axial coding, the open categories were incorporated into wider categories. The use of the paradigm model establishes the relationship among these categories. This led to the development of the human factor model of bank corporate governance regulation in The Gambian banking system. Finally, selective coding identified the core category through the verification of the second set of semi structured interviews and established its' relationship with other sub categories.

The substantive theory further explored Categorical Imperative theoretical framework leading to a more formal substantive theory that considers corporate governance issues of financial sector stakeholders. It concluded that there is no consistency between banks when it comes to corporate governance mechanisms and codes partly due to obstacles such as environment, culture and policies. Thus, regulatory compliance and ethics are therefore necessary to serve as a moral compass in the absence of a mandatory regulatory framework.

Finally, this thesis also explored the phenomenon of corporate governance, grounded theory and Categorical Imperative in an unexplored context. Thus, providing a new approach to corporate governance understanding to inform and to improve corporate governance practice. The identification of the substantive theory will also help key stakeholders to address the challenges, thus, minimising the risk of bank failures and improve the corporate governance regulatory framework in The Gambia. Finally, this research also proposed an ethical code of conduct for The Gambia. The proposed code of conduct will influence future behaviour and subsequently improve the robustness of the banking system.

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CHAPTER ONE:

INTRODUCTION TO THE STUDY

1.0 Introduction

This chapter introduces the topic, scope and establishes the purpose of this enquiry. This thesis aims to examine and analyse bank corporate governance regulation in The Gambia. This chapter will be structured as follows: firstly, the research aim and objectives will be spelt out followed by the research background and research questions before spelling out the structure of the thesis and finally drawing a conclusion. It is important to note that in the context of this research the use of the term financial institutions, financial sector organisations and banking sector all refer to commercial banks (retail or high street banks) specifically in The Gambia. These terms are often used interchangeably throughout this research.

1.1 Research Aim and Objectives

The purpose of this research is to carry out an empirical investigation of bank corporate governance regulation in The Gambia. The aim is to determine what contributions, if any, effective governance systems can make to the management of the needs of different stakeholder groups within the financial sector. Through the application of grounded theory methodology this research therefore aims to build a substantive theory of corporate governance regulation within The Gambian banking system. Using grounded theory methodology the research objectives are:

- To examine the effect of corporate governance regulations relating to stakeholder interests in financial sector organisations in developing countries, with particular reference to The Gambia.
- To examine the effectiveness of corporate governance systems in financial sector organisations in The Gambia.
- To scrutinise the effectiveness of the provisions of their services to different stakeholders groups within the context of developing countries.

- To examine the extent to which a good governance system in financial sector organisations provides accountability of management to their stakeholders.

1.2 Research Background and Motivation for the Study

A number of factors explain why this thesis was conceived. Firstly, The Gambia is a very small developing country – one of the poorest in the world with a total population of 1.8 million and a GDP of \$914.3m in 2013 (World Bank, 2014). However, over the past 15 years it has experienced a significant growth in the financial sector (from four banks in 2000 to 13 banks in 2014). This potentially places it in a vulnerable position should a major financial crisis emerge for it simply lacks the resources and capacity to rescue the banks in a financial crisis. The impact and the consequences for the stakeholders and the economy could be severe. Commenting on the social implications of the 2007 banking crisis, Ross and Crossan (2012, p.215.) concluded that:

governments across the world are currently cutting public spending in an extreme fashion and this is, partly, due to the banking crises. Therefore, poor governance in the banking sector is leading to massive social problems in the real world as governments cut services.

Thus, there is an urgent need to learn from the 2007 financial crisis and its consequences in The Gambian context and to carry out additional primary research. Reinforcing the above, Alexander (2006, p.17) also added that:

corporate governance of banks is largely concerned with reducing the social costs of bank risk taking and that the regulator is uniquely positioned to balance the relevant stakeholder interests in devising corporate governance standards for financial institutions that achieve economic development objectives, while minimising the externalities of systemic risk.

This further highlights the importance financial institutions in economic development as well as the need for financial regulation because of the systemic risk that banking activities poses for the economy and society at large.

Secondly, corporate governance regulation in The Gambia is an area that is not well researched. The country lacks the academic and financial resources with which to support such research (Sawahel, 2009). Thirdly, to date there has been no research

carried out in the field utilising grounded theory methodology which could provide useful insights and help drive future policy.

Corporate governance rules and regulations are not currently part of the regulatory framework in The Gambian banking system. Therefore, financial institutions in The Gambia do not have to comply with any specific corporate governance rules and regulations as part of the regulatory process required by the Central Bank of The Gambia (CBG). Financial institutions in The Gambia are therefore, compelled to adopt corporate governance regulatory policies and requirements that are mainly internally generated or imposed on them by their parent company. As a result, there are no consistent or standardised corporate governance frameworks across the financial sector institutions in The Gambia. Commenting on the adoption of corporate governance codes Aguilera and Cuervo-Cazurra (2004) concluded that legitimise pressures was a leading reason for code adoption. Enrione et al. (2006) added that maintaining legitimacy of law makers and regulators were the main drivers for institutionalisation of corporate governance codes. Furthermore, Zattoni and Cuomo (2008) also suggested that the reasons for adopting codes of corporate governance in civil law countries is to legitimate rather than improve corporate governance practices amongst national companies.

1.3 Research Questions

This research entails an empirical investigation of corporate governance regulation in the financial sector organisations in The Gambia. This research seeks specifically to investigate and answer four main questions:-

- How do corporate governance regulations affect financial sector organisations?
- How does the governance of financial sector organisations affect the services they provide to their stakeholders?
- How effective is the corporate governance system within the financial sector organisation in The Gambia?
- Can corporate governance in financial sector organisations provide accountability by management to stakeholders?

1.4 Structure of the Thesis

This thesis consists of nine chapters starting with chapter one Introduction - which lays out the research aims and objectives, background of the study including the rationale why the study was conceived and the research questions. Finally, this chapter also provides an overview of the entire thesis. Chapter two Literature Review - establishes the theoretical underpinning of the study focusing on definitions of governance, good governance, corporate governance literature and research on corporate governance. This chapter will also discuss corporate governance regulation, corporate social responsibility (CSR) and ethics, accountability, responsibility, transparency and trust. In addition the chapter explores ethical theories and financial institutions, corporate governance theories, evaluation of agency and shareholder theory and an evaluation of stakeholder theory. The urgency and importance of proper governance of corporations is highlighted by the 2007 financial turbulence, including the credit crunch, demise of Lehman Brothers, payment protection insurance miss-selling and the Libor scandal just to name a few. Provoked by questionable business practices and scandals, the issue of corporate governance has gained increased prominence in countries round the world (Reed, 2002).

Chapter three Corporate Governance Codes – reviews the models of corporate governance found in Africa, corporate governance regulation in The Gambia and the various corporate governance codes in the United Kingdom. A critical evaluation of the external influences on UK corporate governance and the Lamfalussy Report (2005). Most emerging countries in sub Saharan African including The Gambia are indeed former British colonies. As a result these countries tend to share the same British common law system. This therefore serves as an incentive for these countries to adopt the Anglo-Saxon model of corporate governance (Reed, 2002). Chapter four Research Methodology: Grounded Theory Approach – reviews the paradigms of inquiry for this research, the interpretivist paradigm and the constructivist paradigm. This chapter then discusses other paradigms of inquiry, theoretical framework of research and grounded theory research methodology. It also highlights the constraints on grounded theory approach, the difference between Glaser and Strauss, the framework for developing substantive data analysis and ending with a brief introduction to open coding, axial coding and selective coding.

The methodology is underpinned by an interpretivist (phenomenological) paradigm aimed at developing a substantive theory to further our understanding of theory as well as the empirical nature of The Gambia's corporate governance regulation and ethical practices. The data collected for this research is analysed using grounded theory methodology, which is a process of reducing raw data into concepts that are designated to stand for categories. The categories are then developed and integrated into a substantive theory (Strauss and Corbin 1990; Howell 2000). This process is achieved by coding data, writing memos, and formulating diagrams. The data collected will be coded and analysed using the three coding methods of the grounded theory model of open coding, axial coding and selective coding.

Chapter five - Research Methods provides an account of research methods and data collection process including - data sampling, data accessibility and challenges, data collection methods, interviews, focus group discussions and secondary data. Charmaz, (2011, p.14) suggested that "methods extend and magnify our view of studied life and, thus, broaden and deepen what we learn of it and know about it". Howell (2013, p.194) also added that:

no matter what philosophical position or paradigm of inquiry is used in a research project, it is always possible to use a combination of research methods when collecting data. The rationale for the balance between these methods will depend on the objectives of the research and the extent to which qualitative or quantitative techniques are to be utilised.

Furthermore, Creswell (2009) added that the choice of methods turns on whether the intent is to specify the type of information to be collected in advance of the study or allow it to emerge from participants in the project. However:

in grounded theory method terms, data collection tends to focus on interviews and the idea of 'slices of data' that are many and varied. In addition to interviews, grounded theory method coding can be applied to documents, focus groups – pretty much anything that is a text can be coded (Urquhart, p.69, 2013).

The Grounded Theory coding process is divided into two chapters. Chapter six Analysis of semi-structured interview and focus group discussion – open coding. This chapter starts off by discussing the semi-structured interview process and questions.

This is followed by an analysis of semi-structured interview questions using open coding. The chapter then discusses the focus group interview process and questions. The chapter then analyses the focus group interview questions using open coding. Finally, the chapter names the open categories developed from the interview and focus group discussion. These open categories arise from and across various questions and responses during the interview and focus group discussion. Open coding is:

designed to help analysts carry out the steps of theory building – conceptualising, defining categories, and developing categories in terms of their properties and dimensions – and then later relating categories through statements of relationships. (Strauss and Corbin, 2009, p.121).

Chapter seven - Analysis of semi-structured interviews and focus group discussion using axial and selective coding, begins by evaluating the application of the paradigm model. The chapter then discusses the phenomenon, causal condition, context, intervening conditions, action/interactional strategies and consequences. Next the chapter focuses on selective coding. Finally, the chapter ends with a substantive theory of bank corporate governance regulation in The Gambia. According to Strauss and Corbin (1998, p. 123) axial coding is the:

process of relating categories to their sub-categories, termed “axial” because coding occurs around the axis of a category, linking categories at the level of properties and dimensions.

Furthermore, Strauss and Corbin (1998) also added that the purpose of axial coding is to reassemble data that were fractured during open coding. Thus, axial coding involves the re-structuring of the whole process by finding connections between the data (Howell, 2013). Strauss and Corbin (1990, p.116) defined selective coding as:

the process of selecting the core category, systematically relating it to the other categories, validating those relationships...the core category is the central phenomenon around which all the other categories are integrated.

In other words selective coding is the process of integrating and refining categories (Strauss and Corbin, 1998). Furthermore, selective coding illustrates how the phenomenon fits around a core category and involves the process by which emerging

categories are organised and unified around a core category according to Strauss and Corbin (1990).

Chapter eight Relates Substantive Theory to Formal Theory - clarifies the process of formal grounded theory building. This is followed by an extensive examination of categorical imperative (CI) to corporate governance research. Next a review of corporate governance research utilising CI is carried out. The chapter then discusses the limitations of the literature linking CI and corporate governance. An exploration of the substantive theory within the framework of CI then follows. Finally, a more formal substantive theory is drawn. Glaser and Strauss (1967) explaining substantive theory in terms of existing formal theory such as CI suggested that it is not meant to turn the substantive to formal theory; but to make it formal substantive theory. The application of grounded theory should ensure that the theory emerging from the study meets the requirements of good science in terms of generalisability, reproductively and rigour (Strauss and Corbin, 1998; Howell, 2000). Finally, chapter nine identifies the conclusion of the thesis, contribution of the thesis and directions for future research.

1.5 Conclusion

This chapter has discussed the key purpose of this study and outlined its main aims and objectives. The study can now proceed to discuss the theoretical basis of the study and lay down the key definitions, justifying the need for this investigation, analysis of the primary data using grounded theory methodology. The application of grounded theory methodology enabled the researcher to build a substantive theory on corporate governance regulation within The Gambian banking system.

CHAPTER TWO: REVIEWING THE LITERATURE

2.0 Introduction

The framework underpinning the literature review of this thesis is structured as follows. The first part of the literature review is what the researcher called the conceptual literature review which focuses on corporate governance literature; definitions of governance followed by an appraisal of the literature on good governance. This is followed by an examination of corporate governance literature (historical perspective). Next an evaluation of the literature on corporate governance (theoretical exploration) is then carried out. This chapter also examines the literature on corporate governance regulation, CSR and ethics as well as accountability, responsibility, transparency and trust. This chapter also covers research on ethical theories and financial institutions and corporate governance theories. Finally, an evaluation of agency, shareholder and stakeholder theories will also be appraised. This section will elaborate the key theoretical frameworks underpinning the study. It is important to note that these components are all interlinked hence forming the basis underpinning the entire thesis. The literature review on the methodology will be carried out in chapter four alongside the methodology.

History has revealed that there is a never-ending evolution of theories or models of corporate governance. One of the reasons is due to the very essence of social consciences that is minimal and profit making took centre stage. All over the world, companies are trying to instil the sense of governance into their corporate structure. With the surge of capitalism, corporation became stronger while governments all over the world had to succumb to its manipulations and dominance (Masdoor, 2011, p.1).

Corporate governance is therefore seen as a key driver of investor confidence and managerial decisions (OECD, 2004; Chalhoub, 2009). Monks and Minow (1996) added that corporate governance is of national importance because an effective governance system is a necessary precondition for commercial competitiveness. Conversely, Crossan (2009, p.327) argued that:

corporate governance is an area that has seen an increase in interest over the last ten years. This increase in interest is due to some large and public failings (such as WorldCom, Enron and Polly Peck) and these failings have led to a number of recent inquiries into corporate governance, resulting in the (new) combined code issued during 2006.

The Cadbury Report (1992), and other reports, all list a number of key factors that their authors feel are relevant to achieving a proper level of governance within firms (Crossan, 2009).

The need, urgency and the importance of proper governance of corporations is further highlighted by the 2007 financial turbulence including a credit crunch at Northern Rock and HBOS. Provoked by questionable business practices and scandals, the issues of corporate governance have gained increased prominence in countries round the world, (Reed, 2002). As a result, corporate governance has gained a much greater profile and is now a frequent topic in the financial press, mainstream academia and outside the academic domain (Crossan, 2009). Thus, the term corporate governance is now firmly part of modern business terminology and is widely used by commentators, businessmen and academics (Crossan, 2012). Ross and Crossan (2012, p.216) added that the recent crisis highlighted two major points:

*the extent to which a modern market economy is reliant upon an efficient and stable banking sector; and
the degree to which the banking sector remains reliant upon tax payer funded support to prevent systemic market failure.*

As a result of the scale of both the banking crisis and rescue package, the tax payer is now a significant stakeholder in the banking sector (Crossan, 2012). These highlight the need for enhanced governance considering the financial and social implications of bank bailouts on wider society.

2.1 Definitions of Governance

The term governance has been clouded by a slew of slightly differing definitions and understanding of what is actually meant by the term (World Bank, 2013). This suggests

that the complexity of governance is difficult to capture in a simple definition (Institute on Governance, 2014). However, Solomon (2007, p.1) suggested that:

the term governance derives from the Latin word “gubernare, meaning ‘to steer’ usually applying to the steering of a ship, which implies that corporate governance involves the functions of direction rather than control.

This particular approach emphasise the importance of direction over control, with no acknowledgement or reference to the maintenance of shareholder value or, the interest of stakeholders, contrary to governance research over the years. Furthermore, an element of control and a sense of direction are two important elements in corporate governance (Nwanji, 2006). World Bank (2013) added that the term governance can be defined as the process by which authority is conferred on rulers, by which they make rules, and by which those rules are enforced and modified. The Institute of Directors take a more holistic approach to the concept of governance and understand that it is not exclusively to do with the control of management by external shareholders (Crossan, 2012).

On close examination these views seems to differ on the concept of governance in relation to direction and control. Tricker (1984) and Solomon (2007) suggested that governance is more to do with direction. Conversely, the Institute of Directors appear to advocate the importance of control (by following a particular rule, standard or principle) over direction. One can argue that these views are incompatible. Surely, direction would involve some kind of control to an extent. This literature also revealed that the term governance is not simply restricted to corporations' as such but also self-governance, a state and organisations.

McNutt and Batho (2005, p.656) argued that “governance at the employee level requires a code of ethics that is not just about right and wrong, but emphasises a contractual sense of duty to fellow employees as stakeholders of the firm”. However, O'Reilly (2003) argued that governance is not, after all, about applying static rules. Instead, it is about understanding and dealing with the management of the ever-changing environment within which it operates (O'Reilly, 2003). Fyfe (2003, p.14), by contrast defined governance as “relationship management and decision-making based on complex interplay of interest, differences, rights and obligations of a society's public,

private and voluntary sectors, groups and citizens”. These definitions (as stated above) emphasises the complexity of governance in planning and implementing measures aimed at improving performance in an ever changing environment within which they operate. This could also imply that governance requires an understanding of the relationships between the various stakeholders and to make certain the best course of action is taken in response to a specific situation taking into account the interests, rights and obligations of the various stakeholders.

Tricker (1984) further argued that the governance function is aimed at promoting accountability, supervision and controlling the actions of executive management in order to protect and enhance shareholder value. This line of argument highlight some key issues in relation to the term governance as highlighted in the corporate governance literature, amongst which include a sense of direction, accountability, overseeing and controlling actions of executives.

2.1.1 Governance

There are many competing definitions of good governance. Roberts, Wright and O’Neil (2007, p.967) defined good governance as signalling “presence – of the rule of law, of stability, of financial transparency, accountable state officials, human rights, of free media”. The Institute of Directors (2010, p.1) added that good governance is a “mixture of legislation, non-legislative codes, self-regulation and best practice, structure, culture and board competency”. Good governance is often paired with ‘democracy’ and assumed to involve not only a reformed state but also civil society and capital (Swyngedouw, 2005). Alternatively, Picou and Rubach (2006) suggested that firms with corporate governance procedures should be viewed as practicing good governance and being responsibly managed. Kester (1997) argued that the prices paid for corporations’ securities reflect investor’s expectation of manager’s actions and good governance. The term good governance is changeable in its meaning. Hence, there are no objective standards for determining good governance: some aspects include political stability, the rule of law, control of corruption and accountability (Nanda, 2006).

The term good governance came into vogue in the 1980’s and 1990’s with the World Bank leading the charge. It has since then assumed that status of mantra for donor agencies and countries as a prerequisite for aid (Nanda, 2006). Griffin (2010)

suggested that the principles of good governance should be participatory, conducted as close to citizens as practicable, transparent, accountable, effective and coherent. Furthermore, Griffin (2010) argued that there are limits to good governance because the relationship between democratic norms (like good governance) and political power is no longer clear.

There seems to be a general consensus that good governance leads to CSR and ethics. However, central to good governance is accountability and a strong legal framework as well as understanding the relationships between the various players (Fyfe, 2003). Rossouw (2005, p.95) argued that in the case of Africa, there are many impediments to good corporate governance high-up on the list including the following:

lack of effective regulatory and institutional frameworks, lack of transparency and market discipline, insufficient incentives for SMEs to the join ranks of listed companies, and state owned enterprises often set a poor example of good governance as their boards (not appropriately structured and appointments made purely on political grounds) do not display either the competence or the independence that is required for good governance.

Copp (2006, p.41) argued that good corporate governance has been:

recognised by international financial institutions as an important component in the promotion of a more stable financial system and in the reduction of systemic risks associated with financial crisis.

Tshuma (1999) suggested that liberalised financial markets need a robust regulatory framework as a result of growing economic and global interdependence and the consequent difficulties facing states in policy making and regulatory duties that transcend national borders. By contrast, some of these states are faced with inadequate global regulation and inadequate international economic policy co-ordination (Tshuma, 1999).

One can conclude that the term 'good' in this context is changeable in its meaning. It would therefore mean responsibly managed, presence – of the rule of law, of stability, of financial transparency, accountable state officials and human rights of free media (Roberts et al. 2007). Furthermore, other researchers perceive the term 'good' in this

context meaning: an expectation of management action (Kester, 1997). Nanda (2006) looks at the term good as: the rule of law, control of corruptions and accountability and finally, some aspects including political stability.

2.1.2 Corporate Governance Literature

The history of corporations can be traced back to the 17th century (Mueller, 2003). During this period there were no organised markets to transfer ownership claims. Hence, shares were only transferred to friends or relatives and control was therefore characterised by 'voice' rather than 'exit' (Hirschman, 1978). Hirschman proposed that people faced with dissatisfaction either 'exit' (that is, leave the relationship), or 'voice' that is, attempt to change the relationship from within (Saunders, 1992). However, the emergence of corporations led to the development of organised markets for the exchange of shares (Pistor and Xu, 2002). The establishment of markets made trading of shares easier. This implies that shareholders increasingly relied on the 'exit' option to express pleasure or displeasure with management, hence, granting management considerable authority (Hirschman, 1978). Therefore, control by voice shifted to the Boards of Directors, selected by managers and approved by shareholders. As a result there could be an element of partiality (of Boards of Directors) towards managers as opposed to shareholders. This will inevitably deepen the notion of the principal agent problem and information asymmetric, thereby, further isolating the shareholders from any meaningful control through voice (Hirschman, 1978).

Many believed that the doctrine of 'legal personality' as demonstrated in a court case between Salomon and Salomon back in 1897 is fundamental in the development of corporate governance literature (Berle and Means, 1932). The limited liability restriction incorporated in the Company's Act of 2008 protects corporate managers from unlimited liability responsibility in the governance of their corporations. This is because corporations are by definition a business entity with the legal rights to sue and be sued. Thus a corporation is a legal person with the same legal rights as an actual person. It appears that given the limited liability protection, managers could potentially take on certain risks in the operations of their corporations that in normal conditions they would not have taken if their liability was unlimited and managing their own capital rather than other people's resources (Smith, 1827). This widens the gap between shareholders

(principals) and management (agents) as advocated in agency theory. This is because managers would have more knowledge and understanding about the operations of the business and access to information than shareholders. However Sternberg (2004) argues that it is the ultimate responsibility of shareholders to control (via voting rights) corporations in exchange for their capital contribution and risk exposure to the extent of the virtue of their shares.

The British East India Company was one of the first corporations that came into existence, sometimes referred to as “John Company” (Braendle and Kostyuk, 2007). It was a joint stock company granted an English Royal Charter at the end of 1600. The governance structure in its early years is similar to the corporate governance structures and mechanisms in today’s companies (Cadbury, 2002). The development of corporations as they are known today can be traced to the development of the Railway Network in Britain in the 1800s (Solomon, 2007). This was because a large amount of capital was needed to feed their growth and therefore a governance structure to protect stakeholders. This eventually led to the development of Joint Stock Companies Act in 1844.

Eventually, corporations were allowed to write broader and more comprehensive charters. This gradually gave birth to the Limited Liability Act of 1855 (Hopt and Leyens, 2004). In the US the managerial controlled corporation evolved at a similar time, following the civil war in the second half of the 19th century (Solomon, 2007). It was during this period that the doctrine of divorce of ownership and control emerged (Berle and Means, 1932). This later formed the basis of the ‘agency problem’. Cadbury (2002) argued that the ‘agency problem’ predated Berle and Means (1932). Cadbury pointed to Liberal Industrial Inquiry of 1926-1928 in the UK arguing that a significant problem was detected because management and responsibility were in different hands from the provisions of funds, the risk taking and financial rewards (Cadbury, 2002).

Larner (1966 p.780) found that management control has “substantially increased among the 200 largest nonfinancial corporations since 1929, 58 per cent of their assets were management controlled. However, in 1963, 85 per cent of their assets were controlled”. This would imply that shareholders are increasingly relying on the ‘exit’ option to express pleasure or displeasure with management rather than voice due to

organised markets for the exchange of shares (Pistor and Xu, 2002). Contrastingly, Perrini et al. (2008, p.312) concluded that managerial ownership is beneficial “only in non-concentrated firms, suggesting that the controlling owner may use his/her position in the firm to extract private benefits at the expense of other stakeholders by appointing managers that represent and protect his interest”. Florence (1961) findings differ from Larner (1966 and 1971) which showed that two thirds of large companies were not owner controlled. Florence (1961) found no significant difference in the level or stability of profit rates due to management control, although management controlled firms did earn one half of one per cent point lower rate of return on equity than owner-controlled firms. Conversely, (Kamerschen, 1968 p. 444) found that:

profit rates to be significantly related to changes in control status from 1929 through 1963. Profits rates were higher for firms which had experienced a change in control status; however, changes were almost variable from non-management controlled to management controlled.

Vernon (1971) uncovers no evidence to suggest that control status has exerted a significant influence on profit rates of large commercial banks during recent years. Could the above difference in research findings be explained using the time lapse and the involvement of institutional investors rather than individual shareholders? There exists a 34 years' time lapse (1929-1963) between the studies during which there was a World War (1939-1945) and the Wall Street Crisis in 1929 and the Great Depression in 1930's. These events could have simply discouraged (using exit rather than voice) individual investors and explain the increase in management control.

2.2 Research on Corporate Governance

The current corporate governance debate can be traced back as far as the early 20th century according to Crossan (2011, p.293):

when Veblen (1923) predicted a movement towards absentee ownership of firms in the USA. However, it was with the publication of Berle and Means' (1932) The Modern Corporation and Private Property that the possible negative effects of a separation of ownership from control were fully discussed.

However, the exact meaning of corporate governance “is still open to much debate, where on one hand some see it as a proxy for shareholder power, others see it as just a set of basic legal guidelines that large public companies have to follow” (Crossan 2012, p. 54). In terms of theoretical exploration the term corporate governance is relatively new, but the practice is ancient (Causey 2008). Smith (1827 p. 311) argued that:

the directors of companies, however, being managers rather of other people's money than their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private company frequently watch over their own. Negligence and profusion therefore must always prevail, more or less, in the management of the affairs of such a company.

This clearly demonstrates an understanding of corporate governance issues without using the term itself. However, many will also argue that the notion of the ‘principal agent problem’ further highlight problems regarding the separation of ownership and control (Berle and Means, 1932). The term corporate governance:

has a clear origin from a Greek word, “kyberman” meaning to steer, guide or govern. From a Greek word, it moved to Latin, where it was known as “gubernare” and the French version of “governer”. It could also mean the process of decision-making and the process by which decisions may be implemented (Masdoor, 2011, p.1).

There are a number of other definitions of corporate governance in the literature but the main one, which is used by most researchers on corporate governance is that provided by Cadbury Report (1992 para. 2.5) on the Financial Aspects of Corporate Governance, which describes corporate governance as:

the systems by which companies are directed and controlled, boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and auditors and to satisfy themselves that an appropriate governance structure is in place in the organisation. The responsibilities of the board include setting the company's strategic aims, providing leadership to put them into effect, supervising the management of the

business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meetings.

This particular report laid the foundations of corporate governance principles and practices not only within the UK but the world over. Some countries have indeed adopted its main principles as part of their own corporate governance requirements. The notion of control in corporate governance as highlighted by Cadbury above is also acknowledged by other prominent authorities such as the Centre of European Policy Studies (CEPS, 1995) in their definition of corporate governance as the system of rights, processes and controls established internally and externally over the management of a business entity with the purpose of protecting the interest of all stakeholders. This is an inclusive view ensuring management control through processes and rights and the protection of all parties that are impacted upon.

Parkinson (1994) defines corporate governance as the process of supervision and control aimed at ensuring the company's management acts in accordance with the interests of shareholders. This is slightly different with the above definition with more emphasis on the protection and enhancement of shareholder interest and little or no emphasis on stakeholder's interest. Cannon (1994) also elaborated on the importance of control by defining corporate governance as the sum of activities that make up the internal regulation of a business in compliance with the obligations placed on the firm by ownership, control and legislation. It incorporates the trusteeship of assets, their management and their deployment.

The Organisation for Economic Cooperation and Development (OECD) Principle of Corporate Governance (2004) provides a broader definition of corporate governance as a set of relationships between a company's board, its management, shareholders and other stakeholders. This definition is designed to satisfy all its member countries. On the contrary, Lipton and Lorsch (1992, p.61) argued that "expanding corporate governance to encompass society as a whole benefits neither corporations nor society, because management is ill-equipped to deal with questions of general public interest". This perhaps explain why certain authorities narrow their definition of corporate governance such as Metrick and Ishili (2002) defining corporate governance primarily

from the view point of the investor as both the promise to repay a fair return on capital invested and the commitment to operate a firm efficiently.

Currently, there is no universally accepted definition of corporate governance (Ross and Crossan, 2012). This according to Ramaswamy et al. (2008) cited in Crossan (2012, p.54):

is due to the focus on 'corporate' and not governance within much of the debate in this area; there is no doubt that if we see governance as a holistic concept that is interested in fairness, responsibility, transparency and accountability then the relevance to small and medium sized firms (SMEs) becomes apparent.

Furthermore, Mallin (2007 p.11) added that:

the development of corporate governance is a global occurrence and, as such, is a complex area including legal, cultural, ownership, and other structural differences. An aspect of particular importance is whether the company itself operates within a shareholder framework as its main objective, or whether it takes a broader stakeholder approach.

Okike (2007 p.173) echoed similar sentiments arguing that whilst there is a case for adherence to global corporate governance standards. "Any Code of Best Practices adopted in Nigeria must reflect its peculiar socio-political, economic environment and provide the right assurance to prospective and existing shareholders". This definition acknowledges the enhancement of shareholders' value as the primary objective but more interestingly insisting on reflecting the peculiar socio-political economic environment. Clearly, this is contrary to decades of governance research focusing primarily on the control of executive self interest in settings where organisational control and ownership are separated. Furthermore, Yakasai (2001 p. 238) argued that the:

unusual and unconventional nature of emerging economies ultimately affects the management of many limited liability companies, to an extent that it differs from the governance processes of modern Plc's which are controlled (at least in principle) by owners through annual general meetings.

This further highlights the sentiments echoed by Okike (2007). It is therefore clear that literatures in corporate governance provide some form of meaning on governance, “but fall short in its precise meaning of governance. Such ambiguity emerges in words like control, regulate, manage, govern and governance. Owing to such ambiguity, there are many interpretations” (Masdoor, 2011, p.2). However:

through the publication of various reports a number of key factors, that inform the current debate, have been identified. These key factors, that all the recent reports highlight, include: the independence of the main board, the structure of the main committees and the separation of the role of the Chairperson from that of the CEO (Crossan, 2009, p.330).

The definitions found in corporate governance literature in general tend to share certain characteristics, one of which is the notion of accountability. A view shared by Oquist (1999) and Deakin and Hughes (1997) defining corporate governance as the relationship between the internal governance mechanisms of corporations and society’s conception of the scope of corporate accountability. This view is aimed at recognising the importance of accountability within the internal governance structure and at the same time emphasising the interest of diverse groups. Thus, more recently The Walker Report (2009, p.23) added that “the role of corporate governance is to protect and advance the interests of shareholders through the setting the strategic direction of a company and appointing and monitoring capable management to achieve this”. This reflects the capitalist approach to corporate governance adopted in the UK. Ross and Crossan (2012, p.221) suggested that improvements in corporate governance should “concentrate not on measuring risk but on identifying it, as the failure to correctly measure risk was partly to blame for the failure of banks including Northern Rock, HBOS and RBS”.

2.3 Corporate Governance Regulation

Crossan (2009, p.328) suggested that:

the need for corporate governance regulation is due to the possibility of managers having different goals to those of the owners. Where the owners may still wish to maximise their own financial returns from owning shares in a firm, it is not certain

that the managers of the firm will maximise their own utility by maximising the returns to their shareholders.

This is a classical principal agent problem, and corporate governance guidelines have to be in place to try to align the desires of the managers with those of shareholders (Crossnan, 2009)). Therefore, “it is more appropriate to consider the level of corporate governance as a measure of a manager’s ability to place his motives above those of his principals” (Crossan, 2007, p.95). One can therefore conclude that the factor that determines the likelihood of a firm aiming to profit maximise is the level of corporate governance within that firms management structures (Crossan, 2007).

Khemani and Shapiro (1993, p.180) defined regulation as a “imposition of rules by government, backed by the use of penalties that are intended specifically to modify the economic behaviour of individuals and firms in a private sector”. Hence, the introduction of corporate governance regulation/codes in most cases is driven by the desire for greater transparency, accountability and to increase investor confidence in markets round the world. This in most cases is as a result of financial scandals, corporate collapse, or similar crises as stated above. According to Tricker (2009 p.145) corporate governance regulation around the world was based on a “mixture of company law, corporate regulation (mainly filing and disclosure requirements), accounting standards, and for public listed companies the stock exchanges’ rules”.

Ironically, corporate governance compliance in most cases is on a voluntary disclosure basis. The UK Combined Code (2009) adopted a policy of comply or explain. It is argued that this provides a picture of a country’s attitude towards corporate governance for investors. The US by contrast adopted a legislative approach as opposed to the UK by enacting the Sarbanes-Oxley Act (2002) as a result of the corporate failures in 2002-2003. The name Sarbanes-Oxley Act (SOX) was derived from the bill sponsored by Senator Sarbanes and Congressman Michael Oxley. Sarbanes-Oxley Act (2002) calls for all public companies to adhere to three fundamental requirements. These include: “criminal and civil penalties for non-compliance; certification of internal auditing by external auditors; and finally increased disclosure of financial statements” (Webb, 2008, p.6). This Act was intended to protect investors through disclosure, accountability, and accuracy requirements. It was labelled the biggest overhaul of

securities laws since the 1930's by the New York Times (2002). Valenti (2008, p.410) found that in the post-SOX era, corporations have been "more sensitive to the concerns of governance advocates and have taken measures to ensure proper and complete oversight of financial matters" as stated above. This would imply that executives have less flexibility (legislation as oppose to the notion of comply or explain) for non-compliance and risk facing severe penalties as a result. Valenti (2008) added that this ensures proper and complete oversight of financial matters through enhanced disclosure, accountability, and accuracy which enhances investor confidence and trust.

This Act was in fact once regarded as a compliance burden for public companies. Today, both public and private companies are increasingly viewing it as corporate governance best practice, with a quantifiable return on investment (Goins et al. 2009). Dvorak (2008, p.1) found that despite the SOX (2002) "Ethnic and racial minorities remain underrepresented on US corporate boards, comprising roughly a tenth of the big-company directorships, versus a third of the population". The percentage of board seats minorities hold has barely budged since 2000. Webb (2008) found that firms found to be in violation of the SOX are not systematically worse when it comes to common measures of corporate governance. The research concluded that the financial structure and soundness of the groups of firms were found to be very similar contrary to Valenti (2008). This is an interesting contradiction implying that non-compliance of SOX (2002) did not necessarily mean that the entity is worse off systematically in terms of corporate governance measures and has no impact on the financial structure and soundness contrary to Goins et al. (2009) and Valenti (2008) as discussed above.

Govekar (2008, p.291), comparing the 1905 insurance scandal and the 2002-2003 corporate failures found that "both came from a similar set of circumstances which began decades before the actual scandals" a view supported by an earlier research by Conrad (2003). Conrad (2003) suggested that different cultural and technological conditions can manifest themselves in three trends namely: free marketism; speedy new technologies; and epic Chief Executive Officer's (CEO). These three trends are "clearly present in both the 2002-2003 corporate failures and the insurance industry 100 years earlier" (Govekar, 2008, p.291). Hence, managers and scholars should take note of the three trends that foreshadow scandals and meltdowns to avoid future scandals, with their unavoidable legal backlash in the future (Govekar, 2008). Following

the various corporate failures in 2002-2003 the US enacted the SOX (2002) while the UK introduced the Combined Code (2003) to protect and safeguard the interest of various stakeholders. Braendle and Noll (2004) argued that codes are aimed at improving efficiency which in turn positively correlates and increases a company's performance.

However, it is important to note that it's extremely difficult to correlate corporate governance code against a company's performance. Werder and Talaucar (2003) argued that this is due to the fact that the impact of the code on company performance can hardly be isolated. Therefore, it is not possible to clearly prove the possible effects of acknowledged corporate governance principles on company performance. This contradicts Braendle and Noll (2004) as stated above. Although the UK adopts a voluntary code for listed companies, adherence is nearly mandatory due to listing requirements. Fama (1971) suggested that "companies would face a discount of their shares' issuing price in case of arbitrary deviations". Hulsse and Kerwer (2007) commenting on the demise of standards suggested that the voluntary rules are the characteristics of the new global governance. Hence, it is possible given their voluntary nature to avoid decision making deadlocks by structuring participation and decision making exclusively in a way that suit management and their expected outcome.

Financial scandals have plagued the history of corporate governance, amongst which is the demise of the Maxwell Corporation in 1991 due to fraudulent transactions including illegal use of pension funds (Nwanji, 2006). Polly Peck also failed in 1990 due to inadequate internal control mechanisms including theft and false accounting (Financial scandals have plagued the history of corporate governance, amongst which is the demise of the Maxwell Corporation in 1991 due to fraudulent transactions including illegal use of pension funds (Nwanji, 2006). Finally, Barings Bank in 1995 also failed as a result of the actions of Nick Leeson and inadequate internal controls and supervision (Nwanji and Howell, 2004). Considering the losses incurred by companies and the public at large as a result of these scandals, governments were forced to act by passing legislation/codes aimed at restoring confidence and curbing corporate power through enhanced regulation. This is aimed at ensuring accountability and transparency in markets the world over. Berle and Means (1932) commenting on the significance of corporate power argued that modern corporations can equally compete

with the modern state both politically and economically. While the states seek to regulate corporate activities, corporations on the other hand make every effort to avoid such regulation.

A review of the argument above by Berle and Means (1932) seems to suggest the need for more stringent rules and regulations. These will therefore facilitate and allow the state to combat and control corporate power to ensure and preserve the integrity and reputation of the efficiency of the capital markets. This is because corporations have proven to be a superior means of attracting capital, organising labour, stimulating ideas, and providing efficient systems of production and distribution. Hence, sustaining confidence and trust in the performance of that corporate system is a matter of enormous public concern (The Conference Board Commission on Public Trust and Private Enterprise, 2014).

Furthermore, Turner (2006) argued that the American financial market's capacity to raise capital is dependent on investor confidence and market transparency. These clearly highlight the need for more effective governance of corporations giving the history of financial scandals normally caused by inadequate regulation and ineffective corporate governance systems and procedures. On the contrary, Cadbury (1992, para 7.2) argued that no system of corporate governance can provide total proof against fraud or incompetence. However, Hulsse and Kerwer (2007) commenting on the demise of standards with particular reference on the voluntary standards of global governance, suggested that standards seem to follow a life cycle starting with highly effective rules based on expertise, then become legitimate and eventually the standard quality goes down and the effectiveness decreases. Given that state owned enterprises (SOEs) dominate African markets, "the solution might lie in corporate governance reform within SOEs so that a precedent can be created of state run enterprises in which good corporate governance is being practiced" (Rossouw, 2005, p.96).

2.4 CSR, Corporate Governance and Ethics

There appears to be a general consensus that good governance leads to CSR and ethics. However, central to good governance is accountability and a strong legal framework as well as understanding the relationships between the various players (Fyfe, 2003). There is uncertainty as to how CSR should be defined in the academic

world as well as the corporate world. Jackson and Hawker (2001) argued that they have looked for a CSR definition but failed to come across one. This according to Dahlsrud (2006) is because any attempt to develop an unbiased definition is challenging because there is no standard methodology to verify whether it is unbiased or not. This would imply that even if there is one agreed definition, it will still require CSR practitioners to apply it for the confusion to be eradicated.

The Business for Social Responsibility (2003) defined CSR as 'achieving commercial success in ways that honour ethical values (integrity, honesty, responsibility, caring and self-discipline) and respect people, communities and the natural environment'. Whilst the Commission of the European Communities (2003) defined CSR as the 'concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by a business to behave fairly and responsibly while contributing to economic development improving the life of the work force and their families as well as the local community and society at large'. Finally McWilliams and Siegel (2001, p.118) defined CSR as "actions that appear to further some social good, beyond the interests of the firm and which is required by law".

An evaluation of the literature above on the various definitions of CSR leads one to conclude that CSR is ultimately concerned with learning the effects of corporate organisations on society, their social responsibility obligations within society as a result and ultimately allowing corporations to be accountable for these responsibilities (Grewal and Darlow, 2007). This is due to inadequate legislation governing the activities of corporations because both the law makers and the markets lack detailed knowledge of corporate activities (Stone, 1975). Others argue that CSR represents significant challenges in both cost and time in carrying out the process. Thereby making the whole process of product development more complicated and undermine the ability of smaller companies' to comply with CSR activities (Grewal and Darlow, 2007).

CSR, good corporate governance and ethics also feature heavily in corporate governance literature. Ethics can be defined as a system of moral principles governing the appropriate conduct for a person or a group. The issue of ethics are aimed at maintaining moral standards and hence, minimise the need for stringent regulation. Ethical values in the management of corporations will eventually form the basis of good

governance and ultimately enhance CSR (Oquist, 1999). Oquist (1999, p.125) argued that “ethics and integrity must be widespread among the citizenry and especially strong in public and private leadership positions for good governance to prevail”. Spiller (2002, p.150) argued that “numerous investors are especially interested in business ethics as a consequence of its positive effects on financial performance”. Conversely, Mittal et al, (2008, p.1437) argued that “there is little evidence that companies with a code of ethics would generate significantly more economic value added (EVA) and market added value (MVA) than those without codes”. This is because the social responsibility information (SRI) is not quantified financially and is not focused on product improvement or fair business practices (Teoh and Shiu, 1990).

Dominguez et al. (2009, p.198) argued that corporations are “required to implement ethical codes in order to recover investors’ trust reduced as a consequence of the recent financial turbulence”. It is argued that a greater number of female directors do not necessarily lead to more ethical companies contrary to several past studies (Dominguez et al, 2009) to the economic success of corporations and their long term sustainability (Armstrong, 2003). Enhanced transparency and market discipline can also enhance good corporate governance and further drive the quest for good governance in Africa (Armstrong, 2003). Rossouw (2005, p.95) however suggested that “good corporate governance can enhance corporate responsibility and improve the reputation of companies, which in turn can attract local and foreign investors”. It is also seen as a deterrent to corruption and unethical business practices that damage Africa’s business image (Rossouw, 2005). Thus, over the past decade, a growing number of companies have recognised the business benefits of CSR policies and practices (Mittal, Sinha and Singh, 2008). Proponents of CSR claims that CSR leads to improved financial performance, enhanced brand image and reputation, increased sales and customer loyalty, increased productivity and quality, among other benefits (Rossouw, 2005; Mittal et al 2008). Companies are also encouraged to expand CSR efforts due to pressures from customers, suppliers, employees, communities, activist organisations and other stakeholders (Mittal et al 2008). Partners in Change (2000) found that 85 percent of the companies surveyed mentioned that business has a role to play in social development with emphasis on community development.

Academic literature has highlighted that corporate governance and CSR are strongly and intricately connected (Jones and Thomas, 1995; Johnson and Greening, 1999; Knox and Maklan, 2004; Bhimani and Soonawalla, 2005; Van den Berghe and Louche, 2005; Aguilera, Williams, Conley and Rupp, 2006; Mitchell, 2007; Aras and Crowther, 2008; Jamali, Safieddine and Rabbath, 2008; Huang, 2010; Kolk and Pinkse, 2010; Arora and Dharwadkar, 2011; Jamali and Neville, 2011; Low and Ang, 2013; Rahim and Alam, 2013; Young and Thyil, 2013). The convergence of CSR and corporate governance “has changed the corporate accountability mechanism. This had developed a socially responsible corporate self-regulation, a synthesis of governance and responsibility in companies of strong economies” (Rahim and Alam, 2013, p.607). Sacconi (2010, p.5) concurred and views CSR as “extended corporate governance wherein CSR extends the concept of fiduciary duty from mono-stakeholder setting to a multi-stakeholder one in which the firm owes all its stakeholders fiduciary duties”. This view is supported by Jensen (2002) and Aguilera, Rupp, Williams and Ganapathi (2007). Bagic, Skrabalo and Narancic (2004) opine that several events have been important drivers of this intersection for example, global civil societies urge to include the excluded social costs of production, hidden environmental cost and lack of confidence in the institutions of the market economy. Furthermore, Jamali et.al. (2008) found three bases for this relationship namely; (1) corporate governance as a pillar for CSR; (2) CSR as an attribute of CG and (3) corporate governance and CSR as coexisting components of the same continuum.

Both CSR and corporate governance have to do with the direction of companies and with the translation of that into corporate strategy (Van den Berghe and Louche, 2005; Jamali and Mirshak; 2007; Young and Thyil, 2013). Furthermore, corporate governance and CSR are two concepts that draw vigour from the same sources: transparency, accountability, honesty and trustworthy (Dunlop, 1998; Lerach, 2002; Seligman, 2002; Van den Berghe and Louche, 2005; Robertson, 2009; Rahim and Alam, 2013). Van den Berghe and Louche, (2005. p. 427) also suggested that:

given the increased expectations towards business in society and taking into consideration the increasing mistrust caused by corporate failures, corporations need to move towards responsible corporate governance that can balance the

legitimate interests of all stakeholders involved and emphasises ethics and sustainable growth.

It is clear that good governance requires responsibility with regard to the wishes of all stakeholders (Kendall, 1999). Thus, companies with good corporate governance usually consider the maintenance of stakeholders, customers and society's trust to be of vital importance in ensuring mutual sustained development (Huang, 2010). As a result, corporate responsibility reporting is now a mainstream expectation of companies with more than 80% of the world's 250 largest companies now report on corporate responsibility (KPMG, 2008).

Teoh and Shiu (1990) argued to the contrary that the SRI in annual reports has no significant impact on institutional investors' decisions. This is because the SRI is not quantified, not in financial form, and is not focused on product improvement and fair business practices (Teoh and Shiu, 1990). Others argued that the relationship between corporate governance and CSR is still far from clear (Harjoto and Jo, 2011). It is likely, therefore, that "the businesses that are inclined to engage in CSR initiatives tend to be those that are already financially successful and can afford the added CSR overhead" (Mittal et al. 2008, p.1442). Rahim and Alam (2013, p.607) added that:

the convergence of CSR and corporate governance has not been visible in the companies of weak economies, where civil society groups are unorganised, regulatory agencies are either ineffective or corrupt and the media and non-governmental organisations do not mirror the corporate conscience.

Furthermore, most previous empirical studies control for neither endogeneity nor causality, and thus empirical research on the relationship between corporate governance and CSR is typically silent about the direction of causation (Jo and Harjoto, 2011).

As a result of the recent corporate crisis, several codes have focused on the role played by directors on planning and monitoring of corporate codes of ethics (Dominguez et al, 2009). US President, George Bush commenting on corporate crisis in 2002 suggested that we need men and women of character who know the difference between ambition and destructive greed, between justified risks and irresponsibility, between enterprise and fraud. Those who sit on corporate boards have responsibilities

(Financial Times, 2009). Furthermore, Fukuyama (1995) argued that prosperous countries tend to be those where business relations between people can be conducted informally and flexibly on the basis of trust. The term trust in this context implies a firm belief in someone or something. Risk is not only inherent in monetary investment, but also the investment in social relations (Giddens, 1991).

The vulnerability of the UK economy it is argued could be attributed to targeting high profits and short term horizons a characteristic of UK financial institutions (Hutton, 1995); which he argued originates in the financial system. The power of corporate bodies seems to be dominating society and setting the agenda for society's values (McCann et al, 2003). Hence, governments have been drawing up plans aimed at enhancing governance of corporations ensuring control, accountability, transparency, broader ethical considerations, and adequate disclosure of financial information. This is aimed at restoring confidence in the various markets.

Jennings (2006) suggested that investors should look out for the seven signs of ethical collapse namely: pressure to meet numbers, fear and silence, sycophantic executives and an iconic CEO, a weak board, conflicts of interest, over-confidence and social responsibility is the only measure of goodness. However, there is a general consensus that central to good governance is accountability, responsibility, transparency and trust (Crossan, 2009; Rahim and Alam, 2013). That being said, other partnerships require not only good governance up front but a strong legal framework as well (Fyfe, 2003). An evaluation of CSR, corporate governance and ethical literature above suggests that corporate governance has embraced CSR principles and ethics at the core of their strategies (Rahim and Alam, 2013). Corporate governance insists that corporate management finds ways to relate various stakeholders of the business to reach the economically optimal levels of investment in a firm-specific human and physical capital (OECD, 2004).

2.5 Accountability, Responsibility, Transparency and Trust

An evaluation of the literature on governance, regulation, CSR and ethics seems to suggest the need for accountability, responsibility, transparency and trust if the financial markets are to regain public trust and investor confidence (Labelle, 2009). Roberts and Scapens (1985, p.447) defined accountability as “giving and demanding of

reasons for conduct". Wolfensohn (1999) added that corporate governance is all about promoting corporate fairness, transparency and accountability, whilst Kaur and Mishra (2010) suggested that corporate governance recently gained momentum the world over due to corporate failures, unethical business practices, insufficient disclosure and transparency. Others argue that adherence to the above notions (accountability, responsibility, transparency and trust) will significantly reduce the probability of adverse media coverage, damaging litigation or unfavourable regulatory changes which could undermine shareholder value (Holland, 2002). Waddock and Bodwell (2007, p.20) defined responsibility as "a process or a system involving development of vision, explicit articulation of values, implementation into strategies and management systems and continual improvements". It is important to note that areas of responsibility are not only limited from the organisational and legal points of view, but also from the ethical point of view (Enderle, 1987).

Transparency and Accountability Initiative (2014, p.1) defined transparency as "a characteristic of governments, companies, organisations and individuals that are open in the clear disclosure of information, rules, plans, processes and actions". Griffin (2010) added that transparency is an important prerequisite for accountability because it enables evaluation after the event, whereas, accountability enables appraisal before or during decisions. Accountability is not only restricted to corporations but applies to all decision making institutions, including governments, private sector and civil society organisations. Therefore, these organisations must be answerable to a public who may not be present during decision making (Griffin, 2010).

Yandle (2010) argued that the 2008 financial crisis was a result of sudden breakdown of assurance mechanisms – the generators of trust (independently determined credit rating, international accounting standards and credit default swaps) - rather than actions taken or not by misguided central bankers. While Barker (2009) suggested that the fundamental threat facing the banking industry despite the losses, power struggle and increased regulation is the destruction of trust. Yandle (2010, p.343) suggested that "trust is the most fragile human sentiment (rooted in individuals) and practically all markets transactions depend on some degree of trust". Yandle also argued that without trust transacting parties cannot afford enough police and regulators to induce honest behaviour among ordinary people.

Fakuyama (1995) defined trust as a mechanism or social norm that facilitates economic growth to occur beyond the limits of small groups. Yandle (2010) also suggested that the financial crisis will lead to permanent expansion of regulations, thereby, replacing market driven trust devices. Forster and Nilakant (2005) commenting on the role of trust in privatisation focusing on the transformation of the electricity utility in The Gambia. They concluded that “organisational factors such as trust generation may be as critical as economic factors in ensuring the success of deregulation and privatisation in less developed countries” (Forster and Nilakant, 2005, p.348).

Trust it is argued involves an assumption or expectation that vulnerability will not be taken advantage of by the other (Forster and Nilakant, 2005). However, in April 2010 two Northern Rock executives were fined and banned over false mortgage data. The case was part of FSAs (Financial Services Authority) effort to facilitate ‘credible deterrence’ by holding individuals and institutions accountable for their actions (Yandle, 2010). It is clear from the above literature that with trust comes responsibility. It is therefore suggested that failure to fulfil the responsibility incumbent on executives as a result of the trust should be held accountable for their action, thereby promoting the ethos of transparency. Gordon Brown commenting in the Financial Times (2009, p.5) suggested that “combined failure of corporate governance, of responsibility, and accountability by banks and bankers, of credit rating agencies and domestic and international regulatory authorities were the reasons for the recent financial crisis”. Furthermore, he suggested that any solution must incorporate the principles of transparency, sound banking, responsibility, integrity, global standards and supervision.

2.6 Ethical Theories and Financial Institutions

Most developing countries have no effective governance system, based on law and regulations, the minimal financial sector organisation mechanisms available are riddled with corruption, mismanagement, and ineffective provisions of services/delivery to the public (World Bank, 1997). The individual is left to care for himself and his family with no government support of any type. The issue of corruption and mismanagement of financial sector financial systems could be viewed from ethical theory as well as regulatory theory. Ethics will address the issues relating to moral value from a Kantian

Ethical perspective. The focus of management of financial sector organisations is the provision of services to the society as stakeholders therefore; stakeholder theory has ethical issues, which require relevant ethical theory. Artigas (2006) suggested that philosophical ontologism based on the concept of good as oppose to evil help us define the banking business from the point of view of ethics. Davies (2001) added that the internal audit of the bank's operations should conform to the operating principles and business ethics code pertaining to internal auditors.

Codes of ethics are now prevalent in large corporations around the world (Schwartz, 2002). The prevalence of codes should continue to increase as governments, industry associations, and special interest groups increasingly call for the establishment of corporate codes of ethics (Schwartz, 2002). There are currently thirteen 13 banks in The Gambia comprising of 12 commercial banks and one Islamic bank. The Gambia has a distinct historical legacy. The small river state with a population of 1.8m is a developing country that is 90 per cent Moslem in religion, a former British Colony, with the legacy of colonial legislation and institutions (World Bank, 2014). The Gambia operates a dualistic model of banking (CGB, 2014). It consists of conventional and Islamic banking set up partly due to the British colonial legacy (World Bank, 1997). Both systems run parallel to each other with an established legacy as well as respective market segment partly due to cultural diversify and ties with Islamic and Western world (World Bank, 1997).

Currently, there is no specific ethical code of conduct in The Gambian banking system from a regulatory point of view (CGB, 2014). As a result, some banks in The Gambia have developed their own ethical banking code as part of their internal governance mechanisms. The Arab Gambia Islamic Bank (only Islamic bank) for example follows the Accounting and Auditing Organisation for Islamic Finance Institutions (AAOIFI) ethical framework (CGB, 2014). AAOIFI was established to provide industry-wide standards for accounting, auditing, governance and ethics for central banks, Islamic financial institutions and others from the international Islamic banking and finance industry (Mathenge, 2013). All Islamic banks are encouraged to adopt the AAOIFI ethical framework but it is not mandatory (Mathenge, 2013).

Given that the economy cannot successfully function in the absence of ethics and morals, the necessity of introducing ethical code is frequently advocated (Hazard and Geoffrey, 1995). Thus, the application of the code of ethical principles would establish a defensive mechanism in the area of ethical values because the codes requires more stringent moral standards and involves sanctions for the breach of the principle (Mathenge, 2013). However, given The Gambia's dualistic banking model due to the British colonial legacy, cultural diversity and ties with Islamic and Western world (World Bank, 1997). Any propose code of conduct for The Gambia will therefore need to recognise the different ethical practices amongst banks and how the codes will influence behaviour. Muhammad and Jolis (2001) suggested 13 basic ethical principles in banking. Schwartz (1998) came up with six proposed set of universal moral standards which takes into account global codes of ethics and the Interfaith Declaration. An evaluation of the basic ethical principles in banking and the universal moral standards suggests that there are commonalties between the two (Schwartz, 2002). The commonalties between the two standards are as follows:

- Trustworthiness (including notions of honesty, integrity, reliability, and loyalty);
- Respect (including notions of respect for human rights);
- Responsibility (including notions of accountability)
- Fairness (including notions of process, impartiality and equity)
- Caring (including the notion of avoiding unnecessary harm) and
- Citizenship (Including notions of obeying laws and protecting the environment).

The six standards, based on their universal nature and fundamental importance, would necessarily be required to take priority over other values (Schwartz, 2002). Thus, an argument can be raised that these standards are universal in nature, "in that they can be considered of fundamental importance regardless of time, circumstance, cultural beliefs, or religious convictions" (Schwartz, 2002, p.30). In this respect, these core moral standards are suggested as forming a normative basis by which to construct a code of ethics for corporate codes of ethics (Schwartz, 1998; 2002). This researcher is proposing that The Gambia banking system should adopt this universal code of ethics as part of the regulatory framework. Table 2.1 focus on proposed ethical values,

Table 2.1: Proposed ethical values, principles and expected behaviour

Values	Principles	Examples of how this will influence behaviour in The Gambian banking system
Honesty	Be honest to stakeholders	Avoid misleading advertising and falsifying statements
Integrity	Stick to values despite financial loss	Avoid bribery even if contract lost
Reliability	Fulfil commitments	Fulfil all contractual obligations
Loyalty	Avoid conflicts of interest	Don't accept gifts
Respect	Respect the rights of others	Do not engage in sexual and religious harassment
Responsibility	Take responsibility for actions	When misconduct takes place, take steps to ensure it is not repeated
Fairness	Treat stakeholders fairly	Avoid anti-competitive activities
Caring	Avoid unnecessary harm	Employee community involvement
Citizenship	Obey the law and protect the environment	Follow the law of the country

Source (Adapted): Schwartz (2002, p. 32)

principles and how this will influence changes in behaviour within The Gambian banking system. The proposed universal code of ethics for The Gambia would recognise the different ethical practices, cultural beliefs and religious convictions amongst banks (Schwartz, 1998; 2002).

The application of Immanuel Kant's theoretical framework, which he called CI, is also explored to deal with the issues of financial sector stakeholders (Nwanji, 2006). A normative claim is the idea that stakeholders have intrinsic moral rights in relation to the management of corporations, particularly financial sector organisations are primarily derived from non-consequentialist or deontological ethical theory. The arguments in support of the stakeholder concept are rooted in the theories of Kantian duties and rights. The idea that a person, by virtue of being a person, possesses intrinsic moral rights can be traced to Kant's theory. Brady (1999) suggested that during the past 100 years the dominant philosophical opinion is divided into two distinct categories namely teleology and deontology. Understanding the two distinct categories above requires one to have a basic understanding of the word ethics. Aronson (2001, p. 248) defined ethics "as the study of standards for determining what behaviour is good and bad or right or wrong". It is suggested that ethics in one form or another, is grafted onto the corporate body as a preventative or remedial measure to help combat corruption, promote obedience to laws and procedures, and increase trust between citizens and institutions (Garofalo, 2003). There are different types of ethical theories that exist primarily because various philosophers adopted different perspectives regarding the benchmark upon which ethical judgements should be based (Aronson, 2001).

The focus of this study however, will be centred around the notion of teleology and deontology with emphasis on consequentialism. Deontology can be defined as the study/theory of moral obligation. In order to understand Kant's deontology one needs to understand his notion of "goodwill". It means acting out of respect for the moral law, i.e. for the sake of duty (Kant, 1964). Macdonald and Beck-Dudley (1994, p. 615) suggested that "deontological approaches to ethics attempt to establish the content of duty without considering the consequences of particular ways of acting". Teleological approach, by contrast is centred firstly, around the need to identify the sort of goods human actions ought to protect and realised, before evaluating actions as right or

wrong according to their effects/consequences (Macdonald and Beck-Dudley, 1994). Helms and Hutchins (1992) insisted that the moral value of a particular behaviour should be separated with the outcome because the certainty of the outcome is questionable at the time of the decision to act.

It is important to appreciate the contribution of Kant's insistence on absolute demands of duty. Indeed one of the deep seated moral convictions is that there are ways of treating people that can never be allowed regardless of the circumstances. Criminal law it is argued is centred around absolutist to a degree in that murder is always and everywhere forbidden for instances (Macdonald and Beck-Dudley, 1994). Garofalo and Geuras, (1999) addressed several technical matters in relation to Kant's CI. Garofalo (2003) later sets out three formulations namely: firstly, do unto others as you would have them do unto you. Secondly, treat human beings as ends in themselves and never as means only. Finally, to paraphrase, each rational and autonomous being must be considered a legislator in a kingdom of ends.

Commenting on the Kant's CI, Wicks (1998) argued that it forms the basis for developing a moral theory which applies to all rational beings. Furthermore, the norms created by this notion are both universal in scope and necessarily binding. Furthermore, Kant claims that we need to work for a pure notion of ethics and that the fundamental moral duty of all rational beings is to act in accordance with norms that are generated by, and consistent with the CI (Wicks, 1998). Grisez (1983) objected to Kant's moral philosophy arguing that it is entirely too permissive, allowing morally horrendous maxims to pass muster. Furthermore, critics argue that it commands us to do as we should be done by but failed to answer/address the question of how we should be done by.

Rallapalli et al (1998) suggested that there are two main categories of deontological theories namely the rule and act deontology. The rule deontology it is argued should follow a specific predetermined standards/rules. Hence, one's behaviour is either ethical or unethical not as a consequence of the one's action but in comparison to the standards initially set out. Act deontology argues that human beings act ethically according to their norms, but limited to a specific behaviours which suggests that there are exemptions to the rule (Rallapalli et al, 1998). Aronson (2001) argued that people

are required to behave towards others in a particular manner because they are human. It is therefore, incumbent for one to consider their rights and dignity regardless of the consequences. Hence, the concern is the morality inherent in the action itself (White, 1998). Philosophers disagree about precisely what teleology affirms (Gaus, 2001).

Teleological approaches to ethics tend to morally evaluate actions by evaluating their consequences (Garofalo, 2003). Hence, right actions being right because they tend to have good consequences and vice versa (Macdonald and Beck-Dudley, 1994). Thus, from a teleological perspective, evaluations of consequences as good or bad provide the premises for inferring the norms of right acting. Gaus (2001) suggested that a theory is teleological if it justifies the right, moral duty, or obligation, on grounds that it promotes what is good. Thus, an act is defined as moral if it is deemed to produce a greater degree of good or evil than any other alternative, and is immoral if it failed to do so (Aronson, 2001). Another view addressing this point is the argument by Helms and Hutchins (1992) who perceives teleological perspectives to ethics as emphasising the outcome/consequence, as oppose to the initial intent of the individual behaviour. Ethical research theories seem to suggest that there are many more classifications of teleological theories in the literature.

This research however, will only focus on the three main categories namely ethical egoism, act utilitarianism and rule utilitarianism. Ethical egoism considers an act moral or immoral purely on the basis of achieving its objectives. It is important to note that ethical egoism may consider the interest of others but not as the main goal. It considers others as medium through which the ethical egoist's welfare could be maximised (Shaw and Post, 1993). An act is therefore deemed ethical only if the results of the act are more advantageous than those of any other alternative behaviour (Hunt and Vitell, 1986). Quinton (1989) viewed utilitarianism as two principles namely: the consequentialist principle and hedonist principle. Consequentialist principle tends to classify an act as right or wrong purely as to whether the consequences are good or bad. The hedonist approach seems to suggest that only pleasure is basically good and only pain is basically bad. Frankena (1973) looking at the ethical view of hedonist suggested that what is right or wrong is basically determined to create the greatest overall weighing of good over evil.

Regan (1980) considers act utilitarianism to be an evaluation of behaviour in relation to its potential to produce the greatest amount of good for the largest number of people. One can therefore conclude that the act utilitarianism seem to advocate the principle of utility. That is by attempting to evaluate which option is expected to result in the highest level of good as opposed to the evil in the universe (Frankena, 1973). Act utilitarianism is therefore considered as independent of any rules. However, rules may serve as a guide in act utilitarianism but not necessarily form part of the ethical decision. Rule utilitarianism according to Rallapalli et al (1998) assume that individuals conform to rules and act in ways that gives the highest degree of good for the largest number of people. In this case, it is desirable to depend on a set of rules for a swift action (Quinton, 1989). These rules it is noted must be chosen, upheld and modified/replaced as required on the sole basis of their utility. The maxim of utility remains the only criterion and applies in terms of rules instead of specific evaluations (Aronson, 2001).

Ethics of virtues (and vices) tend to elaborate on the process of personal moral character development. Garofalo (2003) suggested that the morality of an act is determined by the character traits that it demonstrates. Thus the object of moral evaluation is not the act itself but the character of the actor. Thomas (2001, p.101) commenting on the ethic of virtues “proposes that managers add an attention to the virtues and the vices of human character as a full complement to moral reasoning according to a deontological focus on obligations to act and a teleological focus on consequences (a balance tripartite approach)” a point also echoed by Whetstone (2001). The author argued that an interactive tripartite approach is a more effective system aimed at meeting the complicated requirements of an applied ethic, a point also echoed by Garofalo (2003).

Conversely, Donaldson and Werhane (1999) argued that some philosophers were indeed less eager to accept the human nature method mainly because they believed that consequentialism and deontology exhaust all possible modes of ethical reasoning. It is important to note that these three ethics perspectives have distinct differences in terms of primary focus and in relation to what constitutes a right action. In terms of primary focus consequentialist teleology tend to focus on consequences; cost versus benefits – of the act. While deontology focuses on duties: moral obligations – re the

act. In other words, it does not look beyond the act itself in assessing its moral worth (Brady, 1999).

Lastly, virtue ethics focus on character development – for the person. In relation to what constitutes a right of action consequentialist teleology promotes the best consequences in which happiness is maximised (Donaldson and Werhane, 1999). Deontology advocates for the right action to be in accordance with the moral principle required by God, natural law or rationality. A right action in relation to virtue however, is one that a virtuous agent is disposed to make in the circumstances in order to flourish or live well (Thomas, 2001). To fully understand what constitutes a virtuous act Aristotle (1976) set out three conditions. The first condition is that the act must fit its appropriate purpose. Secondly, the act must be virtuous and finally, the act must result in a steady state of character disposition not a one off or impulsive act. Thomas (2001, p.104) summarised a virtuous act as “a rational act based on a wise, purposeful assessment of the factual situation, chosen for a pure motive and consistent with a steady disposition of the actors’ character”. Critics of the virtue ethic points out its cultural relativism in that different people and cultures can consider different character traits as virtues (Hursthouse, 1997; Donaldson and Dunfee, 1999; Velazquez, 2000). On a final note, one can argue that ethical problems are thus resolved most effectively by employing the teleological, deontological and virtues points of view simultaneously. Woller (1998) suggested that people are neither entirely deontological nor entirely teleological in their moral points of view, because human behaviour is motivated by principles of right and wrong and the concern for consequences (See appendix I – the Four Major Approaches to Ethics).

Commenting on financial institutions from a stakeholder point of view Brady (1999, p.318) argued that neither profit, nor stock price, nor size, nor power can “alone serve as the criterion for an organisation well run”. Furthermore, he added that “where organisations come to gain public respect and community approval, they have accomplished far more than a return on their investment” (Brady, 1999, p.318). Friedman (1962, p.133) suggested that “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud”. The dominant egoism paradigm

(Adam Smith) argued that the purpose of organisations is to maximise shareholder value (Crocker, 2005). Further coverage on shareholder and stakeholder theories as well as commentary on the key issue of accountability, responsibility, transparency and trust can be found later in the literature review.

2.7 Corporate Governance Theories

At this juncture it is important to point out the distinction between a theory, model and paradigm. There are no universally agreed definition for these three terms amongst lawyers and corporate governance academics. According to Ziolkowski (2005, p.138) a model is an:

abstract representation of an event, object, or a set of facts. It does no more than formalise the facts and their relations in accordance with some (generally noncontroversial) schema; this can be achieved at different levels of abstraction. Whereas a model can appeal to a theoretical perspective or position for justification, this is not possible for a theory.

Models are logical representation of features in a system. Thus models explain features of importance in a simplified depiction of a system and are able to illustrate how interactions between elements or part of a system may take place to produce a particular outcome (Ziolkowski, 2005). A theory lays out the foundation for what there is in a particular academic domain, its development and how it is to be studied and explained. Moreover, a model can appeal to a theoretical perspective or position for justification. This is not possible for a theory, which is itself the very core of the relevant perspective and position (Ziolkowski, 2005).

There are many theories influencing corporate governance for example resource dependency theory, managerial and class hegemony, psychological and organisational perspectives and system theory (Nwanji and Howell, 2007). Clark (2004) detailed the various theories that played a critical role in the development of corporate governance. However, the main theories influencing the development of corporate governance can be classified into four, namely; agency theory, stewardship theory, stakeholder theory and transaction cost economies theory (Sun et al. 2001 and Sun 2002). For the

purpose of this thesis, theories highlighted here are in relation to public corporations and should be viewed in that light.

It is generally accepted that there are many disciplines that influenced the development of corporate governance and the theories that have fed into it are quite diverse (Mallin, 2007). It is also important to note that the evolution of corporate governance should be viewed simultaneously with the legal system, capital markets and ownership structures that exist in that particular country. Common law countries like the UK and US tend to provide better protection for shareholder rights. Civil law countries such as France tend to have less effective legal protection for shareholders with an inclination towards an enhanced right towards stakeholders. Ross and Crossan (2012, p.215) commenting on the banking crises in the UK and Germany concluded that:

while corporate governance in banks would appear to have been a significant factor in the recent banking crisis, based on the performance data, it cannot be said that a corporate governance approach based on either shareholder capitalism (UK) or stakeholder capitalism (Germany) is more at fault than the other.

This is a clear illustration that both the UK and German corporate governance structures were not adequate to prevent the banking crisis. A view shared by the Walkers Report in 2009. "The findings also suggest that the stakeholder/shareholder debate may not be as important as previously claimed and that regulators need to find good governance rules, regardless of theoretical underpinnings" (Ross and Crossan, 2012, p.215).

2.8 Evaluation of Agency and Shareholder Theory

The agency theory identifies the relationship that exists between the principal (owner of wealth) and the delegation of work to the agent (management). Roe (1994) suggested that corporate governance fundamentally deals with agency problems caused by the separation of ownership from management. In a corporation the owners of the wealth are considered the principal and the directors as agents. The principal dilemma with this relationship is the overriding challenge by the principals to ensure that the agents act in their best interest. A problem that can exist in private companies, joint ventures,

not-for-profit organisations, professional institutions and governmental departments (Tricker, 2009). Another problem faced by agents is how to balance the different interest that exists between long term shareholders and short term activist institutions. Crossan (2010) added that most firms in the UK (and around the world) are small firms, over 99.9% of all firms in the UK are classified as SMEs and thus, the idea of separation of ownership from control is not a relevant issue.

Main et al (2008) argued that agency theory predicts that an optimal contract will tie the agent's expected utility to the principal's wealth. Hence, the agency theory predicts that CEO compensation policies will depend on the changes in shareholder wealth. Tricker (2009) argued that the arrival of joint stock, limited liability Companies in the mid-19th century significantly increased the number of principals and their agents. This it argued, drastically changed the nature of the relationship both in terms of power and group dynamics. This eventually meant that the shareholders are no longer homogeneous (Berle and Means, 1932). They argued that the separation between the shareholders and directors increased which eventually led to a power shift to the directors' power that is often abused by maximising their own self-interest at the peril of shareholders. This ultimately led to change in relation and group dynamics. It is therefore argued that the agency theory focuses on the corporate governance practices and behaviour as a result of the divorce of ownership from management.

As stewards of other peoples wealth there should be an existence of trust for the relationship to work. With the existence of asymmetrical access regarding the status quo it is understandable that shareholders feel "isolated" to some extent. Significant to the development of this theory refer to the work of Jensen and Meckling, 1976; Fama and Jensen 1983. Blair (1996) argued that managers must be monitored and adequate checks and balances must be in place to avoid abuse of their power. The cost of monitoring and disciplining aimed at preventing abuse is referred to as the agency cost. McKnight and Weir (2008) found that the changes in board structures that have occurred in the post-Cadbury period have not, generally affected the agency costs. This conclusion implies that a range of mechanisms is consistent with firm value maximisation. Furthermore, they found that having a nomination committee did increase agency cost. This therefore suggests that there is cost associated with certain governance structures (McKnight and Weir, 2008).

Every theory has its own flaws and the agency theory is no exception to this. The agency theory is criticised as relatively narrow in theoretical terms because corporate governance complexities in relation to contracts between shareholders and agents is indeed naïve and too simplistic in reality. This is because board behaviour is influenced by the group dynamics, interpersonal behaviour, relationships and political intrigue and not down to simple contracts. It is argued that statistical methods cannot explain boardroom reality (Demb, 1993). Furthermore, researchers also argued that the theory is based on unsubstantiated moral standards that individuals maximise their personal utility (Demb, 1993). It is important to note that while analysis made on this theory helps to enlighten our understanding of the nature and problems that may arise as a result of separation of ownership and control. Just like any other theory it is by no means perfect and flawless.

The shareholder theory argues that corporations have a limited scope of responsibilities (Friedman, 1970). These primary responsibilities include obeying the law and maximising shareholder interest. Berle and Means (1932) and Friedman (1962) defines the primary objective of a firm as the maximisation of shareholder wealth. This particular theory is fundamental in the development of corporate financial theory and enjoys widespread support in the academic finance community (Danielson et al. 2008). Reed (2002) argued that the justification of the model is based upon two foundations. These foundations he argued include the libertarian base approach which is underpinned by strong property rights claims. Secondly, he argued that the shareholder model might be rooted in utilitarian analysis which argues that by concentrating shareholder interests, corporations will maximise societal utility. This theory is more compatible to the Anglo-American model of corporate governance. However, the logic goes back to Smith, but elaborated in detail in neo-classical economics (ibid). Furthermore, Crossan (2009, p. 328) argued that:

shareholder theories of corporate governance (Jensen and Mecking, 1976; Charkham, 1994; Sykes, 1994; Hutton, 1995; Kay and Silberston, 1995) suggest that the aim of the firm is to maximise profit in order to maximise shareholder return. Therefore we would expect to see a link between a firm aiming for a maximum level of profit and that firm demonstrating good corporate governance.

In contrast, Gregg (2001) described the relationship between shareholders and management as one of collaboration and co-ordination secured by contracts. Shareholders are suppliers of risk capital which enable firm's to exist and operate as going concern, hence, the need to protect and enhance shareholder interest. However, the shareholder theory is criticised for favouring short term profit maximisation at the expense of other stakeholders (Handy, 2002). The shareholder theory is also criticised for encouraging short term managerial thinking and condoning unethical behaviour. Others criticised managers for being easily manipulated by the owners through the use of stock options and other interest alignment mechanisms (Yamak and Suer, 2005). Post (2003) also criticised the 19th century shareholder theory as based upon numerous factual and legal inaccuracies and fictions when evaluated in the context of the modern era. Furthermore, he argued that requiring management to serve shareholder interest alone is morally untenable. Kaler (2002) suggested that the simple truism that legality is no guarantee of morality because the law being relied upon may itself be immoral.

Proponents of the shareholder theory suggested that critics of the theory are misguided yet understandable (Danielson et al. 2008). They argued that the critics are misguided because wealth maximisation is inherently a long term goal. Jensen (2002) suggested that the firm must maximise the value of all future cash flows and does not support the exploitation of other stakeholders. It is also argued that the shareholder theory provides a better framework than the stakeholder approach in protecting the interest of both current and future stakeholders. Thus, stakeholder theory is not superior to the shareholder theory from an ethical argument (Danielson et al. 2008). It is also suggested that if a firm is forced to allocate a portion of its economic surplus to employees or to customers, these stakeholders will benefit in the short term. However, these policies could stifle future innovation, hurting shareholders, stakeholders, and society in the long run (ibid). They argued that the views of critics are understandable because proponents of shareholder theory exhort managers to maximise the firms current share price as oppose to long term wealth maximisation (Lasher, 2008).

2.8.1 Evaluation of the Stakeholder Theory

The focus of the stakeholder theory is to take account of a wider group 'residence' who may have an interest and or affected by the running of the business. Freeman (1984, p.46) described stakeholders as "any group or individual who can affect or is affected by the achievement of the organisation's objectives". Nwanji and Howell (2007) argue that stakeholder theory is distinct in that it is a theory of management that includes morals and values as an explicit part of organisational management. In contrast to the shareholder theory which focuses primarily on enhancing and protecting the interest of shareholder. Clarkson (1995) argued that the interests of all stakeholders have an intrinsic value and no particular interest should be allowed to dominate the interest of other stakeholders. Therefore managers are assumed to have a duty to all stakeholders including shareholders (Yamak and Suer, 2005). Furthermore, Post (2003) suggested that refinements and clarifications about who qualifies as a stakeholder make the stakeholder theory both workable and a very useful way to improve corporate governance contrary to Friedman (1970).

It is also argued that the enhancement of shareholder value would be severely constrained without properly addressing the needs of its stakeholders. Reed (2002) suggested that any fiduciary obligations to shareholders aimed at maximising wealth could be subject to the constraint of respecting obligations owed to other stakeholders. Reed (1999) argued that in order to be compelling, the stakeholder theory must undertake various elementary tasks amongst which include: 1) providing an account of what stakes are and who has them; 2) circumscribing corporate responsibility to stakeholders and finally 3) determining how to evaluate the claims of competing stakeholders. Reed (1999) argued that the assumptions of these tasks can be grounded in a variety of normative theoretical perspectives including communitarian ethics, social contract theory and the ethics of fiduciary relationships amongst others. It is also argued that the stakeholder theory does not firmly or explicitly root itself in any theoretical traditions. Hence, it operates at the level of individual principles and norms which provide minimal formal justifications (Reed, 2002).

Blair (2005) suggested that the stakeholder theory has no conceptual foundation and is too broad. Aoki (2004) added that the stakeholder theory makes the burden of designing effective governance structures difficult to control. From a similar

perspective, Grandori (2004) argued that the stakeholder's view is a 'universalistic' non-contingent statement unable to explain systematic variations in governance structures. Lee and Yoo (2008, p.63) in a study of competing rationales for corporate governance in France found that "while the adoption of the shareholder model is necessary for resource acquirement from the global capital markets, resource allocation in the cooperative innovation systems reinforces the stakeholder model". This finding is perhaps not surprising considering the civil law system of law operating in France, which tends to give more protection to certain stakeholder groups unlike the common law system which emphasises the protection of shareholder rights.

Proponents of this theory suggest that the interest of shareholders is best served by maximising value which eventually benefits the society as a whole (Jensen, 2001). Thus stakeholder theory leads to the maximisation of stakeholders' wealth, but without any significant involvement in the management of the company (Freeman 1984 and Blaire 1995). Webley (1999) pointed to the fact that the Interfaith Declaration of International Business Ethics recognises reliable reporting to shareholders as a primary obligation of a corporation and an important component of ethical business behaviour.

Owen (2003) suggested that stakeholder conflict, rather than harmony, permeates much economic activity. Such conflict is invariably resolved in favour of the economically powerful shareholder group. Hence, one can argue that there is no meaningful corporate governance processes designed to give power to stakeholder groups other than shareholders. Jensen (2001) argued that the challenge faced by boards and management is striking the trade-off between the interests of its stakeholders and the firm's overall aims and objectives. Phillips (2003) suggested that the most fundamental challenge faced by the stakeholder theory is establishing a rationale for managerial attention to stakeholders resembling the justification for maximising shareholder wealth. Phillips (2003) argued that failure to maximise shareholder wealth as a result of satisfying other stakeholder's amounts to stealing which is a violation of moral property rights.

Nwanji and Howell (2007) suggested that adopting the stakeholder model will give rise to opportunistic directors and managements acting in their own self-interest by claiming that their actions actually benefit some stakeholder groups. The governance and

monitoring structures required in the shareholder and stakeholder theories are indeed different. The shareholder theory also referred to as the Anglo-American model operates on the basis of enhancing shareholder value and a monitoring system based around the board including executives and non-executive directors ratified by the shareholders. Nwanji and Howell (2008) suggested that the shareholder theory really came to light through the work of Nobel Prize Economist Friedman (1970). A view that captures the existence of corporations in which Friedman argued that there is only one social responsibility for businesses, which is to use its resources effectively while engaging in activities designed to maximise profits as long as it stays with the rule of law.

The debate surrounding the stakeholder and shareholder theory has been the centre piece of corporate governance literature in an effort to determine the model that is best for corporations. Nwanji and Howell (2007) suggested that influences such as increased institutional investors, globalisation of capital markets, stakeholder expectation and shareholder activism have all contributed to the importance of corporate governance, a point also echoed by Fera (1997), Mills (1998) and Omran et al (2002). Recently, in light of the credit crunch both Tesco; Marks & Spencer and Next all faced heavy shareholder activism during their Annual General Meetings (Financial Times, 2009).

The stakeholder theory referred to as the German's model operates on the basis that certain stakeholder groups such as employees should have their rights protected and enshrined in law and be allowed to sit on company board alongside other directors (Ross and Crossan, 2012). This is borne as a result of beliefs and values about the fitting relationship between employees, firms and the state. Basically, this theory suggests that contrary to the agency theory, directors can be trusted. Jensen (2001) argued that there is no universally agreed measure on how to measure the various objectives for all stakeholders concerned in the operation of companies. Jensen advocated the use of 'enlightened value maximisation' which takes into account the long term viability of the firm. This the author further argued will solve the issue of multiple objectives which form the basis of the stakeholder theory.

Others opine that the different stakeholder expectations and objectives are indeed irreconcilable (Mitchell and Sikka, 2005). Some literature argues that the stakeholder is a societal view of corporate governance and hence, is probably better off as a philosophy rather than a theory. However, advocates of the theory suggest that company directors be accountable to all stakeholders in return for limited liability for their actions and debts. A view supported by Nader and Green (1980) and Mitchell and Sikka (2005) who argued that corporations have huge political, economic and technological powers which can determine thriving towns, corrupt or help overthrow foreign governments, develop technologies that take or save lives because these corporations are unaccountable to their constituents. The Turnbull (1997) Report highlighted the benefits of a broader stakeholder view. Contrary to the Hampel Report (1998) which suggested that directors are accountable to shareholders.

2.9 Conclusion

According to Crossan (2011, p. 301):

it may be the case that we cannot expect corporate governance to work if we see it as just a set of rules and that we need a shift in our attitudes towards universally accepted ethical standards of corporate governance... It is clear that a change of this nature requires changes to business and accounting education, accounting bodies, codes of practice, and regulations.

Clearly, these issues are complex, and it could be argued that there is no conclusive and reliable advice concerning corporate governance regulations (ibid). The introduction of corporate governance regulation in most cases is driven by the desire for greater transparency, accountability and to increase investor confidence in markets round the world (Labelle, 2009). This in most cases is as a result of financial scandals, corporate collapse, or similar crises. Ironically, corporate governance compliance in most cases is on a voluntary disclosure basis.

An evaluation of corporate governance literature and theories suggests that there are many disciplines and theories influencing the development of corporate governance (Sun, 2002). The main theories influencing the development of corporate governance can be classified into four, namely; the agency theory, stewardship theory, stakeholder

theory and the shareholder theory (Sun et al. 2001 and Sun 2002). It is also important to note that the evolution of corporate governance should be viewed simultaneously with the legal system, capital markets and ownership structures that exist in that particular country. Roe (1994) suggested that corporate governance fundamentally deals with agency problems caused by the separation of ownership from management. The agency theory is criticised as relatively narrow in theoretical terms because corporate governance complexities in relation to contracts between shareholders and agents are indeed naïve and too simplistic in reality. It is also argued that statistical methods cannot explain boardroom reality (Demb, 1993).

The introduction of corporate governance in most countries is driven by financial scandals and corporate collapses. It is believed that the Cadbury Report (1992) laid the foundation of UK corporate governance and for many other countries round the world. A critical review of corporate governance literature suggests that corporate governance is of national importance and an effective governance system is a required precondition for commercial competitiveness (Monks and Minow, 1996). Corporate governance literature also revealed that the term governance is not simply limited to corporations as such but also people, the state and organisations. Fyfe (2003, p.14) defined governance as “relationship management and decision-making based on complex interplay of interest, differences, rights and obligations of a society’s public, private and voluntary sectors, groups and citizens”. This definition emphasizes the complexity of governance in planning and implementing measures aimed at improving performance in an ever changing environment within which they operate.

The term good governance is changeable in its meaning (Nanda, 2006). Hence, there are no objective standards for determining good governance: some aspects include political stability, the rule of law, control of corruption, and accountability (ibid). However, there seems to be a general consensus that good governance leads to CSR and ethics. An evaluation of the literature above on the various definitions of CSR leads one to conclude that CSR is ultimately concerned with learning the effects of corporate organisations on society, their social responsibility obligations within society as a result and ultimately allowing corporations to be accountable for these responsibilities (Grewal and Darlow, 2007). An evaluation of the literature on governance, regulation, CSR and ethics seems to suggest the need for accountability, responsibility,

transparency and trust if the financial markets are to regain public trust and investor confidence (Labelle, 2009). It is important to note that areas of responsibility are not only limited from the organisational and legal points of view, but also from the ethical point of view (Enderle, 1987). Griffin (2010) argued that transparency is an important prerequisite for accountability because transparency enables evaluation. The Cadbury Report (1992 para. 2.5) defined corporate governance as the “system by which companies are directed and controlled with boards of directors ultimately responsible for the governance of their companies”. It is believed that this particular report laid the foundations of corporate governance principles and practices not only within the UK but the world over. Some countries have indeed adopted its main principles as part of their own corporate governance requirements.

Shareholder theory argues that corporations have a limited scope of responsibilities. This particular theory is fundamental in the development of corporate financial theory and enjoys widespread support in the academic finance community (Danielson et al. 2008). Clarkson (1995) argued that the interests of all stakeholders have an intrinsic value and no particular interest should be allowed to dominate the interest of other stakeholders. Blair (2005) suggested that the stakeholder theory has no conceptual foundation and is too broad. Nwanji and Howell (2007) suggested that adopting the stakeholder model will give rise to opportunistic directors and managements to act in their own self-interest by claiming that their actions actually benefit some stakeholder groups. However, advocates of the theory suggest that company directors be accountable to all stakeholders in return for limited liability for their actions and debts.

Finally, an evaluation of corporate governance codes is explored in the next chapter aimed at exploring corporate governance codes including the voluntary code adopted in the UK and legislative approach in the US. The chapter will also examine models of corporate governance found in Africa as well as corporate governance regulation in The Gambia.

CHAPTER THREE:

CORPORATE GOVERNANCE CODES

3.0 Introduction

The framework underpinning the corporate governance codes is structured as follows. The first part of this chapter is aimed at exploring the models of corporate governance found in Africa. This will be followed by a review of corporate governance regulation in The Gambia and stakeholder code of conduct. It is important to note that corporate governance regulation with particular emphasis to The Gambia is an area that is not well researched. This was one of the primary reasons why the researcher embarked on this study. Crossan (2009, p. 336) argued that:

all listed firms should be required to publish their own corporate governance code of practice and to what extent that the firm has complied with its own rules. This would allow shareholders to understand the governance of the firms they own shares in (or that they are considering purchasing shares in) and to decide for themselves if they are happy with the proposed conduct of the managers of the firm towards governance issues.

This presents a unique opportunity for firms to demonstrate that their own corporate governance codes go beyond the recommendations. It would also allow shareholders to make more informed choices concerning the ownership of a firm's shares (ibid). Alexander (2006, p.33) also suggested that an:

efficient corporate governance framework should rely less on a strict application of statutory codes and regulatory standards, and more on the design of flexible, internal compliance programmes that fit the particular risk level and nature of the bank's business.

The regulator is therefore compelled to play an active role with bank management in designing internal control systems and risk management practices that seek to achieve an optimal level of protection for shareholders, stakeholders and the economy. Khadaroo and Shaikh (2007) conducted a study of corporate governance reform in Malaysia and concluded that the corporate governance reform was regulations based.

Deo, Irvine and Abraham (2007) also studied the role of corporate governance rules and regulations in assisting banks to maintain their legitimacy and public image during times of crisis.

An evaluation of the literature on corporate governance codes in the UK will also be carried out. The researcher also intends to cover the external influences on UK's corporate governance and finally, the Lamfalussy Report (2005) will be appraised.

The biggest commercial bank in The Gambia is the Standard Chartered Bank. Currently there are 13 banks within the industry of which one is an Islamic Bank and thirteen conventional commercial banks (CBG, 2013). The Central Bank is state owned and the board members are appointed by the Head of State in association with the Department of State for Finance.

The management of the Central Bank is said to be "independent of government control," but is it really independent? When all senior appointments are made by the Head of State not based on qualifications but political affiliation and loyalty. How does being a public organisation affect the governance mechanism, the institutional ethics, and the organisational code of conduct of such organisations? The governance structure of these selected financial sector corporations will be the focus of data collections through semi-structured interviews and focus groups (see chapter five).

3.1 Models of Corporate Governance found in Africa

The researcher felt that it was rational to conduct an evaluation of corporate governance models found in Africa and review both the UK and US corporate governance requirements. It is worth noting that most emerging countries in sub Saharan African including The Gambia are indeed former British colonies. As a result, most of these countries shared the same British common law system. This therefore serves an incentive for these countries to adopt the Anglo-Saxon model of corporate governance (Reed, 2002).

Furthermore, an evaluation of corporate governance models found in Africa enabled the research to develop a balanced perspective, awareness and an appreciation of the variety of corporate governance systems within the sub Saharan region. In addition, lessons learnt in other countries in the development of corporate governance

frameworks and good practice can also be shared. This will be of enormous help to The Gambia considering that it is yet to develop a corporate governance model or framework as part of the regulatory requirement. An evaluation of both UK and US systems are both necessary because these two nations appear to lead the race (setting the benchmark) in relation to the development and advancement of corporate governance policies across the world (Nwanji, 2006).

Commenting on the adoption of corporate governance codes Aguilera and Cuervo-Cazurra (2004) concluded that legitimating pressures were leading reasons for code adoption. Enrione et al (2006) added that maintaining legitimacy of law makers and regulators was the main driver for institutionalisation of corporate governance codes. Zattoni and Cuomo (2008) also suggested that the reason for adopting codes of corporate governance in civil law countries is to legitimise rather than improve corporate governance practices amongst national companies. According to Rossouw (2005) the dominant model of corporate governance that emerges in African national codes is an inclusive model of corporate governance. The inclusive model adopted in most African countries ensures that corporate boards are not merely accountable to shareholders but also responsible. It is important to note that despite its political and economic power in Africa Nigeria does not commit explicitly to an inclusive model of governance (Code of Corporate Governance in Nigeria, 2003). Rossouw (2005, p.97) argued that “without exception, all these codes recommend a unitary board structure and advocate a self-regulatory approach, where companies are encouraged to adopt the spirit of good governance”.

It is also suggested that in order for these voluntary codes to succeed as an effective governance mechanism, there has to be an adequate legal and regulatory framework in place. Ahunwan (2002) suggested that governance problems in Nigeria are deeply rooted in a socio-economic and political context characterised by religious tensions, ethnicity, poverty, history of military rule and human rights abuses. These therefore imply that passing formal laws does little to ensure that shareholder rights are protected. Hence, one can argue that Nigeria needs to address the above issues including ownership structures and ineffective legal system for any meaningful reforms to be successful.

South Africa was the first country to introduce an inclusive model of corporate governance in Africa (IoD of South Africa, 1994) which was later incorporated in the Kings Report of Corporate Governance in 2002. The reasons for adopting these inclusive corporate governance models for Africa are as follows: (1) long term sustainability, (2) respect for local community and society at large and finally (3) the need to earn a license to operate from all stakeholders of a corporation (Rossouw, 2005). The reasons why most African countries adopt the inclusive corporate governance model are because the African value system advocates values such as co-existence and view of society in equilibrium (consensus), amongst others.

The two fundamental reasons why most African countries adopt a voluntary system include the following: inadequate legal and regulatory framework and the need to broaden the scope of corporate governance reform. This is because vast numbers of companies in Africa are not listed. Hence, mandatory requirements for listed companies would leave a majority of companies outside the remit of corporate governance reform. From an ethical view point one can argue that the way a company treats its stakeholders reflects its ethical standards. Furthermore, it is suggested that companies with ethics as a priority are more likely to be sensitive to stakeholders. The Malawian code (Corporate Governance Task Force, 2001) enables employees to enjoy a privileged status as a stakeholder group and allows them the opportunity to participate in corporate decision making. Whilst, the Tanzanian code gives this privilege to the community (Steering Committee on Corporate Governance in Tanzania, 2000).

Commenting on the development of corporate governance regulation Siddiqui (2009) suggested that the institutional based system of corporate governance is better suited to Africa. This he argued, is due to Africa's low level of knowledgeableness and refinement of the stock markets and the investors, controlling power of bank financing and a high degree of debt to equity ratios. Most businesses in Africa are SMEs (Siddiqui, 2009). Hence, banks play a more important role as stakeholders and board members due to minority stakeholders lack of time, limited know how and resources to understand complex business issues (Siddiqui, 2009). The above arguments suggest that Africa's lack of advanced markets is a major factor that makes the stockholder model of corporate governance inappropriate. The stockholder model they argue is

based on long term benefits. However, given the socio-political and economic instability prevailing in many developing countries, this makes it harder to predict future prospects (Parades, 2005; Siddiqui, 2009). Parades (2005, p.36) also argued that “emerging economies lacked experienced investment bankers, lawyers, security analysts, accountants and effective judicial systems required to monitor the markets”.

Many of these emerging countries were former British colonies and shared the same British common law system. This therefore serves as an incentive for these countries to adopt the Anglo-Saxon model of corporate governance (Reed, 2002). The Anglo-Saxon model of corporate governance has three basic claims according to Siddiqui (2009, p.255): -

firstly, liberalisation will result in increased corporate growth and profits; secondly, sustained macro-economic growth will facilitate overall level of opportunities, and benefits society; and finally, ensure increased transparency in corporate dealings and provide greater investor protection.

As evaluation of the literature above highlights the importance of liberalisation of financial markets, sustained economic growth, transparency and adequate legal frameworks if corporate governance is to be a success in Africa (Reed, 2002).

3.2 Corporate Governance Regulation in The Gambia

The paucity of literature on the regulation of corporate governance in the banking sector in The Gambia generates several problems. The typical work in this area relies on sources such as country specific information and studies by international institutions such as the World Bank that collects a relatively limited amount of information regarding The Gambia. While such information enables comparisons with other countries to be made, such information is limited, superficial and lacks contextual nuances. For example, studies that make generalisations on categories which apply to The Gambia e.g. Sub-Saharan Africa, former British Colonies, developing countries and Islamic countries. Care has to be taken to avoid committing an ecological fallacy i.e. ‘the attempt to conclude information, concerning an individual from related characteristics observed at an aggregated level’ (ZDS, 2014). To avoid this it is necessary to be familiar with those aspects of The Gambia that distinguishes it from

other members of a larger aggregate group. This means being aware of the country's geography, its modest resources and its history, culture and institutions. Therefore, it is important to be aware of the country's path dependency especially in relation to banking and the regulation of corporate governance. Path dependency refers to a dynamic process whose evolution is governed by its own history (David 2007). The Gambia has a distinct historical legacy. The small river state with a population of 1.8m is a developing country that is 90 per cent Moslem in religion, a former British Colony, with the legacy of colonial legislation and institutions (World Bank, 2014).

The current regulatory framework consists of the Banking Act 2009, Money Laundering Act 2003, Central Bank Act 2005, Anti-Terrorism Act 2002, the Insurance Act 2003 and the Financial Institutions Act 2003 and Companies Act 1955 (CBG 2013). These Acts are designed to improve the regulation and monitoring of financial institutions. The Money Laundering Act 2003 guarantees the confidentiality of companies reporting suspect transactions (See Appendix II – The Structure of Banking and Financial Regulation in The Gambia). It is hoped that these Acts will lay the required foundation for a legitimate and transparent system of regulation and corporate governance. This in turn, boosts foreign investor confidence in The Gambia's regulatory environment because the majority of banks are foreign owned. Guha (2006) also added that The Gambia have improved property rights and made it easier to start companies and simplified business regulation. However, weak institutional capacity and corruption still pose problems on a more practical level (EIU ViewsWire 2003). The Central Bank of The Gambia (financial institutions regulator) in 2004 increased the capital adequacy requirements for commercial banks operating in the country in an attempt to bolster the stability and quality of the banking system. All commercial banks will be required to adhere to the new minimum capital requirement of D600m (US \$2M).

The poor quality banking institutions in Africa has resulted in heavy losses for depositors and expensive bailouts for respective governments (EIU ViewsWire 2003). However, The Gambia's banking sector is relatively healthy: non-performing loans as a percentage of banks' total loan portfolio dropped from 11% in 2001 to 5.5% in 2003 (EIU ViewsWire 2003). This is mainly due to the fact that there are no official limits to the level of interest commercial banks can charge customers. Agu (2004) found that

commercial banks in The Gambia have not performed as efficiently as they could, due to the heavy regulatory framework.

Vittas (1991) found that the high interest spreads in developing countries may be a consequence of monetary regulations such as reserve requirements, high inflation, high loan losses and high cost and profit due to operation inefficiency and uncompetitive behaviour. Worrell (1996) contends that the wide spreads can be due to small volumes of business, which necessitate a higher mark-up because of diseconomies of scale. Howard and Haynes (2001) argued that reserve requirements impose an implicit tax on financial intermediation since they constrain the bank's ability to extend credit and may reduce their profitability.

A feature of sub Saharan African development in the last four decades has been the rather limited role played by the financial market in the mobilization of essential resources to facilitate growth enhancing investments (Aryeetey and Nissanke, 2004). Crosse and Hampel (1980) contends that both big and relatively small banks have demonstrated that the greatest savings in cost are to be found not in machines alone but in a more efficient organisation of management. However, Heffernan (2005) stated that banking in poor countries is more labour intensive and much less computerised. Banks and branches are small, so economies of scale are not as high they might be elsewhere. Furthermore, Government restriction and regulations tend to raise bank-operating costs. Guha (2006, p.6) added that:

in spite of these advances, Africa ranks as the world's worst regulated region. Most appointments are senior ministries or Central Banks (regulatory body) levels in Africa tend to be political appointments driven by political allegiance rather than an appointment based on expertise, skills and experience.

This therefore implies a potential regulatory shortcomings or failures if the process of regulation is not closely monitored. The International Finance Corporation (2006) a private sector arm of the World Bank suggested that Africa is making progress in cutting red tape and improving business regulation (See appendix III – The Focus and Level of Analysis of the Literature Pertaining to Regulation of Corporate Governance in The Gambia).

3.3 A Review of Stakeholder Code of Conduct

Corporate governance is often defined narrowly in terms of agency problems between owners and managers (Aoki, Jackson and Miyajima, 2008). The corporate governance regime of Germany, France and Japan are based on the stakeholder model whereby consideration is given by management to key stakeholders when running the company (Sudarsanam and Broadhurst, 2010). Corporate governance is also viewed as being embedded within various institutional rules and beliefs that shape how these stakeholders interact in corporate decision making (Aoki et al, 2008). Commenting on the 2007 financial crisis Ross and Crossan (2012, p.215) concluded that:

base on the performance data, it cannot be said that corporate governance approach based on either shareholder capitalism (UK) or the Stakeholder capitalism (Germany) is more at fault than the other.

These findings also suggest that the stakeholder/shareholder debate may not be as important as previously claimed and that regulators need to find good governance rules, regardless of theoretical underpinnings (Ross and Crossan, 2012). Nwanji and Howell (2007) argued that the stakeholder theory is distinct in that it is a theory of management that includes morals and values as an explicit part of organisational management. German company boards are two-tier, whereby companies are comprised of both a supervisory and a management board (Von Rosen, 2007). The supervisory board (oversees the direction of the business) are appointed by shareholders and the management board (concentrates on business operations) appointed by the supervisory board (Velte, 2014). Cromme Code (2002, p.5) states that in “making their decisions, the management and supervisory boards are obliged to act in the best interests of the shareholders and of the enterprise”. Thus, in Germany significant influence is placed on industrial relations as a result of "co-determination", whereby employee have a legal right to be informed about company activities (Von Rosen, 2007).

Furthermore, within Germany financial institutions and in particular banks also have a considerable influence on German boards as in the case of the Japanese system (Porter, 1992; Charkham, 1994; Miyajima, 1999; Hellwig, 2000; Miyajima and Aoki, 2002; Sigurt, 2005). This influence can be attributed to four factors:

(1) the importance of bank credit in corporate finance, particularly for capital-intensive manufacturing; (2) significant direct share ownership by banks in non-financial companies; (3) proxy voting by banks on behalf of customers who leave their shares on deposit with them; and (4) nomination of bank managers as directors to the supervisory boards of non-financial companies (Sigurt, 2005, p.357)..

Ross and Crossan (2012) suggested that the German dual board structure promotes greater integration of stakeholders and clear management accountability. The authors argued that this is reflected by shareholder representatives being present on the supervisory board and by the supervisory board deciding the composition of the management board. Therefore, the task of the supervisory board is to “advise regularly, and supervise the management board in the management of the enterprise. It must be involved in the decisions of fundamental importance to the enterprise” (Cromme, 2002, p.7). Company boards in Germany and France also includes representation from lenders, suppliers and workers unions (Ross and Crossan, 2012). It is the belief that each stakeholder group contributes to the success of the corporation, and without their contributions, there will be no profit for the shareholders (Nwanji and Howell, 2007, p.352).

This apparent strength could also be its major weakness because companies may find it difficult to establish mutually agreeable goals to satisfy all stakeholders. Secondly, this lack of clarity can create a principal-agent problem allowing directors to act in ways that protect their self-interest instead of long term interest of the company (Ross and Crossan, 2012). Stiglbauer, Fischer and Velte (2012) commenting on the financial crisis and corporate governance in the financial sector in Germany concluded that cooperation between management boards and supervisory boards, as well as monitoring by supervisory boards, must be improved. Furthermore, the authors also added that improvement is also necessary for corporate governance reporting and the implementation of the pay for performance principle. The Economist (2005) suggested that Co-determination (by workers and managers) is providing a hindrance these days when speed and flexibility are essential to global competition. Thus, an evaluation of the literature above suggests that the system of corporate governance in Germany has

Table 3.1: Corporate Governance: Shareholder value perspective vs Stakeholder value perspective

Area of focus	Shareholder value perspective	Stakeholder value perspective
Dominant factors:	Anglo-American Model	Japanese-German Model
Emphasis on:	Profitability over responsibility	Responsibility over profitability
Organisational purpose:	To serve the owners (of shares)	To serve a variety of stakeholders
Organisation seen as:	Instruments for profitability	Joint venture of resource providers
Measure of success:	Share prices and dividends	Satisfaction among shareholders
Major difficulty:	Keep principal's interests dominant	Balance stakeholder interests
Corporate governance:	Independent outside directors	Stakeholder representation
Social responsibility:	An individual not a firm's obligation	Both individual and organisational
Society best served by:	Pursuing self-interest (efficiency)	Pursuing joint-interests (cooperate)
Market nature:	Pro-open market orientation	Balance of domestic and international
Strategy focus:	Productivity and efficiency	Survival and employment growth
Financial markets:	Efficient capital markets	Bank centered relationships

Source: Bhasa (2004); De Wit and Meyer (2004) quoted in Simeon (2009, p.93).

three core characteristics which distinguishes it from the Anglo-Saxon model: (1) concentrated ownership, (2) a dual-board structure and (3) extensive worker representation on the supervisory board (Sigurt, 2005). Furthermore, Table 3.1: Corporate Governance: Shareholder value perspective vs Stakeholder value perspective outlines the Anglo-American and the Japanese German models of corporate governance.

Japan is also well known as a stakeholder model of corporate governance, where employee interests play a predominant role (Aoki, 1988; Dore, 2000; Yoshikawa and Phan, 2001; Araki, 2005; Jacoby, 2005). This idea of the firm as a community of people is manifest in a number of human resource management practices geared to mobilise long term commitment to the enterprise (Aoki et al, 2008). The Japanese main bank also play a central role in monitoring management (Miyajima, 1999; Miyajima and Aoki, 2002, Sigurt, 2005). Hence, the reason why various labels have been used to describe the system of governance in Japan, such as bank-based, relationship-oriented, network, insider, stakeholder or coordinated model of corporate governance (Aoki et al, 2008). In sum, Japanese corporate governance involves a number of inter-related elements that are argued to display institutional complementarity (Aoki, 1994). However, the corporate governance legal framework has changed in Japan recently. Now Japanese firms can choose from a wide menu of market-based options, such as the holding company structure, the US type of board (committee system), stock options, and acquisitions through share swaps (Aoki et al, 2008). Thus, the traditional Japanese firm also faces gradual but increasing pressure to modernise itself even if corporate governance for these firms will remain different from larger hybrid firms (Aoki et al, 2008).

3.4 Corporate Governance Codes in the United Kingdom

The Gambia like many other former British colonies tend to follow the same systems of governance including the functions of the executives, legislature and judiciary functions. The Gambia is also a signatory to the Commonwealth Association for Corporate Governance (CACG). Furthermore, The Gambia follows the same common law (set through judicial precedent) approach just like in the case of the UK, unlike France and Germany which tend to follow the civil law (Act of Parliament) approach.

This is the main reason why the researcher decided to review the UK corporate governance codes (voluntary) as opposed to the US (legislative) even though The Gambia's current regulatory framework is based on the legislative approach.

Initially, the introduction of corporate governance in the UK was driven by financial scandals and corporate collapses just like many other countries. The Cadbury Report of 1992 laid the foundation of UK corporate governance regulation and many other countries round the world including The Gambia. The UK's Combined Code (1998) embodied the findings of a trilogy of codes: the Cadbury Report (1992), the Greenbury Report (1995), and the Hampel Report (1998). This trilogy went on to form the basis of a coherent corporate governance strategy for the UK.

The history of the UK's corporate governance codes can be divided into two major phases. The first phase began with the introduction of the Cadbury Report (1992). The Committee on the Financial Aspects of Corporate Governance was initially set up in 1991 following the financial scandals and collapses of Polly Peck and Coloroll amongst others (Nwanji, 2006). This Committee was set up in response to various company collapses and to rebuild the general lack of confidence in the financial reporting of many UK companies (Mallin 2007). Shortly after the committee's inception the country was hit by two other financial scandals in the name of BCCI and Maxwell. The committee delivered its report in 1992 which became known as the Cadbury Report. This Committee was set up by the Financial Reporting Council under the stewardship of Sir Adrian Cadbury. See table 3.2 for the key recommendations of the Cadbury Report (1992).

The Chartered Institute of Personnel and Development (2009) argued that this report resulted in greater transparency and accountability in boardroom proceedings (CIPD, 2009). While, others suggest that this particular report facilitates more checks and balances to protect the rights of shareholders, particularly minority shareholders and to avoid illegitimate use of power by the executives in corporate decision making. Jones and Pollitt (2002) also lamented that the Cadbury Report (1992) was unique amongst its successors due to its high quality process of investigation resulting to the doctrine of self-regulation (voluntary). Its recommendations were also adopted and incorporated into many other national Corporate Governance Codes the world over as well as the

Table 3.2: The Cadbury Report (1992): Key Recommendations

Separation of the role of chairman and chief executive

The Board of Directors Guidelines

- These relate to
 - The board's composition and establishment
 - The functions of key board committees e.g. the remuneration and nomination committees

Non-executive directors:

- NEDs to be appointed to
 - the board of directors
 - the audit committees
- to ensure greater control of financial reporting

A Code of Best Practice.

- The Boards of all UK listed companies are expected to comply with this code. Hence, the famous 'comply or explain policy' system of corporate governance adopted in the UK.
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Table 3.3: The Greenbury Report (1992): Key Recommendations

Executive Remuneration:

- The establishment of a remuneration committee consisting entirely of independent non-executive directors to determine to directors remuneration (paras 4.8 & 4.11)
- The remuneration committee chairman should attend the company's annual general meeting to answer shareholder questions (para 5.27);
- Remuneration should be link to long term corporate performance (para 6.23-34)
- Information on share options, including SAYE options should be given for each director in accordance with recommendations of the Accounting Standard Board's Urgent Issues Task Force (para 5.13 – 5.16);

Board Appointments:

- The appointment of a nominations committee to oversee new appointments to the board
-

OECD Principles of Corporate Governance (OECD, 1999). However, critics of the Cadbury Report (1992) argued that the report's forcefulness on the significance of non-executive directors would lead to the European two tier supervisory board via the back door and lacked legally enforceable sanctions unlike the SOX. Milne, (2007, p.1) commenting on the Germany's two-tier governance system argued that:

lack of outsiders leaves an elite group of German non-executive directors, often sitting on each other's boards, to run most of German's top companies. The fact that the supervisory boards contain workers' representatives in addition to directors chosen by shareholders further dilutes investors' influence.

Furthermore, Jones and Pollitt (2002) compared the conduct of an influence on the investigations leading to the Higgs Review (2003) and the Cadbury Report (1992) found that the quality of the process of the investigation had a very significant effect on the outcome, the content and the subsequent effectiveness of the report's implementation. Nwanji (2006) suggested that, it is also very difficult to argue the extent of non-executive director's 'true impartiality' towards the organisation given the fees they charge for their services.

3.5 Evaluation of the Greenbury Report (1995)

The Greenbury Report (1995) on director's remuneration followed the Cadbury Report 1992. This report was in response to shareholder concern in relation to executive remuneration (see Table 3.3 for the key recommendations of the report). The Greenbury Report (1995) was triggered by British Gas shareholder revolt over the pay of the then Chief Executive in 1994. More recent examples include shareholder revolts at Barclays, Aviva and the MG Rover Group in Longbridge (UK) where the 'Phoenix four' paid themselves \$41m (The Guardian, 2010b). The remuneration of directors still ignites a significant debate in the media and society at large at both the size of directors' remuneration, the weak link between executives' pay and their companies' performance, inconsistent and often incomplete disclosure in companies' annual reports (Financial Times, 2009). Given recent issues concerning corporate remuneration:

this debate is as relevant and possibly more so today as it has ever been. Theoretically, as the ownership of a firm becomes more diverse, the management of the firm will have more discretion and opportunity to act in accordance with their own interests at the expense of those of the shareholders (Crossan, 2011, p. 293).

Carcello (2009) argued that management compensation is often influenced by reported corporate financial performance. Hence, the incentive for senior management to mis-state the firm's financial performance. Considering the recent financial crisis and the issues surrounding executive remuneration, it is difficult not to conclude that the managers of large firms act as if they do own and control the firm and that these managers often appear unaware that they are employed by the shareholders of the firm (Crossan, 2011). A number of high-profile examples of managers receiving high rewards for poor performance includes RBS and the Co-operative Bank more recently (The Guardian, 2010c). Hence, shareholders are now calling for a clawback clause in bonuses contracts.

Beasley et al (1999) and Bourke (2007) found that 83% of financial frauds involve the CEO and/or Chief Financial Officer (CFO). Geiger and North (2006) also echoed similar opinion arguing that CFOs exercise a substantial degree of influence over a firm's reporting financial results. Two of the largest frauds in US corporate history was committed by Jeff Skilling of Enron and Bernie Ebbers of WorldCom (Carcello, 2009). Both were charged and convicted of a fraud-related offense for explicitly or implicitly 'pressuring subordinates to mis-state the firm's financial reports (Carcello, 2009). It is therefore thought that a lack of effective oversight provided by the governing bodies engaged to monitor the actions of management may be at the heart of the problem (Bourke, 2007). With the continued growing public, media and directors concern regarding the remuneration of 'fat cats'. This led to calls for companies to conduct an annual referendum on executive pay. Opponents argued that this would fly in the face of the principle that boards are responsible to decide how to remunerate its managers (Guerrera, 2008). Furthermore, the author argued that the "vibrancy of capitalism is underpinned by entrepreneurial spirit nurtured only by promising large rewards to the winners of the corporate race" (Guerrera, 2008, p.2).

One can therefore argue that the “say on pay” campaign is merely an attempt by left wing investors to protect and promote their interest at the expense of management and other stakeholders. Ultimately, it is incumbent on the remuneration committee to weigh performance related pay in the long term against the need to attract and retain top employees. It is therefore evident that something had to be done to remedy the situation. This very issue has resurfaced yet again more recently in the banking crisis which led others to question the notion of ‘reward for failure’ while others are calling it privatising profit and socialising losses (Financial Times, 2009). Hence, the Greenbury Report (1995) was aimed at strengthening accountability and enhancing the performance of directors. Boyer and Ortiz-Molina (2008) conducted a study on CEO turnover in US firms and found that ownership reduction and departure decisions are more likely following external CEO appointment than internal appointments.

The ultimate aim of this report is to ensure that the “independent non-executive director embedded within the remuneration committee report fully to shareholders every year regarding the remuneration of directors and the company’s remuneration policy” (Greenbury Report 1995, para 4.4). Interestingly, the duality of CEO and Chairman of the Boards positions, average number of directorship held by audit committee members and the percentage of outside company (block holders) ownership positively relate to incidence of fraudulent financial reporting. Abbott et al (2004) and Bourke (2007) suggested that independent directors, nominating committees and engaging auditors negatively relate to the incidence of fraud. A view suggested by Chan and Li (2008) provides that boards with audit committees and expert independent directors tend to enhance firm value.

The Greenbury Report (1995) is therefore aimed at aligning shareholder interest with that of directors to ensure that rewards are linked to performance of the company and directors (Greenbury Report 1995, para 6.16). However, a study of acquisitions conducted by Li and Aguilera (2008, p. 492) found that the likelihood of target non-executive director turnover depends on “factors that determine the performance of directors in their monitoring, advisory and social roles pre-acquisition and during the acquisition process”.

Table 3.4: The Hampel Report (1998): Key Recommendations

Approach to Corporate Governance:

- Self-regulatory approach rather than legislative approach
- Governance of companies should not resort to 'box ticking'

The Board:

- The unitary board rather than two tier boards
- The effective non-executive directors need to make up at least one third of the membership of the board

Reporting:

- Company annual reports should include a narrative account of how they apply the broad principles set
- Companies should be ready to explain their governance policies, including any circumstances justifying departure from the best practice

The Greenbury Report (1995) supersedes the Cadbury's Report (1992) concerning executive pay. Chizema (2008) found that state ownership, the firm size and institutional ownership are positively and notably linked with the revelation of individual executive compensation. Whereas, the firm's age and size of the supervisory board are negatively and extensively linked with individual revelation of executive compensation. Nowland (2008) found that the introduction of codes in certain East Asian countries lowered the analyst forecast errors and indirectly affected the company disclosure practices as a result of its impact on board independence

3.6 Evaluation of the Hampel Report (1998)

The Hampel Report (1998) was set up to review the implementation of the Cadbury and Greenbury Committee recommendations. This report merged the two previous reports and recommended the creation of a 'Combined Code of Best Practice 1998'. This report became the blue print for UK listed companies and annexed to the listing requirements. It also drew attention on the need to improve communication with shareholders and ensuring the right balance between implementing controls and allowing firms to find their own ways of applying these corporate governance principles.

Hence, the code suggests corporate governance must contribute to both business prosperity and accountability.

Historically, the UK paid more attention to the latter to the detriment of the former and it was time to redress the balance (Hampel Report, 1998). Generally, the notion of safeguarding the interest of shareholders and to protect and promote stakeholder interest was the practice applied by who is responsible for the governance of corporations (Nwanji, 2006). It is interesting to note that contrary to modern supporters of stakeholder theory, the Hampel Report (1998) again puts shareholder interest first. The Hampel Report (1998) stated that the directors of the board as a board are accountable to the shareholders. The key recommendations of the Hampel Report (1998) are shown in table 3.4.

3.7 Evaluation of the Combined Code (1998)

The UK Combined Code (1998) herein referred to as the 'first Combined Code' herein mark the start of the second phase of UK Corporate Governance policies. It was incorporated into the Stock-Exchange Listing Rules as part of the Yellow Book's Continuing Obligations (Parkinson and Kelly 1999). The Combined Code (1998) was made up of recommendations by the Cadbury, Greenbury and the Hampel Reports. The Combined Code (1998) requires all UK listed companies to report on how they applied the Combined Code in their annual report to shareholders. The Combined Code (1998) solidify standards of good practice on matters such as company accountability, robust internal controls to safeguard shareholder interest, director remuneration, board composition and audit committees in relation to shareholders. The philosophical notion of 'comply or explain' advocated by this code contradicts the enactment of the Sarbanes-Oxley Act in 2002 which requires company directors to abide by the law or face a potential jail term.

One of the requirements installed in the Combined Code (1998) requires robust internal controls including financial, operational, compliance and risk management (Combine Code 1998 part D.2.1). The Committee was set up by the Institute of Chartered Accountants in England and Wales (ICAEW). This report is aimed at providing guidance to directors on implementation of the internal control requirements of the Combined Code. The Turnbull Report (1999) reaffirms that the board of directors are

ultimately responsible to ensure that the company has an adequate system of internal control. Furthermore, the report makes it incumbent on companies to report the effectiveness of their internal control procedures in the annual reports. It is important to note that this report was revised in October 2005. There were few substantial changes one of which require the board to notify shareholders in the annual report, of how 'significant failings or weaknesses' in the internal control procedures have been dealt with. According to Krishnan (2005) and Zhang et al. (2007) internal control weaknesses are more likely if the audit committee has less financial expertise.

Table 3.5: The Myners Report (2004): Key Recommendations

Trustees:

- The chair of the board should be responsible for ensuring that trustees taking investment decisions are familiar with investment issues and that the board has sufficient trustees for that purpose investment.
- Trustees should comply with the Institutional Shareholder Committee statement of principles on the responsibilities of institutional shareholders and agents, and ensure that the principles are incorporated into fund managers' mandates

Funds

- Funds with more than 5,000 members should have access to in-house investment expertise equivalent at least to one full-time staff member who is familiar with investment issues
 - Funds should contract separately for actuarial, strategic asset allocation and fund manager selection advice and these contracts should be opened to separate competition.
-

3.8 Evaluation of the Myners Report (2001)

The Myners Report (2001) on institutional investment followed the Turnbull Report of (1999). This committee was set up by the Treasury with particular emphasis on the legal requirements for trustees in relation to institutional investments. This report was aimed at promoting more effective shareholder engagement. Thereby, improving standards and greater shareholder activism to protect and promote shareholder value. It is also hoped that pension fund trustees would adopt the 'comply or explain policy' to promote transparency and accountability as advocated by the Combined Code of Best

Table 3.6: The NAPF Report (2007): Key Findings & Recommendations

Findings:

- Since the Principles were first published, and even since HM Treasury undertook its review in 2004, trusteeship has become more complex – the result of a harsh financial environment and an increased regulatory burden.
- There has been an increase in compliance across all 10 Principles, but progress has not always been even. But there are no significant ‘market failures’.
- There has been a step change in trustees’ knowledge and understanding.
- The Principles remain relevant, but are in need of refreshing to ensure they continue to reflect best practice and take account of legislative, regulatory and market developments since 2001. There is also scope to simplify and consolidate the Principles.

Recommendation:

- Targeted help and support are needed to tackle areas of under-compliance, notably trustee self-assessment and small schemes.
 - The Principles should continue to be based on the voluntarist approach but with additional comply or explain reporting for schemes with assets in excess of £250 million in place of a mandatory Independent Compliance Review.
-

Table 3.7: The Higgs Report (2003) on Role on Non-executive Directors

Non-Executive Directors should:

- Comprise half of the company’s board
 - Have the right knowledge, expertise, experience and skills to make a positive contribution to the organisation
 - Be evaluated annually on their performance
 - Be limited to not more than two three year terms on the company’s board
 - Have a meeting without the chairman and the executives directors at least once a year;
-

Practice (1998). The government carried out a review in 2004 to examine the extent to which Myners principles have been effective in bringing about behavioural change. It found that the principle had been generally acknowledged as the standard of best practice in investment decision making. However, progress lagged in some key areas according to the government. Hence, the Government launched a proposal to revise the principles aimed at strengthening the problem areas. The Myners Principles for Institutional Investment Decision Making Review of Progress (2004) key recommendations related to Trustees and funds (see Table 3.5). The National Association of Pension Funds (2007) reviewed the Myners Report (2004) and concluded that governance standards of pension schemes in the UK continued to improve overall and trustees' compliance with principles also improved significantly. It also recommended bringing the principles in line with the current best practice and replacing the ten principles with six. Table 3.6 outlines key findings and recommendations of the report (NAPF 2007, p.1).

3.9 Evaluation of the Higgs Report (2003): On the role and effectiveness of non-executive directors

The Higgs Report (2003) followed the Myners Report on institutional investment (2001). The focus of the Higgs Report (2003) was on the role and effectiveness of non-executive directors. It is also intended to assist companies draw on a broader pool of talents with different but complementary skills, experience and perspectives to enhance board effectiveness. It is important to note that Higgs did offer its support to the Combined Code. This review was the UK's in response to the corporate governance failures in the US including Enron, WorldCom and Tyco which have highlighted the importance of effective and independent non-executive directors in bringing about improvements in corporate governance (Li and Wearing 2004).

The focus of this report was to amend the Combined Code following the Hampel Report (1998) to ensure that non-executive directors take on more proactive, demanding and important roles in the governance of company boards. The Higgs Report (2003) recommends regarding non-executive directors are outlined in table 3.7. The primary recommendations also require the role of the chair and chief executive to be separate, audit and remuneration committees, audit and liability and finally to foster

a closer relationship between shareholders and non-executive directors amongst others.

A study conducted by Main et al (2008) on UK remuneration committees found concerns with legitimacy push remuneration committees towards and institutional isomorphism (similarity) in process and practice. Moreover the CBI (2003) found that 87% of company chairmen disagree that NED's chairing the nomination committee would actually strengthen the independence of the board. Further, 82% agree that the role of senior independent director would undermine the position of chairman. One would expect company chairmen and women to resist independent director's influence in order to remain more influential (power and politics) in corporate decision making. However, the nature of resistance was quite astonishing.

Following the widespread criticism of the Higgs review (2003), the Financial Reporting Council (FRC) 2003 and Jones et al (2003) concluded that contrary to Higgs Review there is no reason why the chairman should not be allowed to chair the nomination committee. Furthermore they suggested a no limit policy on re-appointment of non-executive directors; however, companies outside the FTSE350 companies should not be compelled to meet the Cadbury requirement on independent directors. Contrary to the findings of the CBI (2003) as stated above the Government and the National Association of Pension Funds (NAPF) express their support to the Higgs report. However, after months of debate, the FRC's amended proposals were met with resounding acceptance (Tassell, 2003). These changes were included in the new Combined Code (2003) for implementation in the company reports from November 2003 (FRC, 2003). A good practice suggestion from the Higgs Report was eventually published in the 2006 Combined Code.

3.10 Evaluation of the Smith Review (2003)

Smith Review (2003) on the audit committees made clear the importance of the audit committees to companies. The review made it clear that "the audit committee should act independently without any influence from the executives to ensure that shareholder interest is protected in relation to financial reporting and internal control" (Smith, 2003 para 1.5)

Table 3.8: The Smith Review (2003) Recommendations on Audit Committees

- At least one member of the audit committee should have recent, relevant and significant financial expertise
 - The entire audit committee be independent
 - Companies required to further strengthen the audit committee role within the company
 - A report from the audit committee be included in companies annual reports
 - The audit committee chairman attend the AGM to answer shareholder questions
-

Table 3.9: The Tyson Report (2003) Recommendations on Recruiting Executives

- *Recruitment:* companies demonstrate more transparency and professionalism in the recruitment of company directors
 - *Training:* Once recruited directors to be given proper and adequate induction and training
 - *Diversity:* Annual censuses to measure diversity of boards aimed at encouraging the development of underrepresented groups.
 - *Wider Catchment:* Use of a wider catchment area in the recruitment of independent directors, including those just below the board level, in unlisted companies, consultants and non-commercial sectors.
-

It is incumbent on audit committees to ensure that the company has adequate systems of control but not the monitoring (Smith 2003). Both the Higgs Review and the Smith Review reported simultaneously on 20th January 2003 (Higgs, 2003; Smith, 2003) while the Co-ordinating Group on Audit and Accounting Issues (CGAA, 2003) reported on the 29th January. Some of the proposals called for by Sir Robert Smith (2003) are outlined in Table 3.8.

3.11 Evaluation of the Tyson Report (2003)

The Tyson Report (2003) focused on the recruitment and development of non-executive directors. Table 3.9 identifies the Reports key recommendations. The Higgs Review and the Tyson Report (2003) have reignited the debate surrounding board independence, lack of female directors and the potential positive contribution of female participation to UK corporate governance.

The Tyson Report (2003) also recommended that board composition should be more diversified and balanced. The business case for diversity on boards has four key dimensions according to the Davies Report (2011) namely: improving performance, accessing the wider talent pool, being more responsive to the market and achieving better corporate governance. Research conducted by McKinsey & Company (2008) found that performance increases significantly once a critical mass of females on the board is attained. The suggested critical mass appears to be at 30% below which no significant performance was observed which appears to contradict the Davies Report (2011) suggesting that companies on the FTSE 100 should aim for 25% female board representation by 2015.

Mallin (2010) suggested that female directors are more independent as they do not belong to the 'old boys' network' and therefore more likely to ask questions of management rather than echo the prevailing management ethos (Selby, 2000). Kang et al (2010) also suggested that female directors provide strong oversight and control over risk taking decisions, a view supported by Adams and Ferrera (2009) while Galbreath (2011) argued that women have a superior understanding of customer behaviour.

The Davies Report (2011) may have been triggered by a report by the Equality and Human Right Commission (2008) which suggests that at the current rate of change it will take more than 70 years to achieve gender balanced boardrooms in the UK largest 100 companies.

The Davies Report (2011) sought to identify obstacles to female progression to boardroom level and make recommendations to achieve gender equality. The Report was commissioned by the government following concerns in relation to poor representation of women on boards which appears to suggest that there may well be a

systematic bias against female appointments requiring redress. (For full recommendations of the Davies Report (2011):- see David, 2011 Women on Boards, Department for Business and Innovation). Moreover, Li and Wearing (2004) used the term 'glass ceiling' suggesting a transparent barrier which women face as they attempt to achieve promotion to higher levels of organisations. Thus, it allows them to see where they might go, but stops them getting there (Nicolson, 1996). Brewis and Linstead (1999) argued that the glass ceiling has been viewed as an invisible, implicit but impenetrable barrier which prevents women from reaching senior positions a barrier that blocks the vertical mobility of women (Baxter and Wright, 2000). Women who do break through the glass ceiling are paid less than their male counterparts (Li and Wearing, 2004). Moreover, Li and Wearing (2004) also identified three key factors as contributing factors explaining lack of women in top positions namely: work-family conflict, competence/experience (Anker, 1997) and networking.

Oakley (2000) suggests that barriers created by corporate practices tend to favour recruitment, retention and promotion of males over females. Li and Wearing (2004) also added that cultural and behavioural factors can work to the disadvantage of women and these include stereotyping, preferred leadership style, tokenism and the old boys' network. In fact, the segregation of occupation on the basis of workers' gender is one of the most important and enduring aspects of the labour markets globally (Anker, 1997). On the contrary, companies which recognise and attempt to overcome gender discrimination, are more likely to recruit the best available managerial talent and hence, be more successful (Burke, 1997).

Furthermore, supporters of gender equality question whether board recruitment is in practice based on skills, experience and performance. As a result, gender equality advocates are now calling for an imposition of quotas as in Norway (Hamil et al (2011). However, it is argued that this may lead to tokenism. Farrell and Hersch (2005) posit that the announcement of an appointment of a female to the board did not lead to an increase in the value of the firm and was not in itself considered to be a value creating activity. Opposition to the quota system argued that appointments should be made on merit and not gender (Hamil et al. 2011). Adams and Ferrera (2009) posit that the average effect of gender diversity on firm value was negative. An outcome explained by the possibility that female members were over monitoring and stifling companies'

entrepreneurial activities (Hamil et al. 2011). Based on the evaluation above one can conclude that extant evidence appears to be contrary and requires further research.

3.12 Evaluation of the Combined Code (2003)

The Combined Code (2003) hereby referred to as the second Combined Code integrated the main points of Higgs and Smith reviews. Back (2003) suggested that corporate failures highlight flaws in the governance systems in directing corporations and boards to effectively manage the company's affairs and meeting the required goals and objectives of their stakeholders. The Combined Code (2003) requires that 'undue reliance' must not be placed on particular individuals. Table 3.10 (a) outlines the key points of the 2003 Combined Code and subsequent versions discussed below.

The FRC 2005 announced a review of the implementation of the Combined Code (2003) which was eventually superseded by the Combined Code (2006). This follows consultation in 2005 which yielded a number of changes to the Combined Code (2003). The FSA made some minor modifications to the UK Combined Code 2003. The principal modifications of the UK Combined Code (2006) are shown in table 3.10 (b). In 2006 the FRC undertook a review of the Combined Code (2006) and found that the Code had a beneficial impact and contributed to higher overall standards of governance. The 'comply or explain' approach was criticised initially because companies provided poor quality explanations for non-compliance (CIPD, 2009).

3.13 Evaluation of the Combined Code (2008)

The Combined Code (2008) was issued following a review on the effectiveness of the code which was undertaken in 2007. The Combined Code 2008 supersedes and replaces the Code issued in June 2006. There have been two major changes to the provisions of the 2006 Code. At this stage both the Combined Code (2006) and (2008) are in effect (see table 3.10(c)). The Combined Code (2006) applies to companies with accounting periods starting on or after November 2006. The Combined Code (2008) applies to companies with accounting periods beginning on or after 29 June 2008. In May 2010, the FRC issued a new edition of the Code which applies to financial years beginning on or after 29 June 2010. This follows a review of the Code carried out during 2009 and consultation on a draft of the revised Code that ended in March 2010.

Table 3.10 The Combined Code (2003)

(a) The Combined Code (2003)

- The chairman should provide leadership to Non-executive Directors (NEDs) and ensuring that shareholder views are communicated to the board
 - A 'formal and rigorous' assessment of boards, individual directors and the performance of various committees.
 - NEDs consist at least half of large company boards
 - Both the audit and remuneration committee be formed entirely with independent directors
 - Chairmanship of FTSE100 company be restricted to one per person
-

(b) The Combined Code (2006)

- Where the Chairman is considered independent on appointment, then he/she should be allowed to serve but not the chair the remuneration committee.
 - To provide a 'vote withheld' option on proxy appointment form to enable shareholders to indicate that they wish to withhold their vote.
 - To recommend the company to publish the details of proxies lodged at a general meeting on their website where votes are taken on a show of hands
-

(c) The Combined Code (2008)

- The removal of the restriction on an individual chairing more than one FTSE 100 company (A.4.3)
 - The company chairman of a listed company outside of the FTSE 350, allowed to sit on the audit committee where he or she was considered independent on appointment (C.3.1).
-

(d) The Financial Services Bill (2009)

- Effective regulation and supervision of firms
 - Effective monitoring and managing systemic risk by creating a Council for Financial Stability
 - To ensure banking remuneration is fair and transparent and link to effective risk management and finally
 - Enhance support and protection for consumers of financial products.
-

This review is carried out in light of the current difficult economic conditions for businesses.

In February 2009, Gordon Brown, the Prime Minister asked David Walker to review corporate governance in UK banks and other financial industry entities in light of the critical losses and failure throughout the banking system (Financial Times, 2009). The pendulum will swing – and should swing – towards an enhanced role for government in saving the market system from its excesses and inadequacies (Summers, 2008). It is important to note that there are various influences since 1998 that led to the development of corporate governance in the UK. Company Law Review (2002) included various aspects of corporate governance. Some of the corporate governance aspects in this review include the codification of directors' common law duties and audit requirements. The Company Review Bill was published in 2005. This was aimed at encouraging shareholder engagement, ensure more effective regulation and promote long term investment environment.

Institutional investors and their representative groups also act as a professional 'group voice' for their members. These groups include; the Association of British Insurers (ABI) and the National Association of Pension Funds (NAPF) amongst others. Other institutional investors and groups representing them also offer their views on issues of corporate governance. These organizations include:-

- CalPERS (California Public Employees' Retirement System) Global Corporate Governance Principles, (1997) went on to develop corporate governance principles for France, Germany, Japan, UK, US, and global guidelines, which tend to build on OECD Principles.
- Teacher Insurance and Annuity Association – College Retirement Equities Fund, Policy Statement on Corporate Governance, (2000); and
- The Hermes Principles, Hermes Pension Management Limited, (2002).

3.14 Queen's Speech – Financial Services Bill (2009)

The Queen also set out her government's continued effort to reform and strengthen regulation of the financial services industry to enhance greater protection for savers

and taxpayers. The purpose of the bill was to strengthen and reform financial regulation in the UK, support improved corporate governance, and safeguard and empower consumers. It also intended to rebuild the financial system to ensure that it is fairer and works more effectively for consumers (Number10, 2009). The main benefit of this bill is as follows greater efficiency (see table 3.10 (d)).

The Banking Bill was introduced to Parliament in October 2008 and received the Royal Assent in February 2009 and now an Act of Parliament (Ops, 2009). The Banking Act 2009 gives the Bank of England the statutory mandate with regard to financial stability and introduces a bank resolution and insolvency framework. The Banking Act 2009 was initially triggered by the debacle surrounding the failure of Northern Rock but subsequent events led to the reform process and provided the government with a sufficient array of tools to confront a troubled bank (Campbell and Lastra, 2009).

The banking crisis of 2007 highlighted the need for a debate on the issue of bank safety and protection of depositors. It is important to note that the financial services underwent a significant reform in 1997 leading to the passing of the Financial Service and Market Act 2000. This Act created the FSA and a Memorandum of Understanding (MOU) between the Treasury, the Bank of England and the Financial Services Authority. Despite these changes, Goh (2010) argued that hindsight shows that financial services regulation in the UK failed spectacularly at its first real test. Furthermore, he argues that it became increasingly clear that the FSA and other regulators had suffered 'collective intellectual failure' failing to spot the iceberg before it was too late (Goh, 2010). As a result, the coalition government is suggesting radical changes to the UK regulatory framework. These include abolishing the FSA and transferring the majority of its powers back to the Bank of England with the remaining powers transferred to the Consumer Protection Agency as well as the creation of Financial Stability Council. It remains to be seen whether these new changes will prevent future financial crisis in the UK.

3.15 The Turner Review (2009)

The financial crisis of 2007 revealed the inherent fragility of the UK banking sector and the flaws in domestic financial regulation. It is clearly evident that there is a need for a drastic overhaul of domestic financial regulation and supervisory arrangements (Hall,

2009). Lord Turner was asked by the Chancellor to review the causes of the 2007 financial crisis, and to make recommendations on the changes in regulation and supervisory approach necessary for an effective and robust banking system for the future. The Turner review (2009) aimed to ensure banks keep more capital to protect themselves against risk, closer supervision of credit rating agencies, and tighten up on irresponsible pay scales.

The review also paved the way for the FSA to radically change its approach to overseeing the banking sector. Thus, initiating a new European banking regulator to handle pan-European banks. This review looks into how Britain, and the rest of the world, should respond to the financial crisis aimed at creating a stable and effective banking system. The review contains 28 recommendations. The entire recommendations are available online (FSA, 2013).

Despite these recommendations Bruner (2011) argued that the principal challenge facing the UK policymakers is the need to re-conceptualise the more shareholder centric UK Corporation in the financial setting as a means of curbing risk-taking in banks. Furthermore, it is also suggested that policy makers in the UK and US seem to advocate the need to empower the very stakeholder group whose incentives are most skewed toward the kind of excessive risk taking that led to the financial crisis in the first place (ibid).

Pistor (2009, p.333) commenting on sovereign wealth funds, banks and governance in the global crisis argued that:

every crisis can be taken as symptom of governance failure. The immediate reaction tends to be an attempt to fix the problems that gave rise to the most recent crisis. By definition, such a regulatory approach lags behind actual developments on the financial marketplace, thereby inadvertently sowing the seeds for the next corporate governance failure.

This appears to suggest that corporate governance regulations tend to be reactive and lacked the ability to prevent and foresee future crisis. It also highlights the importance of corporate governance failure on global finance and the increasing important role of sovereign wealth funds as a shareholder of banks. The financial crisis and the subsequent bailouts have demonstrated governments perceive finance as public good

and will respond to threats to the financial system accordingly (Pistor, 2009). Finally, as the global economy recovers following the worst financial crisis in 60 years, there is a danger that complacency will set in and banks will return to the pre-crisis modes of behaviour (Hall, 2009). If this is allowed to happen history will repeat itself and trust will be difficult to restore in the financial sector. In addition, over-regulation and stifling of innovation and entrepreneurial activity should also be avoided (Hall, 2009), but the world has to accept that, the interest of citizens require that state-subsidised risk taking be substantially reduced.

3.16 The Walker Report (2009)

In light of the experience of critical loss and failure throughout the banking system, Sir David Walker was asked by the Prime Minister, Gordon Brown, to review corporate governance in UK banks and other financial industry entities. The recent financial crisis had a profound effect on taxpayers and regulators across the world. The financial crisis of 2007 has indeed reminded society that there is a tangible link between business activities in the financial services sector and the real economy (Leblanc 2009; Hamil et al 2011).

The UK House of Commons, Treasury Committee (2009) established to investigate the financial crisis concluded that the bonus driven remuneration structures encouraged reckless and excessive risk taking and the design of bonus schemes was not aligned with the interest of shareholders and long term sustainability of the banks, a view supported by Leblanc (2009). Lambert's (2008) echoed similar sentiments when he blamed the financial crisis on a serious misalignment between the interests of managers and shareholders... a number of investment banks overlooked basic risk controls in their drive to increase profits.

This pattern of behaviour had been exacerbated by the remuneration structure which encouraged some employees to take spectacular short term risk, confident that if things worked out well they will reap significant rewards, and if they did not they would not suffer the consequences. The irony here is that the compensation package did not penalise executives when their risky decision making damaged shareholder value. Walker (2009) subsequently, raised concerns about executive remuneration, recommending that banks should reduce its impact upon short term performance.

These revelations appear to question the effectiveness and implementation of the Greenbury Report (1995) on director's remuneration. Hence, governments are reviewing their corporate governance rules and past regulation to ensure greater support and protection for consumers of financial products.

The Walker Report (2009) finally came up with 38 recommendations aimed at enhancing corporate governance with the view to reducing the likelihood of a similar catastrophe occurring in UK economy again. Furthermore, there was a genuine attempt to address the systemic threat posed by granting bonuses that encourage excessive risk taking.

As anticipated by Lord Turner, the Walker Review was published a few months after his own review. The Walker Report (2009) will ultimately provide his recommendations to HM Treasury on corporate governance and the management of risk in the UK banking industry. Although the Walker Report (2009) mainly focused on banks, however, the report applies to all institutions, not just banks. Its recommendations influenced the UK Corporate Governance Code (2010) discussed below. The Walker review also concluded that the Combined Code did not fail and suggested that the 'comply or explain' approach should remain.

However, the media reaction to Walker's Review publication was mixed. Hall (2009) highlighted the following weakness in the Walker Report (2009):

- No cap on bonuses was proposed, and 'clawback' of bonuses was only sanctioned in cases of misstatement or misconduct, not subsequent poor performance;
- On pay disclosure, there is no requirement that individual high earning bankers be identified, only the numbers of employees earning above a certain threshold be published and
- Chief Executives not barred from becoming Chairmen.

It is important to note that concerns have also been raised in relation to the potential damage that might be done to UK financial services if similar proposals are not implemented in competing jurisdictions. Some also raised fears in relation to the likely difficulty in filling non-executive positions as a result of increase burdens imposed by

the Report. On the contrary, others complained about the extension of the remit of non-executive directors into areas traditionally preserved for management alone (Hall, 2009). Either way Sir David Walker has to balance the public interest against potential threats to domestic finance industry profitability.

3.17 The UK Corporate Governance Code (2010)

The UK Corporate Governance Code (2010) formerly the Combined Code was aimed at setting out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. It was intended that a new code will be published in 2012 to be applied to financial years beginning or after October (FRC, 2010). The Combined Code was updated in 2010 to incorporate the findings of the Walker Report (2009) and was renamed the UK Corporate Governance Code (2010). This code emphasises that it is the board's responsibility to consider long term success of their company. It is therefore prudent to suggest that the purpose of corporate governance is to facilitate effective, entrepreneurial and prudent management aimed at delivering long term success of a company (FRC 2010). In addition, The UK Corporate Governance Code (2010) tasked shareholders with holding the board to account and recommends that shareholders have an annual opportunity to provide feedback on the performance of directors prior to the AGM.

As a result, shareholders have been more outspoken in their objections to executive remuneration following the financial crisis. For example 47% of shareholders failed to back the remuneration report in 2010 AGM (Guardian 2010). Figures from Pensions & Investment Research Consultants available on (PIRC 2010) the UK government advisory group suggest that the number of companies with 10% or more opposition to remuneration reports jumped from zero in 2000 to 65 in 2009. According to the Guardian (2010a, p.12) a disgruntled shareholder got a round of applause when he reportedly told the board of British Airways 'you do seem to be feathering your own nests at the expense of the shareholders you are supposed to serve'. It is also argued that no code or legislation, no matter how well written, can guarantee the conduct of directors (Hamil et al 2010).

However, history has demonstrated that new “unethical practices evolve to take the place of current unethical behaviour that is continually being uncovered and monitored (Hamil et al (2010). Self-interest and the lust for power and wealth (in some individuals) mean that surprise corporate failures are still likely to occur in the future” (Hamil et al 2010, p.58). This seems to suggest that future corporate failures cannot be ruled out completely despite the introduction of codes or legislations and that government’s and regulators will have to revisit corporate governance codes and legislation continuously as new issues emerge. The entire recommendations of The UK Corporate Governance Code (2010) are available at the FRC web site (FRC 2012).

3.18 Stewardship Code (2010)

The Financial Reporting Council published the Stewardship Code in July 2010 to encourage engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities (FRC 2010). The Code set out good practice on engagement with investee companies to which the FRC believes institutional investors should aspire and operates on a 'comply or explain' basis. The FSA therefore requires UK authorised asset managers to report on whether or not they apply the Code (ibid).

For many years critics of UK corporate governance have urged those who own equity in listed companies to forsake their traditional bias in favour of passivity and act as responsible and engaged ‘owners’ (Cheffins, 2011). In a 2009 speech, Lord Myners described institutional investors who currently dominate share ownership in publicly quoted UK companies as ‘absentee landlords’. Walker (2009) also argued that a more productive and informed relationship between directors and shareholders should assist directors better manage company’s affairs more effectively.

The irony here is that it will be extremely difficult for institutional investors and other shareholders to have any meaningful impact or curtail decisions of the board without a binding vote. The Coalition Government is currently working on legislation which will give shareholders legally binding votes. The standoff in relation to lending more to small businesses between Royal Bank of Scotland and the Lloyds Banking group against the government (major shareholder in two banks) have demonstrated institutional investors’ lack of power and influence. Furthermore, Cheffins (2011)

argued that, the Code is unlikely to foster substantially greater shareholder involvement in UK corporate governance due to sustained fragmentation of share ownership occurring over the last 20 years. This is mainly because the:

proportion of shares held by 'mainstream' domestic institutional investors has dropped markedly and shareholders who are not the Stewardship Code's main targets – primarily overseas investors, hedge funds and private individuals – now collectively dominate share registers. The Stewardship Code's impact will, in all likelihood, be compromised accordingly (Cheffins, 2011, p.4).

It can be argued that the flexibility offered by the notion of 'comply or explain' creates risks that those to whom the Code applies will fail to treat compliance as a priority and will offer little or no explanation to justify non-compliance. Furthermore, shareholders may not have the necessary expertise to ascertain whether or not the company is losing its way and generate well informed solutions (Skypala, 2009). Moreover, fund managers acting on behalf of institutional investors tend to focus on trading decisions and are neither incentivized nor resourced to act as owners (ibid).

On the contrary, proponents of the Stewardship Code argued that the code will be a catalyst for improved engagement between shareholders and companies and create a stronger link between governance and the investment process. The disclosures made by institutional investors under the code will also help companies to understand the expectations of their major shareholders. Based on the analysis above, one can conclude that the fragmentation of share ownership in the UK stands out as a potential major stumbling block to activism by the 'mainstream' institutional investors the Stewardship Code targets (Cheffins, 2011). Full recommendations of the Code can be obtained at the FRC website (FRC 2011).

3.19 The Vickers Report (2011)

In June 2010, George Osborne, the Chancellor of the Exchequer and the Secretary of State for Business, Vince Cable, announced the creation of the Independent Commission on Banking (ICB) chaired by Sir John Vickers. The Commission's primary duty was to review the structural and related non-structural reforms to the UK banking sector aimed at enhancing financial stability and competition, and to make

recommendations. The Independent Commission on Banking subsequently published its interim report in April 2011 and its final report in September 2011. In its final Report the Commission recommended that its reforms be implemented no later than the start of 2019. The underlying principle leading to the creation of this Commission was to safeguard consumer banking from riskier wholesale activities and address the notion of moral hazard. The need to protect the tax payers from future financial crisis and bail outs was highlighted by JP Morgan's multi-billion dollar derivatives losses known as 'Whategate'. Soon after this came the 'Liborgate' scandal costing Barclays £290m in fines. In July 2012, there was a money laundering scandal at HSBC followed by Standard Chartered's settlement over allegations that it had broken embargoes with Iran.

Critics of the report argue that the 2019 deadline to implement the Vickers' proposal was still a long way off for UK banks and even longer for them to make a real difference in the market. Others argue that the reform was about separating the two functions (retail and investments banking - operational separable) rather than cleaning up the corporate culture of investment banks (Khalique 2012). If the recommendations are fully implemented by the Government, the investment banks would have to fund all its liabilities in the market at market rate instead of through its deposits. Hence, this may lead to higher cost of capital for banks, increase cost of lending for UK businesses thereby putting them at a disadvantage with their overseas competitors. The introduction of tougher regulation could ultimately damage UK banks' ability to compete globally (Goff, 2011). Access to other financial products may be limited as well. It remains to be seen as to whether or not investors will be willing to lend money to investment banks without assurances that it might have some support from its government if needed or even from its parent company (Khalique 2012). As a result, creditors will have to choose which legal entity of the bank to deal with and if it falls inside or outside the ring fence. Subsequently, the entity of the bank outside the ring fence will suffer increased cost of funding if its rating is lower. It is therefore inevitable that banks with significant investment divisions will be hit hardest because they have more to restructure. It is therefore paramount that the public perception of UK banks tainted by the scandals such as 'Liborgate' and subprime mortgages should not be allowed to impact future legislation beyond what is reasonable.

Banks and some business groups argue that hitting the industry with additional cost at a time when their businesses are already under pressure could undermine lending and recovery (Goff, 2011). There may also be an incentive for banks from outside the European Economic Area (EEA) that wish to operate retail banking in the UK to set up headquarters in another EEA state and passport in, thereby avoiding any UK ring-fencing requirements (Harvard Law School 2011). There is also the risk that ring-fencing may have an adverse effect with regulators focusing overly on risks within the ring-fenced sector whilst missing developments elsewhere in the market that could potentially cause disruption (Harvard Law School 2011).

Goff (2011) suggested that ring fencing UK retail operations may actually encourage banks to take greater risks with activities inside the fence, such as mortgages and corporate and personal loans because they are likely to be bailed out.

Proponents of the report argue that it will protect consumer clients and, therefore, the taxpayer from the effects of another collapse caused by risky or shady practices (Khalique, 2012). Others argue that the recommendations will strengthen the European single market because the biggest distortion to this market is the perceived implicit government guarantees HM Treasury (2012). It is also suggested that the reforms will encourage more competition and could lead to an emergence of a stronger challenger to the big four in the UK (The Telegraph, 2011). As a result of the suggested changes by the Vickers' Report (2011) investment banking outside the ring-fence will be allowed to collapse without worries about financial contagion. Furthermore, increasing loss absorbency coupled with ring-fencing could substantially reduce the perceived government guarantee across the banking sector.

One can therefore conclude that the recommendations are aimed at providing continuity of service to those more vulnerable customers, while allowing the banks activities outside the ring fence to fail in an orderly fashion. Another dilemma facing regulators is the fact that many banking products contain elements of both commercial and investment banking packaged together, e.g. loans and credit default swaps. In the future, banks will have to reconsider and restructure their product structures across the board to comply with the ICB's recommendations. Ultimately, these products will need to be offered by two separate entities thereby potentially increasing costs for small

businesses (Harvard Law School 2011). The main recommendations of the Vickers' Report (2011) are: ring-fencing UK banks' retail banking operations, higher capital requirements for UK retail banks, preferential status for insured deposits in a bank insolvency and measures to increase competition in the UK banking sector. The full recommendations of the ICB (2011) are available on line (<http://bankingcommission.s3.amazonaws.com/wp-content/uploads/2010/07/ICB-Final-Report.pdf>).

3.19.1 'External' Influences on UK Corporate Governance

Reports by European Union (EU) company law experts had significant implications for its member states including the UK. Zattoni and Cuomo (2008, p. 1) found that "the issuance of codes in civil law countries is prompted more by legitimating reasons than the determination to improve the governance practices of national companies". Bauwhede and Willekens (2008, p. 101) found that "ceteris paribus the level of corporate governance disclosure is (1) lower for a company with higher ownership concentration, (2) is higher for companies from common law countries; and (3) increases with level of working capital accruals". Brenner and Schwalbach (2009, p.1) found that CEO pay is "always less generous under stricter anti-director rules and a stronger rule of law furthermore, director liability rules are associated with more generous pay schemes".

Li and Samsell (2009) found that trade is more common for rule-based states in comparison to relation-based states. Furthermore, countries with large gaps in governance environment tend to trade less. However, positive effect on trade flows exists between two highly rule-based countries and not two highly relation-based countries. Tricker (2009) argued that the Sarbanes-Oxley Act (2002) also made its influence felt in the UK. The OECD Principles of Corporate Governance (1999) as revised in 2004 also made a significant contribution to the development of corporate governance globally.

The Global Corporate Governance Forum (GCGF) coordinates corporate governance activities between the World Bank and the OECD. It is aimed at bringing various corporate governance groups including countries, banks, and professional groups amongst others with a view to form a common initiative. The International Corporate

Governance Network (ICGN) aims to facilitate international dialogue on corporate governance issues with institutional investors, academics, and financial intermediaries amongst others. It is important to note that the ICGN principle (2005) advocates similar sentiments to that of the OECD building on the OECD Principles (2004). The Commonwealth Association for Corporate Governance (CACG) as the name suggest is aimed at Commonwealth countries. The CACG mainly covers 15 principles detailing board's role and responsibilities. The Basle Committee provides guidelines enhancing corporate governance within the banking industry.

3.19.2 The Lamfalussy Report (2005)

The Lamfalussy Report (2005) was initially developed in 2001 and later reviewed in 2007 aimed at developing the financial services industry regulations used by the EU. Lamfalussy Committee called for a four-level approach to European regulation to allow the EU to respond rapidly and flexibly to developments in financial markets in order to achieve greater market integration and improved competitiveness (Europa 2005). Following the review in 2007 the Economic and Financial Affairs Council of the EU concluded that the arrangements were broadly working well, but some improvements need to be made (See appendix IV - The Four Level Approach to European Regulation).

3.20 Conclusion

Alexander (2006, p.17) argued that:

corporate governance of banks is largely concerned with reducing the social costs of bank risk taking and that the regulator is uniquely positioned to balance the relevant stakeholder interests in devising corporate governance standards for financial institutions that achieve economic development objectives, while minimising the externalities of systemic risk.

This highlights the importance financial institutions in economic development as well as the need for financial regulation because of the systemic risk that banking activities pose for the economy and society at large.

According to Rossouw (2005) the dominant model of corporate governance that emerges in African national codes is an inclusive model of corporate governance. The two fundamental reasons why most African countries adopt a voluntary system are: inadequate legal and regulatory framework (Rossouw, 2005). A vast numbers of companies in Africa are not listed and therefore not affected by corporate governance requirements. Thus, mandatory requirements for listed companies would leave the majority of the companies outside the remit of corporate governance reform. The above arguments suggest that Africa's lack of advanced markets is a major factor that makes the stockholder model of corporate governance inappropriate.

The regulatory framework in The Gambia is aimed at enhancing the required foundation for a legitimate and transparent system of regulation and corporate governance. However, weak institutional capacity and corruption still pose problems on a more practical level (EIU ViewsWire 2003). The Gambia's banking sector is relatively healthy: non-performing loans as a percentage of banks' total loan portfolio dropped from 11% in 2001 to 5.5% in 2003 (ibid). Finally, Agu (2004) also added that commercial banks in The Gambia have not performed as efficiently as they could, due to the heavy regulatory framework.

The UK adopted a voluntary system of governance based on the notion of 'comply or explain'. However, these codes seem to come into effect as a reaction to a particular situation. These codes seem to reflect what already happened as opposed to a preventative measure. One can argue that it is extremely difficult to predict what the future will be.

There are other external influences on UK corporate governance amongst which include: EU company law, the OECD principles of corporate governance, the World Bank, the IMF, The Global Corporate Governance Forum (GCGF), the ICGN, CACG, Basle Committee and the Lamfalussy Report. These codes are aimed at reforming and strengthening financial services regulation aimed at protecting stakeholders. Interestingly, the recent financial crisis couldn't be averted despite all the codes that existed in the UK. Recently, the trend of privatisation seems to be reversed in favour of public ownership of companies. This seems to suggest that perhaps privatisation may not be the best way forward after all in governance of corporations.

The UK Combined Code (2003) adopted a policy of 'comply or explain'. The US for example adopted a legislative approach by enacting the Sarbanes-Oxley Act (2002) as a result of the corporate failures in 2002-2003. It is believed that the doctrine of 'legal personality' is fundamental in the development of corporate governance literature.

The main thrust of next chapter is centred on the research methodology adopted for this research namely grounded theory. An evaluation of the two main paradigms of inquiry adopted for this research namely the interpretivists and constructivist paradigms will also be carried out. Finally, the difference between the Glaser and Strauss schools of thought will be explored in the next chapter.

CHAPTER FOUR:

RESEARCH METHODOLOGY: THE GROUNDED THEORY APPROACH

4.0 Introduction

This chapter is aimed at establishing the appropriate research methodology that the researcher can deploy in order to meet the research aims and objectives. The chapter opens with the paradigms of inquiry for this research, followed by the interpretivist paradigm before embarking on the constructivist paradigm. Brief commentaries on other paradigms are also covered as well as the theoretical framework underpinning the research. Grounded theory approach is the preferred research methodology the researcher intends to use and it's covered extensively in this chapter. The researcher also explored other areas of interest such as the Glazer and Strauss schools of thought, research using grounded theory. Finally, this chapter also aims to elaborate on the issue of developing substantive theory (data analysis) and research methods before concluding the chapter.

Grounded theory methodology will be used to develop a substantive theory for corporate governance in developing countries, with particular emphasis on The Gambian financial sector governance. The methodology will mainly focus on paradigms, research methods, and grounded theory as a research methodology for corporate governance research, Kant's CI and reviewing the literature on grounded theory as a research instrument.

Since the introduction of the Cadbury Committee Report on the Financial Aspect of Corporate Governance (1992), issues of corporate governance are mainly focused on the major shareholders and institutional shareholders of organisations. There is little or no attention paid to financial sector and non-profit organisations (Nwanji, 2006). Few academic researchers in developing countries focus on financial sector corporate governance. Corporate governance systems in the financial sector organisations are important, particularly in developing countries such as The Gambia where the biggest employers include government departments and the financial sector.

Using grounded theory methodology this research will examine the effectiveness of corporate governance systems in the financial sector organisations in The Gambia. This is aimed at scrutinising how effective the provisions of their services are to different stakeholder groups within the context of developing countries. It will also examine the effect of corporate governance regulations in relation to stakeholder interests in the financial sector organisations in developing countries, with particular reference to The Gambian corporate governance system. Focusing on The Gambian corporate governance systems the study will determine what contributions, if any; effective governance systems lead to effective management of the financial sectors to meet the needs of different stakeholders groups within the society. In developing countries such as The Gambia, accountability and responsibility are significant problems due to corruption and mismanagement of public finances. Will a good governance system provide accountability by management of financial sector organisations to stakeholders?

4.1 The Paradigms of Inquiry for this Research

Denzin and Lincoln (2005, p.183) defined a paradigm as “a set of beliefs that guide action. It consist of ethics (how to be a moral person), epistemology (how to acquire knowledge), ontology (what is nature of reality), and methodology (means to acquire knowledge)”.

A research paradigm can therefore, be defined as rules that provide the basis of how to conduct research based on one’s guiding or underlying principles, their assumptions about the world and the nature of knowledge. In this context, it is about how research should be conducted.

Thus a paradigm can be described as a theoretical framework or structure of thought that acts as a template or example to be followed. Guba and Lincoln (1994, p.105) argued that “questions of research methods are of secondary importance to questions of which paradigm is applicable to your research”. Saunders et al (2007, p.100) defined the research “paradigm as the basic belief system or worldview that guides the investigation, not only in choices of method but in ontologically and epistemologically fundamental ways”. The research paradigm is therefore not only limited to a basic belief system or worldview that guides the investigation but the nature of reality

(ontology) and its study of existence as well as the nature of knowledge (epistemology), in particular its foundations, scope and validity. Furthermore, Collis and Hussey (2009) argued that our personal research paradigm helps us to determine which methodology to adopt and in turn, identify the methods of collecting data. Any paradigm adopted will eventually have implications for the methodology chosen and the outcome of the overall result of the research. Paradigms offer a framework comprising an accepted set of theories, methods and ways of defining data (Bell, 2003).

To approach the proposed objectives, this thesis will opt for a combination of interpretivist and constructivist paradigms. The rationale for adopting this research strategy is that it allows the researcher to investigate existing phenomena such as corporate governance issues, which are based on the behaviour and actions of corporate executives charged with the implementation of the corporate governance requirements, their mind set and reality. It will also enable this thesis to build a substantive theory of corporate governance using the research questions and research design while using grounded theory method in constructing the substantive theory (Hussey and Hussey 1997; Denzin and Lincoln 2000; Lincoln and Guba 2000; Howell 2003, 2004).

4.2 The Interpretivist Paradigm

The initial application of phenomenological ideas to the social sciences is attributed to the work of Alfred Schutz (1899 -1959). His work was influenced by Weber's concept of *Verstehen* (which means understanding in German) as well as by phenomenological philosophers like Husserl (Bryman, 2008). According to Guba and Lincoln (1994, p.116) "paradigm issues are crucial; no inquirer, we maintain, ought to go about the business of inquiry without being clear about just what paradigm informs and guides his or her approach". Based on the argument above this researcher is compelled to set out his intended paradigm underpinning his approach. The proposed paradigm adopted for this research will be interpretivism (Phenomenological paradigm) which is a qualitative research method employing an inductive process.

The social world of business and management is far too complex to lend itself to theorising by definite 'laws' in the same ways as the physical sciences (Saunders et al,

2007). It is therefore suggested that the rich insights into this complex world will be lost if such complexities are reduced entirely to a series of law like generalisations. Generally, “positivists now accept that there are important aspects of the social and psychological world that simply escape measurement and quantification, and that interpretative research can be both insightful and rigorous” (Mingers, 2004, p.165). Furthermore, Kamal (2006) added that interpretive research methodology is related to data gathering and generating solid descriptions and interpretations and further allows theory building.

Phenomenology can be defined as the way in which humans make sense of the world around us (Saunders et al, 2007). Interpretivism rests on the assumption that social reality is in our minds, and is subjective and multiple (Kim, 2003). Hence, social reality is affected by the act of investigating it. Interpretivists believe that reality and the individual who observes it cannot be separated (Walker and Evers, 1999). Therefore, our perceptions of the world are inextricably bound to a stream of experiences we have had throughout our lives (Webber, 2004). The life-world has both subjective and objective characteristics (Webber, 2004). Subjective characteristics reflect our perceptions about the meaning of the world (Webber, 2004). The objective characteristics reflect that we constantly negotiate this meaning with others with whom we interact (ibid). The arguments above appear to suggest that our perception of reality, the interpretation of that reality and subsequent actions in light of our perception is prone to be subjective.

The researcher intends to use an inductive process. This is aimed at providing an interpretative understanding of social phenomena within a particular context. The inductive approach focuses on the study of mutual simultaneous shaping of factors with a newly independent design (categories are identified during the process). Thus, findings are accurate and reliable through verification (Collis and Hussey, 2009).

The interpretivism (phenomenological) paradigm is concerned with understanding human behaviour from the participant’s own frame of reference. It is a reaction to the positivist paradigm, which is a quantitative research method. Positivism focuses on “measuring social phenomena; whilst interpretivism focuses on exploring the complexity of social phenomena with the view to gaining interpretative understanding”

(Collis and Hussey, 2009, p.57). Thus, positivists believe that matters that are the subject of research are capable of being investigated objectively, and their veracity can be established with a reasonable degree of certainty. Interpretivists on the contrary, believe that the qualities they ascribe to the objects they research are socially constructed – they are products of their life-worlds.

Interpretive researchers therefore argued that organisational and social realities are constructed as a product of theorising, adding that this individual theorising itself shapes and affects reality (Kim, 2003). Hence, Walker and Evers, (1999) suggested that there is no mind-independent reality to correspond with hypothesis as an external reference point on their acceptability. Therefore, knowledge is seen to be comprised of multiple sets of interpretations that are part of the social and cultural context in which it occurs (Kim, 2003).

The contextual and subjective nature of interpretative research is at times a major obstacle particularly for researchers who seek to generalise the results to different organisational settings. The conditions prevailing in one situation or context may not necessarily apply to others. Therefore, attaining findings that are transferable to various contexts are rare (if not impossible) due to situational and contextual discrepancies. As a result, in many cases, the unique variance of these influential factors makes results impossible to replicate. Interpretivists also accept that there are important aspects of “the world, including the social world that goes before and beyond the individual’s meanings and beliefs, and that quantitative analysis can sometimes be useful” (Mingers, 2004, p.165). It is also argued that conducting interpretative research can also be costly due to the extended research time needed to observe, describe and understand a particular phenomenon. Babbie (1993) suggested that researchers’ views are often reflected in the interpretative research process, their personal subjectivity may inherently bias the research conclusions. Thus, their sense-making activities occur within the framework of their life-worlds and the particular goals they have for their work (Webber, 2004). This is mainly because interpretivists recognise that the knowledge they build reflects their particular goals, culture, experience, history amongst others. However, Kim (2003, p.13) suggested that:

experience interpretive researchers are able to bracket their pre-existing ideas of the phenomena and further assume a moral responsibility to accurately represent subjects and contexts as a means of reducing biases in their findings, it is almost impossible to completely remove this crucial source of error. Many interpretive researchers acknowledge such bias as acceptable, but purists from the positivistic tradition believe such contamination is unacceptable.

This would appear to suggest that interpretivists are able to set aside any pre-existing ideas of a phenomenon and assume moral responsibility aimed at reducing biases and subjectivity in the research findings. Webber (2004) argued that interpretivists are of the view that research is reliable if researchers can demonstrate interpretative awareness. Therefore, Interpretivists acknowledge the subjectivity they bring into a particular research process and measures taken to address the implications of their subjectivity. Interpretivists therefore seek to adopt different methods that “seek to describe, translate and otherwise come to terms with meaning, not the frequency of certain more or less naturally occurring phenomena in the social world” (Van Maanen, 1983, p.9). Therefore, one can broadly conclude that interpretive research is any type of research where the findings are not derived from the statistical analysis of quantitative data (Strauss and Corbin, 1990). Furthermore, Holstein and Gubrium (2005, p.484) argued that:

Interpretive practice engages both the hows and the whats of social reality; it is centred in both how people methodically construct their experiences and their worlds, and in the configurations of meaning and institutional life that inform and shape their reality –constituting activity. A growing attention to both the hows and the whats of the social construction process echoes Karl Marx’s (1956) adage that people actively construct their worlds but not completely on, or in, their own terms.

The process of engaging both the *hows* and *whats* makes it possible to understand and appreciate the construction process but also foregrounds the realities themselves that enter into and are produced by the process. This notion of *hows* and *whats* now leads the researcher into the next major topic which is on constructivism.

4.3 The Constructivist Paradigm

Guba and Lincoln (1989, p.12) posited that “for the constructivist paradigm, the core assumption is that realities are not objectively ‘out there’ but are constructed by people, often under the influence of a variety of social and cultural factors that lead to shared construction”. Hence, for constructivism, “humanity alone is responsible for knowledge development and understanding is a matter of interpretive construction on the part of the active subject” (Howell, 2013, p.90).

However, Greene, (2000, p.986) suggested that “constructivist inquirers seek to understand contextualised meaning... the meaningfulness of human actions and interactions –as experienced and construed in a given context”. Furthermore, Charmaz (2006) argued that a constructivist approach places priority on the phenomena of study and sees both data and analysis as created from shared experiences and relationships with participants (see Charmaz, 1990, 1995, 2000, 2001; Charmaz and Mitchell, 1996). Constructivist grounded theory therefore assumes that both data and analysis are social constructions that reflect what their production entailed (see Bryant, 2002, 2003, Charmaz, 2000, Hall and Callery, 2001; Thorne et al, 2004). Thus, any analysis is therefore contextually situated in time, place, culture and situation.

Furthermore, she argued that constructivist grounded theory lies squarely in the interpretative tradition contrary to objectivist grounded theory which is derived from positivism. Thus, we do not exist in a social vacuum but instead interact with data and create theories about it. This may also appear to suggest that in the process of conducting research using the constructivist’s approach, research participants may live in the researcher’s mind and influence how the researcher conducts research long after immediate contact with them. Hence, constructivism understands reality as being locally constructed and based on shared experiences.

Epistemologically, constructivist’s research results are created through consensus and individual constructions, including the constructions of the investigator (Howell, 2013). Navon (2001, p.624) argued that “for a rationalist, the mind *unveils* reality; for post-modernist, the mind *invents* reality whereas for constructivists the mind *creates* reality and claims that facts are produced by human consciousness”. Similarly, Howell (2013) commenting on social constructivism and social constructionalism (emphasis on the

individual in the former and community in the latter) in relation to how reality is developed and understood argued that each amounts to a similar position in that reality is not external to human existence but determined and defined through social interaction. Guba and Lincoln (1989, p.13) concurred that such “socially constructed realities are not independent of the ‘observer’ (constructor) but are absolutely dependent on him or her for whatever existence they have”.

Constructivists therefore focus on how and occasionally why participants construct meanings and actions in specific situations. Charmaz (2006, p.130) suggested that a constructivist approach means more than looking at “how individuals view their situations. It not only theorise the interpretive work that research participants do, but also acknowledges that the resulting theory is an interpretation (Bryant, 2002, Charmaz, 2000, 2002)”. Social constructivists assume that individuals seek understanding of the world in which they live and work. It is argued that individuals develop subjective meanings (varied and multiple) of their experiences – meanings directed at certain objects or things (Creswell, 2009). As a result of multiple and varied meaning, the researcher is able to look at the complexity of views rather than narrowing meaning into a few categories or ideas.

The subjective meanings are therefore negotiated socially and historically not imprinted on individuals but are formed through interaction with others (hence social constructivism) and through historical and cultural norms that operate in individuals’ lives (Creswell, 2009). Therefore, the constructivist approach to research is to make sense of (or interpret) the meanings others have about the world instead of starting with a theory (as in post positivism), inquirers therefore generate or inductively develop a theory or pattern of meaning. Thus, constructivism fosters researchers’ reflexivity about their own interpretations as well as those of their research participants. However, critics of constructivism point out that “researchers recognise that their own backgrounds shape their interpretation, and they position themselves in the research to acknowledge how their interpretation flows from their personal, cultural and historical experiences” (Creswell, 2009, p.8). Other researches such as Charmaz (2006) suggested that grounded theorists can import preconceived ideas into their work if they remain unaware of their starting assumptions.

According to Howell (2013) the main criticism of constructivism involves the relativist reduction and self-refutation; reality is constructed so all constructions are true realities. This would appear to suggest that truth in one construction can be true for all or even another separate construction. This would be difficult to uphold if not impossible because social structures are totally different each has an incommensurable worldview and comparative judgement between them is impossible. Therefore, prediction and causality and unlikely outcomes of constructivist research although levels of understanding (verstehen) can be achieved (Guba and Lincoln, 1985).

Social constructivism (often combined with Interpretivism; see Mertens, 1998) is typically seen as an approach to qualitative research. The ideas came from Mannheim and from works such as Berger and Luekmann's (1967) *The Social Construction of Reality* and Lincoln and Guba's (1985) *Naturalistic Inquiry*. Recently more writers have summarised social constructivism including Crotty (1998), Lincoln and Guba (2000), Neuman (2000) and Schwandt (2007). The qualitative research, which generally uses the case study technique, is the most suitable one for conducting research inside an interpretivist paradigm (Corbetta, 1999; Thietart, 2001). Qualitative research therefore, may not necessarily lead to general rules, but the qualitative approach helps to read reality in a wider range of circumstances, if the authors make an effort to conceptualise (Ciao, 2011). According to Holstein and Gubrium (2005, p.483):

Qualitative researchers have been interested in documenting the processes by which social reality is constructed, managed, and sustained for some time. Subsequently, Alfred Schutz (1962, 1964, 1967, and 1970) commented on social phenomenology, Peter Berger and Thomas Luckmann's (1966) research focused on social constructivism, and the process-oriented strains of symbolic interactionism (e.g., Blumer, 1969; Hewitt, 1997 and Weigert, 1981) have all contributed to the constructionist project.

The validity of qualitative method may be found by debating its epistemological paradigm rather than its procedures. The qualitative method is justified by the social life concept of the interpretivist approach (Ciao, 2011).

As discussed in the other paradigms of inquiry below, (Refer to table 4.1) there are many paradigms that could be used to study corporate governance systems and

Table 4.1: Paradigms of Inquiry

<i>Item</i>	<i>Positivism</i>	<i>Post-positivism</i>	<i>Critical theory</i>	<i>Constructivist & Participatory</i>
ONTOLOGY <i>The form of reality. What can be known about reality?</i>	Reality can be totally understood. Reality exists and it can be discovered. <i>(Naïve realism)</i>	Reality may only be understood imperfectly and probabilistically. Reality exists but humanity unable to totally understand it. <i>(Critical Realism)</i>	Reality shaped by history. Formed by values that are crystallised over time. <i>(Historical Realism)</i> Breakdown of a clear distinction ontology and epistemology.	Reality is locally constructed. Based on experience although shared by many. Dependent on person/group changeable Participatory: co-created through mind and world. <i>(Relative Realism)</i> Breakdown of a clear distinction between ontology and epistemology.
EPISTEMOLOGY <i>The relationship between the investigator and what can be discovered.</i>	The investigator and the investigation are totally separate. Values are overcome through scientific procedure. Truth is a possibility.	Abandonment of total separation of the investigator and investigation. Objectivity still pursued.	The investigator and the investigated linked. Accepted that historical values influence the inquiry. Results subjectivity.	As critical theory. However, the findings are created as the investigation proceeds. Participatory: paradigm findings are developed between the researcher and cosmos.
METHODOLOGY <i>How does the investigator go about finding out what he/she believes can be discovered.</i>	Scientific experiments based on hypothesis, these are usually quantitative. Conditions that confound are manipulated.	Multiple modified scientific experiment. Pursues falsification of hypothesis; may include qualitative methods.	Needs dialogue between investigator and the subject of investigation. Structures may be changeable. Actions effect change.	Creates a consensus through individual constructions including the construction of the investigator. Participatory: similar methodologies can be employed (primary action research).

Source: Howell (2013, p.29). Permission to reproduce this table has been granted by Kerry Howell

Table 4.2: Paradigm positions on selected issues – updated

<i>Issue</i>	<i>Positivism</i>	<i>Post-positivism</i>	<i>Critical theories</i>	<i>Constructivism</i>	<i>Participatory</i>
Nature of Knowledge	Verified hypothesis established as facts or laws	Non-falsified hypotheses that are probable facts or laws	Structural/historical insights	Individual and collective reconstructions sometimes coalescing around consensus	Extended epistemology: primacy of practical knowing; critical subjectivity; living knowledge
Knowledge accumulation	Accretion – “building blocks” adding to “edifice of knowledge”; generalization and cause-effect linkages		Historical revisionism; generalization by similarity	More informed and sophisticated reconstructions; vicarious experience	In communities of inquiry embedded in communities of practice
Goodness or quality criteria	Conventional benchmarks of “rigor”: internal and external validity, reliability, and objectivity		Historical situatedness; erosion of ignorance and misapprehensions; action stimulus	Trustworthiness and authenticity, including catalyst for action	Congruence of experiential, presentational, proportional, and practical knowing; leads to action to transform the world in the service of human flourishing
Values	Excluded – influence denied		Included – formative		
Ethics	Extrinsic: tilt toward deception		Intrinsic: moral tilt toward revelation	Intrinsic - process tilt toward revelation	
Inquirer posture	“Disinterested scientist” as informer of decision makers, policy makers and change agents		“Transformative intellectual” as advocate and activist	“Passionate participant” as facilitator of multi-voice reconstruction	Primary voice manifest through aware self – reflective action; secondary voices in illuminating theory, narrative, movement, song, dance, and other presentational forms

Table 4.2: Paradigm positions on selected issues – updated *(continued)*

Issue	Positivism	Post-positivism	Critical theories	Constructivism	Participatory
Training	Technical & quantitative; substantive theories	Technical; quantitative and qualitative; substantive theories	Resocialization; qualitative and quantitative; history; values of altruism, empowerment and liberation	Co-researchers are initiated into the inquiry process by facilitator/researcher and learn through active engagement in the process; facilitator/researcher requires emotional competence, democratic personality and skills	
Axiology	Propositional knowing about the world is an end in itself, intrinsically valuable.	Propositional, transactional knowing is instrumentally valuable as a means to social emancipation, which is an end in itself, is intrinsically valuable.	Propositional, transactional knowing is instrumentally valuable as a means to social emancipation, which is an end in itself, is intrinsically valuable.	Practical knowing about how to flourish with a balance of autonomy, cooperation, and hierarchy in a culture is an end in itself is intrinsically valuable.	
Accommodation & commensurability	Commensurable for all positivist forms	Incommensurable with positivist forms; some commensurability with constructivist, criticalist, and participatory approaches, especially as they merge in liberationist approaches outside the West	Incommensurable with positivist forms; some commensurability with constructivist, criticalist, and participatory approaches, especially as they merge in liberationist approaches outside the West	Intertwined with validity; inquiry often incomplete without action on the part of participants; constructivist formulation mandates training in political action if participants do not understand political systems	
Action	Not the responsibility of the researcher; viewed as "advocacy" or subjectivity, and therefore a threat to validity and objectivity	Found especially in the form of empowerment; emancipation anticipated and hoped for; social transformation, particularly toward more equity and justice, is end goal	Often resides in "transformative intellectual"; in new constructions, control returns to community	Shared between inquirer and participants	
Control	Resides solely in researcher			Shared to varying degrees	

Table 4.2: Paradigm positions on selected issues – updated (*continued*)

<i>Issue</i>	<i>Positivism</i>	<i>Postpositivism</i>	<i>Critical theories</i>	<i>Constructivism</i>	<i>Participatory</i>
Relationship to foundations of truth & knowledge	Foundational		Foundational within social critique	Anti-foundational	Non-foundational
Extended considerations of validity (goodne criteria)	Traditional positivist constructions of validity, rigor, internal validity, external validity, reliability, objectivity	Action stimulus (see above); social transformation, equity, social justice	Extended constructions of validity: (a) Crystalline validity (Richardson); (b) authenticity criteria (Guba and Lincoln); (c) Catalytic, rhizomatic, voluptuous validities (Lather); (d) Relational and ethics - centered criteria (Lincoln); (e) Community-centered determinations of validity	See "action" above	
Voice, reflexivity, postmodern textual representations	Voice of the researcher, principally; reflexivity may be considered a problem in objectivity; textual representation unproblematic and somewhat formulaic	Voices mixed between researcher and participants	Voices mixed, with participants' voices sometimes dominant; reflexivity serious and problematic; textual representation an extended issue	Voices mixed; textual representation rarely discussed but problematic; reflexivity relies on critical subjectivity and self-awareness	
Textual representation practices may be problematic – i.e., "fiction formulas" or unexamined "regimes of truth"					

Source: Heron and Reason (1997) quoted in Lincoln and Denzin (2005, pp. 196, 198-9. Permission to reproduce this table has been granted by Peter Reason.

regulations with particular emphasis on the financial sector organisations. Ultimately however, whichever paradigm the researcher decides to will have a profound effect on the outcome of the research. For a researcher the ultimate aim is to use a paradigm or combination of paradigms that is relevant to the research questions, and the research design, that will most likely meet the research objectives set.

4.4 Commentary on other paradigms of inquiry

As discussed earlier, this thesis will mainly focus on the phenomenological paradigms named under the qualitative research and compare them to identify which paradigm is relevant to this research based on the research questions and research design. The researcher's epistemological, ontological and methodological premises may also be considered as a paradigm, or an interpretive framework, "a set of beliefs that guides action" Guba (1990, p.17). Epistemology is fundamentally concentrated on the nature of knowledge and its justification. In other words how do we know what we know? Furthermore, epistemology examines the question of how we know that we know something. Whilst ontology examines the nature of social reality and explores questions such as what kinds of things can be said to exist, and in what ways. Finally, methodology may also be defined as the process of research study that the researcher is trying to build or explore.

In qualitative research the major paradigms that exist are phenomenological, post positivism, constructivism, participatory action frameworks and critical theory. Other paradigms also exist and some of them are called by names such as positivistic paradigm or quantitative paradigm which intends to use quantitative data and often using large sample sizes. Positivist paradigms are mainly concerned with hypothesis testing and data is highly specific and precise, location of the research is artificial with a high reliability but validity may be low. It tends to generalise from sample to population. Lincoln and Guba (2005, p.198) outline the major issues confronting all paradigms including the positivist, post positivist, critical theory, constructivist and participatory action research. They argued that the above paradigms must deal with seven basic, critical issues:

Axiology (ethics and values). Accommodation and commensurability and (asks if the paradigms can be fitted into one another)? Action, (what the researcher does

in the world). Control, (who initiates the inquiry, who asks the questions). Foundations of truth (foundationalism versus anti- and non-foundationalism). Validity (traditional positivist models versus poststructuralist-constructionist criteria), and Voice, reflexivity, and postmodern representation (single-voice versus multivoiced representation).

Each paradigm handles the seven major issues confronting all paradigms differently. The positivist and post positivist paradigms are concerned with the following: reliance on naïve realism, their dualistic epistemologies, their verificational method to inquiry, and their persistence on reliability, validity, prediction, control and a building-block approach to knowledge. Lincoln and Guba (2000) discuss the inability of these paradigms to appropriately address issues surrounding voice, empowerment, and praxis. They also pointed out the failure of these paradigms to adequately address the theory – and value-laden nature of facts, the interactive nature of inquiry, and the reality that the same sets of “facts” may actually support more than one theory. Users of constructivism, transactional epistemology, and hermeneutic and dialectical methodology paradigms are oriented to the production of reconstructed understandings of the social world (Guba and Lincoln 1994).

The positivist criteria of internal and external validity are substituted by words such as trustworthiness and authenticity. Constructivists appreciate the value transactional knowledge and the overlap with different participatory action approaches. Constructivism links action to praxis and builds on anti-foundational arguments while encouraging experimental and multivoiced texts. Schwandt (1989) identified the differences and thought within interpretivist, hermeneutic and constructionist paradigms by conducting a well-planned and complex analysis of these perspectives. The author also pointed to the fact that these paradigms are unified in their opposition to positivism and their endeavour to study the world from the perspective of the interacting individual, (see also Schwandt 1996, 1997).

The history of critical theory (and Marxist theory) can be traced as far back as the Frankfurt School to more recent transformations in poststructural, postmodern, feminist, critical pedagogy and cultural studies theory (Kincheloe and McLaren (2000). Furthermore, Kincheloe and McLaren (2000) outlined the critical theory starting with the assumption that Western societies are not un-problematically democratic and free.

Their view on critical theory rejects the notion of economic determinism and instead focuses on role of the media, culture, language, power, desire, critical enlightenment and critical emancipation. Critical theorists aim to produce practical, pragmatic knowledge that is cultural and structural, judged by its degree of historical position and its ability to produce established practice (praxis), or action. Kincheloe and McLaren (2000) introduced the critical, pragmatic approach to texts and their relationships to lived experience. This eventually leads to the “resistance” version of critical theory, a version connected to critical ethnography, and partisan, critical inquiry committed to social criticism and empowerment of individuals. In Lincoln and Guba’s (2000) framework, the critical theory paradigm, in its many formulations, articulates ontology based on historical realism, an epistemology that is transactional and a methodology that is both dialogic and dialectical (Kincheloe and Steinberg 1997; Kincheloe *et al* 1999).

4.5 Theoretical Framework of Research

Most developing countries such as The Gambia have no effective governance system based on law and regulations. The issue of corporate governance system and regulation based on law is non-existent in The Gambia because it is not part of the regulatory framework required by the Central Bank of The Gambia (regulator). Therefore corporate governance systems and regulation in The Gambia can only be described as patchy at best despite the spectacular corporate failures in recent times mainly due to failures in corporate governance. The minimal financial sector organisation mechanisms available are riddled with corruption, mismanagement, and ineffective provisions of services delivery to the public (Guha, 2006). The issue of corruption and mismanagement of the financial sector could be viewed from ethical theory as well as regulation theory. Ethics will address the issues relating to moral value from a Kantian ethical perspective (see chapter 2 section 2.6). The focus of financial sector organisations is the provision of services to the society as their stakeholders therefore; stakeholder theory has ethical issues, which require ethical theory.

The management of financial sector provide the theoretical framework underpinning the paradigm and methodological factors for this research. The research aim and

objectives lead to the research method of data collection through semi survey questionnaire and focus group discussions. According to Guba and Lincoln (1994) both quantitative and qualitative methods can be appropriate within any research paradigm. The data collection will be a combination of primary and secondary data from those who are responsible for decisions making and management of financial sector organisations and other stakeholders. Using grounded theory methodology the research will analyse this data systemically collected from those responsible for decision making and the management of financial sector organisations and other stakeholders.

The analysis of the responses from the interviews will investigate how corporate governance regulations affect financial sector organisations and the effect on services they provide to their stakeholders. Finally, the results of the interviews and focus group discussions will be analysed using open, axial and selective coding procedures of grounded theory methods recommended by Straus and Corbin (1990, 1998). These will provide information aimed at developing a substantive theory on ethics, corporate governance and regulation.

4.6 Grounded Theory Research Methodology

According to Hammersley, (1989) grounded theory has its roots in symbolic interactionism, which itself stems from pragmatist ideas of James, Dewey, Cooley and Mead, most importantly the concept of looking glass self (Cooley, 1922). Individuals are self-aware, able to see themselves from the perspective of others and therefore adapt their behaviour according to the situation (Mead, 1934). Heath and Cowley (2004) suggested that social interactions create meaning and shaping of society via shared meaning predominate over the effect of society on individuals.

Blumer (1937) invented the term 'symbolic interactionism' and his development of the interactionist approach together with naturalistic inquiry is a key influence on grounded theory (Heath and Cowley, 2004). Thus, symbolic interactionism and grounded theory see researchers as social beings whose experiences, ideas and assumptions can contribute to their understanding of social processes observed (Baker et al, 1992).

Grounded theory was initially developed by sociologists Barney G. Glaser and Anselm L. Strauss published seminal work entitled *The Discovery of Grounded Theory* (Glaser and Strauss, 1967). This published seminal work was a result of a successful collaboration during their studies of the dying in hospitals (see Glaser and Strauss, 1965, 1968; Strauss and Glaser, 1970). Despite this successful collaboration grounded theory appears to marry two rather contrasting – and – competing traditions in sociology as represented by Glaser and Strauss: Columbia University positivism and Chicago school pragmatism and field research. Glaser's rigorous quantitative training at Columbia University with Paul Lazarsfeld is demonstrated in his epistemological assumptions, Logic and systematic approach to grounded theory. In contrast, Strauss brought notions of human agency, emergent processes, social and subjective meanings, problem solving practices, and open ended study of action to grounded theory (Charmaz, 2006). Stern (1994) claimed that the differences between the two researchers had always been apparent, but it was not until Strauss published detailed guidance to the grounded theory process (Strauss, 1987; Strauss and Corbin, 1990) that the divergence was more widely recognised. A summary of the discussion above is aptly summed up by Selden (2005, p.115) in Figure 4.1:

Figure 4.1: Two Central themes in Grounded Theory

Glaser and Strauss (1976, p.1) defined grounded theory as “the discovery of theory from data – systematically obtained and analysed in social research”. As a result, Martin and Turner, (1986); Jones and Noble, (2007) concluded that grounded theory is an inductive, theory discovery methodology that allows the researcher to develop a theoretical account of the general features of a topic while simultaneously grounding the account in empirical observations or data (see Chenitz and Swanson, 1986. Locke, 2001; Goulding, 2002).

Alternatively, Charmaz (2006) defined grounded theory methods as systematic, yet flexible guidelines for collecting and analysing qualitative data to construct theories ‘grounded’ in the data themselves. Grounded theory methodology is therefore aimed at systematically deriving theories of human behaviour from empirical data. At this point, it is important to note that there is a difference between grounded theory method and grounded theory itself. A grounded theory is the possible outcome of using the grounded theory method. Therefore, it is possible that one might use the method without producing a grounded theory.

There are some who claim to use the method as part of an approach that does not seek to develop grounded theories (Bryant, 2002). Myers (2006) argued that to ensure that the concepts do indeed emerge from the data, as a general rule the researcher should make sure that he or she has no preconceived theoretical ideas before starting the research. Therefore grounded theory researchers should ensure that reading of the prior literature does not stifle creativity (Urquhart et al, 2006).

One notable key distinction between grounded theory and other qualitative research is its specific approach to theory development – grounded theory suggests that there should be a continuous interplay between data collection and analysis (Myers, 1997). Thus, “the purpose of grounded theory research in business and management is to develop new concepts and theories of business related phenomena, where these concepts are firmly grounded in qualitative data” (Myers, 2006, p.107). Since its introduction in 1967 grounded theory has been used in qualitative studies within organisations and management (Nwanji, 2006) as well as social sciences, nursing and many other fields (Glaser, 1978; Strauss, 1987; Dey, 1993; Annells, 1996).

As a methodology for qualitative research grounded theory has spread across a number of domains; in economics, education, nursing, and psychology just to name a few (Nwanji, 2006). Grounded theory approach methodology has also been used in the study of European integration and political science and recently on European financial services (Howell, 2000; 2002). There are few methodological references on grounded theory approaches (Strauss, 1987; Strauss & Corbin, 1990; Locke, 1997; Howell, 2000). Grounded theory has been used in many qualitative researches in the past but few methodological references used grounded theory for the study of corporate governance issues.

This new research approach therefore, is aimed at providing new insights and understanding between business ethics and corporate objectives. Hence, the methodological paradigm of inquiry for this research will be phenomenological using Kant's CI. It is also possible to use grounded theory in a mostly positivist, critical theory and/or constructivist context. Grounded theory can also provide the basis for a mix of inductive and deductive approaches (Howell et. al 2007).

Grounded theory is a research methodology that offers a comprehensive and systematic framework for inductively building of theory. A grounded theory is one that is discovered, and provisionally verified through systematic data collection and analysis of data pertaining to a particular phenomenon (Strauss and Corbin, 1990). The careful and precise application of this method will ensure that theory that emerges from this study meets the criteria of good science: generalisability, reproducibility, precise, rigour and verification, (Corbin and Strauss, 1990).

Grounded theory suggests that there is an over-emphasis on verification theory and wishes to demote the idea that discovery of relevant concepts and hypotheses are a priority to research (Howell, 2000, p.4). The purpose of grounded theory is to build theory that is faithful to and illuminates the area under study. Glaser and Strauss (1967) considered that grounded was concerned with two types of theory: substantive and formal (conceptual); theory allows hypotheses and substantive concepts to emerge from the data, so analysis may identify concepts relevant to understanding the data. This view is also supported by Howell, (2000, p. 7) suggesting that:

in discovering theory, one generates conceptual categories or their properties from evidence; then the evidence from which the categories emerged is used to illustrate the concept. The evidence may not ... be accurate beyond doubt ... but the concept is undoubtedly a relevant theoretical abstraction about what is going on in the area studied.

According to Howell (2000, p.7), generating theory was accomplished through the collection, coding and analysis of the data. Therefore, these three operations should be undertaken together as far as possible. These areas should interact continually, from the beginning of the investigation to its end. The separation of these areas hinders theory generation whereas set ideas stifle it. In this research the aim is to construct a substantive theory in relation to Immanuel Kant's theoretical framework on CI for dealing with the effect of corporate governance regulation on financial sector organisations in developing countries like The Gambia.

A number of the basic features of grounded theory make it an appropriate method for this research:-

1. Grounded theory methodology includes analysis of process. Within grounded theory methodology the term process is used to describe 'the linking of sequences of action/interaction as they pertain to the management of, control over or response to, a phenomenon' (Strauss and Corbin, 1990, p.143). Process is the analyst's way of accounting for or explaining change.
2. Grounded theory methodology directly links macroscopic issues to the phenomenon under investigation. This mode of research requires that broader, contextual issues, that are shown to influence the phenomenon under study, be given appropriate recognition in the development of theory.
3. Grounded theory makes its greatest contribution, in areas in which minimal research has been undertaken. There is little or no research on corporate governance using grounded theory that focuses on corporate governance regulations on financial sector organisations in developing countries such as The Gambia. Most of the research that used grounded theory has been in the area of politics, government and economics (Howell, 2000).

4. Grounded theory is very useful in developing context-based, process-oriented descriptions and explanations of organisational phenomena (Myers, 1997).
5. Grounded theory offers relatively well-signposted procedures for data analysis (Urquhart, 1997; 2001) and potentially allows for the emergence of original and rich findings that are closely tied to the data (Orlikowski, 1993). This according to Urquhart et al (2006) provides researchers with a great deal of confidence because for each concept produced, the researcher can point to many instances in the data that relate to it.
6. By adopting grounded theory method the researcher can direct, manage, and streamline their data collection and, moreover, construct an original analysis of their data (Charmaz, 2006). It also gets the researcher analysing the data early. Furthermore, it encourages a constant interplay between data collection and analysis.
7. Grounded theory encourages systematic, detailed analysis of the data and provides a method for doing so. For the novice researcher in particular, the detailed guidance provides a certain level of comfort that the data is being analysed in a systematic and rigorous manner. Grounded theory is a 'bottom-up' approach to coding data (Dey, 1993). It also permits investigation into new areas of significance as they emerge from the data (Simpson et al, 2004).
8. A key strength, and one still central to grounded theory method, is that it offers a foundation for rendering the process and procedures of qualitative investigation visible, comprehensible, and replicable (Bryman and Charmaz, 2007). Thereby fulfilling the need to justify qualitative approaches (justification process).
9. Grounded theory method offers a rationale for researchers as they begin their research – the method eliminates and precludes need for hypotheses and conjectures at the start (justification of methodological flexibility and indeterminacy) (Bryman and Charmaz, 2007).
10. Grounded theory is also useful for developing new theory or fresh insights into old theory; it generates theory of direct interest and relevance for

practitioners; and it can uncover micro-management processes in complex and unfolding scenarios (Locke, 2001).

11. Proponents of grounded theory argue that it is desirable that researchers are sensitive to existing conceptualisations, so that their investigations are focused and can build upon the work of others (Bryman, 2008).

Finally, grounded theory is the most appropriate methodology for this research because an empirical investigation of governance systems within the financial sector organisations, and its impact on society as the stakeholders is a research phenomenon that can be studied using grounded theory methods (Hussey and Hussey, 1997). Furthermore, the impact of corporate governance regulation on the performance of banks in developing countries has been relatively ignored in the literature, or has been given superficial attention. Consequently, this researcher's mission is to build his own theory from the ground. The nature of grounded theory is such that the theory to emerge 'will be abstract enough and include sufficient variation to make it applicable to a variety of contexts related to that phenomenon' (Strauss and Corbin, 1990, p.23). Thus, the theory developed from this research will be of use by other researchers interested in studying the issue of corporate governance in the financial sector in developing countries.

4.7 Constraints on Grounded Theory Approach:

Jones and Noble (2007) conducted a research on grounded theory and management entitled lack of integrity. They concluded that grounded theory in management research is in danger of losing its integrity. Furthermore, they argued that the methodology has become so pliant that management researchers appear to have accepted it as a situation of "anything goes" "grounded theory" is now loosely used as a generic term to refer to any qualitative approach in which inductive analysis is grounded in data. Bryant (2002) added that many researchers often use grounded theory unsystematically to mask their own – or their discipline's methodological confusions. Other grounded theorists also found the Strauss and Corbin (1990) book rather formulaic and overburdened with many rules (Melia, 1996; and Kendall, 1999). Wasserman et al (2009, p.355) argued that while grounded theory:

provides no such systematic or transparent way for gaining insight into the conceptual relationship between the codes. And that various works on grounded theory have failed to provide any systematic way of using data specific levels of scale (the codes) to gain insight into more macro levels of the scale (concepts and themes).

This makes it difficult and at times daunting for first-time users of grounded theory to understand the concept and process and often find themselves overwhelmed at the coding level. This makes it difficult to 'scale up' to larger concepts or themes. The net result is often lower level theories. In fact, the use of grounded theory never leads to grand social theory, nor should it be expected to do so, but this can be frustrating for some people (Myers, 2009). The use of grounded theory does not guarantee that you will come up with original and interesting results. As Strauss and Corbin (1998) point out, creativity is essential and grounded theory procedures should not be followed dogmatically and in an inflexible manner. Therefore, grounded theory procedures should be followed carefully, while at the same time trying to foster your own critical and creative inspiration (Myers, 2009). There are some who claim to use grounded theory method as part of an approach that does not seek to develop grounded theories highlighting the confusion between grounded theory itself and grounded theory methodology (Bryant, 2002).

Bryman, (2008) suggested that it is somewhat doubtful whether grounded theory in many instances really results in theory. Most grounded theories are substantive in character. Thus, suggesting that they pertain to the specific social phenomenon being researched and the not the broader range of phenomena (though, of course, may have such broader applicability) (ibid). Grounded theory is associated with an approach to data analysis that invites researchers to fragment their data by coding the data into discrete chunks. To others, this kind of activity results in a loss of a sense of context and of narrative flow (Coffey and Atkinson, 1996).

Another constraint on the use of grounded theory is the presence of competing accounts of the ingredients. This does not make it easy to characterise or to establish how to use it. This point is further compounded by Charmaz's (2000) suggestion that most grounded theory is objectivist and that an alternative, constructivist approach is preferable. Furthermore, she argued that grounded theory associated with:

Glaser, Strauss, and Corbin is objectivist in that it aims to uncover a reality that is external to the social actors. She subsequently, offered an alternative (constructionist) version that assumes that people create and maintain meaningful worlds through dialectical processes of conferring meaning on their realities and acting within them (Bryman, 2008, p.549).

Thus, implying social reality does not exist independently of human action (Charmaz, 2000). This view contradicts earlier grounded theory texts that categories and concepts can be found within the data, whilst constructivist suggest that categories and concepts at theoretical level emerge as a result of the researcher's interaction within the field and questions about the data (Charmaz, 2000).

Grounded theory method has also been criticised as being empiricist; that is, it relies too heavily on the empirical data, considers the fieldwork data as the source of its theories and sets itself against the use of preceding theories (Parker and Roffey, 1997). Other critics such as Bryant (2002b) argued that conceptualisation of data at methodological level can degenerate into methodological indifference resulting in superficial and ambiguous conclusions.

Furthermore, Grounded theory's central practice of overlapping data collection and analysis poses other problems. In a grounded theory analysis generaliseability and reliability, may be a problem as well. Critics of grounded theory also point out the fact that grounded theory methodology is still so intimately linked to its founders might be taken as evidence for its failure to move far beyond its origin (Bryant, 2002). Bulmer (1979) has questioned whether, as prescribed by the advocates of grounded theory, researchers can suspend their awareness of relevant theories or concepts until a quite late stage in the process of analysis.

It is generally agreed that "what we 'see' when we conduct research is conditioned by many factors, one of which is what we already know about the social world being studied (in terms of both social scientific conceptualisations and as members of society)" (Bryman, 2008, p.549). Furthermore, there are practical difficulties with grounded theory. The time taken to transcribe recordings of interviews can make it difficult for researchers, especially when they have tight deadlines, to carry out a

genuine grounded theory analysis with its constant interplay of data collection and conceptualisation (Byrman, 2008).

4.7.1 The difference between Glaser and Strauss

Generally speaking, grounded theory appears to be divided into two distinct variants namely the Glaserian and Straussian Schools of thought. The two co-founders disagreed about the nature of grounded theory when Strauss and Corbin published their book in 1990 called *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*. This book was aimed at providing clear guidelines and procedures and was intended to be a 'how to' manual of grounded theory. However, Glaser argued that this formalisation is simply far too restrictive pointing out that the prescriptions may strangle any emergent conceptualisation and force the concepts into a preconceived mould (Myers, 2009). Glaser felt so strongly about Strauss and Corbin's (1990) book that he wrote a rejoinder entitled *Emergence vs. Forcing: Basics of Grounded Theory Analysis* (Glaser, 1992). In this rejoinder Glaser suggested that Strauss and Corbin are no longer using grounded theory as it was originally intended arguing that:

If you torture the data long enough, it will give up! [In Strauss and Corbin's method] the data is not allowed to speak for itself as in grounded theory, and be heard from, infrequently it has to scream. Forcing by preconception constantly derails it from relevance (p.123).

For Glaser, the researcher forcing acts to "contaminate, corrupt, pre-empt, and obstruct" understanding of the data, will violate his/her "restrained approach in which researchers maintain distance and independence from the phenomena they study (Locke, 1996, p.241). This would appear to suggest that Glaser was advocating a view that the researchers must be aware of the vast array of theoretical codes to increase his/her sensitivity to their emergence in the data. Howell (2000) contends that the dispute between Glaser and Strauss revolves around the issue of emergence and forcing of data with Glaser (1992, p.28) suggesting that Strauss' and Corbin's "...pet theoretical codes violates relevance and forces data". Furthermore, Howell (2000, p.45) also argued that verification also seems to be a sticking point between the scholars. Howell suggested that "on closer examination neither is pursuing pure verification;

each wishes for it to add to theory generation not negate or disprove but add variation and depth of understanding”.

Glaser, (1992, p.30) argued that the “two types of methodologies should be seen in sequential relation. First we discover the relevance and write hypothesis about them, the most relevant may be tested for whatever use may require it”. This researcher does not intend to use hypothesis or propose to test hypothesis for this research in order to address the research aims and objectives. Therefore the Straussian school of thought is more relevant to this research mainly because the researcher shares the same views as Corbin and Strauss (1990) when they contradicted Glaser’s (1992) view above arguing that “statements should be verified against data, not to necessarily negate our questions or statements, or disprove them, rather add variation and depth of understanding” (p.108).

Evaluating the different views above between Glaser (1992) and Corbin and Strauss (1990) it appears that each believed that it is possible to utilise verification as part of theory generation, with Corbin and Strauss, (1990) suggesting it as part of grounded theory. Glaser, (1992) on the contrary saw verification as a methodology in its own right. (see Howell, 2000, Strauss and Corbin, 1990, Strauss, 1987 and Glaser, 1992). Strauss allows a much more provocative, interventionist, and interrogationist researcher influence over data. Strauss (1987, p.84) also suggested that:

techniques encourage researchers to use their own personal and professional experience and acquired knowledge as a positive advantage in the grounded theory process to enhance theoretical sensitivity rather than obscuring vision “if you know an area, have some experience... you don’t tear it out of your head, you can use it” (see Strauss et al. 1985).

No one can claim to enter the field completely free from the influence of past experience and reading (Morse, 1994). Even if this were possible, ignorance is not synonymous with generating insider understanding (Morse, 1994). Attending to the data cannot ignore prior understandings and it could be claimed that the phenomenologist’s concept of bracketing or holding preconceptions, values and beliefs in abeyance is fundamentally flawed (Heath and Cowley, 2004). As a corporate governance lecturer and researcher I share the views of Strauss’ (1987), Morse, (1994)

and Heath and Cowley (2004) that my teaching and professional experience will be a positive advantage in the grounded theory process to enhance theoretical sensitivity rather than obscuring vision. There are yet other reasons why this researcher subscribes to the Strauss's view as opposed to Glaser. According to Howell (2000, p.46) Glaser and Strauss' disagreement are based around their emphasis on:

deductive and inductive processes; Strauss considers that induction, deduction and verification are essential elements of grounded theory. Glaser charges that Strauss confuses induction with testing deductive hypothesis which are forced on the data and that it is not inductive to say the data disapproves a hypothesis, it is simply verification. Strauss and Corbin contended that it is necessary to continually verify concepts and relationships arrived at through deductive thinking must be verified over and over against actual data.

Glaser (1992) therefore suggested that Strauss and Corbin (1990) had created a verification method and not a method that generates theory. Other researchers such as Urquhart et al. (2006) suggested that the disagreement between Glaser and Strauss and Corbin was based on two fundamental issues. The first disagreement is down to the coding process. Strauss and Corbin (1990) suggested breaking the codes down to four prescriptive steps namely open, axial, selective and 'coding for process. Glaser (1992) on the contrary suggested using just three namely open, selective and theoretical coding. The second major contention between Glaser and Strauss and Corbin is based on the fact that Glaser objected to the use of a coding paradigm and the 'conditional matrix' which are designed to provide ready-made tools for the conceptualisation process.

Glaser added that to 'force' coding through one paradigm and/or down one conditional path was not grounded theory, but conceptual description, which ignored the emergent nature of grounded theory (Glaser, 1992). For more detailed discussion of using both versions (see Kendall, 1999). Interestingly, it is important to note that the Strauss and Corbin version of grounded theory is arguably the most widely known and used (Strauss & Corbin, 1998). This is probably because many people find the 'ready-made' tools provided by Strauss and Corbin to be quite helpful (Myers. 2009).

Finally, various efforts have been made to compare the differences between grounded theory approaches, but primarily focusing on the divergences between Glaser and Strauss (see Stern, 1994; Parker and Roffey, 1997; and Lye et al., (1997). Heath and Cowley (2004) as discussed in the table below analyse the differences in relation to the greater deductivism in Strauss and Corbin, with their different use of literature and a different approach to coding. Furthermore, also discussed below is the contrasts between and within the Glaserian and Straussian Schools by Jones and Noble (2007).

Based on these discussions, one can conclude that Strauss and others appear to advocate a more relativistic approach to ontology and epistemology (Annells, 1996), by adopting a “reality that cannot be known, but is always interpreted” (Strauss and Corbin, 1990, p.22) and the subjectivity of the researcher who is never “neutral, detached and objective” (Bowers, 1988, p.43). Annells, (1996); Parker and Roffey, (1997) suggest that Strauss and Corbin have moved grounded theory to a more interpretivist or constructivist stance. In contrast with this seemingly more relativistic stance, Strauss and Corbin have provided a more rigid procedure (Gurd, 2008). Glaser (1992) by contrast, argues that this forces data into a model, and thereby cuts off the development of interpretations by the constraining of theory. Furthermore, Gurd (2008) suggested that Glaser remained wedded to the belief in “emergence” and that creativity comes from memoing and constantly developing concepts that fit all of the data and are changed to meet each new data. Jones and Noble (2007) summarised the contrasts between and within the Glaserian and Straussian Schools (table 4.3) and Heath and Cowley (2004) data analysis: Glaser and Strauss compared (table 4.3(a)) will be discussed further.

4.7.2 Developing Substantive - Data Analysis

Grounded theory has become a key qualitative research methodology in all area of business, management, political, social economic and corporate governance issues (Locke, 1997, 2001; Howell, 2000, 2002, 2004; Nwanji and Howell, 2005). The data to be collected for this research is analysed using grounded theory which is a complicated process of reducing raw data into concepts that are designated to stand for categories. The categories are then developed and integrated into a theory, (Strauss and Corbin, 1990; Howell, 2000, 2002). This process is achieved by coding data, writing memos,

Table 4.3: Contrasts between and within the Glaserian and Straussian Schools

GLASERIAN SCHOOL	STRAUSSIAN SCHOOL
Emergence and researcher distance	
Everything emerges in a grounded theory -Nothing is forced or preconceived. Researchers are distant and unknowing as they approach data, with only the world under study shaping the theorising	1987, 1990, 1998: researcher adopts a more active and provocative influence over data, using cumulative knowledge and experience to enhance sensitivity. Logical elaboration, and preconceived tools and techniques can be employed to shape the theorising
Development of theory	
The goal is to generate a conceptual theory that accounts for a pattern of behaviour which is relevant and problematic for those involve	1987: conceptually dense, integrated theory development is the only legitimate outcome. 1990, 1998: grounded theory can also be used for developing non-theory (conceptual ordering or elaborate description).
Specific, non-optional procedures	
The method involves clear, extensive, rigorous procedures and a set of fundamental processes that must be followed	1987: grounded theory encompasses a number of distinct procedures that must be carried out 1990, 1998: researchers can cherry pick from a smorgasbord table, from which they can choose, reject or ignore
Core category	
The theoretical formulation that represents the continual resolving of the main concern of the participants	1987, 1990, 1998: the main theme of a pre-determined phenomenon which integrates all other categories and explains the various actions and interactions that are aimed at managing or handling the relevant event, happening or incident.
Coding	
Open, selective and theoretical	Open, axial and selective, but with the following variations: 1987: selective coding is an “emergent” process based on continuous use of memo sorting and integrative diagrams. 1990: selective coding employs the “forcing” mechanism of the coding paradigm 1998: paradigm model dropped, and an emergent process based on memo sorting is again stressed

Source: Adopted from Jones and Noble (2007, p.93).

Table 4.4: Data analysis: Glaser and Strauss compared

	GLASER	STRAUSS AND CORBIN
Initial coding	<i>Substantive coding</i>	<i>Open coding</i>
	Data dependent	Use of analytic technique
Intermediate phase	Continuous with previous phase	<i>Axial coding</i>
	Comparisons, with focus on data, become more abstract, categories refitted, emerging frameworks	Reduction and clustering of categories (paradigm model)
Final development	<i>Theoretical</i>	<i>Selective coding</i>
	Refitting and refinement of categories which integrate around emerging core	Detailed development of categories, selection of core, integration of categories
Theory	Parsimony, scope and modifiability	Detailed and dense process fully described

Source: Adapted from Heath and Cowley (2004, p.146)

and diagramming. In this project, data will be coded and analysed using three coding methods of the grounded theory model; - open coding, axial coding and selective coding.

4.7.3 Open Coding

Open coding is the process of breaking down, examining, comparing, and conceptualising, and categorising data. The aim of open coding is the development of categories. Open coding is the analytic process through which concepts are identified and their properties and dimensions are discovered in data. It is closely linked to open sampling and provides the foundation of the research process (Howell 2002). Glaser (1978, p.56) points out that “the analyst’s goal is to generate an emergent set of categories and their properties which fit, work and are relevant for integrating theory, to achieve this goal the analyst begins with open coding”. Attention should be fixed on a

category and the properties that emerge continually coded and analysed, which are the initial steps. Ultimately, one constantly compares and continually categorises.

4.7.4 Axial Coding

Axial coding involves re-building the data (fractured through open coding) in new ways by establishing relationships between categories, and between categories and their sub-categories. Axial coding is the process of relating categories to their subcategories, termed “axial” because coding occurs around the axis of a category; linking categories at the level of properties and dimensions (Strauss and Corbin 1998). Axial coding enables this research to bring the analysis together, to form a whole. The data analysed as categories in open coding above are joined together in axial coding, which is... “the act of relating categories to subcategories along the lines of their properties and dimensions. It looks at how categories crosscut and link”, (Strauss and Corbin 1998, p. 124).

Axial Coding involves several basic tasks (these include the following):

1. Laying out the properties of a category and their dimensions.
2. Identifying the variety of conditions, actions/interactions, and consequences associated with a phenomenon.
3. Relating a category to its subcategories through statements denoting how they are related to each other.
4. Looking for clues in the data that denote how major categories might relate to each other (Strauss, 1987; Strauss and Corbin, 1998).

Glaser considers that axial coding “undermines and confuses the very method that he (Strauss) is trying to build” (Glaser 1992, p.61). This process forces the data and negates theoretical coding. The Grounded Theorist should code categories and properties and allow theoretical codes to emerge where they will. Strauss and Corbin (1990, p.115) consider that axial coding allows a more focused means of discovering and relating categories. They claim that:

we develop each category (phenomenon) in terms of causal conditions that give rise to it, the specific dimensional location of this phenomenon in terms of its

properties, the context, the action/interaction strategies used to handle, manage, respond to this phenomenon in light of that context, and the consequences of any action/interaction that is taken. Furthermore, in axial coding we continue to look for additional properties of each category, and to note the dimensional location of each incident, happening or event.

The axial coding can help uncover relationships among categories from open coding above through to axial coding and selective coding that follows.

4.8 Selective Coding:

Selective coding involves selecting a core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further development or refinement. As Corbin and Strauss (1990, p.15) stated that “selective coding is the process by which all categories are unified around a core category”. The data selection and the creation of categories will be processed with the core category in mind: the core category represents the central phenomenon of the research study. It is identified by asking questions such as: what is the main analytical idea presented in this research? What does all the action/interaction seem to be about? (ibid). A network of conceptual relationships may exist which can be refined during selective coding. Howell (1998, p.47) suggested that:

it is very important to identify these patterns and to group the data accordingly, because this is what gives the theory specificity” (ibid). To clarify connections in the network grounded theory uses “... a combination of inductive and deductive thinking, in which we move between asking questions, generating hypotheses, and making comparisons.

Selective coding integrates the research; it puts the story straight, provides analysis, and identifies the core category and illustrates how major categories relate, both to it and to each other. It is through this process that all the interpretative work done over the course of this research is integrated to form a grounded theory. As stated above financial sector organisations are some of the key players in Gambian development and a vital contributor towards the social and economic development of The Gambia.

4.9 Conclusion

This chapter provided the methodological overview for the research, which employs a grounded theory methodology for the study of corporate governance regulation. The methodology is underpinned by interpretivist (phenomenological) paradigm aimed at developing a substantive theory to further our understanding of theory as well as the empirical nature of The Gambia's corporate governance regulation and ethical practices. The data collected for this research is analysed using grounded theory methods, which is a process of reducing raw data into concepts that are designated to stand for categories.

The categories are then developed and integrated into a substantive theory Strauss and Corbin (1990) and Howell (2000). This process is achieved by coding data, writing memos, and formulating diagrams. As stated in this chapter, data will be coded and analysed using the three coding methods of the grounded theory model of open coding, axial coding and selective coding. Open coding is the process of breaking down, examining, comparing, conceptualising, and categorising data. The aim of open coding is the development of categories. Axial coding involves re-building the data (fractured through open coding) in new ways by establishing relationships between categories, and between categories and their sub-categories. Selective coding involves selecting a core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further development or refinement.

It is through this process that all the interpretative and objective work done over the course of this research is integrated to form a substantive theory on corporate regulation and ethics. Data obtained through semi-structured interviews, focus groups and survey questionnaires are analysed using grounded theory methodology to enable the development of a substantive theory. It should be noted however that recent developments in grounded theory have taken it in a more interpretivist and constructivist direction (Clarke, 2005; Charmaz, 2009).

Following an evaluation and justification of the methodology adopted for this research including a discussion on the paradigms of inquiry focusing on interpretivist and constructivist paradigms. The next chapter will mainly focus on the research methods

adopted by the researcher including data accessibility and challenges as well as data collection methods.

CHAPTER FIVE:

RESEARCH METHODS

5.0 Introduction

The purpose of this chapter is to establish appropriate research methods that can be deployed in order to collect data aimed at addressing the research aims and objectives. This chapter opens with data sampling, followed by data accessibility and challenges. Data collection methods including interviews and focus groups are also considered in this chapter. Charmaz (2011) suggested that methods extend and magnify our view of studied life and, thus, broaden and deepen what we learn of it and know about it. Howell (2013, p.194) added that:

no matter what philosophical position or paradigm of inquiry is used in a research project, it is always possible to use a combination of research methods when collecting data. The rationale for the balance between these methods will depend on the objectives of the research and the extent to which qualitative or quantitative techniques are to be utilised.

Furthermore, Creswell (2009) opine that the choice of methods turns on whether the intent is to specify the type of information to be collected in advance of the study or allow it to emerge from participants in the project. However, in grounded theory method terms, data collection tends to focus on interviews (Urquhart, 2013). The author also added that grounded theory method coding can be applied to documents and focus groups. Thus, methods are merely tools. With grounded theory methods, you shape and reshape your data collection and, therefore, refine your collected data (Charmaz, 2011). Data for this research will be collected in two main stages namely semi-structured interviews and focus group discussion.

5.1 Data sampling

A sample is defined as the segment of the population that is selected for research (Bryman and Bell, 2007). Thus, it is a subset of the population. Bryant and Charmaz (2011) argued that sampling techniques must be targeted and efficient.

Morse (2006) quoted in Bryant and Charmaz (2011, p. 234) added that an excellent “qualitative inquiry is inherently biased. By biased, I mean it has been deliberately sought and selected. This bias is essential if we are going to do good work and this bias is not something that impairs the rigor of the research”.

The method of sampling used in this research is called judgemental sampling which is similar to snowball sampling as the participants are selected by the researcher on the strength of their experience of the phenomena under study. In judgemental sampling the “researcher makes the decision prior to the commencement of the research and does not pursue other contacts that may arise during the course of the study” (Collis and Hussey, 2009, p.213). For interpretivists the goal is to gain rich and detailed insights of the complexity of social phenomena. Therefore, they can conduct their research with a sample of one (ibid). Saunders et al (2009, p.204) commenting on sampling suggested that “effective sampling enables the researcher to consider the most appropriate subgroup from the population for the data collection instead of focusing on the whole”. Furthermore, Creswell (2008) also attributed quantitative sampling to be random and qualitative to be purposeful a view exploited by this researcher through the selection of senior bank managers (for the semi-structured interview) and bank managers, bank employees, customers and regulators (for the focus group discussion).

There are currently thirteen 13 banks in The Gambia comprising of 12 commercial banks and one Islamic bank. The data sampling also considered the Central Bank of The Gambia (CBG) which supervises all other banks. The process of data collection for this research is constrained by a number of unique factors that affect The Gambia as a nation. One significant factor is the adult literacy rate of 46% (UNICEF, 2010) and a total population of 1.8 million (World Bank, 2014). The percentage of the population that bank in The Gambia is 1.1% (CBG, 2012). As a result, finding the right and able participant who can make a meaningful contribution to the research was particularly challenging. In addition, navigating the process of identifying the right participants and composition of the focus group was challenging (Crabtree, Yanoshik, Miller and O'Connor, 1993). Hence, the collection of any meaningful data in relation to The Gambia banking sector is always going to be difficult due to these unique circumstances.

The data to be collected for this research is qualitative using primary and secondary data. The research will make use of primary and secondary data which includes, in house gazettes, data published by the Central Bank of The Gambia (the regulator), national newspapers, books, articles, interviews, focus group discussion and journals (Nwanji and Howell, 2004; Nwanji, 2006; Sorour, 2011; Boadu, 2013; Ibrahim, 2013).

Corporate governance in developing countries is normally based on the OECD principles of corporate governance and related literature on developing countries. Corporate governance will be examined through literature and analysis of data to be collected for this research. It is important to note that the data collection methods chosen for this research are not without criticism. Qualitative research often attracts criticisms in relation to reliability and validity of the collected data given the personal influences and involvement of the researcher in the research process (Collis and Hussey, 2003). Bryman and Bell (2007) also argued that interviewing people for a day or so will not necessarily let the researcher know their behaviour.

5.2 Data accessibility and challenges

Morgan (1997) suggested that survey researchers made more use of their potential respondents during the initial development of the questionnaires (see Thurstone and Chave, 1929). Gaining access to interview those responsible for decision making and the management of financial institutions in a developing country like The Gambia is notoriously challenging. This problem was further compounded given that the researcher purposely travelled to The Gambia from the UK for a month to collect all the relevant data. Thus, time was of the essence, on the contrary however, bank managers and regulators particularly tend to have busy schedules. The process of data collection for this research is also constrained by several unique factors that affect The Gambia as a nation as discussed above. Banks in The Gambia like other developing countries are not always accessible due to poor and inadequate record keeping. It becomes even harder to assemble enough of the right people for a group which requires access to bank managers, employees, customers and regulators for the purpose of research (Morgan, 1997).

To overcome these challenges the researcher prepared 12 Likert scale questions. These survey questionnaires were hand delivered to bank customers and employees

across the entire banking sector accompanied by a covering letter (see appendix V). The purpose of the questionnaire survey was to:

- Gain access and sensitise bank customers and employees
- Help devise clear, concise and appropriate questions for the semi-structured interview of bank managers.

Responses to questions 4 and 5 of the survey indicated confusion with many respondents who stated that the current corporate governance system in The Gambia was effective in question 4 and ineffective in question 5. This suggested that this topic was best suited to bank managers given their superior knowledge and experience in this area. The analysis of question 10 also suggests that there is conflict of interest between shareholders and stakeholders in relation to CSR policies with some degree of uncertainty. Drawing upon the responses to the survey questionnaire the researcher was able to devise 12 questions for the semi-structured questionnaire of bank managers. See appendix V – Likert Scale Questionnaire, appendix VI – Tabular Analysis of Results of Likert Scale Questionnaire and appendix VII – Bar Chart Analysis of Results of the Likert Scale Questionnaire.

Access to the management of financial sector organisations in a developing country such as The Gambia for research purposes is a valuable and scarce resource. As a result of this most corporate governance research tend to use quantitative analysis, with data from companies' accounts and annual reports, share prices and profits figures. The researcher arranged access to a number of financial institutions across the banking sector prior to departing the UK aimed at collecting primary data. The aim was to conduct semi-structured interviews with bank managers and focus group discussion with regulators, bank managers, employees and customers. This was made possible with the help of two senior Gambian bankers and a senior central bank official. The issue of corporate governance continues to be a challenge for The Gambia because corporate governance regulation is not part of the regulatory or legal framework required by the Central Bank (regulator).

Doing PhD research is highly regarded in a small country like The Gambia. Hence, the researcher had no initial concerns or reservations in accessing the participants upon arrival. However, the reality on the ground was somewhat different from what the

researcher initially envisaged. The climate of fear, paranoia and intimidation in The Gambia was so intense that any approach to conduct interviews or administer questionnaires was met with suspicion. Other contributory factors include the fact that some participants felt that they were too busy to help with the research project. Others felt that they had little or no knowledge of corporate governance and therefore had no meaningful contribution to make.

Bryant and Charmaz (2011, p. 231) argued that an excellent participant for grounded theory is:

one who has been through, or observed, the experience under investigation. Participants must therefore be experts in the experience or the phenomena under investigation; they must be willing to participate, and have the time to share the necessary information; and they must be reflective, willing, and able to speak articulately about their experience”.

Furthermore, it later became apparent that some were keen to avoid making comments in relation to a government (central bank) institution which could be deemed ‘derogatory’ or likely to be perceived as criticising the policies of a government body despite the assurances that confidentiality would be maintained and that findings would be anonymous. This indicates the extent of paranoia and fear in The Gambia exacerbated by the arbitrary arrest, detention and disappearance of individuals. This climate of fear and intimidation is aptly summarised by the US Ambassador Joseph Stafford (2007) to The Gambia via US diplomatic cables leaked by WikiLeaks when he said:

the GOTG (Government of The Gambia) itself has shown little willingness in recent months to engage with us in substantive fashion on human rights issues, declining our proposal to consult on steps it could take to address human rights-related and other concerns. The GOTG has maintained silence over our recently-published Country Report on Human Rights Practices, which amply documents the deterioration in the GOTG's human rights record in 2006. We will continue to look for ways to press for reversal of the negative human rights trend here, but President Jammeh's increasingly autocratic behaviour serves as a major constraint on our efforts and those of other Western representatives, e.g., the UK and European Union.

On arrival, the researcher proceeded to distribute and collect the survey questionnaires initially before embarking on semi-structured interviews questionnaires and focus group discussion as originally intended. All participants gave their informed consent to participate in the research. Crucially, all the participants were assured that their participation was voluntary and that they could withdraw from the research at any time should they wish to do so.

Finally, participants were assured that confidentiality would be maintained and that findings would be anonymous. This practice is in line with recommendations by Jansick (2001) who suggested that researchers should consult participants to be studied throughout the entire research process. Denzin and Lincoln (2005) argued that this will ensure that the concepts and methods that were adopted are culturally valid and sensitive to the population concerned. Bank customers, employees, managers and regulators were invited to participate in this research given their role as stakeholders in this industry. Strauss and Corbin's (1994) purposive sampling approach was used to seek out groups and individuals where understanding and repositories of knowledge of "bank corporate governance regulation" were likely to be evident. Following the initial exploratory survey questionnaire, the researcher prepared semi-structured interview questionnaires that were meaningful theoretically (Morgan, 1997). This is aimed at building certain criteria where social explanations can be constructed on depth, complexity and roundness in data, rather than a broad survey questionnaire (Mason, 2001). This is because the social world of business and management is far too complex to lend itself to theorising by definite 'laws' (Saunders et al, 2007). Furthermore, the social world of business and management simply escape measurements and quantification in the same ways as the physical sciences (Mingers, 2004; Saunders et al, 2007).

Initially, the plan was to conduct a focus group discussion consisting of bank customers, employees, managers and regulators. The aim was to triangulate the views and opinions of these key stakeholders who took part in the data collection. However, on arrival in Banjul from the UK to conduct focus group discussion the regulators had a change of mind. They made it clear that they were not prepared to participate in a focus group discussion with selected bank customers, employees and managers. In the end, the researcher had to conduct two separate focus group discussion instead of

one as originally intended. As a result, the banks customers, employees and managers were deployed in one focus group and the regulators in another. Ironically, this change of mind by the regulators allowed the bank customers and senior managers to discuss issues surrounding bank corporate governance regulation much more honestly than they might have done if the regulators had been present. In fact, Krueger and Casey (2009) suggested that researchers should avoid situations where supervisors and subordinates are the same focus group. It can therefore be argued that the regulator's refusal to be part of the enlarge focus group actually benefited this research in the end.

The bank managers and employees alleged that part of the reason the regulators decided not to be in the same focus group discussion was to avoid being criticised for promises they failed to deliver. They argued that the regulators at the Central Bank had for some time promised to offer corporate governance guidelines but had never delivered on their promise. However, the regulators suggested that they are in the process of developing corporate governance guidelines as part of the regulatory framework and will seek the author's input once a general framework is agreed in due course.

The regulators added that they are keen and determined to develop a corporate governance framework as part of the regulatory process but are not entirely sure which form that will be in the future. It is worth remembering that The Gambia is yet to have a formal corporate governance requirement for the financial institutions as part of the regulatory framework despite the financial crisis the world over. Subsequently, the two focus group discussions were audio taped with participants' permission. Both focus group discussions started with the rationale of the research and allowed the respondents to seek clarification where necessary.

5.3 Data collection methods

Having decided on a focus for the research, the research questions to which you seek answers, and the overall research strategy that is appropriate to get those answers, you now need to give thought to methods (Robson, 2005). However, the dilemma facing researchers is that there are no rigid guidelines to preferred data collection in literature for each

Table 5.1 Key data collection methods employed, and specification and justification of how the research methods were operationalized

Data collection method	Survey questionnaires	Semi-structured interviews	Focus groups
Purpose	Gain access and sensitise bank customers and employees. Help devise clear, concise and appropriate questions for the semi-structured interview.	To seek further clarification on questions 4, 5 and 10 identified in the survey questionnaires To guided and help devise clear, concise and appropriate questions for the focus group.	To clarify questions 1, 3, 4, 5 and 10 identified in the semi-structured interviews and To elaborate and shed light on corporate governance issues raised during the semi-structured interview that need further clarification
How data was analysed	Bar charts – this quantitative part of the research informed the qualitative element from which the grounded theory is derived.	Open coding	Axial coding and Selective coding
Duration	Varies from one person to another.	An hour for each interview	Two hours for each focus group discussion
Questions needing clarification	Questions 4, 5 and 10	Question 1, 3,4, 5 & 10	None
Previous academic precedents	Nwanji and Howell (2004); Nwanji (2006); Sorour (2011); Boadu (2013); Ibrahim (2013).		
Key literature	Crabtree, Yanoshik, Miller and O'Connor (1993); Strauss and Corbin (1994); Morgan (1997); Denzin and Lincoln (2005); Bryman and Bell, (2007); Creswell (2009); Collis and Hussey, (2009); Krueger and Casey (2009); Charmaz (2011); Bryant and Charmaz (2011); Howell (2013); Urquhart, (2013); Patton (2014).	<i>Glaser and Strauss</i> (1967); Patton (1990; 2014); Morgan (1992; 1997); Krueger (1998); Robson (2002); Sekaran (2003); Wengraf (2004); Rubin and Rubin (2005); Berg (2009); Myers (2009); Krueger and Casey (2009); Howell (2013).	Glaser and Strauss (1967); Krueger (1988); Stewart and Shamdasani (1990); Patton (1990); Templeton (1994); Kitzinger (1994; 1995); Morgan (1996; 1997); Krueger (1998); Fern (2001); Berg (2009); Krueger and Casey (2009); Howell, (2013); Patton (2014); Stewart and Shamdasani (2014)

research one is also faced with conflicting demands regarding data collection in terms of levels of validity, reliability and trustworthiness (Howell, 2013). Table 5.1 sets the key Data collection method employed, and specification and justification of how the research methods were operationalised. The ensuing discussion examines this in more detail.

Newby (2010) also added that there are different sources of data and many ways of collecting them. Thus, the researcher's skill lies in combining these in order to ensure a sufficient quantity and quality of data to answer the research question. According to Robson (2005) and Myers (2009), the choice of a particular data collection technique will depend on the chosen research method, topic, availability of data, what kind of information is sought, from whom and under what circumstances.

Howell (2013) explained that data can be collected through a number of different methods which includes: survey or questionnaires, interviews (structured, semi-structured and unstructured), observations (participatory and non-participatory) and focus groups. Similarly, Creswell (2009) argued that the data collection procedures in qualitative research involve four basic types namely; observations, interviews, documents and audio-visual materials. Qualitative observations are defined as those in which the researcher takes field notes on the behaviour and activities of individuals at the research site. These notes can be unstructured or semi-structured (prior questions that the inquirer wants to know) activities at the research site. Observers may engage in roles from non-participant to full participation. Howell (2013, p.206) suggested that most studies and methods of data collection are based on "some form of observation and can be used in both positivist and phenomenological studies". Phenomenological, especially constructivist and participatory, paradigms encourage interaction with respondents in natural settings. Interviews and focus groups take into consideration body language and gestures that lend meaning to the interviewees discourse (Howell, 2013).

Qualitative interviews can be defined as those in which the researcher conducts face to face interviews, telephone interviews with participants or engages in focus group interviews (with six to eight interviewees in each group) according to Creswell (2009). These interviews may involve unstructured and generally open ended questions (few in

number) and intended to elicit views and opinions from the participants. Moreover, in the process of conducting research, the investigator may collect qualitative data from additional source (Creswell, 2009). These may include public documents (newspapers, minutes of meetings, official reports) or private documents including diaries, letters and emails (Creswell, 2009). In addition the use of audio and visual materials may take the form of photographs, art objects, videotapes, or any form of sound may be used (Creswell, 2009). For this research interviews and focus group discussions are the primary data collection methods used in addressing the research aims and objectives.

5.4 Interviews

Interviews are used in almost all kinds of qualitative research (positivists, interpretive, or critical) and are the technique of choice in most qualitative research methods (Myers, 2009). Rubin and Rubin (2005) argued that interviews are like night goggles 'permitting us to see that which is not ordinarily on view and examine that which is looked at but seldom seen'. Patton (2014) suggested that the purpose of an interview is to allow us to enter into the other person's perspectives. Wengraf (2004, p.4) added that the purpose of interviews is:

(1) to develop/construct a 'model' of some aspect of reality in accordance with 'the facts' about that reality, or (2) test a constructed model to see whether it is confirmed or falsified by 'the facts', and, more usually, (3) doing both the above".

Thus, qualitative interviewing begins with the assumption that the perspective of others is meaningful, knowable, and able to be made explicit (Patton, 2014). Sekaran (2003) suggested that interviews are a basic source of obtaining qualitative data aimed at a purposeful discussion involving two or more participants. An interview can be defined as a method for collecting primary data in which a sample of interviewees are asked questions to find out what they think, do or feel (Collis and Hussey, 2009). Berg (2009) added that interviews are simply a conversation with a purpose. Thus, all types of interviews can be conducted with individuals or groups, using face-to-face, telephone or video conferencing methods. Interviews can be structured, unstructured or semi-structured (Walsh, 2001). The major difference between these different interview structures is their degree of rigidity with regard to presentational structure (Berg, 2009).

Structured interviews normally make use of questions that are predetermined. Semi-structured interviews are normally in depth and informal (Robson, 2002). Hence, allowing the researcher to explore other areas of interest. Wengraf (2004) also sets out models of research design and their application to semi-structured interviews. The author also added that semi-structured interviews are designed to have a number of interview questions planned and prepared in advance. Saunders et al (2009) argued that this strategy allows the researcher to ask participants to provide an answer to the same set of questions in a pre-determined manner.

The results of the interviews will be analysed using grounded theory coding procedures, first open coding to identify categories that emerged from the data (Nwanji, 2006; Sorour, 2011; Boadu, 2013; Ibrahim, 2013). Further analysis of these categories through axial coding established relationships between and sub-categories (Nwanji, 2006; Sorour, 2011; Boadu, 2013; Ibrahim, 2013). Through selective coding, core categories will be identified (Nwanji, 2006; Sorour, 2011; Boadu, 2013; Ibrahim, 2013).

The following are some of the reasons why the researcher chose interviews as a method of data collection. Interviews have the ability to give an in-depth comprehension of the data under analysis or give basis for a numerical study through a scale or matrix (Wengraf, 2004; Patton, 2014). Interviews are also perceived as a means of developing an accurate interpretation and understanding of a given situation (Wengraf, 2004). Interviews according to Howell (2013) also provide data collection mechanisms that enable description, interrogation, evaluation and consideration of personal accounts or biographical and historical data; interview can be confrontational and allow an environment for storytelling.

Finally, there is also very little training required to conduct interviews because interviews has become institutionalised and the norms embodied within it second nature for individuals and society (Collis and Hussey, 2009). Interviews, however, are not without weaknesses. Interview limitations include possibly distorted responses due to personal bias, anger, anxiety, politics, and simple lack of awareness since interview can be greatly affected by the emotional state of the interviewee at the time of the interview (Wengraf, 2004; Patton, 2014). Investigation through questions and answers involve ambiguity; interpretations of answers will always involve a level of subjectivity

(Howell, 2013). In any interview the interviewer will have some impact on the interview and interviewee; bias in terms of sexuality, gender, race or class may exist (Collis and Hussey, 2009). Howell also argued that expectations from the research may overshadow what is discovered or emerges. Bias and subjectivity is difficult to negate in all interviews because what is said pre-interview could influence responses (Howell, 2013).

The use of semi-structured interviews for this research also brings in some added advantages which includes the following. Semi-structured interviews provide a set of preconceived questions and therefore allow for deviation and more open discussion (Wengraf, 2004). In addition, semi-structured interviews are also useful when the process or research methodology is inductively driven (Howell, 2013; Patton, 2014). The use of semi-structured interviews also provides an opportunity for in an in-depth understanding of the situation and the individual position within this context is imperative for the analysis. It is also helpful because a comprehension of worldviews, cultures and norms are required in this study (Ibrahim, 2013). This will further enhance the research because an understanding of the underlying rationale for beliefs and attitudes are also an important factor. As the name suggests semi-structured interviews are a hybrid of structured and unstructured interviews (Wengraf, 2004; Howell, 2013; Patton, 2014). The use of this method is also beneficial for an inexperienced interviewer because it ensures that the interview remains on the right track while at the same time enables opportunity for wider discussion (Wengraf, 2004; Howell, 2013; Patton, 2014). Furthermore, the researcher is also likely to leave with some information relevant to the study by conducting a semi-structured interviews (Wengraf, 2004).

In a structured interview all respondents are asked exactly the same pre-defined questions. As a result, the expectation is limited variation, clear means of coding in a pre-determined format (Howell, 2013). A structured interview takes the form of a questionnaire (ibid). Hence, it could be argued there is little difference between this method of data collection and closed questionnaires (Patton, 2014). Whilst, unstructured interviews provide in depth data because the researcher enters the research with no pre-conceived questions and with the interview taking the form of discussion or conversation (Wengraf, 2004; Howell, 2013). Therefore the respondents are not necessarily restricted to a certain scope and direction (Wengraf, 2004; Hatton,

2005; Howell, 2013). Thus, the primary objective of an unstructured interview is to understand social and behavioural complexities in an inductive manner (Collis and Hussey, 2009). In contrast, the aim of a structured interview is to generate specific data explaining human behaviour that can be easily coded in pre-determined categories. One major disadvantage of this method is the use of priority categorisation which has the tendency to stifle discovery and hence, impose constraints on the investigation (Collis and Hussey, 2009; Howell, 2013).

The semi-structured interview for this research had 12 questions in total aimed at the senior bankers (directors with 5 or more line reports) who are involved with the day to day operation and governance of the bank. The interviewees came from five different banks namely:

- Prime Bank – is the first African subsidiary of a Lebanese Canadian Bank.
- Arab Gambia Islamic Bank – is the only Islamic bank in The Gambia and has no other subsidiary or parent company.
- Guaranty Trust Bank – is a joint initiative and partnership between a Nigerian leading bank (GT Bank) and a number of Gambian businessmen and institutions.
- Ecobank Gambia Limited – a bank initiated and spearheaded by the Federation of West African Chambers of Commerce and Industry with the support of Ecowas (regional body). It was set up to challenge the dominance of foreign or state owned banks in West Africa.
- Standard Chartered Bank – is the oldest and biggest bank in The Gambia. It used to carry many of the functions of the Central Bank of The Gambia and until 2002 it was the only international bank in The Gambia.

Morgan (1997) argued that both individual interviews and focus groups are frequently conducted with purposively selected samples in which the participants are recruited from a limited number of sources. This group of bank staff are best placed to answer the required questions in terms of knowledge and experience of the subject matter (Glaser and Strauss, 1967; Patton, 1990; Krueger, 1998; Nwanji, 2006; Boadu, 2013; Ibrahim, 2013). The survey and interview questionnaires are designed to cover the

issues that are required for effective governance system/practices including regulation, ethics, CSR, good governance, management decision-making and its consequences, accountability and stakeholder approach (Nwanji, 2006; Sorour, 2011; Ibrahim, 2013).

The researcher targeted a total of 20 senior bankers (directors with 5 or more line reports) who are involved with the day to day operation and governance of the bank to complete the semi-structured questionnaires. However, the researcher was only able to obtain 14 completed semi-structured questionnaires from these senior bankers representing 5 out of 13 banks in total that exist in The Gambia. This is a completion rate of 70% per cent of the population. Subsequently the responses to questions 1, 3, 4, 5 and 10 of the semi-structured questionnaire help devise the six questions used in the focus group discussion. These six questions were based on the key issues identified during the interview that required further clarification. Thus, the semi-structured questionnaire guided, help devise clear, concise and appropriate questions for the focus group discussions that followed. Below are the 12 questions used for the semi-structured interviews:

1. To what extent does corporate governance regulation affect the financial performance of financial sector organisations?
2. What was the rationale for the introduction of corporate governance regulation in the financial service sector in The Gambia?
3. How does the governance of financial sector organisations affect the services you provide to your stakeholders?
4. How effective is the current corporate governance system within the financial sector organisations?
5. How can effective corporate governance in the financial sector organisation provide management accountability to stakeholders?
6. How vital is effective corporate governance systems in financial sector organisations necessary to meet the needs of its stakeholders?
7. Would you prefer a voluntary code of governance or the current legislative approach (please give your reasons)?
8. What are the key contributors/factors of good governance?

9. Does good corporate governance in the financial sector organisations enhance CSR and ethics (please give your reason)?
10. Do you see yourself as accountable to shareholders only or stakeholders generally (please give reasons)?
11. Do you consider the ethical consequences of your decisions on your stakeholders (if so why)?
12. How will increased emphasis on business ethics (legislative or voluntary) affect financial performance of the financial sector organisations?

See appendix VIII - Sample of the Semi-structured Interview Questions.

Morgan (1997) suggested that combining individual interviews and focus groups within research projects is the best way to explore the most effective uses for each method. Furthermore, preliminary individual interviews can help generate focus group discussion guides by giving a feel for how people think and talk about topics that the groups will discuss (Morgan, 1992). When deciding whether to mix certain population segments in focus groups, a small number of preliminary individual interviews could show whether the various participants' way of speaking about the topic would allow for a comfortable conversation (Morgan, 1997). A final way to combine focus group with individual interviews is to conduct one as a follow-up to the other (Morgan, 1997; Krueger and Casey, 2009). Thus, as these suggestions show, focus groups and individual interviews can be complementary techniques across a variety of different research designs. This illustrates the larger point that "the goal of combining research methods is to strengthen the total research project, regardless of which method is the primary means of data collection" (Morgan, 1997, p.23). In other situations focus groups have been used after other research methods (in this case after interviews) to help interpret or to develop recommendations for later action or study (Krueger and Casey, 2009).

5.5 Focus Group Discussions

Patton (2014) defined focus groups as interviews with a small group of people on a specific topic. Morgan (1996) added that focus groups are a research technique that

collects data through group interaction on a topic determined by the researcher. In essence, it is the researcher's interest that provides the focus, whereas the data themselves come from the group interaction (Morgan, 1996). Krueger and Casey (2009) suggested that the function of the group may be to suggest ideas, to clarify potential options, to react to ideas, to recommend a course of action, to make a decision, to plan or to evaluate. Thus, the purpose of a focus group discussion is to get collective views on a certain defined topic of interest from a group of people who are known to have had certain experiences (Myers, 2009). Kitzinger (1995) added that the idea behind focus groups discussions is to explore and clarify views in ways that would be less easily accessible in a one to one interview. In essence, focus groups reach parts that other methods cannot reach, revealing dimensions of understanding that often remain untapped by the more conventional data collection technique (Kitzinger, 1995). Thus, tapping into such interpersonal communication is also important because this can highlight (sub) cultural values or group norms (Kitzinger, 1995). Focus group research is participatory and is a cycle of interaction between researchers and participants that begins and ends in shared activities and understanding (Howell, 2013).

Berg (2009) argued that focus group interviews explicitly use group interactions as part of the data gathering method. The use of group interactions are part of data gathering is essential in stimulating new ideas and creative concepts as well as interpreting previously obtained qualitative results (Berg, 2009). Kitzinger (1995) added that the explicit use of group interaction is particularly useful for exploring peoples knowledge and experiences and can be used to examine not only what people think but how they think and why they think that way. Kitzinger (1994, p.107) suggested that:

when group dynamics work well the co-participants acted as researchers taking the research into new and often unexpected directions and engaging in interaction which were both complementary (such as sharing common experiences) and argumentative (questioning, challenging, and disagreeing with each other).

Furthermore, focus group discussions combine interviewing and observation, but allow fresh data to be generated through the interaction of the group (Collis and Hussey, 2009). Thus, one can argue that focus groups provide an environment where the construction of points of view may be explored and are adept for studying attitudes and

experiences based around specific topics (Howell, 2013). Basically, focus group discussions are a form of collective activity such as discussing sets of questions. The size of focus groups is flexible with others suggesting as few as three will be acceptable (Howell, 2013 and Kleiber, 2004). Coincidentally, there are a number of texts devoted to identifying how to construct and facilitate focus groups such as: Krueger (1988); Stewart and Shamdasani (1990); Templeton (1994); Fern (2001); Collis and Hussey (2009) and Howell (2013). These academics have made an immense contribution to the development of focus groups as a method of data collection. Focus groups are different from group interviews in that they explicitly use group interaction to generate data.

Kleiber (2004) also says that in a focus group discussion usually five to six general questions are posed to the group. The interview questions and the subsequent responses during the interview inform the questions presented during the focus group. The focus group discussions for this research consist of six key questions (Kleiber, 2004). The questions are aimed at addressing issues surrounding corporate governance regulation, ethics, corporate accountability, effects of corporate governance in relation to the services provided to stakeholders and the effectiveness of the governance system in the financial sector organisation.

There are several reasons for selecting focus group participants through purposive or “theoretical” sampling (Glaser and Strauss, 1967; Patton, 1990). Participants are selected because they have certain characteristics in common that relate to the topic of the focus group (Krueger and Casey, 2009). Furthermore, Krueger and Casey (2009, p.6) opine that focus group interviews typically have five characteristics namely “(1) people, who (2) possess certain characteristics, (3) provide qualitative data (4) in a focused discussion (5) to help understand the topic of interest”. Furthermore, it is also important to note that group work is also invaluable for grounded theory development which is the focus of this research (Glaser and Strauss, 1967; Kitzinger, 1994). It focuses on the generation rather than the testing of theory and exploring the categories which the participants use to order their experience (Glaser and Strauss, 1967; Kitzinger, 1994).

In this case, the participants are purposely selected because they are best placed to answer the required questions in terms of knowledge and experience of the subject matter (Glaser and Strauss, 1967; Patton, 1990; Krueger, 1998; Nwanji, 2006; Boadu, 2013; Ibrahim, 2013). Patton (2014) describes these information-rich cases as those from which one can learn a great deal about the issues of central importance to the purpose of the research. Therefore, the question the researcher asks is who has the greatest amount of insight on this topic? (Krueger and Casey, 2009). Therefore, the purpose of the research should guide the invitation decision. However, it is important to note that no selection is perfect because selection is limited by our human capacity (Krueger and Casey, 2009).

The composition of the focus group for this research was initially designed to include key stakeholders in the banking industry in The Gambia namely: regulators, bank managers, customers and employees from selected banks. However, this particular composition did not materialise in the end as previously discussed. Thus, the researcher had to modify the structure of the focus group initially planned. In the end, the researcher conducted the focus group discussion in two groups. The first focus group discussion was conducted with two regulators and the researcher. The two regulators came from the Central Bank of The Gambia. The second focus group discussion was structured as follows:

- One senior manager from Prime Bank
- One senior manager from Arab Gambia Islamic Bank
- One customer from Guaranty Trust Bank
- One customer from Ecobank Gambia Limited
- One employee from Ecobank
- One employee from Standard Chartered Bank and the researcher.

The proceedings of the focus groups were recorded using an audio recorder with the consent of the participants. The focus group discussions will be analysed and compared with the core categories from the interviews to establish the major categories upon which substantive theory will be developed. See appendix IX – Sample of the Focus Group Questionnaire.

Focus groups can be useful for a number of reasons such as to develop knowledge of a new phenomenon (Glaser and Strauss, 1967; Kitzinger, 1995; Morgan, 1997; Krueger, 1998; Berg, 2009; Krueger and Casey, 2009; Howell, 2013; Patton, 2014). The strength of relying on the researcher's focus is the ability to produce concentrated amounts of data on precisely the topic of interest (Morgan, 1997). It can also be used to generate propositions from the issues that emerge and obtain feedback on the findings of research in which the focus group members participated (Kleiber, 2004; Collis and Hussey, 2009). In addition, other reasons for conducting the focus discussion are as follows: Focus group discussion enables the researcher to explore a specific set of issues and explore individual experiences, opinions and concerns (Morgan, 1997). Group interaction can generate data and encourage participants to speak with one another through exchanging anecdotes, questioning one another and commenting on different points of view (Morgan, 1997; Howell, 2013; Patton, 2014). Focus groups can also encourage multiple lines of communications and a safe environment for the participants to share ideas, beliefs and attitudes between individuals from similar professional backgrounds (Howell, 2013). Focus groups were:

perceived as a mechanism for overcoming the interviewer's bias and subjectivity in terms of beliefs and values directing the interview. Through attempted negation of interview bias and power the focus group can provide a more accurate perspective of social constructions of those participating (Howell, 2013, p.201).

Moreover, the control of the researcher is minimal in focus groups. Johnson (1996) added that the dynamics of focus groups have been identified as a means of developing a new knowledge through accessing raw un-codified data through stimulating the imagination of both researchers and participants. Focus groups also allow horizontal as well as vertical interactions (Johnson, 1996). Thereby providing an environment that encourages plurality in the construction of knowledge with precedence given to what participants consider important (Johnson, 1996). Focus group can provide fertile soil for the collection of anecdotal material (Johnson, 1996; Howell, 2013). Overall, focus groups intensify the opportunity for the participants to decide the direction of the research and in this way it offers much to constructivist and participatory paradigms of inquiry.

Focus groups are not without disadvantages (Kitzinger, 1995; Morgan, 1997; Krueger, 1998; Berg, 2009; Krueger and Casey, 2009; Howell, 2013; Patton, 2014). Some of the demerits of focus groups are as follows: They may be open to careless or inappropriate usage as results can be manipulated to justify decisions that have already been taken and subjects of research exploited (Berg, 2009; Krueger and Casey, 2009). Another difficulty with focus groups revolves around whether they should be homogenous or heterogeneous in terms of group design (Collis and Hussey, 2009; Howell, 2013). The authors also added that homogeneity can be more productive, heterogeneity can provide deeper insight. It is also possible that some individuals may be intimidated by the prospect of group discussion while the group environment may offer reassurance to others. Focus groups discussions sometimes do not work because one member is highly vociferous and dominates the discussion. There is also the question of confidentiality in relation to the participants in that focus groups cannot assure confidentiality. Finally, the fact that focus groups are driven by the researcher's interest can also be a source of weakness (Morgan, 1997).

It is suggested that participants should be presented with key statements to be collectively assessed and that during the collective tasks participants should concentrate on one another rather than the facilitator (Morgan, 1997; Howell, 2013). All participants should be given equal opportunity to participate and should not feel uncomfortable with the situation (ibid). It is also important to note that facilitators should refrain from being judgemental and making assumptions that close down further exploration. Therefore, any intervention requires balance, and, taken only to clarify ambiguity and encourage participation. Howell (2013, p.204) argued that "understanding of separate cultural meanings and knowledge of group's language is important as is the ability to lose control and allow the group to lead the discussion". Focus group is a special type of group in terms of purpose, size, composition, procedures and analysis (Kitzinger, 1995; Krueger and Casey, 2009; Howell, 2013). Thus, the purpose of conducting a focus group is to listen and gather opinions by capitalising on communication between research participants in order to generate data (Kitzinger, 1995).

5.6 Secondary data

Secondary data refers to any data gathered that has been previously published (Myers, 2009). Through the literature review secondary data will be identified and used to support the primary data. There are a number of research works from the UK and beyond which will help focus the data collection in relation to the research questions, the research methodology and the research objectives. The combination of primary data in the form of interviews and focus groups combined with secondary data from other studies in this area will enable the researcher to carry out empirical investigations on financial sector corporate governance system in The Gambia in relation to pre-existing theoretical perspectives using grounded theory methodology. Even though interviews and focus groups are the major data collection methods used in this research other secondary sources were also used to complement the primary data sources.

The following secondary data sources were used in the process of this research which enables the researcher to develop a greater understanding, awareness, depth and appreciation of literature that exist in this area of research. These data sources mainly from The Gambia includes: the Banking Act 2009, the Money Laundering Act 2003, the Central Bank Act 2005, Anti-Terrorism Act 2002, the Insurance Act 2003, the Financial Institutions Act 2003, Companies Act 1955, the Central Bank Gazettes, Minutes of the monetary committee meetings, the Bank's newsletters. All the documents named above are readily available on The Central Bank of The Gambia's website (Central Bank of Gambia, 2014). These documents complement the existing primary data thus forming an integral part of the theoretical framework which underpins the research. The knowledge and understanding acquired as a result of combining the primary and secondary data used for this research enables the researcher to develop a greater understanding and awareness of corporate governance issues. Thus, enabling development of a more rounded understanding of corporate governance issues in The Gambia and beyond.

5.7 Conclusion

Finally, this chapter discusses a number of different methods of data collection but mainly focuses on the methods the researcher used for this research. The method of

sampling used in this research is called judgemental sampling which is similar to snowball sampling as the participants are selected by the researcher on the strength of their experience of the phenomena under study. In judgemental sampling “the researcher makes the decision prior to the commencement of the research and does not pursue other contacts that may arise during the course of the study” (Collis and Hussey, 2009, p.213). When one undertakes a piece of research one is also faced with conflicting demands regarding data collection in terms of levels of validity, reliability and trustworthiness (Howell, 2013). Newby (2010) also added that there are different sources of data and many ways of collecting them. Thus, the researcher’s skill lies in combining these in order to ensure a sufficient quantity and quality of data to answer the research question. According to Robson (2005) and Myers (2009), the choice of a particular data collection technique will depend on the chosen research method, topic, availability of data, what kind of information is sought, from whom and under what circumstances.

Howell (2013) explained that data can be collected through a number of different methods which includes: survey or questionnaires, interviews (structured, semi-structured and unstructured), observations (participatory and non-participatory) and focus groups. Chapter four is mainly focused on research methodology while this chapter is mainly based on the research method. An evaluation of chapter four and this chapter suggest that there is a distinction between methodologies and methods.

However, there exists a clear link between these areas. The way data is collected and the mode of analysis will be determined by the methodological approach and the philosophical position that guides the methodological approach. The philosophical position and paradigm of inquiry will identify the best methodology and consequent stance when methods of data collection are employed. In general, the phenomenological positions will use qualitative data and positivist quantitative; subsequently the methods of data collection deployed will reflect this (Howell, 2013). Table 5.7.1 sets the key literature for each data collection method employed, and specification and justification of how the research methods were operationalised.

The next chapter is focused on analysing the semi-structured interviews and focus group using open coding. Open coding is the first stage of grounded theory method of data collection aimed at developing a substantive theory on corporate governance in The Gambia.

CHAPTER SIX:

ANALYSIS OF SEMI-STRUCTURED INTERVIEWS AND FOCUS GROUP: OPEN CODING

6.0 Introduction

This chapter deals with the analysis of the semi-structured interviews and focus group results collected from bank managers, employees and customers as well as regulators in The Gambia. The previous chapter discusses the research methods adopted for this research and other qualitative research methods. This chapter is based on grounded theory method of data collection as the first stage towards developing a substantive theory on corporate governance. Data for this thesis was collected in two main stages namely; semi-structured interviews and focus group discussions.

This chapter aims to cover the following areas including the semi-structured interview process, detailing the participants, duration of the interview, questions used for the semi-structured interview, analysis of the interview questions – open coding. The same structure will be adopted for the focus group also covered in this chapter. One of the simplest ways to analyse qualitative data is “to do some kind of coding on the data. A code can be a word that is used to describe or summarise a sentence, a paragraph, or even a whole piece of text such as interview” (Myers, 2009, p.167). Miles and Huberman (1994) described codes as tags or labels for assigning units of meaning to words, phrases, sentences or whole paragraphs, connected or otherwise to a specific sentence during the study

As soon as you start coding a piece of text, you have already started to analyse it. Coding is analysis. Coding helps you to reduce the size of your data (Myers, 2009). Coding is useful for retrieving and organising data, and it speeds up the analysis (Miles and Huberman, 1994). Coding involves interpreting the data and moving from concrete to more abstract conceptualisation. Thus, broadly speaking during open coding, data are broken down and closely examined for similarities and differences (Strauss and Corbin, 1998). As a result, similar events, happenings, objects and action/interactions that are found to be conceptually similar are grouped under more abstract concepts called categories (ibid).

Furthermore, Howell (2013) also added that Coding involves microanalysis and involves a dynamic fluids process; categories and properties are created and relationships assessed through open and axial coding.

The semi-structured interview and focus group data collected for this research is analysed below using open coding process of grounded theory. The analysis involved the process of breaking down, examining, comparing, conceptualising, and categorising data. The aim of open coding is the development of categories from the semi-structured interview and focus group data collected from the stakeholders of The Gambia banking sector.

Grounded theory generates substantive theory through comparative analysis and coding of data that is systemically collected with a view to developing theory (Glaser, 1978; Strauss and Corbin, 1998; Howell 2000; Nwanji, 2006; Urquhart, 2013). Researchers state that the grounded theory coding method does not attempt to undermine theory but to improve it, through discovering data, coding it, and comparative methods step by step; and through their analytic questions, hypotheses, and methodological applications (Glaser, 1978; Strauss and Corbin, 1998; Howell 2000; Nwanji, 2006; Urquhart, 2013).

The purpose here was to identify and suggest resolution for two core problems of grounded theory. First, while grounded theory provides transparency to one part of the conceptualization process, where codes emerge directly from the data, it provides no such systematic or transparent way for gaining insight into the conceptual relationships between discovered codes. Producing a grounded theory depends not only on the definition of conceptual pieces, but also on the delineation of a relationship between at least two of those pieces. Secondly, the conceptualization process of grounded theory is done in hierarchical fashion, where individual codes emerge from the data but then are used to generate insight into more general concepts and thematic statements (Glaser, 1978; Strauss and Corbin, 1998; Howell 2000; Urquhart, 2013). However, various works on grounded theory have failed to provide any systematic way of using data specific levels of scale (the codes) to gain insight into more macro levels of scale (concepts and themes) (Glaser, 1978; Strauss and Corbin, 1998; Urquhart, 2013). Fractional concept analysis can be offered as a means of resolving both of these

issues (Glaser, 1978; Strauss and Corbin, 1998). By using a logic structure generator, fractal concept analysis delineates self-similar conceptual frameworks at various levels of abstraction, yielding a method for linking concepts together within and between levels of scale encountered in the grounded theory coding and categorisation process (Glaser, 1978; Strauss and Corbin, 1998; Howell 2000; Urquhart, 2013).

6.1 Semi-structured interview process and questions

Semi-structured interviews were conducted with several bank managers across the banking sector in The Gambia. The duration of each interview lasted for about an hour because these managers are already familiar with the corporate governance issues that are being discussed with the researcher (Morgan, 1997). There were 14 interviews conducted for this research. The participants for these semi-structured interviews came from five out of 13 banks in The Gambia as previously discussed.

The results of the interviews were analysed using grounded theory coding procedures, first open coding to identify categories that emerged from the data. Further analysis of these categories through axial coding established relationships between categories and sub-categories. Through selective coding, core categories were identified. The focus group discussions were analysed and compared with the core categories from the interviews to establish the major categories upon which the substantive theory was constructed. As clear categories from the analysis were in forms of terms that support or did not support the literature review of previous research studies in this area, further analysis will be required in which the results of the data here are analysed further using axial coding and selective coding.

6.2 Analysis of semi-structured interview questions – open coding

The semi-structured interview for this research had 12 questions in total aimed at the senior bankers with line reports. The interviewees came from five different banks (see 5.2) namely: Prime Bank, Arab Gambia Islamic Bank, Guaranty Trust Bank, Ecobank Gambia Limited and Standard Chartered Bank.

These interviewees were experienced senior bank managers involved in policy making and implementation of corporate governance matters ranging from branch managers,

risk managers, compliance managers, and financial controllers to portfolio managers (Glaser and Strauss, 1967; Patton, 1990; Krueger, 1998; Nwanji, 2006; Krueger and Casey, 2009; Bryant and Charmaz, 2011; Boadu, 2013; Ibrahim, 2013; Patton, 2014). The rationale for purposely selecting these participants is because the analysis drawn from these managers based on their views can be held as an account of corporate governance issues in The Gambia. Bryant and Charmaz (2011) argued that an excellent participant for grounded theory is one who has been through, or observed, the experience under investigation. The following key is used to denote the various positions of participants for the semi-structured interview:

- A Branch Manager – participant 1
- A Risk Manager – participant 2
- A Compliance Manager – participant 3
- A Financial Controller – participant 4
- A Portfolio Manager – participant 5.

In response to question one participant 4 expressed that:

corporate governance regulation requires organisations to operate ethically and be more accountable to all stakeholders and not shareholders alone. This however, may come at a cost which will in turn affect the profitability of the organisation.

Similarly participant 3 added that:

corporate governance regulation help prevent certain illegal or selfish practices, thus attracting investors and increasing confidence of depositors and ethical-driven investments.

Furthermore, participant 1 suggested that:

corporate governance regulation affects the financial performance of financial corporations through the set of processes, customs, policies, laws and institutions own codes. It can equally affect the sound approaches by which corporations are directed and controlled (both internally and externally).

Based on the analysis of these quotes one can conclude that ethics, accountability, processes, customs, policies, laws, codes, direct and control appears to be the main concepts one can draw from these analysis.

While responding to question two, participant 2 suggested that the rationale for the introduction of corporate governance regulation in the financial sector in The Gambia is:

to regulate the way banks are directed and administered. Corporate governance regulation was also introduced in The Gambia to increase the accountability of directors and reduce or eliminate the principal agent problem.

Participant 5 suggested that the introduction of corporate governance regulation is to:

ensure the adoption of good ethical practices that prohibits cartels that restrict competition and exploit financial sector clients.

In addition, a senior bank manager (participant 3) also argued that the rationale for the introduction of corporate governance regulation is to provide:

appropriate ethical approaches, effective decision making, proper accountability and transparency.

Therefore, based on these evaluations in relation this specific question it appears that *direct, accountability, ethics and transparency* seem to be the main concepts that could be derived.

While responding to question three during the interview, participant 1 expressed that:

it sets the standards required to meeting the service needs of stakeholders.

Furthermore, participant 4 commented that:

services provided to stakeholders can be affected by mitigating procedures, policies, and laws which enhances economic efficiency, accountability of people in the business and the welfare of the shareholders.

Another manager (participant 2) added that it:

creates and enhances transparency and accountability of the operations of financial institutions.

On close examination of these three quotes it is evident that *standards, procedures, policies, laws, accountability and transparency* are central concepts that can be derived from this analysis.

Analysing the responses of the semi-structured interview in relation to question four regarding how effective the current corporate governance system within the financial sector organisations. An interviewee (participant 5) explained that:

in the contemporary volatile markets, it is quite effective in ensuring that corporations conduct activities in relation to the laws and apply sound approaches by which corporations are directed and controlled.

In addition, participant 1 added that:

the system is highly effective because the sector is constantly monitored and all failures to abide by the regulations are punished by fines.

Furthermore, participant 3 said that:

I believe the governance is achieving the desired objectives of regulating the operations of financial institutions in both coerce and voluntary liquidation of some banks that do not meet minimum standards of compliance. However, there are tendencies for the effectiveness of governance to be undermined by impromptu executive directors to single handedly effect compliance away from regulation. This is evident in a ban on shipment and other financial transactions last December.

An evaluation of these quotes suggests that *regulation, laws, direct, control, monitor, standards and compliance* are the main concepts one can be drawn.

In response to question five aimed at evaluating how effective corporate governance in the financial sector organisations provides management accountability to stakeholders. An interviewee (participant 4) argued that:

with effective corporate governance in place all stakeholders are fully informed of management actions which they have the right to oppose if unfavorable.

Participant 2 suggested that effective corporate governance in the financial sector organisations provide management accountability to stakeholders:

by having the right structures in place.

Finally, participant 5 added that:

through an institution's performance in the delivering of corporate social responsibility, it is accountable to its host locality and government at large. It also provides penalty measures in cases of defaults to regulatory performances.

On close scrutiny of these quotes it is evident that the concepts of *action, structures, CSR and regulation* are prominent.

Referring to how vital effective corporate governance system in the financial sector organisations necessary to meet the needs of its stakeholders (question six), participant 2 explained that:

corporate governance identifies the risks and provides systems or measures to mitigate those risks.

Another manager (participant 4) also commented that it is:

very vital as it remunerate fairly and responsibly. It recognise and manages risk. It recognise the legitimate interests of stakeholders.

It was also suggested (participant 3) that:

it is very vital to put in place effective processes that are fully acceptable by stakeholders and guided by policies that conforms to laws of the land.

An analysis of these quotes from the senior bank managers suggests that the concept of *risk, mitigate, legitimate, processes, policies, conform and laws* are clearly evident.

An analysis of question seven led to the uncovering the following quotes by participant 1:

a legislative code to unify the culture and standards set aside for more effective management.

While another respondent (participant 3) suggested that:

ideally voluntary, but preferably legislative as the latter ensures uniformity whilst the former may be recipe for lack of best practice – every institution may think its way is the best.

In addition, participant 2 explained that:

I would prefer the current legislative approach because the voluntary codes are just guidelines which directors can either choose to follow or not to follow.

Based on these analyses one can conclude that the concepts of *uniformity, culture, standards, best practice and guidelines* can be drawn.

While responding to question eight in relation to the key contribution/factors of good governance participant 5 suggested:

a well-established structure that is understood at all levels. Consistency in management decision making and board of directors avoiding insider trading. For any corporate governance to be strong the board of directors must help.

Whilst participant 1 added that:

structure, solid supervision and regulatory unit.

Finally, research participant 4 argued that:

leadership, constant monitoring, discipline and transparency are the key contributions of good governance.

The analysis of these three quotes above seem to suggest that structure, consistency, board of directors, supervision, regulation, leadership, monitoring, discipline and transparency are the main concepts that could be derived.

In relation to question nine focusing on whether good corporate governance in the financial sector organisations enhances CSR and ethics one manager (participant 5) argued that:

good corporate governance enhances corporate social responsibility and ethics because organisations are accountable and responsible to the environment which they operate in.

Furthermore, another participant 3 added that:

the two are synonymous in that help immensely in monitoring and ensuring active compliance with the spirit of the law, ethical standards and international norms. They both help in impacting positively on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere.

Finally, another respondent (participant 2) suggested that:

it does enhance CSR in its bid to enhance all stakeholders. In that case, it serves as a source of reference in case of lack of compliance on the part of financial institutions and hence, vital in legal decision against a party.

A careful scrutiny of the above quotes suggests that *accountability, responsibility, environment, monitoring, compliance and law* are the main concepts that can be drawn at this stage.

Question ten asks managers as to whether they see themselves accountable to shareholders only or stakeholders generally. In response to this question a manager (participant 4) said:

I believe accountability should be extended to both the shareholders and stakeholders because of the different roles they play in the sector.

Another manager (participant 5) explained that as managers they are accountable to:

all because they all have interest in the organisation.

In addition, another respondent (participant 1) added that:

we are accountable to all stakeholders and not only shareholders because some stakeholders are powerful and should be well informed and kept satisfied. Our stakeholders are always aware of our actions.

Analyses of these quotes appear to suggest that *role, interest, power and actions* are the main concepts that can be drawn.

Question 11 focuses on whether these managers consider the ethical consequences of their decisions on stakeholders. Participant 1 added that:

not always unless ethical consequences has a legal implications for the institution.

Another manager (participant 3) suggested that:

absolutely – I'm bind by the code of conduct which guides directors.

In addition another respondent (participant 4) argued that:

yes, I consider these consequences because their contribution to corporate governance is crucial and means a lot to the financial sector.

The analysis of these quotes appear to suggest that *legal, code, guide and corporate governance* are the main concepts that could be drawn from this question.

Finally, question 12 focuses on how increase emphases on business ethics (legislative or voluntary) affect financial performance of the financial sector organisations. Participant 2 suggested that it:

will increase trust and confidence.

Another manager (participant 5) added that:

it is most likely going to increase profitability, the more trust is assured, the more people will engage into business with you.

Furthermore, participant 1 added that:

this will provide guidelines and principles to better improve the performance in organisations and effective reporting to the stakeholders and shareholders.

The key concepts that can be derived from these analyses are *trust, confidence, profitability, guidance and principles*.

In summary through the grounded theory method of simultaneous comparison of concepts and there commonalities across the 12 semi-structured questions 42 concepts eventually emerged. A similar process will be followed for the focus group discussion below. Finally, a simultaneous comparison of the concepts and there commonalities across both the semi-structured interview and the focus group discussion will then be carried out to establish the open codes.

6.3 Focus group interview process and questions

Bryant and Charmaz suggested that sampling techniques must be targeted and efficient. Morse (2006) quoted in Bryant and Charmaz (2011, p. 234) also added that “an excellent qualitative inquiry is inherently biased. By biased, I mean it has been deliberately sought and selected. This bias is essential if we are going to do good work and this bias is not something that impairs the rigor of the research”. For interpretivists the goal is to gain rich and detailed insights of the complexity of social phenomena (Collis and Hussey, 2009). Therefore, interpretivists can conduct their research with a sample of one (ibid). The proceedings of the focus groups were recorded using an audio recorder with the consent of the participants (Nwanji, 2006; Sorour 2011; Ibrahim, 2013).

The duration of both focus groups lasted for two hours (Morgan, 1997). The two bank managers and employees are experienced bankers involved in policy making and implementing corporate governance issues. The two bank customers chosen for this focus group discussion also happen to run their own business. The focus group discussion was intended to elaborate and shed light on corporate governance issues raised during the semi-structured interview phase that need further clarification. The semi-structured interviews also help the researcher to formulate the research questions for the focus group discussion.

Below are the six questions used for the focus group discussion:-

1. How do corporate governance regulations affect financial sector organisation?
2. How does the governance of financial sector organisations affect the services they provide to their stakeholders?
3. How effective is the corporate governance system within the financial sector organisation in The Gambia?
4. Can corporate governance in the financial sector organisations provide accountability by management to stakeholders?

5. How does being public organisation (central bank) affect the governance mechanism, the institutional ethics and the code of conduct of such organisation?
6. How does the current governance structure affect the regulation of the financial sector organisations?

6.4 Analysis of focus group interview questions – open coding

The focus group discussion was conducted using two groups. However, the analysis of focus group interview questions below is a combination of both groups. The first focus group discussion was conducted with two regulators from the Central Bank of The Gambia and the researcher. Please note that the two regulators in the first focus group discussion will both denoted as participants 7a and 7b. The second focus group discussion was structured as follows as previously discussed:

- A senior manager from Prime Bank – participant 1
- A senior manager from Arab Gambia Islamic Bank – participant 2
- A customer from Guaranty Trust Bank – participant 3
- A customer from Ecobank Gambia Limited – participant 4
- An employee from Prime Bank – participant 5
- An employee from Standard Chartered Bank – participant 6 and the researcher.

While responding to question one participant 1 responded that:

in respect of financial sector in The Gambia, the body in charge of corporate governance is the central bank which is enacted by the act of parliament called the Central Bank Act. The operations of banks in The Gambia are regulated and controlled by directors, ethics, and design, monitored and controlled by the central bank that affects all the operations of the banks.

Furthermore, a regulator (participant 7a) suggested that:

it has critical role to play in the running and management of financial institutions, in the sense that corporate governance provide a framework of rules and regulations. You can have a fantastic set of rules and regulations on paper but if

they are ineffective and dysfunctional they are useless. So I think the good corporate governance regulation should be complemented by enforcement and observations, they should be observed and enforced. Good corporate governance has a positive impact on financial organizations anywhere in the world, across regions, across countries, across tribes, across ethnicity wherever you may see the lifeline for business organizations lies in sound and good corporate governance which is strong and enforceable regulation.

A second regulator (Participant 7b) added that:

The regulation of corporate governance is beneficial because it basically protects the interest of other stakeholders. Usually the companies which have good corporate governance steps in place that helps them direct, administer and control the managers to make sure they deliver as per their work corporate objectivity to maximize shareholder's wealth. Now the benefit of regulation is, if you like to safeguard the interest of other stakeholders (secondary) if you like and for that reason it is very important. Banks have their own internal corporate governance; they have their own systems. Now regulation if you like is that protect the depositors and others besides shareholders. It is very important in terms of market discipline because if the market participants are not happy nobody would participate.

Based on the evaluation of the quotes mentioned above one can conclude that the following concepts can be drawn namely: act, control, ethics, monitor, framework, rules, good corporate governance, enforcement, observations, protect, stakeholders, direct, administer, shareholder, wealth, safeguard, systems and discipline.

In response to question two participant 2 argued that:

the primary purpose of the central directives or acts is to safeguard the interest of the depositors, shareholders, and the economy of The Gambia. In light of this, its effects are clearly manifested in all the operations of the financial sector of The Gambia.

Participant 6 also added that the governance of financial sector organisations affect the services they provide to their stakeholders through:

the restriction of capital and also where you take deposit you can only invest 86% of the deposit you have collected. This is a central bank requirement because 14% of the deposit we take from customer we can only deposit that at the central bank..

Furthermore, participant 4 also suggested that:

I have a multiple experience with this, in the sense that I was banking with one particular bank and my driver was stealing my cheques to the tune of \$9000. On I think six occasions in different times, the first was D10,000, second cheque he wrote was 25,000 in words and in figure it was D25 million, they gave him money. When I approached the bank I said excuse me, this guy has clearly stolen my money he has forged my signature. I also wrote to central bank, I said this is situation I need my money the bank said it's my fault. They said it's your responsibility to keep you cheque book at all times.

Participant 3 added that:

credit lines are affected by rules imposed by the central bank guidelines. Now we are not allowed to have any unsecure loan facility before you can have overnight facilities. Credit referencing has also been introduced as a result of central bank regulations.

Finally, participant 7b explained that:

corporate governance essentially reconciles conflicting interest and safeguarding stakeholders with strong rules and regulations that are observed effectively. So I think corporate governance does play a critical role in the quality and manner of services banks offer to their stakeholders.

Therefore, an evaluation of these discussions suggests that *directives, acts, safeguard, restrict, capital, responsibility, rules, guidelines, regulation, reconcile and conflict*, are the main concepts that could be derived from this evaluation.

While answering question three participant 7a expressed that:

as of now we don't have any explicit corporate governance regulations but we have an implicit regulation of corporate governance mainly stemming from the

banking act 2009. Most institutions have their own external governance systems that they develop internally. I think there is room for improvement. I can say the ground is not at level we have some organizations in The Gambia which have sound and fantastic corporate governance processes because of the influence of their parent bank. The parent company insists on certain minimum level of corporate governance. Banks also have an obligation to comply the local regulation. These local regulations take precedence of whatever regulation a group may have. We don't have a formal documented code of corporate governance at central bank level yet. This is in the formative stage, lot of work is done on it and central bank is coming with minimum corporate governance standards for financial institutions. But at regulatory level we can say minimum capital requirement is D150 million which all the banks have complied with.

Participant 7b added that:

once the central bank issues the guidelines is almost mandatory, that they have to do it.

Furthermore, confidence emerged as a consequence of these properties: trust, control and processes. Participant 3 added that:

I don't know what structures they have.

Participant 5 suggested that:

they (Central Bank) only work from direct rules, they give direct rules then monitored and controlled.

Finally, participant 1 explained that:

with powers vested on the Central Bank of The Gambia by the Central Bank Act of 2009, the Central Bank of The Gambia in its drive to providing a safe, sound and resolute financial sector identified and enhanced on corporate governance through the development of good corporate governance policies. In these current global financial uncertainties corporate governance is never a finished article.

One can therefore conclude that explicit, implicit, regulation, act, processes, compliance, precedent, code, standards, mandatory, structures, rules, monitor, control,

power, good corporate governance and policies are the main concepts that can be drawn at this stage.

Question four asks can corporate governance in the financial sector organisations provide accountability by management to stakeholders. Participant 7a explained that:

possibly, yes it could do, but I think it could also be other way. It depends on the system, design and the appreciation by the end users.

Participant 7b added that:

for corporate governance to provide accountability by management to shareholders the structures have to be observed and they have to be effective and monitored. We have organizations in this country where on paper there are rules and regulations but in practice there are no rules and regulations. Issues are decided depending on who is involved.

Furthermore, participant 4 suggested that:

based on my experience, no – because there is nothing they did for me when I lost the money. Therefore, they can't be held accountable. It's clear that they do not care about their customers. All they care is about their profit.

Participant 3 added that:

management are accountable to some extent but the central bank needs to play an active role because they have the resources, manpower, expertise and other tools to hold management accountable for their actions as regulators.

Participant 2 argued that:

in recent years, corporate governance has received increased attention because of high profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. An integral part of an effective corporate governance regime includes provisions for civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of an enterprise. With well-studied and structured and stringent controls and supervision corporate governance in the financial sector would impact on the operations of the financial

sector and achieve its primary purpose of providing accountability and the confidence of all stakeholders'

Participant 5 also added that:

shareholders hold management accountable but other stakeholders do not hold managers accountable for their actions because they "do not have the right and knowledge to do so.

Thus, an evaluation of the participants response to this question appear to suggest that system, structures, observe, monitor, rules, regulation, resources, expertise, scandals, power, prosecution, acts, structure, control, supervision and confidence are the main concepts that can be drawn.

In response to question five a regulator (participant 7b) suggested that:

when we have a documented corporate governance structure in place, the shape, scope, content of that document must receive the blessing of the Central Bank of The Gambia and other stakeholders. However, without an imposed formal corporate governance requirement, it is difficult to discuss how being a public organisation affect the governance mechanism, the institutional ethics and the code of conduct of such organisation.

A second regulator (participant 7a) added that:

if implemented it will be the mechanism that will set the truth, the philosophy and the environment for corporate governance culture in The Gambia. The culture also will be informed by what is happening in Africa Monetary Zone.

A bank manager (participant 1) explained that:

we have our own separate manual adopted to fit The Gambian regulatory framework and banking environment. All the banks have their own ethical procedures, traditions and culture.

A bank customer (participant 3) suggested that:

there is no consistency between the banks when it comes to general banking issues, corporate governance mechanisms, ethics and codes.

Furthermore, a regulator (participant 7b) expressed that:

The first and most important function of the central bank is to accept responsibility for advising the government on the making of the country's financial policy, and thus to see that it is carried out. The Central Bank of The Gambia being a public organisation, instituted by an act of parliament is affected in terms of governance, ethics and code of conduct by the financial policies of the government.

Based on the summary of these responses to question five one can conclude that structure, truth, philosophy, environment, culture, regulatory, framework, procedure, traditions, responsibility, policy and act are the main concepts that stood out.

While responding to question six a regulator (participant 7a) explained that:

It enhances the performance. It makes us accountable for the decision we are taking. It's a classical rules and regulations and apart from the banking act we have our own manual of guidelines and instructions. We have a framework we called action framework which enables us to take prompt correcting action (PCA) when required. It is the most dramatic of our regulatory rules. So that is a classic example of strong system of regulation and enforcement, and then our banking act is also there like I told you.

A second regulator (participant 7b) added that:

it does have some effect on private sector participants. However, the degree of effect it has on the private sector is not entirely straightforward and not easy to measure either.

A bank manager (participant 1) suggested that:

there is no formal governance structure in place but regulations imposed by the banking act do impact on the financial sector organisations such as minimum capital requirements and loans to deposit ratios.

A bank employee (participant 5) added that:

the restrictions on deposit to loan ratios ultimately affect the banks financial performance.

An evaluation of these quotes suggests that accountability, rules, act, guidelines, instructions, framework, system, enforcement and requirements are the main concepts that can be drawn.

In summary through the grounded theory method of simultaneous comparison of concepts and their commonalities across the six questions 56 concepts eventually emerged. As a consequence of continuous comparison of these concepts (namely the concepts that arise from the semi-structured interviews and focus group discussion) the following nine open codes below have been identified.

6.5 Open categories developed from the interview and focus group

These nine codes are now explained further in relation to their properties and dimensions. Further analysis of these categories through axial coding will establish the relationships between categories and sub-categories. Through selective coding, core categories will be identified. The semi-structured interviews and the focus group discussions will also be analysed and compared with the core categories from both the interviews and the focus group to establish the major categories upon which the substantive theory will be constructed.

6.5.1 Institutional factors

Goswami (2003) defined institutional factors as rules and regulations that govern an economy, society and politics. It is difficult to define what is meant by “institutional factors” because of the ambiguous meaning of “institution” (Common, 1931). Baumol (1990) suggested that institutions can be perceived as “the rules of the game” for a society and include two general classifications. These two classifications according to Scot (2001) are “formal institutions” and “informal institutions”. The author considers formal institutions to be the regulative which includes rules within a society such as legal systems and government regulations. Informal institutions consist of normative and cognitive constraints that result in a society’s code of conduct according to Scot (2001).

Furthermore, Commons (1931) defined institutions as collective action in control, liberation and expansion of individual action. He further commented that “institutions”

cover unorganised customs up to the organised management of social life, such as family, the corporation, trade association, the trade union, the reserve system and the state. A feature common to all them is control: ways to arrange individual actions as part of collective action (Commons, 1931).

However, in the context of this research “institutional factors” relates to rules and regulations including legal systems, government policies and control mechanisms that govern corporate organisations. Institutional factors emerge as a consequence of these properties: *culture, environment and policies*. It is worth noting that culture, environment and policies all emerged both during the interview and the focus group discussion. While responding to question five during the focus group discussion a participant said “all the banks have their own ethical procedures, traditions and culture”. Commenting further on question five during the focus group discussion with particular emphasis on the lack of formal corporate governance requirements as part of the regulatory framework in The Gambia. A participant 7a commented that:

If implemented (corporate governance requirements) it will be the mechanism that will set the truth, the philosophy and the environment for corporate governance culture in The Gambia. Culture will also be informed by what is happening in Africa Monetary Zone.

In response to question one during the interview an interviewee said:

Corporate governance regulation affects the financial performance of corporations through the set of processes, customs, policies, laws and institutions own codes. It can equally affect the sound approaches by which corporations are directed and controlled (both internally and externally).

Policies in this context refer to government policies in relation to the regulation of corporate entities in The Gambia. In the context of this research culture and the environment are strongly interlinked and form an integral part in the governance of corporate organisations and the promotion of corporate governance culture in The Gambia. Therefore, culture, environment and government policies all needs to be enhanced and adequately addressed if corporate governance regulation is to succeed in The Gambia as part of the regulatory framework.

6.5.2 Benchmarks

Benchmarking is a Total Quality Management (TQM) re-engineering/continuous improvement technique brought to the forefront in the last few years mainly due to the efforts of the Malcolm Baldrige National Quality Award in the US (Sarkis, 2001). However, benchmarking is still not well defined, since over 42 definitions have been noted (Heib and Daneva, 1995). The original meaning of the word benchmark refers to a metric unit on a scale for measurement (Sarkis, 2001). From a managerial perspective, benchmarking has been defined as a continuous, systematic process for evaluating the products, services and work processes of organisations that are recognised as representing best practice, for the purpose of organisational improvement according to Camp (1989) and Sarkis (2001). Khad and Scot (1996, p.34) defined benchmarking as:

measuring one's performance against that of the best-in-class companies, determining how the best-in-class achieves its performance levels, and gaining a competitive advantage by using the information gained as a basis for one's own company's strategies and targets.

However, in the context of this research benchmark relates to a systematic process of evaluating the products, services and work processes of organisations based on the company's strategies and targets not a metric unit on a scale for measurement. Benchmarks emerged as a consequence of these properties: *code, guide and standard*. It is worth noting that code, guide and standard all emerged both during the interview and the focus group discussion.

While responding to question one during the interview a respondent expressed that

Corporate governance regulation affects the financial performance of financial corporations through the set of processes, customs, policies, laws and institutions own code. It can equally affect the sound approaches by which corporations are directed and controlled (both internally and externally).

While responding to question six during the interview a respondent suggested that:

it is very vital to put in place effective processes that are fully acceptable by stakeholders and guided by policies that conforms to laws of the land.

In response to question three during the interview one participant expressed that:

it sets the standards required to meeting the service needs of stakeholders.

In the context of this research, benchmarks are continuous improvement techniques guided and informed by the entity's code and standard expected. The governance of corporate entities can have a profound effect on the performance of financial institutions through a set of processes including a company's guide, standard, customs and the institutions own code of governance. Therefore, understanding the company's internal and external codes and standards expected are paramount in guiding and protecting the interest of stakeholders.

6.5.3 Implementation of standards

Implementation is the carrying out, execution, or practice of a plan, a method, or any design for doing something (Sarkis, 2001). As such, implementation is the action that must follow any preliminary thinking in order for something to actually happen (Teach target, 2013). Alternatively, there are many definitions of a 'standard'. Standard can be defined is a rule or principle that is used as a basis for judgement. Furthermore, according to ISO/IEC Guide 2: 1996, definition 3.2 a standard is:

a document established by consensus and approved by a recognised body that provides for common and reported use, rules, guidelines or characteristics for activities or their results, aimed at the achievement of the optimum degree of order in a given context.

In effect, it is something considered by an authority or by general consent as a basis of comparison; an approved model.

On the basis of these two definitions namely implementation and standard. One can define implementation of standards as carrying out a plan or any design established by consensus and approved by a recognised body aimed at achieving optimum degree of order in a given context (Sarkis, 2001).

However, in the context of this research 'implementation of standard' relates to a systematic process of carrying out corporate governance policies established by consensus and approved by a recognised body aimed at the achievement of the

optimum degree of compliance. Implementation of standards emerged as a consequence of these properties: *compliance, discipline and responsibility*. It is worth noting that compliance, discipline and responsibility emerged during the interview and focus group discussions. Analysing the responses of the semi-structured interview in relation to question four during participant 3 expressed that:

I believe the governance is achieving the desired objectives of regulating the operations of financial institutions in both coerce and voluntary liquidation of some banks that do not meet minimum standards of compliance. However, there are tendencies for the effectiveness of governance to be undermined by impromptu executive directors to single handedly effect compliance away from regulation.

While responding to question eight in relation to the key contribution/factors of good governance one research participant participant 4 said:

leadership, constant monitoring, discipline and transparency are the key contributions of good governance.

In response to question five a regulator (participant 7b) suggested that:

the first and most important function of the central bank is to accept responsibility for advising the government on the making of the country's financial policy, and thus to see that it is carried out. The Central Bank of The Gambia being a public organisation, instituted by an act of parliament is affected in terms of governance, ethics and code of conduct by the financial policies of the government.

Finally, in the context of this research implementation of standards relates to the degree of compliance and implementation of corporate governance rules and regulations in The Gambia aimed at achieving the optimum degree of compliance. However, corporate compliance cannot be achieved without corporate discipline and collective responsibility. Thus, for corporate governance regulation to succeed in The Gambia both the regulators and the financial institutions have to be disciplined, responsible and compliant with the Banking Act 2009.

6.5.4 Regulatory oversight

This can be defined as hierarchical supervision of regulatory action by executives and legislative actors (Resources for the future, 2013). Thus regulatory oversight is a formal process for improving regulation typically using economic analysis (ibid). However, in the context of this research regulatory oversight relates to the supervision and control of executive power in a corporate environment. Regulatory oversight emerged as a consequence of these properties: *supervision, control and power*. While responding to question four during the focus group discussion participant 2 said:

in recent years, corporate governance has received increased attention because of high profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. An integral part of an effective corporate governance regime includes provisions for civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of an enterprise. With well-studied and structured and stringent controls and supervision corporate governance in the financial sector would impact on the operations of the financial sector and achieve its primary purpose of providing accountability and the confidence of all stakeholders.

In response to question one during the focus group discussion participant 1 responded that:

in respect of financial sector in The Gambia, the body in charge of corporate governance is the central bank which is enacted by the act of parliament called the Central Bank Act. The operations of banks in The Gambia are regulated and controlled by directors, ethics, and design, monitored and controlled by the central bank that affects all the operations of the banks.

While answering question three during the focus group discussion participant 1 explained that:

with powers vested on the Central Bank of The Gambia by the Central Bank Act of 2009, the Central Bank of The Gambia in its drive to providing a safe, sound and resolute financial sector identified and enhanced corporate governance through the development of good corporate governance policies. In these current global financial uncertainties corporate governance is never a finished article.

In the context of this research regulatory oversight relates to the supervision, control and regulation of corporate entities aimed at minimising the abuse of corporate power. An effective corporate governance regulation can only succeed in The Gambia if the regulators are able to effectively supervise, control and minimise the abuse of corporate executive power.

6.5.5 Ethics

Ethics can be defined as a system of moral principles governing the appropriate conduct for a person or a group (Oquist, 1999). Ethical values in the management of corporations will eventually form the basis of good governance and ultimately enhance CSR (Oquist, 1999). The author also added that ethics and integrity must be widespread among the citizenry and especially strong in public and private leadership positions for good governance to prevail. Furthermore, Spiller (2002) argued that numerous investors are especially interested in business ethics as a consequence of its positive effects on financial performance. However, in the context of this research ethics relates to maintaining moral standards and therefore minimise the need for stringent corporate governance regulation.

Ethics emerged as a consequence of these properties: *procedures, direct and monitor*. In response to question five during the focus group discussion participant 1 explained that:

we have our own separate manual adopted to fit The Gambian regulatory framework and banking environment. All the banks have their own ethical procedures, traditions and culture. There is no consistency between the banks when it comes to general banking issues, corporate governance mechanisms, ethics and codes.

While responding to question one participant 7b added that:

the regulation of corporate governance is beneficial because it basically protects the interest of other stakeholders. Usually the companies which have good corporate governance have steps in place that helps them direct, administer and control the managers to make sure they deliver as per their work corporate objectivity to maximize shareholder's wealth. Now the benefit of regulation is, if

you like to safeguard the interest of other stakeholders (secondary) if you like and for that reason it is very important. Banks have their own internal corporate governance; they have their own systems. Now regulation if you like is that protect the depositors and others besides shareholders. It is very important in terms of market discipline because if the market participants are not happy nobody would participate.

Finally, in response to question four during the interview an interviewee participant 1 explained that:

the system is highly effective because the sector is constantly monitored and all failures to abide by the regulations are punished by fines.

In the context of this research ethics relates to maintaining moral standards and therefore minimise the need for stringent corporate governance regulation in The Gambia. Without ethics and morality it will be extremely difficult to implement an effective corporate governance regulation particularly the voluntary approach. For any meaningful corporate governance regulation in The Gambia to be successful it will require the underpinning of ethics, procedures and monitoring.

6.5.6 Accountability

This can be defined as a means for organising control and to prevent power holders from wrongdoing (Riekmann, 2007). Accountability can also be defined as the responsibility of either an individual or department to perform a specific function (Investopedia, 2013). Thus, accountability is considered as a tool to shed light on the 'interstices of power' (Riekmann, 2007). Central to good governance is accountability and a strong legal framework as well as understanding the relationships between the various players (Fyfe, 2003). In the context of this research, accountability relates to organising control and to prevent power holders from wrongdoing.

Accountability emerged as a consequence of these properties: *action, control and monitor*. In response to question five during the interview aimed at evaluating how effective corporate governance in the financial sector organisations provides management accountability to stakeholders. Participant 4 explained that:

with effective corporate governance in place all stakeholders are fully informed of management actions which they have the right to oppose if unfavorable.

While responding to question four during the interview a bank manager participant 2 said:

in recent years, corporate governance has received increased attention because of high profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. An integral part of an effective corporate governance regime includes provisions for civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of an enterprise. With well-studied and structured and stringent controls and supervision corporate governance in the financial sector would impact on the operations of the financial sector and achieve its primary purpose of providing accountability and the confidence of all stakeholders.

Furthermore, a regulator (participant 7b) said:

for corporate governance to provide accountability by management to shareholders the structures have to be observed and they have to be effective and monitored. We have organizations in this country where on paper there are rules and regulations but in practice there are no rules and regulations. Issues are decided depending on who is involved.

Therefore, in the context of this research the issue here is the lack of accountability. Thus, a successful implementation of corporate governance rules and regulations in The Gambia will to a greater extent depend on the ability of boards and shareholders to hold management accountable for their actions.

6.5.7 Confidence

Confidence is defined as a feeling of trust and a firm belief in yourself or others (Scot, 2001). Confidence is the feeling or belief that one can have faith in or rely on someone or something (Goswami, 2003).

Thus, confidence tends to focus on two related ideas. Firstly, confidence is about being certain of your abilities. Secondly, confidence is about having trust in people, plans or

the future (Careers.stir, 2013). However, in the context of this research confidence relates to trust in the governance of corporate entities including the implementation of corporate governance rules and regulations in The Gambia. Confidence emerged as a consequence of these properties: *trust, control and processes*. In response to question 12 during the interview a bank manager (participant 5) said:

it is most likely going to increase profitability, the more trust is assured, the more people will engage into business with you.

While responding to question four during the focus group discussion participant 2 added that:

in recent years, corporate governance has received increased attention because of high profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. An integral part of an effective corporate governance regime includes provisions for civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of an enterprise. With well-studied and structured and stringent controls and supervision corporate governance in the financial sector would impact on the operations of the financial sector and achieve its primary purpose of providing accountability and the confidence of all stakeholders.

While responding to question one during the interview participant 4 said:

corporate governance regulation affects the financial performance of financial corporations through the set of processes, customs, policies, laws and institutions own codes.

However, in the context of this research confidence relates to trust in the governance of corporate entities including the implementation of corporate governance rules and regulations in The Gambia. Investors must have confidence in the governance of financial institutions in The Gambia. The operation of financial institutions very much rely on trust to succeed. Without trust financial institutions will not be a going concern. Banks and other institutions must gain and maintain the trust of the general public if they are to succeed as a business.

6.5.8 Structure

Structure be defined as a framework of identifiable elements which gives form and stability, and resists stresses and strains (Sarkis, 2001). Thus it is simple to plan or organise something. However, in the context of this research structure relates to a framework of rules and regulation which gives form and stability in the management of corporate entities in The Gambia aimed at protecting the stakeholders. Structure emerged as a consequence of these properties: monitor, system and act. In response to question four during the focus group discussion participant 7b said:

for corporate governance to provide accountability by management to shareholders the structures have to be observed and they have to be effective and monitored’.

While answering question four during the focus group discussion participant 7a explained that:

possibly, yes it could do, but I think it could also be other way. It depends on the system, design and the appreciation by the end users.

Finally, while responding to question six during the focus group participant 7a said:

it enhances the performance. It makes us accountable for the decision we are taking. It’s a classical rules and regulations and apart from the banking act we have our own manual of guidelines and instructions. We have a framework we called action framework which enables us to take prompt correcting action (PCA) when required.

However, in the context of this research structure relates to a framework of rules and regulations designed to protect the interest of stakeholders. An effective monitoring system backed by law will go a long way in addressing the concern of stakeholders in the banking industry. Therefore, effective systems of governance, monitoring and laws are an integral part of an effective corporate governance regulation.

6.5.9 Regulation

This can be defined as a rule of order having the force of law, prescribed by superior or competent authority, relating to the actions of those under the authority’s control

(Riekmann, 2007). Therefore, it is a general principle or rule employed in controlling, directing or managing an activity, organisation or system (ibid). In the context of this research regulation relates to corporate governance rules having the force of law relating to the actions of those under the authority's control. Regulation emerged as a consequence of these properties: *direct, enforcement and rule*. In response to question one during the interview participant 4 said:

corporate governance regulation affects the financial performance of financial corporations through the set of processes, customs, policies, laws and institutions own codes. It can equally affect the sound approaches by which corporations are directed and controlled.

While responding to question one during the focus group discussion participant 7a said that:

it has critical role to play in the running and management of financial institutions, in the sense that corporate governance provide a framework of rules and regulations. You can have a fantastic set of rules and regulations on paper but if they are ineffective and dysfunctional they are useless. So I think the good corporate governance regulation should be complemented by enforcement and observations, they should be observed they should be enforced. Good corporate governance has a positive impact on financial organizations anywhere in the world, across regions, across countries, across tribes, across ethnicity wherever you may see the lifeline for business organizations lies in sound and good corporate governance which is strong and enforceable regulation'.

However, in the context of this research, regulation relates to the enforcement of corporate governance rules and regulations in The Gambia. Corporate entities have to be directed, controlled and must follow the required rules and regulations. However, rules and regulations can only be effective if there is a robust system of enforcement. Without an effective enforcement corporate governance rules and regulations will be rendered useless. Thus, an effective enforcement strategy is necessary if corporate governance regulation is to succeed in The Gambia.

6.6 Conclusion

Finally, these open categories arise from and across various questions and responses during the interview and focus group discussion. Open coding is:

designed to help analysts carry out the steps of theory building – conceptualising, defining categories, and developing categories in terms of their properties and dimensions – and then later relating categories through statements of relationships. (Strauss and Corbin, 2009, p.121).

The first step in theory building is conceptualising which is the process of grouping similar items according to some defined properties and given the items a name that stands for that common link (Strauss and Corbin, 2009). A concept is a labelled phenomenon. It is an abstract representation of an event, object, or action/interaction that a researcher identifies as being significant in the data (Strauss and Corbin, 2009). “One of the simplest ways to analyse qualitative data is to do some kind of coding on the data. A code can be a word that is used to describe or summarise a sentence, a paragraph, or even a whole piece of text such as interview” (Myers, 2009, p.167). Miles and Huberman (1994, p.56) added that:

codes are tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study. Codes are attached to “chunks” of varying size – words, phrases, sentences or whole paragraphs, connected or unconnected to a specific sentence.

The semi-structured interview and focus group data collected for this research were analysed using open coding process of grounded theory. The analysis involved the process of breaking down, examining, comparing, conceptualising, and categorising data. The aim of open coding is the development of categories from the semi-structured interview and focus group data collected from the stakeholders of The Gambia banking sector.

In the end a summary of the Likert scale questionnaire inform the interview questionnaire and focus group discussion. These subsequently covered the issues that are required for effective governance system/practices including regulation, ethics, CSR, good governance, management decision-making and its consequences,

accountability and stakeholder approach with particular emphasis on The Gambia. The next chapter focuses on the next two stages of the process (analysis of the responses from the semi-structured interviews and focus groups) which are axial and selection coding using the paradigm model. Analysing the categories using axial coding will establish the relationships between categories and sub-categories. Finally, selective coding will be used to identify core categories.

CHAPTER SEVEN:

ANALYSIS OF SEMI-STRUCTURED INTERVIEWS AND FOCUS GROUP: AXIAL AND SELECTIVE CODING

7.0 Introduction

In grounded theory research there are three basic types of coding; open, axial and selective (Corbin and Strauss, 1990). Therefore, following the analysis of the responses from the semi-structured interviews and focus group discussion using open coding the research now focuses on the next two stages of the process which are axial and selective coding using the paradigm process. Thus, this chapter combines the second and third analytical stage of grounded theory coding process. The results of the interviews and focus group discussion were analysed using grounded theory coding procedures, first open coding to identify categories that emerged from the data. Further analysis of these categories through axial coding will establish the relationships between categories and sub-categories. Through selective coding, core categories will be identified.

The semi-structured interviews and focus group discussions were analysed and compared with the core categories from both the interviews and the focus group to establish the major categories upon which the substantive theory will be constructed. Strauss and Corbin (1998) suggested that the purpose of axial coding is to reassemble data that were fractured during open coding. Thus, axial coding involves the restructuring of the whole process by finding connections between the data (Howell, 2013). Howell added that axial coding pulls the analysis together and provides a means of unifying the data into a coherent whole. Thus, it indicates how the categories created by open coding fit together and how they congregate around a core category (Howell, 2013). In axial coding, categories are related to their subcategories to form more precise and complete explanations about phenomena. Strauss and Corbin (1998, p.124) also added that “procedurally, axial coding is the act of relating categories to sub-categories along the lines of their properties and dimensions”

A phenomenon has the ability to explain what is going on. Sub-categories answer questions about the phenomenon such as when, where, why, who, how and with what

consequences, thus giving the concept greater explanatory power (Strauss and Corbin, 1998). Howell (2013, p.136) added that:

ultimately, the relationship between categories and sub-categories which are discovered during the research should be as a result of information contained within the data or from deductive reasoning which has been verified within the data, but not from previous assumptions which have not been supported”.

Thus, open coding and axial coding examine phenomena through comparing and categorising data. The goal according to Howell (2013) is to generate an emergent set of categories and their properties which fit, work and are relevant for integrating theory.

Axial coding uses a set of terms to denote the process which include: causal conditions and phenomenon, context, intervening conditions, action/interaction and consequences (Howell, 2013). These terms will be discussed in more details as part of the paradigm model. Strauss and Corbin (1990, p.61) suggested that:

axial coding allows a more focused means of (phenomenon) in relation to the underlying conditions that enables its development, through identification of properties the location of this phenomenon on a dimension (dimensionalisation), the context and the action/interaction strategies used to ‘handle, manage, and respond to this phenomenon

Contrastingly, selective coding illustrates how the phenomenon fits around a core category and involves the process by which emerging categories are organised and unified around a core category (Corbin and Strauss, 1990). Howell (2013, p.143) added that:

core categories incorporate central phenomenon of research projects as they are identified through questions such as: ‘what is the main analytical idea presented in this research? What does all the action/interaction seem to be about? The selection of data and the creation of other categories are processed with the core category in mind which are identified and unified through axial coding.

This chapter will now focus on the application of the paradigm model and the identification of the six categories based on the categories that emerged through the open coding in chapter six. Thus, the main categories derived here are a combination

of open categories that are presented in the earlier chapter. This chapter therefore forms the basis that allows the researcher to carry out further analysis, the identification of the core category and the formulation of the substantive theory.

7.1 An application of the Paradigm Model

The researcher intends to adopt the paradigm model for this research. As discussed above Strauss and Corbin (1998) argued that axial coding is the process of reassembling data that were fractured during open coding, as such nine open categories were developed through open coding procedures (see chapter 6). These nine open categories are subsumed into six categories in axial coding, each representing a component in the paradigm model (see table 7.1). The main categories of axial coding and their corresponding open categories are shown in table 7.2.

Table 7.1: Renaming the open categories that emerged in chapter six

Main Categories (Axial coding)		Renamed or unchanged
1	Institutional factors	Obstacles
2	Regulation + regulatory oversight	Supervision
3	Benchmark + implementation of standards	Compliance
4	Ethics	Ethics
5	Lack of accountability	Lack of accountability
6	Structure + confidence	Lack of trust

Thus, “axial coding involves the re-structuring of the whole process by finding connections between the data. Axial coding pulls the analysis together and provides a means of unifying the data into a coherent whole” (Howell, 2013, p.142). The purposes of axial coding are to sort, synthesize, and organise large amounts of data and reassemble them in new ways after open coding (Creswell, 1998). The use of axial coding is aimed at further developing the open categories into main categories through the paradigm process. It is important to note that axial coding differs in purpose from open coding, these are not necessarily sequential analytical steps, and no more than

Table 7.2: Axial Coding- Main categories

Main Categories (Axial Coding)	Open Categories (Open Coding) Chapter 6
1 Obstacles	<ul style="list-style-type: none"> • Culture • Environment • Government policies
2 Supervision	<ul style="list-style-type: none"> • Direct • Enforcement • Rule • Control • Power
3 Compliance	<ul style="list-style-type: none"> • Code • Guide • Standard • Discipline • Responsibility
4 Ethics	<ul style="list-style-type: none"> • Procedures • Direct • Monitor
5 Lack of accountability	<ul style="list-style-type: none"> • Action • Control • Monitor
6 Lack of trust	<ul style="list-style-type: none"> • Monitor • System • Act • Control • Processes

labelling is distinct from open coding (Strauss and Corbin, 1998). For the purpose of this research both open and axial coding occurred concurrently and sequentially. As both open and axial coding can “proceed quite naturally together” (Strauss and Corbin, 1992).

In axial coding, the analyst is relating categories at a dimensional level. Thus, when data is analysed at axial level, there are two levels of analysis. These are (a) the actual words used by the respondents and (b) the analyst’s conceptualisation of these (Strauss and Corbin, 1998). The use of the paradigm model is aimed at linking and developing categories by asking questions and the making of comparison. Therefore, “when analysts code axially, they look for answers to questions such as why or how come, where, when, how, and with what results, and in so doing they uncover relationships among categories” (Strauss and Corbin, 1998, p.127). Thus, “in axial coding the nature of questions we are asking are really denoting a type of relationship” (Strauss and Corbin, 1990, p.107). Answering these questions helps us to contextualize a phenomenon. Thus, with these questions in mind “we then return to our data and look for evidence, incidents, and events that support or refute our questions” (Strauss and Corbin, 1990, p.107). This is because the relationships between events and happenings are not always so evident when working with actual data (Strauss and Corbin, 1998).

In actuality, the paradigm is nothing more than a perspective taken toward data, another analytical stance that helps to systematically gather and order data in such a way that structure and process are integrated (Strauss and Corbin, 1998, p.128). The following sections will further demonstrate the application of the axial procedures including how open categories are linked and subsumed into main categories, the questions asked to link the various categories together, thereby demonstrating the application of the paradigm model.

7.2 The phenomenon

Strauss and Corbin (1998, p.130) suggested that a phenomenon is a term that answers to the question “what is going on here?” They went on to argue that “in looking for phenomena, we are looking for repeated patterns of happenings, events, or actions/interactions that represent what people do or say, alone or together, in

response to the problems and situations in which they find themselves”. The answer to this question is lack of accountability. This is clearly evident through data collection and analysis during open and axial coding. Thus, the phenomenon of lack of accountability incorporates all the open categories identified through coding of data collected in the interview and focus group discussions namely: *action, control and monitor* as shown in table 7.2.

Lack of accountability as a category in this case refers to the inability of certain stakeholders particularly bank customers to hold management and regulators accountable for their actions or lack of it. The inability to hold management and regulators accountable for their actions or inaction could be explained by the obstacles (*culture, environment and government policies*). These obstacles combined with lack of corporate governance regulation as part of the regulatory framework leads to a variety of corporate governance identifies in The Gambian banking system and lack of accountability. These impediments namely: culture, environment government policies and lack of corporate governance as part of the regulatory framework cannot be changed overnight. Thus, any change will have to be a gradual process rather than instant or radical change. The following subsequent sections will highlight how the other components of the paradigm model contribute to the lack of accountability phenomenon.

7.3 Causal conditions

There are different definitions of causal conditions in that in corporate governance literature (Strauss and Corbin, 1998). However, Strauss and Corbin (1998, p.130) suggested that conditions are:

sets of events or happenings that create the situations, issues, and problems pertaining to a phenomenon and, to a certain extent, explain why and how persons or groups respond in certain ways. Conditions might arise out of time, place, culture, rules, regulations, beliefs, economics, power, or gender factors as well as the social worlds, organisations, and institutions in which we find ourselves along with our personal motivations and biographies.

Causal conditions refer to events, incidents or happenings that lead the occurrence of the phenomenon (Strauss and Corbin, 1990). Therefore, identifying the causal conditions requires asking the following question:

What are the incidents, events or happenings that lead to the occurrence of the phenomenon?

The main category *obstacles* answers this question. Here obstacles indicate the happenings that caused or derived the phenomenon of lack of accountability. This category is based on three open categories that emerged in the open coding stage namely: *culture, environment and government policies*.

Government policies or lack of it in this case is a significant contributory factor that caused or derived the phenomenon lack of accountability in The Gambian banking system. The lack of corporate governance requirements as part of the regulatory framework in The Gambian banking system leads to inconsistent corporate governance policies across the banking sector. Thus, making it difficult to hold corporate executives accountable for their actions or inactions. The Central Bank of The Gambia intends to develop a corporate governance code for banks operating in The Gambia as indicated by its officials during the focus group discussion but this is yet to emerge.

Culture and environment are factors driving the lack of accountability phenomenon. Respondent's belief that a legislative code would unify the culture and standards set for more effective management thereby enhancing corporate accountability. If corporate governance codes are implemented as part of the regulatory framework it will be the mechanism that will set the truth, the philosophy and the environment for corporate governance culture in The Gambia. The culture also will be informed by what is happening in the African Monetary Zone (CBG, 2014).

Banks in The Gambia have their own separate manual adapted to fit The Gambian regulatory framework and banking environment due to the government's inability to develop a corporate governance code. Furthermore, all the banks have their own ethical procedures, traditions and culture. As a result, the attainment of corporate accountability becomes more of a challenge due to the diverse nature of banks operating in The Gambia. The high illiteracy rate among bank customers inhibits their

ability to challenge and hold bank executives accountable for their actions or inactions. Furthermore, the culture of not challenging authority due to the current political environment and economic conditions makes the attainment of corporate and executive accountability a daunting task. In this research government policies, culture and the environment are strongly interlinked and form an integral part in the governance of corporate entities and the lack of accountability in The Gambian banking system.

7.4 Context

According to Strauss and Corbin (1998, p.132) “contextual conditions are the specific sets of conditions (patterns of conditions) that intersect dimensionally at this time and place to create the set of circumstances or problems to which persons respond through actions/interactions”. Thus a context represents “the particular set of conditions within which the action/interaction strategies are taken to respond to a specific phenomenon” (Strauss and Corbin 1990, p.101). The following question would identify the context within which the phenomenon is taking place:

What are the set of conditions that affect the banks strategies and responses in relation to their lack of accountability?

The answer to this question is the *lack of trust* in the banking system. The failure of Continental Bank Gambia Limited in 1992 led to the loss of trust in The Gambian banking system. The government of The Gambia at the time failed to rescue the bank, causing significant financial loss and distress to the customers and loss of confidence in the banking sector. The contextual factors category includes five open categories namely: *monitor, system, act, control and processes*. One contributory factor that led to the demise of Continental Bank was regulatory failure due to inadequate monitoring systems. For corporate governance to provide accountability by management to shareholders the structures have to be observed and they have to be effective and monitored. Furthermore, leadership, constant monitoring, discipline and transparency are the key contributions of good governance. The operations of banks in The Gambia are controlled internally by directors and regulated externally by the Central Bank of The Gambia. Corporate governance identifies risks and provides systems or measures to mitigate those risks.

The primary purpose of the central directives or acts is to safeguard the interest of depositors, shareholders, and the economy of The Gambia (CBG, 2014). However, participants have indicated that at present the Central Bank of The Gambia does not have any explicit corporate governance regulations but have an implicit regulation of corporate governance mainly stemming from the Banking Act 2009. However, an integral part of an effective corporate governance regime includes provisions for civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of an enterprise. Thus, corporate governance regulation affects the financial performance of financial corporations through the set of processes, customs, policies, laws and institutions own codes. It can equally affect the sound approaches by which corporations are directed and controlled (both internally and externally). It is therefore vital to put in place effective processes that are fully acceptable to stakeholders and guided by policies that conform to laws of the land. The lack of trust among bank customers constitutes a part of the context where lack of accountability phenomenon is embedded.

7.5 Intervening Conditions

According to Strauss and Corbin (1998, p.131) “Intervening conditions are those that mitigate or otherwise alter the impact of causal conditions on phenomenon”. Therefore, one can identify intervening conditions by asking the following question:

What are the conditions that mitigate or alter the impact of causal conditions on the lack of accountability within The Gambian banking system?

The main categories *supervision and ethics* refer to the crucial factors that diminish or modify the impact of causal conditions (culture, environment and government policies) on the phenomenon lack of accountability within the banking system in The Gambia. As such causal conditions and the intervening conditions can be seen as opposing each other. From one perspective, causal conditions are fundamental in the lack of accountability; while from another the intervening conditions will enhance accountability. The main categories supervision and ethics includes eight open categories developed through open coding namely: direct, enforcement, rule, control, power, procedures and monitor.

Participants have indicated that the Central Bank of The Gambia only work from direct rules. That is, they give direct rules then monitor and control the banks. This it is argued will significantly mitigate the risk of bank failure in The Gambia. You can have a good set of rules and regulations on paper but without enforcement they are useless and irrelevant (CBG, 2014). Therefore, good corporate governance regulation should be complemented by effective and robust enforcement and observations. Thus, an effective enforcement strategy is necessary if corporate governance regulation is to succeed in The Gambia.

A respondent observed that in recent years, corporate governance has received increased attention because of high profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. Thus, to curb this abuse of power bank executives must ensure that governance procedures are effectively implemented, monitored and controlled. Furthermore, participants have indicated that services provided to stakeholders can be affected by mitigating procedures, policies, and laws which enhance economic efficiency, accountability of people in the business and the welfare of the shareholders. Finally, the main categories *supervision and ethics* refer to the crucial factors that diminish or modify the impact of causal conditions namely; culture, environment and government policies on the phenomenon lack of accountability within the banking system in The Gambia. Thus, an effective supervision combined with business ethics (serving as a moral compass where there is lack of rules) will go a long way in addressing the lack of accountability in The Gambian banking system.

7.6 Action/interactional strategies

Strauss and Corbin (1990, p.104) suggested that “action/interactional strategies component of the paradigm model is evolving in nature and can be studied in terms of change overtime done for some reason in response to or to manage a phenomenon”. Therefore, identifying the action/interactional strategies requires asking the following question:

What are the action/interactional strategies adopted by various actors of The Gambian banking system in relation to lack of accountability within the causal, intervening and contextual conditions?

The main category of *compliance* answers this question by demonstrating the action/interactional strategies of banks in The Gambia as well as the Central Bank of The Gambia in response to phenomenon of lack of accountability under conditions mentioned in the previous sections. Therefore, the main categories of compliance consist of five open categories of code, guide, standard, discipline and responsibility as shown in table 7.2. The banks responses and the Central Bank of The Gambia response will now be discussed below.

The banks' action/interactional strategies are outlined and framed within the interplay between the causal conditions (culture, environment and government policies), the intervening conditions (procedures, monitor, responsibility, standard and discipline) and the contextual conditions (system, act, control and processes). Bank executives in The Gambia have indicated that the response (action) of banks in relation to the phenomenon was to be accountable to stakeholders in order to regain the trust of the general public. This is indicated by the main category compliance shown in table 7.2.

Supervision and the promotion of business ethics are strategies the CBG are adopting in response to or to manage the phenomenon of lack of accountability. As a result of supervision, the CBG is able to interact with strategies adopted by banks to manage the phenomenon. As such, it includes the adoption of internally generated corporate governance codes voluntarily or the adoption of corporate governance codes imposed on them by their parent company as part of their internal control requirements. Therefore, highly committed banks will try to maintain their compliance status and maintain the trust of the general public.

7.7 Consequences

The final paradigmatic term is consequences. Strauss and Corbin (1998, p.134) defined consequences as where "there is action/interaction or a lack of it taken in response to an issue or a problem or to manage or maintain a certain situation". Consequences are therefore simply outcomes of actions/interactions; they could also be the result of failures of persons or groups to respond to a situation created by action/interactions Strauss and Corbin (1998, p.134). Thus, consequences can be identified through the following question:

What are the consequences of the strategies adopted by various actors within The Gambian banking system in response to the phenomenon of lack of accountability?

Most banks in The Gambia have developed voluntary corporate governance codes and frameworks for internal use. In some cases, these practices have been imposed on them by their parent body as part of their internal control mechanisms. The consequence of these strategies is that banks are likely to be accountable and ethical thereby enhancing supervision, compliance and trust among the general public. These will ultimately enhance the banks legitimacy amongst stakeholders and protect the interest of shareholders.

7.8 Selective coding

Selective coding is the third and final stage using the grounded theory approach (Corbin and Strauss, 1990). The results of the interviews and focus group discussion were analysed using grounded theory coding procedures, first open coding to identify categories that emerged from the data (see chapter six). Further analysis of these categories through axial coding established relationships between categories and sub-categories. “However, it is not until the major categories are finally integrated to form a larger theoretical scheme that the research findings take the form of theory” (Strauss and Corbin, 1998, p.143). Strauss and Corbin (1990, p.116) defined selective coding as “the process of selecting the core category, systematically relating it to the other categories, validating those relationships...the core category is the central phenomenon around which all the other categories are integrated”.

Thus selective coding is the process of integrating and refining categories (Strauss and Corbin, 1998). Furthermore, selective coding illustrates how the phenomenon fits around a core category and involves the process by which emerging categories are organised and unified around a core category according to Strauss and Corbin (1990 cited in Howell, 2013, p.143). Figure 7.1 summarises the application of the paradigm model of corporate governance in The Gambia.

7.8.1 Revalidation and verification

Strauss and Corbin (1998, p.211) argued that:

Figure 7.1: The Paradigm model of corporate governance regulation in The Gambian banking system.

the aim of selective coding is to integrate the categories along the dimensional level to form a theory, validate the statements of relationship among concepts, and fill in any categories in need of further refinement. Sampling becomes very deliberate at this point.

As a result, this researcher intends to adopt the process of discriminate sampling:

when engage in discriminate sampling, a researcher chooses the sites, persons, and documents that will maximise opportunities for comparative analysis. This might mean returning to old sites, documents, and persons or going to new ones to gather the data necessary to saturate categories and complete a study. Throughout a study, validation of the products of analysis is a crucial part of theory building. Validation is built into each step of analysis and sampling"...only the concepts and statements that stand up to this rigorous constant comparison process become part of the theory. Recall that negative cases also are very

important. For us, they denote a possible extreme example of variation in a concept. (Strauss and Corbin, 1998, p.211).

Given the rationale above, the researcher deliberately chose individuals that maximised the opportunity for comparative analysis. In this case, it means returning to individuals who took part in the initial research (data collection) aimed at gathering the data necessary to saturate categories and complete the study. In the end six people were specifically selected to participate in the revalidation and verification process. These individuals were carefully selected because they are involved in the formulation, implementation and supervision of corporate governance policies in The Gambian banking sector. Furthermore, these participants were also selected because of their critical experience, knowledge and experience in corporate governance within the banking industry. Below are the positions of individuals specifically selected in the revalidation and verification process.

1. A Senior Official Central Bank of The Gambia – will be called B1
2. A Senior Bank Examiner Central Bank of The Gambia – B2
3. A Senior Bank Manager of a Foreign Owned Bank – B3
4. A Senior Commercial Bank Executive - B4
5. A commercial Bank's Branch Manager – B5
6. A Commercial Bank's Legal and Compliance Officer – B6.

Subsequently, six statements were developed to explain the main category of lack of accountability and validate its relationships with other subcategories. Thus, these statements were developed to define the main properties of core category and illustrate the logical relationship between core category of lack of accountability and other subcategories developed in axial coding. Participants were then asked to comment on this semi-structured statements (B). This enables the participants and the researcher to discuss and raise issues on ad-hoc basis. Furthermore, this process enabled the researcher to develop and select the core category and linking it with other subcategories. The six statements used are shown in table 7.3 below.

A general but fundamental question that always arises is how long a researcher must continue to sample. The general rule when building theory is to gather data until each

Table 7.3: The statements used in the second semi-structured interview

1. *Culture, environment etc. has been a major obstacle affecting the realisation of corporate governance regulation for banks in The Gambia.*
2. *A trusting relationship would influence corporate governance control, monitoring etc. in The Gambian banking sector.*
3. *Considering ethical factors/path is essential in addressing current corporate governance issues within the banking within the banking sector in The Gambia.*
4. *The enforcement of rules, power and the ability of the regulator (Central Bank of The Gambia) to direct and control banks in The Gambia will enhance supervision and the development of corporate governance framework with the banking sector; thereby minimising the potential control of interest between depositors, shareholders and the regulator.*
5. *Compliance is a strategy in response to lack of accountability and trust in the governance of banks in The Gambia partly driven by the Banking Act 2009, discipline, taking responsibility and upholding corporate governance standards.*
6. *The lack of accountability is still a major problem in achieving the desired corporate governance framework in The Gambian banking system due to ineffective monitoring, control and action.*

category is saturated (Glaser and Strauss, 1967; Glaser, 1978). This according to Strauss and Corbin (1998, p.212):

means until (a) no new or relevant data seem to emerge regarding a category, (b) the category is well developed in terms of its properties and dimensions demonstration variations, and (c) the relationship among categories are well established and validated. Theoretical saturation is of great importance. Unless a researcher gathers data until all categories are saturated, the theory will be unevenly developed and lacking density.

Thus, “the continual correction of data by comparative analysis gives the sociologist confidence in the data upon which he is basing his theory, at the same time forcing him to generate the properties of his categories” according to Glaser and Strauss (1967, p.68). Furthermore:

theory generated from just one kind of data never fits, or works as well, as theory generated from diverse slices of data on the same category. The theory based on diverse data has taken into consideration more aspects of the substantive or formal area, and therefore can cope with more diversity in conditions and exceptions to hypothesis. (Glaser and Strauss, 1967, p.68).

With the arguments above in mind it is important to verify the fitness of the story to selected respondents across The Gambia banking sector. Therefore, the data from this Semi-structured interview were visited when necessary. Furthermore, commenting on the causes of verification Glaser and Strauss (1967, p.67) also suggested that:

different people in different positions may offer as “the facts” very different information about the same subject, and they vary that information considerably when talking to different people. Furthermore, the information itself may be continually changing as the group changes, and different documents on the same subject can be quite contradictory. Some sociologist see these circumstances as presenting an un-bounding relativism of facts – no data is accurate.

According to Charmaz (2006) qualitative researchers often use negative cases to find new variables or to provide alternative explanations from their developing theory. If negative cases emerge in the data, however, these cases may indicate the need to refine one’s emerging theory (ibid). Examining negative cases comes close to the emphasis on variation in a category or process and analytic density in grounded theory (Strauss and Corbin, 1990).

Identification of the core category

The first step according to Strauss and Corbin (1998) in integration is deciding on a central category. The central category (sometimes called the core category) represents the main theme of the research. Although the central category evolves from the research, it too is an abstraction (ibid). Howell (2013, p. 143) also added that:

core categories incorporate central phenomenon of research projects as they are identified through questions such as: what is the main analytical idea presented in this research? What does all the action/interaction seem to be about? The selection of data and the creation of other categories are processed with the core category in mind which are identified and unified through axial coding.

In an exaggerated sense, it consists of all the products of the analysis condensed into a few words that seem to explain what the research is all about (Strauss and Corbin, 1998). Strauss (1987, p.36) provided a list of criteria that can be applied to a category to determine whether it qualifies:

1. It must be central; that is, all other major categories can be related to it.
2. It must appear frequently in the data. This means that within all or almost all cases, there are indicators pointing to that concept.
3. The explanation that evolves by relating the categories is logical and consistent. There is no forcing of data.
4. The name or phrase used to describe the central category should be sufficiently abstract that it can be used to do research in other substantive areas, leading to the development of a more general theory.
5. As the concept is refined analytically through integration with other concepts, the theory grows in depth and explanatory power.
6. The concept is able to explain variation as well as the main point made by the data, that is, when conditions vary, the explanation still holds, although the way in which a phenomenon is expressed might look somewhat different. One also should be able to explain contradictory or alternative cases in terms of that central idea.

Thus, a central category has an analytical power. What gives it that power is its ability to pull the other categories together to form an explanatory whole (Strauss and Corbin, 1998). The core category lack of accountability represents the central phenomenon of the study that emerged thus far as a result of open and axial coding as previously mentioned. Therefore, both the creation of other categories and the selection of data for the revalidation and verification have been processed with lack of accountability in

mind. Finally, the results of the responses to the statements are summarised in table 7.8.2.

Based on the research participants' responses presented in table 7.8.2 and the subsequent discussion thereafter properties of the core category human factor can be summarised as follows:

I. Human Factor

Commenting on the lack of accountability and trust in the statements used in the second semi-structured interview participant B6 said:

as a result of sophisticated banking software and systems in place, monitoring of control procedures has virtually been ineffective resulting to lack of accountability. However, major strides have been registered from improved data sharing between banks and much more improved monitoring from the regulators.

This is partly responsible for lack of sound governance in the banking system (participant B3).

Trusting relationship will promote information sharing, improve reporting and development of the industry (participant B4).

Trusting relationship is the bedrock of all banking relationships and will generally influence corporate governance and The Gambia is no exception (participant B1).

The first two quotes were in response to lack of accountability while the last two were based on participants responses in relation to the lack of trust. Thus, the main categories *lack of accountability* and *lack of trust* in axial coding has contributed to the identification of human factor as the core category. In this context human factor relates to the behaviour of those entrusted with the responsibility of managing public institutions and how their actions or inactions are viewed by stakeholders. The human factor therefore boils down to lack of accountability and trust taking into account the systems, monitoring, controls and processes in place to protect the interest of stakeholders.

Table 7.4: The results of the responses to the semi-structured interview statements

Main Category 1: OBSTACLES	
Interview statement 1	<i>Culture, environment etc. has been a major obstacle affecting the realisation of corporate governance regulation for banks in The Gambia</i>
Interpretation and further discussion	<p>From the analysis the participants have reaffirmed that culture; environment etc. has been a major obstacle affecting the realisation of corporate governance regulation for banks in The Gambia. A senior commercial bank executive commented that “majority of the banks in The Gambia are foreign owned with their own expatriates in key management positions”.</p> <p>The realisation of corporate governance regulations for banks in The Gambia is a major obstacle because such professional expatriates in these key positions do not easily adapt to The Gambian culture”. Furthermore, a senior bank examiner commenting on this statement simply said “agree”. This confirms that culture, environment etc. are still major obstacles in the development of cohesive corporate governance regulations in The Gambian banking sector.</p>
Main Category 2 : LACK OF TRUST	
Interview statement 2	<i>A trusting relationship would influence corporate governance control, monitoring etc. in The Gambian banking sector</i>
Interpretation and further discussion	<p>A consensus amongst the research participants supports the view that a trusting relationship would influence corporate governance control, monitoring etc. in The Gambian banking sector. A commercial bank’s legal and compliance officer commented that “trusting relationship will promote information sharing, improve reporting and development of the industry”.</p>

These appear to support the proposition that trust is fundamental in any banking relationship. Therefore is likely to influence corporate governance control and monitoring in The Gambia. Thus, for corporate governance to succeed in The Gambia, banks and the regulators have to ensure that they have the trust of bank customers if there is to be a future for banks and regulators.

Main Category 3: ETHICS

Interview statement 3

Considering ethical factors/path is essential in addressing current corporate governance issues within the banking sector in The Gambia.

Interpretation and further discussion

The majority of respondents agreed that considering ethical factors/path is essential in addressing the current corporate governance issues within the banking sector in The Gambia. Commenting on this statement a senior central bank official stated that “everything boils down to ethics. However, the problem remains sincere commitment and believes in those ethical factors provide the needed framework for the desire corporate governance practice and culture”.

A senior bank manager of a foreign bank also added that “The Gambia has one of the highest default rates in Africa and this has to do with ethical issues, therefore it is really essential in addressing corporate governance within the banking sector in The Gambia”. These statements underline the importance of ethics in the governance of banks in a poor country like The Gambia. Improving ethical standards are likely to change attitudes and enhance corporate governance.

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A senior bank manager of a foreign bank also added that “The Gambia has one of the highest default rates in Africa and this has to do with ethical issues, therefore it is really essential in addressing corporate governance within the banking sector in The Gambia”.

These statements underline the importance of ethics in the governance of banks in a poor country like The Gambia. Improving ethical standards are likely to change attitudes and enhance corporate governance.

Main Category 4: SUPERVISION

Interview statement 4

The enforcement of rules, power and the ability of the regulator (Central Bank of The Gambia) to direct and control banks in The Gambia will enhance supervision and the development of corporate governance framework with the banking sector; thereby minimising the potential control of interest between depositors, shareholders and the regulator.

Interpretation and further discussion

The feedback from the participants clearly support the view that; The enforcement of rules, power and the ability of the regulator (Central Bank of The Gambia) to direct and control banks in The Gambia will enhance supervision and the development of corporate governance framework with the banking sector. Thereby minimising the potential control of interest between depositors, shareholders and the regulator. While responding to this statement a senior central bank official simply said “that is right”.

A commercial bank’s legal and compliance officer also added that “empowering the CBG will lead to effective supervision and development of the banking industry”. Effective supervision is therefore an essential part in the development of corporate governance and the protection of depositors and shareholders.

Main Category 5: COMPLIANCE

Interview statement 5

Compliance is a strategy in response to lack of accountability and trust in the governance of banks in The Gambia partly driven by the Banking Act 2009, discipline, taking responsibility and upholding corporate governance standards.

Interpretation and further discussion

From the analysis the participants have reaffirmed that; compliance is a strategy in response to lack of accountability and trust in the governance of banks in The Gambia partly driven by the Banking Act 2009, discipline, taking responsibility and upholding corporate governance standards. A senior bank commercial bank executive commented that “Absolutely. However, compliance cannot be effective if management of banks interfere with the work of compliance officers. Thus, compliance officers should report directly to the board of directors instead of the CEO’s as presently in existence in The Gambian banking system”.

A commercial bank’s legal and compliance officer commented that “promotion of compliance will improve accountability and discipline in the banking industry”. Compliance in The Gambian banking system is therefore largely driven by the Banking Act 2009 which largely protected the banking industry during the recent global financial crisis to some extent. Furthermore, discipline, taking responsibility and upholding corporate governance standards were also significant contributing factors

Main Category 6: LACK OF ACCOUNTABILITY

Interview statement 6

The lack of accountability is still a major problem in achieving the desired corporate governance framework in The Gambian banking system due to ineffective monitoring, control and action.

Interpretation and further discussion

There is consensus amongst research participants that; lack of accountability is still a major problem in achieving the desired corporate governance framework in The Gambian banking system due to ineffective monitoring, control and action. A senior commercial bank executive commented that “as a result of sophisticated banking software and systems in place, monitoring of control procedures has virtually been ineffective resulting to lack of accountability. However, major strides have been registered from improved data sharing between banks and much more improved monitoring from the regulators”.

Furthermore, a branch manager added that “this is partly responsible for lack of sound governance in the banking system”. These statements support the view that lack of accountability is still an issue in the governance of banks in The Gambian banking system due to ineffective monitoring and control. Therefore, lack of accountability has to be addressed if corporate governance regulation is to flourish in The Gambian banking sector

II. Regulatory Compliance

While commenting on supervision and compliance in the statements used in the second semi-structured interview participant B5 simply said:

that is right.

Empowering the CBG will lead to effective supervision and development of the banking industry (participant B2).

'Absolutely'. However, compliance cannot be effective if management of banks interfere with the work of compliance officers. Thus, compliance officers should report directly to the board of directors instead of the CEO's as presently in existence in The Gambian banking system (participant B6).

Promotion of compliance will improve accountability and discipline in the banking industry (participant B1).

The initial two quotes were in response to banking supervision in The Gambia while the latter two were based on the participant's responses in relation to compliance. Therefore, the main categories *supervision* and *compliance* in axial coding has contributed to the identification of regulatory compliance as a key requirement for the development of any meaningful corporate governance framework in The Gambia and the protection of depositors and shareholders. Thus, in this context regulatory compliance relates to the enforcement of rules and regulations set out in the banking act 2009. This is aimed at holding those in power accountable and to ensure that standards, discipline and transparency are maintained.

III. Obstacles

Whilst responding to culture in the statements used in the second semi-structured interview participant B2 said:

majority of the banks in The Gambia are foreign owned with their own expatriates in key management positions. The realisation of corporate governance regulations for banks in The Gambia is a major obstacle because such professional expatriates in these key positions do not easily adapt to The Gambian culture and environment.

I Agree (participant B5).

The two quotes above were in response to obstacles as a main category in axial coding previously. From these analyses the participants have reaffirmed that culture, environment etc. has been a major obstacle affecting the realisation of corporate governance regulation for banks in The Gambia. Culture, environments and policies are thus considered as key obstacles in the development of an effective corporate governance regulation in The Gambian banking system.

IV. Ethics

Commenting on statements three used in the second semi-structured interview participant B3 said:

everything boils down to ethics. However, the problem remains sincere commitment and believes in those ethical factors provide the needed framework for the desire corporate governance practice and culture (participant B4).

The Gambia has one of the highest default rates in Africa and this has to do with ethical issues, therefore it is really essential in addressing corporate governance within the banking sector in The Gambia (participant B2).

The quotes mentioned above were in response to ethics as a main category in axial coding previously. The consensus amongst respondents agreed that considering ethical factors/path is essential in addressing the current corporate governance issues within the banking sector in The Gambia.

Integrating core categories with sub-categories

The paradigm model enabled the research to link the core category to sub-categories within selective coding (Strauss and Corbin, 1998). Howell (2000) added that the focus of axial coding was the development of sub-categories, selection of data and establishing connections with the core category in mind. Subsequently, selective coding then took these sub-categories namely: *lack of trust, ethics, compliance, supervision and obstacles* and verified their relationship with the core category. This was done by using the semi-structured interview statements used in the discriminate sampling accompanied by comments by research participants.

Each component of the paradigm model has an equivalent statement representing the relationship between the core category and the sub-categories. Table 7.3

demonstrates the semi-structured statements verifying the relationship between the core category and the sub-categories using the paradigm model. The verification of these relationships was based on the research participant's responses to the statements above.

Human factor has been identified as the core category which was derived from lack of accountability and trust in axial coding (now sub-categories) in selective coding. In this context, human factor relates to the behaviour of those entrusted with the responsibility of managing public institutions and how their actions or inactions are viewed by stakeholders. The human factor therefore focuses on the lack of accountability and trust taking into account the systems, monitoring, controls and processes in place to protect the interest of stakeholders.

Furthermore, the main categories supervision and compliance in axial coding has contributed to the identification of *regulatory compliance* as a key requirement for the development of any meaningful corporate governance framework in The Gambia and the protection of depositors and shareholders. Thus, in this context regulatory compliance relates to the enforcement of rules and regulations set out in the Banking

Act 2009. This is aimed at holding those in power accountable and to ensure that standards, discipline and transparency are maintained.

In addition, based on the analysis of the semi-structured statements the participants have reaffirmed that culture, environment etc. has been a major *obstacle* affecting the realisation of corporate governance regulation for banks in The Gambia. Culture, environments and policies are thus considered as key obstacles in the development of an effective corporate governance regulation in The Gambian banking system. Finally, the consensus amongst respondents agreed that considering *ethical* factors/path is essential in addressing the current corporate governance issues within the banking sector in The Gambia.

Therefore one can conclude that human factors and a strategy of regulatory compliance are therefore central to the development and implementation of corporate governance rules and regulations in The Gambian banking system. It is clear from the analysis above that the human factor has a significant influence on the need for

Table 7.5: The application of the paradigm model to verify relationships between the core category and sub-categories.

Interview statement	Subcategory	Paradigm component
Culture, environment etc. has been a major obstacle affecting the realisation of corporate governance regulation for banks in The Gambia.	Obstacles	Causal condition
A trusting relationship would influence corporate governance control, monitoring etc. in The Gambian banking sector.	Lack of trust	Context
Considering ethical factors/path is essential in addressing current corporate governance issues within the banking sector in The Gambia.	Ethics	Intervening conditions
The enforcement of rules, power and the ability of the regulator (Central Bank of The Gambia) to direct and control banks in The Gambia will enhance supervision and the development of corporate governance framework within the banking sector; thereby minimising the potential conflict of interest between depositors, shareholders and the regulator.	Supervision	
Compliance is a strategy in response to lack of accountability and trust in the governance of banks in The Gambia partly driven by the Banking Act 2009, discipline, taking responsibility and upholding corporate governance standards.	Compliance	Action/interactional strategies and consequences
Most banks in The Gambia have developed voluntary corporate governance codes and frameworks for internal use. In some cases, these practices have been imposed on them by their parent body as part of their internal control mechanisms	Consequences	Consequences

regulatory compliance (monitoring, control, enforcement etc.) and ethics which serves as a moral compass in the absence of corporate governance requirements as part of the regulatory framework in The Gambia. However, the development of corporate governance frameworks in Gambian banking system are hampered by obstacles such as culture, environment and policies which needs to be addressed if good corporate governance is to prevail in The Gambia. The regulators and the banks need to be transparent, have a robust ability to control, monitor and develop adequate processes to act where required. This will enhance regulatory compliance and thus help to re-establish accountability and trust within the banking sector.

Finally, the consequence, benefits and constraints of identifying the human factor model will now be examined. The current corporate governance regulatory framework in The Gambian banking sector is not unitary with a centralised corporate governance requirement. Thus, the existing corporate governance regulatory framework in The Gambia can be optimally described as “fractured independent corporate governance policies”. The benefits of human factor as the core category is that efforts are now on the way at regulatory level to develop corporate governance policies and frameworks for The Gambian banking system. As a result, banks have now developed their own internal corporate governance policies and frameworks most of which were adopted from their parent company. Furthermore, the obstacles identified above can be explained in relation to the human factor phenomenon (lack of accountability and trust) and ethics (in the absence of a mandatory corporate governance framework) as part of bank corporate governance regulation in The Gambia.

Commenting on the use of diagrams Strauss and Corbin (1998, p.153) suggested that:

there are times when, either through preference or because the analyst is more of a visual person, diagrams are more useful than storytelling for sorting out the relationships amongst concepts.

They went on to set out the advantages of diagramming which includes the following:

1. Diagramming is helpful because it enables the analyst to gain distance from the data, forcing him or her to work with concepts rather than with details of data.

2. It also demands that the analyst think very carefully about the logic of relationships because if the relationships are not clear, then the diagrams comes across as muddled and confused.
3. Integrative diagrams are very abstract representations of data. They need not contain every concept that emerged during the research process, but they should focus on those that reach the status of major category and finally,
4. Integrative diagrams should flow, with the logic apparent without a lot of explanation and not too complicated. The details should be left to the writing as discussed detailed below (Strauss and Corbin, 1998, p.153).

The relationship of the core phenomenon with sub-categories can be depicted as shown in figure 7.2 this can be further summarised as follows. The use of grounded theory methodology adopted by Strauss and Corbin has contributed to the development of the human factor model (core category) of bank corporate governance regulation in The Gambia. The human factor reinforces the existence of the obstacles. The obstacles however determine the human factors. Subsequently, the human factors leads to the need for regulatory compliance within the banking system. Thus, regulatory compliance will eventually reduce the human factors. Regulatory compliance will also improve the existing ethical practices in The Gambia banking system. Ultimately, these ethical practices will strengthen the regulatory compliance. Thereby protecting all the stakeholders. Furthermore, the ethical practices will minimise the existence of obstacles. Obstacles in this case will also constrain current ethical practices. Obstacles call for regulatory compliance which is aimed at reducing the existence of these obstacles. The existence of the human factors also calls for ethical practices within the banking system in the absence of corporate governance regulatory framework. These will ultimately reduce the human factor phenomenon that exists in The Gambian banking system. Obstacles in this case will also constrain current ethical practices. Obstacles call for regulatory compliance which is aimed at reducing the existence of these obstacles. The existence of the human factors also calls for ethical practices within the banking system in the absence of corporate governance regulatory framework. These will ultimately reduce the human factor phenomenon that exists in The Gambian banking system.

Figure 7.2: The Human Factor Model

A model of bank corporate governance regulation in The Gambia (Figure 7.2) is the substantive theory integrating the core categories with subcategories.

7.9.1 A Substantive Theory of Bank Corporate Governance Regulation

The main aim of this research is to build a substantive theory of bank corporate governance regulation within the context of The Gambian banking system using the application of grounded theory methodology. The substantive theory developed in this research achieves this objective by establishing the causes that led to the existence of the phenomenon, context, intervening conditions, causal condition, action/interactional strategies and consequences. As a result, the substantive theory enabled the researcher to develop a thorough understanding and balanced view of bank corporate

governance in The Gambia. The establishment of the substantive theory will enable banks in The Gambia to develop strategies aimed at maximising shareholder profit and wealth. Furthermore, this will also protect depositors and enhance corporate governance regulation in Gambian banking sector and thus minimise corporate governance related bank failures. The development of a substantive theory is the final stage following coding, categorising and analysis of the data systematically collected for this research through: semi-structured interviews and statements as well as focus groups discussions. The substantive theory therefore reflects the opinions of regulators, commercial bank executives, legal and compliances officers, bank managers, employees and customers. Therefore, the substantive theory is grounded in the data obtained in The Gambia. Finally, the substantive theory can be summarised as follows:

1. The substantive theory shows there that is no consistency between banks in The Gambia when it comes to general banking issues, corporate governance mechanisms, ethics and codes.
2. In the context of this research the lack of accountability and trust are due to obstacles such as environment, culture and policies.
3. Regulatory compliance is aimed at controlling, monitoring and enforcing corporate governance rules and regulations in The Gambian banking system.
4. Ethics serve as moral compass in the absence of a corporate governance policies as part of the regulatory requirement in The Gambian banking system.
5. Enhanced accountability and trust will lead to improved regulatory compliance and therefore minimise the conflict of interest between the key stakeholders in the banking sector (depositors, regulators and shareholders). This will eventually protect and enhance shareholder wealth and profit.
6. Human factors and regulatory compliance are therefore central to the development and implementation of any meaningful corporate governance rules and regulations in The Gambian banking system.
7. The regulators and the banks need to be transparent, backed by robust ability to control, monitor and develop adequate processes to act where required.

8. The benefit of human factor as the core category is that efforts are now on the way at regulatory level to develop corporate governance policies for The Gambian banking system.
9. Banks have now developed their own internal corporate governance policies most of which were adopted from their parent company.
10. The interplay between human factor, regulatory compliance and ethics will eventually lead to more transparent, accountable and trusting banking system in The Gambia.
11. The bank corporate governance regulatory framework currently existing in The Gambia is inconsistent and not standardised. Hence, can be best described as “fractured independent corporate governance regulatory frameworks”.
12. Finally, the system of corporate governance regulatory framework (as a result of the Banking Act 2009) currently prevailing in The Gambia is pluralistic, designed to protect and enhance the interest of key stakeholders.

7.9 Conclusion

This chapter was based on axial and selective coding using grounded theory procedures. Strauss and Corbin (1998, p.124) added that “the purpose of axial coding is to begin the process of reassembling data that were fractured during open coding”. Thus, axial coding involves the re-structuring of the whole process by finding connections between the data (Howell, 2013). This chapter further demonstrated how the nine open categories that emerged during the open coding were further arranged and linked together to form a coherent overall system (Howell, 2000). These nine categories were further developed into six main categories taken into account their properties and dimensions. The six main categories developed through axial coding are: lack of accountability, obstacles, lack of trust, supervision, ethics and compliance. The main categories were subsequently linked together by means of the coding paradigm (Strauss and Corbin, 1990, 1998). The application of the paradigm model enables the identification of the phenomenon, context, intervening conditions, causal conditions and action/interactional strategies that occurred with the consequences as

detailed discussed above. Subsequently, the core category and sub-categories were identified. Selective coding is the third and final stage using the grounded theory approach (Corbin and Strauss, 1990).

The results of the interviews and focus group discussion were analysed using grounded theory coding procedures, first open coding to identify categories that emerged from the data (see chapter six). Further analysis of these categories through axial coding established relationships between categories and sub-categories. “However, it is not until the major categories are finally integrated to form a larger theoretical scheme that the research findings take the form of theory” (Strauss and Corbin, 1998, p.143). Strauss and Corbin (1990, p.116) defined selective coding as the process of “selecting the core category, systematically relating it to the other categories, validating those relationships...the core category is the central phenomenon around which all the other categories are integrated”.

Thus selective coding is the process of integrating and refining categories (Strauss and Corbin, 1998). Furthermore, selective coding illustrates how the phenomenon fits around a core category and involves the process by which emerging categories are organised and unified around a core category according to Strauss and Corbin (1990 cited in Howell, 2013, p.143).

Finally, CI, is explored in the next chapter to deal with the issues of financial sector stakeholders. A normative claim is the idea that stakeholders have intrinsic moral rights in relation to the management of corporations, particularly financial sector organisations are primarily derived from non-consequentialist or deontological ethical theory (Matten and Moon, 2008). The arguments in support of stakeholder concept are rooted in the theories of Kantian duties and rights. The idea that a person, by virtue of being a person, possesses intrinsic moral rights can be traced to Kant’s theory.

CHAPTER EIGHT:

RELATING SUBSTANTIVE THEORY TO FORMAL THEORY

8.0 Introduction

The aim of this chapter is to discuss the substantive theory of human factor presented in chapter seven in light of the existing literature related to formal theory called CI. The substantive theory of human factor was derived as a result of applying the grounded theory techniques such as open coding (see chapter 6), axial and selecting coding (see chapter 7). Subsequently, selective coding identified the core category as the human factor model in terms of its properties and dimensions which eventually led to development of the human factor model of bank corporate governance regulation in The Gambia. This model and verification of the relationship between the human factor model and sub-categories led to the formulation of the substantive theory of bank corporate governance regulation in The Gambia.

8.1 Formal grounded theory building

In the context of this thesis, the use of substantive theory is aimed at facilitating further discussion in light of the existing literature related to formal theory. Commenting on the difference between formal and substantive theories Strauss and Corbin (1990, p.174) argued that:

the former emerges from the study of a phenomenon examined under different types of situations while the latter evolves from the study of a phenomenon situated in one particular situational context.

The aim of this thesis is to develop a substantive theory about bank corporate governance regulation in The Gambia using the grounded theory approach. Glaser and Strauss (1967) suggested that a formal theory is still a substantive theory but gain more formality through comparison with already established formal theories. Therefore, the application of a substantive theory already developed to a more formal theory gives it “greater meaning” according to Glaser and Strauss (1967, p. 94). In addition, Charmaz (2006, p.169) added that linking substantive theory and formal theories would help to locate the arguments made in substantive theory in the existing body of

knowledge, thereby making the substantive theory more explicit. Thus, this possibly “refines, extends, challenges, or supersedes extant concepts” (ibid).

In this context, the application of Immanuel Kant’s theoretical framework, which he called CI, is explored to deal with the issues of financial sector stakeholders. A normative claim is the idea that stakeholders have intrinsic moral rights in relation to the management of corporations, particularly financial sector organisations are primarily derived from non-consequentialist or deontological ethical theory. The arguments in support of stakeholder concept are rooted in the theories of Kantian duties and rights. The idea that a person, by virtue of being a person, possesses intrinsic moral rights can be traced to Kant’s theory.

The rest of this chapter will now summarise the reason why the application of Immanuel Kant’s CI is relevant to underpin this thesis and as such further explore the main findings of the substantive theory. This will be followed by a critical review of corporate governance studies informed by CI. Finally, the researcher aims to discuss the substantive theory in the light of CI and present a more substantive theory.

8.2 Relevance of formal theory to corporate governance research

The CI is well suited to study bank corporate governance phenomenon. The merits of these arguments are already discussed in the literature review (see 2.6) of this thesis. However, these reasons are briefly revisited here as follows:

1. A normative claim is the idea that stakeholders have intrinsic moral rights in relation to the management of corporations, particularly financial sector organisations are primarily derived from non-consequentialist or deontological ethical theory (Matten and Moon, 2008).
2. CI emphasises that ethics, in one form or another, is grafted onto the corporate body as a preventative or remedial measure to help combat corruption, promote obedience to laws and procedures, and increase trust between citizens and institutions (Garofalo, 2003). Trust is essential in any banking operation.
3. An evaluation of CI literature on governance, regulation, CSR and ethics suggests the need for accountability, responsibility, transparency and trust if the

financial markets are to regain public trust and investor confidence (Labelle, 2009).

4. Using Immanuel Kant's CI theory Wolfensohn (1999) argued that corporate governance is all about promoting corporate fairness, transparency and accountability.
5. The use of CI is gaining more popularity among corporate governance researchers. Kaur and Mishra (2010) suggested that corporate governance recently gained momentum the world over due to corporate failures, unethical business practices, insufficient disclosure and transparency.
6. Holland (2002) commenting on the recent regulatory changes in the financial sector concluded that adherence to corporate accountability, responsibility, transparency and trust will significantly reduce the probability of adverse media coverage, damaging litigation or unfavourable regulatory changes which could undermine shareholder value.
7. Barker (2009) suggested that the fundamental threat facing by the banking industry despite the losses, power struggle and increased regulation is the destruction of trust.
8. Furthermore, Yandle (2010, p.343) suggested that "trust is the most fragile human sentiment (rooted in individuals) and practically all markets transactions depend on some degree of trust". Furthermore, the author added that the recent financial crisis will lead to permanent expansion of regulations, thereby, replacing market driven trust devices (ibid).
9. Forster and Nilakant (2005) commenting on the role of trust in privatisation focusing on the transformation of the electricity utility in The Gambia. They concluded that "organisational factors such as trust generation may be as critical as economic factors in ensuring the success of deregulation and privatisation in less developed countries" (Forster and Nilakant, 2005).
10. Commenting on the Kant's CI, Wicks (1998) argued that it forms the basis for developing a moral theory which applies to all rational beings. Furthermore, the

norms created by this notion are both universal in scope and necessarily binding. Making the point more explicit, Kant claims that we need to work for a pure notion of ethics and that the fundamental moral duty of all rational beings is to act in accordance with norms that are generated by, and consistent with the CI (Wicks, 1998)

8.3 Reviewing corporate governance research utilising the CI

Various corporate governance researchers have employed CI as their theoretical framework, one commonality amongst this research avenue is using CI to explore and understand the issues of financial sector stakeholders. For example, Nwanji (2006) explored ethical implications of corporate governance, a deontological and teleological approach using CI. Many more corporate governance researchers have used CI as their theoretical framework as detailed below.

Brady (1999) suggested that during the past hundred years the dominant philosophical opinion is divided into two distinct categories namely teleology and deontology. Understanding the two distinct categories above requires one to have a basic understanding of the word ethics. There are different types of ethical theories that exist primarily because various philosophers adopted different perspectives regarding the benchmark upon which ethical judgements should be based (Aronson, 2001).

The focus of this study however, will be centred around the notion of teleology and deontology with emphasis on consequentialism. This is mainly because the consequences of a financial crisis affect all stakeholders with devastating consequences. Deontology can be defined as the study/theory of moral obligation. In order to understand Kant's deontology one needs to understand his notion of "good will". It means acting out of respect for the moral law, i.e. for the sake of duty (Kant, 1964, p.74). Macdonald and Beck-Dudley (1994) suggested that deontological approaches to ethics attempt to establish the content of duty without considering the consequences of particular ways of acting.

Contrary, teleological approach to morals is centred firstly, around the need to identify the sort of goods human actions ought to protect and realised, before evaluating actions as right or wrong according to their effects/consequences (Macdonald and

Beck-Dudley, 1994). Whilst, Helms and Hutchins (1992) insisted that the moral value of a particular behaviour should be separated from the outcome because the certainty of the outcome is questionable at the time of the decision to act.

It is important to appreciate the contribution of Kant's insistence on absolute demands of duty. Indeed one of the deep seated moral convictions is that there are ways of treating people that can never be allowed regardless of the circumstances. Criminal law it is argued is centred on absolutism to a degree in that murder is always and everywhere forbidden (Macdonald and Beck-Dudley, 1994). Garofalo and Geuras, (1999) addressed several technical matters in relation to Kant's CI. Garofalo (2003) later sets out three formulations namely: firstly, do unto others as you would have them do unto you. Secondly, treat human beings as ends in themselves and never as means only. Finally, to paraphrase, each rational and autonomous being must be considered a legislator in a kingdom of ends.

Commenting on the Kant's CI, Wicks (1998) argued that it forms the basis for developing a moral theory which applies to all rational beings. Furthermore, the norms created by this notion are both universal in scope and necessarily binding. Making the point more explicit, Kant claims that we need to work for a pure notion of ethics and that the fundamental moral duty of all rational beings is to act in accordance with norms that are generated by, and consistent with the CI (Wicks,1998). Grisez (1983) objected to Kant's moral philosophy arguing that it is entirely too permissive, allowing morally horrendous maxims to pass muster. Furthermore, critics argue that it commands us to do as we should be done by but failed to answer/address the question of how we should be done by.

Other researchers suggested that there are two main categories of deontological theories namely the rule and act deontology (Wicks, 1998). The rule deontology it is argued should follow a specific predetermined standards/rules. Hence, one's behaviour is either ethical or unethical not as a consequence one's action but in comparison to the standards initially set out (Rallapalli et al. 1998). Alternatively, act deontology argues that human beings act ethically according to their norms, but limited to a specific behaviours which suggests that there are exemptions to the rule (Rallapalli et al. 1998). Furthermore, Aronson (2001) argued that people are required to behave

towards others in a particular manner because they are human. It is therefore, incumbent for one to consider their rights and dignity regardless of the consequences. Hence, the concern is for a moral inherent in the action itself (White, 1998). However philosophers disagree about precisely what teleology affirms (Gaus, 2001).

Teleological approaches to ethics tend to morally evaluate actions by evaluating their consequences (Garofalo, 2003). Hence, right actions are right because they tend to have good consequences and bad actions are wrong because they tend to have bad consequences (Macdonald and Beck-Dudley, 1994). Thus, from a teleological perspective, evaluations of consequences as good or bad provide the premises for inferring the norms of right acting. Gaus (2001) suggested that a theory is teleological if it justifies the right, moral duty, or obligation, on grounds that it promotes what is good. Thus, an act is defined as moral if it is deemed to produce a greater degree of good or evil than any other alternative, and is immoral if it failed to do so (Aronson, 2001). Further buttressing this point is the argument by Helms and Hutchins (1992) who perceives teleological perspectives to ethics as emphasising the outcome/consequence, as opposed to the initial intent of the individual behaviour.

Ethical research theories seem to suggest that there are many more classifications of teleological theories in the literature. This research however, is only focused on the three main categories namely ethical egoism, act utilitarianism and rule utilitarianism. Ethical egoism considers an act moral or immoral purely on the basis of achieving its objectives. It is important to note that ethical egoism may consider the interest of others but not as the main goal. It considers others as medium through which the ethical egoist's welfare could be maximised (Shaw and Post, 1993).

An act is therefore deemed ethical only if the results of the act are more advantageous than those of any other alternative behaviour (Hunt and Vitell, 1986). Quinton (1989), however, viewed utilitarianism as two principles namely: the consequentialist principle and hedonist principle. Consequentialist principle tends to classify an act as right or wrong purely as to whether the consequences are good or bad. Alternatively, the hedonist approach seems to suggest that only pleasure is basically good and only pain is basically bad. Frankena (1973) looking at the ethical view of hedonist suggested that

what is right or wrong is basically determined to create the greatest overall weighing of good over evil.

Regan (1980) considers act utilitarianism to be an evaluation of behaviour in relation to its potential to produce the greatest amount of good for the largest number of people. One can therefore conclude that act utilitarianism seems to advocate the principle of utility. That is by attempting to evaluate which option is expected to result in the highest level of good as oppose to the evil in the universe (Frankena, 1973). Furthermore, act utilitarianism is therefore considered as independent of any rules. However, rules may serve as a guide in act utilitarianism but not necessarily form part of the ethical decision.

Rule utilitarianism according to Rallapalli et al (1998), however, assumes that individuals conform to rules and act in ways that provides the highest degree of good for the largest number of people. In this case, it is desirable to depend on a set of rules for a swift action (Quinton, 1989). These rules it is noted must be chosen, upheld and modified/replaced as required on the sole basis of their utility. Furthermore, the maxim of utility remains the only criterion and applies in terms of rules instead of specific evaluations (Aronson, 2001).

Ethics of virtues (and vices) tend to elaborate on the process of personal moral character development. Garofalo (2003) suggested that the morality of an act is determined by the character traits that it demonstrates. Thus the object of moral evaluation is not the act itself but the character of the actor.

Thomas (2001, p.101) commenting on the ethic of virtues:

proposes that managers add an attention to the virtues and the vices of human character as a full complement to moral reasoning according to a deontological focus on obligations to act and a teleological focus on consequences (a balance tripartite approach).

This point also echoed by Whetstone (2001). Furthermore, the author argued that an interactive tripartite approach is a more effective system aimed at meeting the complicated requirements of an applied ethic a point also echoed by Garofalo (2003). On the contrary, Donaldson and Werhane (1999) argued that some philosophers were

indeed less eager to accept the human nature method mainly because they believed that consequentialism and deontology exhaust all possible modes of ethical reasoning. It is important to note that these three ethics perspectives have distinct differences in terms of primary focus and in relation to what constitutes a right action. In terms of primary focus consequentialist teleology tend to focus on consequences; cost versus benefits – of the act. While deontology focuses on duties: moral obligations – re the act. It does not look beyond the act itself in assessing its moral worth (Brady, 1999).

Finally, virtue ethics focus on character development – for the person (Brady, 1999). In relation to what constitutes a right of action consequentialist teleology promotes the best consequences in which happiness is maximised. Deontology, in contrast, advocates for the right action to be in accordance with the moral principle required by God, natural law or rationality (Thomas, 2001). A right action in relation to virtue however, is one that a virtuous agent is disposed to make in the circumstances in order to flourish or live well (Thomas, 2001).

To fully understand what constitutes a virtuous act, Aristotle (1976) set out three conditions. The first condition is that the act must fit its appropriate purpose. Secondly, the act must be virtuous and finally, the act must result in a steady state of character disposition not a one off or impulsive act. Thomas (2001, p.104) summarise a virtuous act as:

a rational act based on a wise, purposeful assessment of the factual situation, chosen for a pure motive and consistent with a steady disposition of the actors' character.

Critics of the virtue ethic points out its cultural relativism in that different people and cultures can consider different character traits as virtues (Hursthouse, 1997, Donaldson and Dunfee; 1999; Velazquez, 2000). On a final note, one can argue that ethical problems are thus resolved most effectively by employing the teleological, deontological and virtues points of view simultaneously.

Woller (1998) suggested that people are neither entirely deontological nor entirely teleological in their moral points of view, because human behaviour is motivated by principles of right and wrong and the concern for consequences. Thus, one of the greatest strengths of Kant's theory, is that it does not play favourites nor make

exceptions. The same fundamental rules of morality apply to everyone regardless of class, colour, caste, race, creed and gender. One other advantage of this approach to morality is that it looks more closely at the individual and his choices, rather than the actual consequences of what he does (which, after all, he has no control over).

8.4 Limitations of the literature linking CI and corporate governance

CI is not without its weaknesses (Hursthouse, 1997; Donaldson and Dunfee, 1999; Velazquez, 2000). Below are some of those limitations identified in the literature that should be addressed. Kant's greatest weakness may be found by way of close examination of one of his greatest strengths: CIs. Kant's theory presupposes the ability for all humans to universally arrive at the CI. Further, Kant allows no possibility for morality to derive from other motivating factors (empathy? compassion?), or cultural distinctions, dismissing these as anthropological rather than innate (Hursthouse, 1997; Donaldson and Dunfee, 1999; Velazquez, 2000). Thus, the main problem with the CI is its rigidity.

Hutchins (1992) argued that the moral value of a particular behaviour should be separated from the outcome because the certainty of the outcome is questionable at the time of the decision to act. Grisez (1983) also objected to Kant's moral philosophy arguing that it is entirely too permissive, allowing morally horrendous maxims to pass muster. Furthermore, other critics argue that it commands us to do as we should be done by but failed to answer/address the question of how we should be done by.

In addition, critics of Kant's virtue ethic points out its cultural relativism in that different people and cultures can consider different character traits as virtues (Hursthouse, 1997; Donaldson and Dunfee, 1999; Velazquez, 2000). On a final note, one can argue that ethical problems are thus resolved most effectively by employing the teleological, deontological and virtues points of view simultaneously. Woller (1998) suggested that people are neither entirely deontological nor entirely teleological in their moral points of view, because human behaviour is motivated by principles of right and wrong and the concern for consequences. These limitations are shared in the literature linking CI to corporate governance research as mentioned above.

Following an evaluation of how relevant CI is to study corporate governance research and the subsequent review of the limitations. One can therefore conclude that CI is well-suited to explore the findings of the substantive theory due to reasons mentioned above.

CI also covers most of the substantive theory findings. Thus, linking CI to the substantive theory can overcome the shortcomings evident in CI literature by linking CI to various cultural distinctions, employing deontological, teleological and virtue points of view simultaneously because human behaviour is motivated by principles of right and wrong and the concern for consequences. Furthermore, taking in account empathy and compassion and finally, separating a particular behaviour with the outcome because the certainty of the outcome is questionable at the time of the decision to act.

8.5 Exploring the substantive theory within the framework of CI

This particular section is aimed at discussing the findings of the substantive theory presented in chapter seven in relation to the CI framework. As previously mentioned CI does cover most of the findings of the substantive theory. This can be shown as follows:

I. Analysing human factors as a phenomenon of bank corporate governance in The Gambia

The substantive theory has presented human factors (lack of accountability and trust) as the core phenomenon of this study. The substantive theory shows that human factors calls for regulatory compliance and ethical practices (procedures, directing and monitoring) to restore public confidence in the banking system in the absence of mandatory corporate governance regulatory framework. However, human factors are indeed obstructed by culture, environment and policies that exist in The Gambian banking system. As such, from a CI point of view, ethics in one form or another, is grafted onto the corporate body as a preventative or remedial measure to help combat corruption, promote obedience to laws and procedures, and increase trust between citizens and institutions (Garofalo, 2003; Garofalo and Geuras, 1999). Furthermore, Garofalo (2003) also sets out three formulations namely: firstly, do unto others as you would have them do unto you. Secondly, treat human beings as ends in themselves

and never as means only. Finally, to paraphrase, each rational and autonomous being must be considered a legislator in a kingdom of ends. Wicks (1998) added that CI forms the basis for developing a moral theory which applies to all rational beings.

Rallapalli et al. (1998) commented that human beings act ethically according to their norms. Furthermore, Aronson (2001) added that people are required to behave towards others in a particular manner because they are human. It is therefore, incumbent for one to consider their rights and dignity regardless of the consequences. Hence, the concern is for a moral inherent in the action itself (White, 1998). Rallapalli et al (1998) argued that individuals conform to rules and act in ways that gives the highest degree of good for the largest number of people. Thomas (2001) commenting on the ethic of virtues proposes that managers add an attention to the virtues and the vices of human character as a full complement to moral reasoning, a point also echoed by Whetstone (2001).

Woller (1998) suggested that people are neither entirely deontological nor entirely teleological in their moral points of view, because human behaviour is motivated by principles of right and wrong and the concern for consequences. Brady (1999, p.318) argued that “neither profit, nor stock price, nor size, nor power can alone serve as the criterion for an organisation well run”. The author suggested that “where organisations come to gain public respect and community approval, they have accomplished far more than a return on their investment”. The substantive theory recognises the need to address human factors in The Gambia as a preventative or remedial measure to help combat corruption, promote obedience to laws and procedures, and increase trust between citizens and institutions (Wicks, 1998; Donaldson and Werhane, 1999; Garofalo and Geuras, 1999; Thomas, 2001; Garofalo, 2003).

II. Regulatory compliance within in The Gambian banking system

The substantive theory shows that human factors in The Gambian banking system reinforce the obstacles (culture, environment and policies). Thus, calls for regulatory compliance aimed at protecting stakeholders. Regulatory compliance is a process required by The Central Bank of The Gambia (regulator) as set out in the Banking Act of 2009. However, this process is also indirectly driven by international organisations (World Bank and the Basle committee on banking supervision). Currently The

Gambia's corporate governance approach can be best described as a legislative approach to bank governance due to the Banking Act of 2009. This particular Act does not require banks in The Gambia to follow a mandatory corporate governance framework as part of the regulatory process. The legislative approach makes it clear that the World Bank and the Basle committee on banking supervision are only secondary and do not have the same power as the Central Bank of The Gambia.

Alexander (2006, p.33) suggested that an:

efficient corporate governance framework should rely less on a strict application of statutory codes and regulatory standards, and more on the design of flexible, internal compliance programmes that fit the particular risk level and nature of the bank's business.

The regulator is therefore compelled to play an active role with bank management in designing internal control systems and risk management practices that seek to achieve an optimal level of protection for shareholders, stakeholders and the economy. Khadaroo and Shaikh (2007) conducted a study of corporate governance reform and concluded that the corporate governance reform was regulations based. Deo et al (2007) also studied the role of corporate governance rules and regulations in assisting banks to maintain their legitimacy and public image during crisis.

Within the context of CI and on the basis of evaluating the literature on governance, regulation, CSR and ethics suggests the need for accountability, responsibility, transparency and trust if the financial institutions are to regain public trust and investor confidence (Labelle, 2009). Corporate governance it is argued is a driver of investor confidence and managerial decisions (OECD, 2004 and Chalhoub, 2009). Furthermore, Monks and Minow (1996) suggested that corporate governance is of national importance because an effective governance system is a necessary precondition for commercial competitiveness. Wolfensohn (1999) added that corporate governance is all about promoting corporate fairness, transparency and accountability. Whilst Kaur and Mishra (2010) suggested that corporate governance recently gained momentum the world over due to corporate failures, unethical business practices, insufficient disclosure and transparency.

Holland (2002) argue that adherence to accountability, responsibility, transparency and trust will significantly reduce the probability of adverse media coverage, damaging litigation or unfavourable regulatory changes which could undermine shareholder value. It is important to note that areas of responsibility are not only limited from the organisational and legal points of view, but also from the ethical point of view (Enderle, 1987). Griffin (2010) added that transparency is an important prerequisite for accountability because transparency enables evaluation after the event, whereas, accountability enables appraisal before or during decisions. Accountability is not only restricted to corporations but applies to all decision making institutions, including governments, private sector and civil society organisations. Therefore, these organisations must be answerable to a public who may not be present during decision making (Griffin, 2010).

Yandle (2010) suggested that the 2007 financial crisis was a result of the sudden breakdown of assurance mechanisms – the generators of trust (independently determined credit rating, international accounting standards and credit default swaps) - rather than actions taken or not, by misguided central bankers. Barker (2009) added that the fundamental threat faced by the banking industry despite the losses, power struggle and increased regulation is the destruction of trust. Furthermore, Yandle (2010, p.343) commented that “trust is the most fragile human sentiment (rooted in individuals) and practically all markets transactions depend on some degree of trust”. The author also argued that without trust, transacting parties cannot afford enough police and regulators to induce honest behaviour among ordinary people.

Fakuyama (1995) argued that trust is a mechanism or social norm that facilitates economic growth to occur beyond the limits of small groups. Yandle (2010) further added that the financial crisis will lead to permanent expansion of regulations, thereby, replacing market driven trust devices. Forster and Nilakant (2005) commenting on the role of trust in privatisation focusing on the transformation of the electricity utility in The Gambia concluded that:

organisational factors such as trust generation may be as critical as economic factors in ensuring the success of deregulation and privatisation in less developed countries (Forster and Nilakant, 2005, p.348).

Trust it is argued involves an assumption or expectation that vulnerability will not be taken advantage of by the other (Nilakant, 2005).

Gordon Brown commented in the Financial Times (2009, p.5) that:

combined failure of corporate governance, of responsibility, and accountability by banks and bankers, of credit rating agencies and domestic and international regulatory authorities were the reasons of the recent financial crisis.

Furthermore, he suggested that any solution must incorporate the principles of transparency, sound banking, responsibility, integrity, global standards and supervision. Therefore, one can conclude that in terms of theoretical exploration the term corporate governance is relatively new, but the practice and issues surrounding the need for regulatory compliance is ancient (Causey, 2008). The quote below and the date supports the need for regulatory compliance. Smith (1827 p. 311) argued that:

the directors of companies, however, being managers rather of other people's money than their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own. Negligence and profusion therefore must always prevail, more or less, in the management of the affairs of such a company.

It is clear from the quote above that the debate surrounding corporate governance recently is not new. Therefore, regulatory compliance is necessary to protect and enhance shareholder wealth (Causey, 2008).

8.6 More formal substantive theory

Following the previous discussion, one can now restate the substantive theory in a more formal way with a CI underpinning as follows:

- The substantive theory has indicated that human factors call for regulatory compliance and ethical practices to restore public confidence in the banking system, in the absence of mandatory corporate governance regulatory framework. However, human factors are indeed obstructed by culture, environment and policies that exist in The Gambian banking system. Thus, ethics is grafted onto the corporate body as a preventative or remedial measure

to assist combat corruption, promote obedience to laws and procedures, and increase trust between citizens and institutions (Garofalo and Geuras, 1999; Garofalo, 2003).

- It is about how human behaviour is motivated by principles of right and wrong and the concern for consequences. Therefore neither profit, nor stock price, nor size, nor power can alone serve as the criterion for an organisation efficiently operated. Thus, organisations come to gain public respect and community approval, they have accomplished far more than a return on their investment (Brady, 1999).
- The substantive theory is bank management designing internal control systems and risk management practices that seek to achieve an optimal level of protection for shareholders, stakeholders and the economy.
- It is about the need for accountability, responsibility, transparency and trust if the financial institutions are to regain public trust and investor confidence (Fakuyama, 1995; Monks and Minow, 1996; Wolfensohn, 1999; Holland, 2002; OECD, 2004; Forster and Nilakant, 2005; Nilakant, 2005; Chalhoub, 2009; Labelle, 2009; Griffin, 2010; Kaur and Mishra, 2010; Yandle, 2010).
- The substantive theory is about ensuring the principles of transparency, sound banking, responsibility, integrity, global standards and supervision in bank corporate governance.

8.7 Conclusion

This chapter identified human factors as the main substantive theory presented in the previous chapter in light of CI. The CI is outlined and discussed as an alternative theoretical framework that can underpin corporate governance discussions rather than the shareholder and or stakeholder theories. The chapter also revisits the relevance of CI to discuss corporate governance phenomenon and summarises the reasons of such relevance. Glaser and Strauss (1967) explained substantive theory in terms of existing formal theory such as CI suggested that it is not meant to turn the substantive to formal theory; but to make it formal substantive theory.

The substantive theory was interpreted in terms of CI from two main perspectives: it interprets that human factors call for regulatory compliance and ethical practices to restore public confidence in the banking system in the absence of mandatory corporate governance regulatory framework. However, these human factors are indeed obstructed by culture, environment and policies that exist in The Gambian banking system. As such, ethics in one form or another is grafted onto the corporate body as a preventative or remedial measure to help combat corruption, promote obedience to laws and procedures, and increase trust between citizens and institutions (Garofalo and Geuras, 1999; Garofalo, 2003).

The second perspective explains that human factors in The Gambian banking system reinforces the obstacles (culture, environment and policies). Thus, calls for regulatory compliance aimed at protecting stakeholders. Regulatory compliance is a process required by The Central Bank of The Gambia (regulator) as set out in the Banking Act of 2009. However, this process is also indirectly driven by international organisations (World Bank and the Basle committee on banking supervision). It demonstrates the need for accountability, responsibility, transparency and trust if the financial institutions are to regain public trust and investor confidence (Labelle, 2009). Wolfensohn (1999) added that corporate governance is all about promoting corporate fairness, transparency and accountability. Holland (2002) added that adherence to accountability, responsibility, transparency and trust will significantly reduce the probability of adverse media coverage, damaging litigation or unfavourable regulatory changes which could undermine shareholder value.

Furthermore, Yandle (2010, p.343) commented that “trust is the most fragile human sentiment (rooted in individuals) and practically all markets transactions depend on some degree of trust”. The author also argued that without trust transacting parties cannot afford enough police and regulators to induce honest behaviour among ordinary people (Yandle (2010). Forster and Nilakant (2005) commenting on the role of trust in privatisation focusing on the transformation of the electricity utility in The Gambia concluded that organisational factors such as trust generation may be as critical as economic factors in ensuring the success of deregulation and privatisation in less developed countries (Forster and Nilakant, 2005).

Finally, the next chapter brings this research to an end. The chapter is focused on the conclusion of the research followed by contributions to knowledge, research limitations and directions for future research.

CHAPTER NINE:

CONCLUSION, CONTRIBUTIONS AND FUTURE RESEARCH

9.0 Introduction

The purpose of this thesis is to carry out an empirical investigation of bank corporate governance regulation in The Gambia. The research identified human factors (lack of accountability and trust) as the main substantive theory. The substantive theory shows that human factors calls for regulatory compliance and ethical practices to restore public confidence in the banking system in the absence of a mandatory corporate governance regulatory framework. However, these human factors are obstructed by culture, environment and policies that exist in The Gambian banking system. This research is based on a combination of social constructionist and interpretative paradigms of enquiry. Through the application of grounded theory methodology this research therefore aims to build a substantive theory of corporate governance regulation within The Gambian banking system through systematic data collection and analysis. Finally, this research will present the final conclusion of the thesis, contributions and direction for possible future research.

9.1 Conclusion of the thesis

This research has accomplished its objective of building a substantive theory of bank corporate governance regulation in The Gambia using the CI framework. Thus, enabling the researcher to ascertain and understood the human factor phenomenon that exists within The Gambian banking system and how this phenomenon interacts with obstacles, regulatory compliance and ethics. As such, from a CI point of view, ethics in one form or another, is grafted onto the corporate body as a preventative or remedial measure to help combat corruption, promote obedience to laws and procedures, and increase trust between citizens and institutions (Geuras, 1999; Garofalo, 2003; Garofalo).

This thesis also demonstrated that it is possible to use non-traditional theoretical frameworks such as CI in understanding corporate governance within a banking system. Primary data for this research was collected in two main stages namely semi-

structured interviews and focus group discussion in addition to secondary data. The researcher adopted the Strauss and Corbin's (1998) method of grounded theory development which focuses on open coding, axial and selective coding (see chapter six and seven). As a result, the substantive theory is grounded in the data reflecting the views of bank managers, regulators, regulatory and compliance officers. Finally, using the CI theoretical framework the thesis constructed a formal grounded theory summarised below:

- The substantive theory has indicated that human factors calls for regulatory compliance and ethical practices to restore public confidence in the banking system in the absence of mandatory corporate governance regulatory framework. However, human factors are indeed obstructed by culture, environment and policies that exist in The Gambian banking system. Thus, ethics is grafted onto the corporate body as a preventative or remedial measure to help combat corruption, promote obedience to laws and procedures, and increase trust between citizens and institutions (Garofalo and Geuras, 1999; Garofalo, 2003).
- It is about how human behaviour is motivated by principles of right and wrong and the concern for consequences. Therefore neither profit, nor stock price, nor size, nor power can alone serve as the criterion for an organisation well run. Thus, organisations come to gain public respect and community approval, they have accomplished far more than a return on their investment (Brady, 1999).
- The substantive theory is about bank management designing internal control systems and risk management practices that seek to achieve an optimal level of protection for stakeholders, enhance accountability and confidence in the banking system.
- It is about the need for accountability, responsibility, transparency and trust if the financial institutions are to regain public trust and investor confidence (Fakuyama, 1995; Monks and Minow, 1996; Wolfensohn, 1999; Holland, 2002; OECD, 2004; Forster and Nilakant, 2005; Nilakant, 2005; Chalhoub, 2009; Labelle, 2009; Griffin, 2010; Kaur and Mishra, 2010; Yandle, 2010).

- The substantive theory is about ensuring the principles of transparency, sound banking, responsibility, integrity, global standards and supervision in bank corporate governance.

9.2 Contribution to knowledge

This thesis made a number of contributions at methodological, theoretical and empirical levels. These contributions are summarised below:

Following the background reading and subsequent literature review undertaken in this thesis (see chapter two) a gap in the knowledge was identified. It was clear from the literature review that corporate governance regulation with particular emphasis to The Gambian banking system is an area that is not well researched. Furthermore, considering the growing number of financial institutions in The Gambia recently, the gap in knowledge that exists in this area, the 2007 financial crisis and its consequences on world economies and global markets. It is therefore prudent for one to examine and analyse this area in depth. This is mainly because a developing country like The Gambia does not simply have the resources and capacity to maintain its banks in a financial crisis. Indeed, the failure of Continental Bank Gambia Limited in 1992 is a clear demonstration of this point leading to the loss of trust in The Gambian banking system. This event highlights the need for more effective regulation and governance of banks in The Gambia. Given The Gambia's inability to bail the banks in a financial crisis as a developing country, the impact and the consequences for the stakeholders and the economy would be far greater than in the developed world. Ross and Crossan (2012) commenting on the social implications of the 2007 banking crises concluded that governments across the world are currently cutting public spending in an extreme fashion and this is, partly, due to the banking crises. It is therefore evident that poor governance in the banking sector is leading to massive social problems in the real world as governments cut services (ibid).

The literature review also highlighted the weakness of the shareholder and stakeholder theories in understanding corporate governance phenomena. The use of CI framework to address The Gambia's corporate governance phenomena serves as an alternative theoretical attempt to address this weakness. The development of a substantive theory

within The Gambian banking system using the CI also serves as an alternative theoretical underpinning a research purely designed to focus on The Gambia banking context. Furthermore, the study outlines a proposed ethical code of conduct for The Gambia. The proposed code of conduct will influence future behaviour and subsequently improve the robustness of the banking system. The study will inform the development of tighter controls procedures in the oversight and supervision which will be useful for board members, managers and regulators. Thus, the findings of this research can be considered a starting point for futures researchers within the banking industry.

This research also adds to the few corporate governance studies using grounded theory to examine a phenomenon namely: Nwanji, 2006; Sorour, 2011; Boadu, 2013; Ibrahim, 2013. Furthermore, there has never been an examination and analysis of corporate governance regulation on the financial sector organisation in The Gambia using the grounded theory methodology.

The combination of interpretative and social constructivist paradigms enabled the researcher to achieve the research objectives. This research therefore extended grounded theory research by utilising it as a methodology relevant to explore the phenomena of corporate governance regulation within an unexplored content of The Gambian banking system. The collection of data through semi-structured interviews and focus groups and analysis using grounded theory methodology enabled the development and identification of human factors as the substantive theory using the CI theoretical framework. This research will therefore serve as a significant contribution to regulators and stakeholders in The Gambian banking industry.

The bank corporate governance regulatory framework currently existing in The Gambia is inconsistent and not standardised. Hence, it can be best described as a “fractured independent corporate governance regulatory framework”. As a result, most banks in The Gambia have developed voluntary corporate governance codes and frameworks for internal use in response to the phenomenon of lack of accountability and trust. In some cases, these practices have been imposed on them by their parent body as part of their internal control mechanisms. The consequence of these strategies is that banks

are likely to be accountable and ethical thereby enhancing supervision, compliance and trust. These will ultimately protect the interest of shareholders.

Corporate governance regulation of countries and organisations are uniquely affected by a number of factors including legal, regulatory, human, organisational and cultural factors. Therefore, this thesis in unveiling the human factor model as the core phenomenon with emphasis on corporate governance regulation is in line with the empirical corporate governance research such as Berle and Means (1932); Aguilera and Cuervo-Cazurra (2004); Enrione et al (2006); Deo et.al. (2007); Khadaroo and Shaikh (2007); Zattoni and Cuomo (2008); Yandle (2010).

Combining corporate governance, grounded theory and CI to explore a phenomenon in an unexplored context makes this research the first to combine all three areas together. Thus, providing a new approach to corporate governance understanding which will benefit key stakeholders, improving the overall efficiency of The Gambian banking system. This will ultimately inform and improve corporate governance practice. The thesis will also provide some practical contributions to regulators, bank managers and other stakeholders in The Gambian banking system. The identification of the substantive theory will help key stakeholders such as investors, management and regulators to address the challenges including obstacles that are impeding the development of corporate governance as part of the regulatory framework. Thus, minimising the risk of bank failures and improving corporate governance regulation framework.

9.3 Limitations of the study

The sample size for the research was limited to five out of potential of 13 banks that exist in The Gambia. Willingness of participants with the requisite knowledge and experience to make meaningful contribution due to high illiteracy levels also had an impact on the sample size. The requirements of participants for this research narrowed down the scope of respondents. Furthermore, due to the nature of corporate governance as a process, as well as the underpinning theories, the wider application of the substantive theory in terms of generalisability may be limited as no two situations are the same. Thus, the substantive theory should not be assumed to constitute

concrete and objective reality but rather an interpretation constructed by the researcher through set procedures and analysis.

The selection criteria was based on individuals involved in the day-to-day management, regulatory oversight and those affected by the governance process. However, only a limited number of these individuals were able and willing to participate due to time constraint and lack of financial resources to conduct such a large scale research. The extent of paranoia and fear in The Gambia exacerbated by the arbitrary arrest, detention and disappearance of individuals makes accessibility much more challenging.

The climate of fear combined with poor record keeping also inhibits data accessibility. Finally, there was limited time available in which to commence the data collection in the field. Due to the shortage of time and resources it was not possible to venture far outside the boundaries of this research parameter. The study was also limited to the scope of the research questions and any findings falling outside the scope of the objectives were coincidental.

9.4 Directions for future research

The purpose of this research is to carry out an empirical investigation of bank corporate governance regulation in The Gambia. Through the application of grounded theory methodology this research aims to build a substantive theory of corporate governance regulation within The Gambian banking system. Therefore, the substantive theory developed in this thesis only reflects corporate governance phenomenon in The Gambian banking context underpinned by opinions of those included in the research. As a result, the substantive theory of human factors does not necessarily constitute an upgrade of the theory into formal theory. This can only be achieved by conducting research based on human factors within many substantive areas. Therefore, future researchers can explore the human factor model further in different banking jurisdictions to explore how credibly it offers explanations of bank corporate governance and possibly develop a formal theory.

Another potential area of research as a result of the findings of this thesis is to carry out a quantitative research using econometric modelling to test the significance of the

variables highlighted in the human factor model. Finally, one can conclude that this thesis does offer useful directions for regulators, bank executives and investors to minimise the effects of human factors and develop strategies aimed at addressing the obstacles faced in developing a corporate governance requirement as part of the regulatory framework in The Gambia.

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APPENDICES

APPENDIX I: The Four Major Approaches to Ethics.

APPENDIX II: Banking and Finance in The Gambia

APPENDIX III: The focus and level of Analysis of the literature pertaining to the regulation of Corporate Governance of Banks in The Gambia

Table 2.4: The Focus and level of analysis of the literature pertaining to the regulation of Corporate Governance in the Gambia

Level of analysis	Worldwide	Developing Country	Africa/sub-saharan Africa	Former Islamic British Colonies
Focus:	<ul style="list-style-type: none"> • Globalisation • Impact of Financial crisis 2007-8 on Global Economy • Existing models of Banking regulation: US, UK • Dominance of particular banks 	<p>Less developed countries lack key economic, legal, financial and regulatory institutions necessary for development. Problems of corruption and government interference.</p>	<p>Shared colonial legacies and ties, economic, political and developmental challenges.</p>	<ul style="list-style-type: none"> • These countries include Nigeria, Tanzania, Pakistan, Bangladesh, Brunei. • Shared colonial legacy • Combination of British Common Law and Sharia law.
Extent of relevance	<p>Majority of Banks in Gambia are foreign owned, some of them major banks whose internal corporate governance reflect US or UK models</p>	<p>Highly relevant to Gambia Gambia ranked 127th out of 175 with a CPI score of 28 (Transparency International 2013)</p>	<p>Highly relevant</p>	<p>Highly relevant.</p>
Limitation	<ul style="list-style-type: none"> • Limited impact of Global financial crisis on Gambia in art due to freedom of banks to levy high rates of interest. • Limited size of Financial sector in Gambia 	<ul style="list-style-type: none"> • Mitigated slightly by inheritance of British Colonial Law (but this increasingly outdated) and by Foreign Banks own expertise in regulation • Effect compounded by diseconomies of scale due to The Gambia's small population. 	<ul style="list-style-type: none"> • Colonial experiences different especially depending whether French, Belgian or British. • Impact seen in language and in legal systems – Former French and Belgian colonies primarily Civil Law whilst British colonies Common Law. • Gambia population 90% Moslem. African countries are diverse populations. 	<ul style="list-style-type: none"> • Impact of Islamic Law much less pronounced in Gambia as is its influence on the Financial system – only one of the 14 banks is Islamic. • Malaysia is a middle income country, Brunei oil rich, whilst Pakistan, Bangladesh and Nigeria are much larger countries.

APPENDIX IV: The four-level regulatory approach under the Lamfalussy process (2005)

LEVEL 1

LEVEL 2

LEVEL 3

LEVEL 4

APPENDIX V: Likert Scale Questionnaire

PhD CORPORATE GOVERNANCE
Survey questionnaire on *corporate governance regulation on financial*
sector organisations in a developing country: The Gambia

Dear Sir/Madam,

I am a senior lecturer and the MBA Programme Manager at Holborn College (London) in association with the University of Wales. I am also reading for a PhD Corporate Governance at the University of Plymouth, UK. I am conducting a study on corporate governance regulation on the financial sector organisations in The Gambia. This questionnaire is required to generate data for analysis on the subject matter of study. Kindly fill the questionnaire in accordance with given guidelines. Please be assured that the information derivable from this questionnaire will be treated with deserved confidence.

Thank you.

Sainey Faye Cert, BA (Hons), MSc (City) Banking and Finance

Plymouth Business School
University of Plymouth
United Kingdom

SURVEY QUESTIONNAIRE

Please tick one answer only:

(1) Strongly-agree (2) Agree (3) Don't know (4) disagree (5) strongly-disagree

Position: Please tick one: Bank Customer () Bank Employee ()

1) Corporate governance regulation strengthens the financial performance of financial sector organisations in The Gambia?

Ans. 1 2 3 4 5

2) The governance of financial sector organisations has a positive effect on the services they provide to their stakeholders?

Ans. 1 2 3 4 5

3) Corporate governance regulation is designed to protect and enhance shareholder value?

Ans. 1 2 3 4 5

4) The current corporate governance system within the financial sector organisations in The Gambia is effective?

Ans. 1 2 3 4 5

5) The current corporate governance system within the financial sector organisations in The Gambia is ineffective?

Ans. 1 2 3 4 5

6) Corporate governance in the financial sector organisations provides accountability of management to stakeholders?

Ans. 1 2 3 4 5

7) An effective corporate governance system in the financial sector organisation is necessary in order to meet the needs of its stakeholders?

Ans. 1 2 3 4 5

8) Good governance makes corporate organisations more socially responsible and ethical?

Ans. 1 2 3 4 5

9) The bank management always considers the ethical consequences of their decisions on stakeholders before making decisions?

Ans. 1 2 3 4 5

10) There is conflict of interest between shareholders and stakeholders in relation to corporate social responsibility policies?

Ans. 1 2 3 4 5

11) Corporate social responsibility and ethics are aimed at providing accountability, responsibility, transparency and trust?

Ans. 1 2 3 4 5

12) Your bank is accountable to all the stakeholders?

Ans. 1 2 3 4 5

I sincerely appreciate your time and co-operation in completing this form. Confidentiality is assured. Personal details will not be included in any part of the research or made public.

Thank you

Sainey Faye

email:

sainey.faye@plymouth.ac.uk

University of Plymouth, UK

APPENDIX VI: Tabular Analysis of Results of Likert Scale Questionnaire

	Customer Responses						
	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree	Total	
1. Corporate governance regulation strengthens the financial performance of financial sector organisations in The Gambia?	43	55	21	15	6	140	
2. The governance of financial sector organisations has a positive effect on the services they provide to their stakeholders?	26	68	27	16	3	140	
3. Corporate governance regulation is designed to protect and enhance stakeholder value?	39	50	31	16	4	140	
4. The current corporate governance system within the financial sector organisations in The Gambia is effective?	15	54	30	31	10	140	
5. The current corporate governance system within the financial sector organizations in the Gambia is ineffective?	18	43	38	26	15	140	
6. Corporate governance in the financial sector organisations provides accountability of management to stakeholders?	18	51	43	17	11	140	
7. An effective corporate governance system in the financial sector organisations is necessary in order to meet the needs of stakeholders?	42	47	34	6	11	140	
8. Good governance makes corporate organisations more socially responsible and ethical?	45	49	29	6	11	140	
9. The bank management always considers the ethical consequences of their decisions on stakeholders before making decisions?	28	36	37	20	19	140	
10. There is conflict of interest between shareholders and stakeholders in relation to corporate social responsibility policies?	28	47	47	11	7	140	
11. Corporate social responsibility and ethics are aimed at providing accountability, responsibility, transparency and trust?	28	59	32	10	11	140	
12. Your bank is accountable to all the stakeholders?	32	41	46	13	8	140	

	Employee Response						
	Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree	Total	
1. Corporate governance regulation strengthens the financial performance of financial sector organisations in The Gambia?	40	62	11	13	4	130	
2. The governance of financial sector organisations has a positive effect on the services they provide to their stakeholders?	36	64	16	10	4	130	
3. Corporate governance regulation is designed to protect and enhance stakeholder value?	38	55	23	7	7	130	
4. The current corporate governance system within the financial sector organisations in The Gambia is effective?	9	58	32	23	8	130	
5. The current corporate governance system within the financial sector organizations in the Gambia is ineffective?	15	31	35	29	20	130	
6. Corporate governance in the financial sector organisations provides accountability of management to stakeholders?	28	62	18	16	6	130	
7. An effective corporate governance system in the financial sector organisations is necessary in order to meet the needs of stakeholders?	30	53	30	8	9	130	
8. Good governance makes corporate organisations more socially responsible and ethical?	48	41	18	11	12	130	
9. The bank management always considers the ethical consequences of their decisions on stakeholders before making decisions?	28	40	30	17	15	130	
10. There is conflict of interest between shareholders and stakeholders in relation to corporate social responsibility policies?	21	44	39	16	10	130	
11. Corporate social responsibility and ethics are aimed at providing accountability, responsibility, transparency and trust?	33	59	21	12	5	130	
12. Your bank is accountable to all the stakeholders?	40	41	25	14	10	130	

APPENDIX VII: Bar Chart Analysis of Results of Likert Scale Questionnaire

Introduction

This chapter deals with the analysis of the survey questionnaire results collected from bank customers and employees in The Gambia using a set of twelve statements on bank corporate governance regulation. Data for the thesis were collected in three stages, namely survey questionnaires (mainly to gain access and informing the semi-structured interview questions); semi-structured interviews and focus group discussions. In terms of grounded theory analysis only the semi-structured interviews and focus group discussions were used. The responses from the survey questionnaires were analysed through creating bar charts to give overviews of how employees and customers in The Gambia perceive bank corporate governance regulation. The analysis of the bar charts were based on likert scale ranging from strongly agree to strongly disagree. It is important to note that a total of 140 survey questionnaires completed by bank customers and a 130 was completed by bank employees. Given that the difference is only 10 between the two sets of data. The researcher therefore intends to ignore this small difference. Furthermore, all the figures have been rounded up to aid clarity.

All the 12 survey questionnaire statements such as the one shown in Q1 will be analysed. These are the first of three primary data collected from stakeholders groups

from The Gambia. A total of 400 (200 questionnaires for bank customers and 200 for bank employees) survey questionnaire statements were hand delivered to bank customers and employees by the researcher with the help of two Gambian bankers. 140 Gambian bank customers fully completed the survey forms which is a success rate of 70%. In addition 130 Gambian bank employees completed the employee survey form which is a success rate of 65%. If the two sets of data named above are combined success rate will be 68%.

The issue of bank corporate governance regulation and its effects on the financial performance forms the bases of survey statement one. As shown in the chart 1, 70% of bank customers and 79% employees either strongly agree or agree with statement one that corporate governance regulation strengthens the financial performance of banks in The Gambia. This suggests that bank employees and customers think regulation benefits the banking sector organisation in The Gambia. However, some of the participants did not support statement one, as shown in the chart above 13% to 15% of the respondents disagree around a third of which strongly disagree with the view that corporate governance regulation increases the financial performance of banks.

An evaluation relating to the governance of financial sector organisation and its effect on the services they provide to stakeholders forms the bases of survey statement two. Chart 2 shows 19% of bank customers and 28% of bank employees strongly agree that the governance of financial sector organizations has a positive effect on the services

they provide to their stakeholders. The difference may be down to the fact that bank employees may be better placed and knowledgeable to judge the governance of financial sector organisations more than the customers who are not directly involved in day to day running of these firms. Furthermore, 49% of bank customers and employees agree with statement two that the governance of financial sector organizations has a positive effect on services they provide to their stakeholders. Therefore majority of the respondents (68% of bank customers and 77% of bank employees) either strongly agree or agree with statement two.

This strongly suggests that the governance of financial sector organizations has a positive effect on the services they provide to their stakeholders. However, some of the participants did not support statement two, as shown in the chart 2 19% of bank customers and 12% of employees had no view on the issue while 11% of the bank customers and 8% bank employees disagree with the statement and further 2% of customers and 3% of employees strongly disagree with the view that governance of financial sector organisations has a positive effect on the services they provide to their stakeholders. Based on the analysis above it is clear that the majority of the participants support statement two as shown in the chart above.

An evaluation of corporate governance regulation aimed at protecting and enhancing shareholder value forms the bases of survey statement three. As shown in chart 3: 64% of bank customers and 71% of bank employees either strongly agree or agree that corporate governance regulation is designed to protect and enhance shareholder value.

These strongly appear to suggest that corporate governance regulation is designed to protect and enhance stakeholder value.

On the other hand, some of the participants did not support statement three, as shown in the chart above with 22% of bank customers and 18% of employees had no view on the issue while 11% of the bank customers and 5% bank employees did not agree with the statement and further 3% of customers and 5% of employees strongly-disagree with the view that corporate governance regulation is designed to protect and enhance stakeholder value. If you consider participants with no view to strongly disagree 36% of

customers and 28% of employees did not support the view that corporate governance regulation is designed to protect and enhance stakeholder value.

An examination of how effective the current corporate governance system is within the financial sector organisations in The Gambia forms the bases of survey statement four. As shown in chart 4 exactly 50% of bank customers and 52% of bank employees either strongly-agree or agree that the current corporate governance system within the financial sector organizations in The Gambia is effective. An evaluation of statement 4

and statement 5 gives us an indication, level of understanding and current state of corporate governance system in The Gambia with 46% of respondents stating that they don't know how effective the current corporate governance system within the financial sector is. Furthermore, statements 4 and 5 enable us to understand the degree of variance on how effective or ineffective the current corporate governance system in The Gambia is. It is important to note that corporate governance is not part of the regulatory framework required by the Central Bank of The Gambia. This would help to explain why such a high percentage of participants don't know how effective the current corporate governance system in The Gambia is.

A closer examination of the data above appears to suggest that the current corporate governance system within the financial sector organizations in The Gambia is indeed effective. On the contrary, some of the participants did not support statement four, as shown in the chart above with 46% of respondents had no view on the issue while 29% of the bank customers and 24% bank employees either did not agree or strongly disagree with the statement that the current corporate governance system within the financial sector organizations in The Gambia is effective.

From the analysis above it is evident that the majority of the participants support statement four as shown in chart 4, therefore at this level the current corporate governance system within the financial sector organizations is effective.

This particular analysis mainly focus on how ineffective the current corporate governance system within the financial sector organisations in The Gambia. As shown in chart 5 44% of bank customers and 36% of bank employees either strongly-agree or agree that the current corporate governance system within the financial sector organisations in The Gambia is ineffective. An evaluation of statement 4 and 5 (above) gives us a clear indication of how confused the participants are in determining how effective or ineffective the current corporate governance system in the financial sector is. Furthermore, it demonstrates a clear lack of understanding and uncertainty surrounding the current state of affairs when it comes to corporate governance in The Gambia with 27% of customers and employees stating that they don't know how ineffective the current corporate governance is.

However, a closer examination of the data above suggests that the current corporate governance system within the financial sector organizations in The Gambia is ineffective. 44% of bank customers either strongly agree or agree that the current system is ineffective against 30% who either disagree or strongly disagree. On the other hand, 36% of bank employees strongly agree or agree that that the current corporate governance within the financial sector is ineffective against 37% who either disagree or strongly disagree.

Furthermore, if we compare the figures in chart 4 against chart 5 one can deduce the following observations. Initially, 13% of customers strongly agree that the current corporate governance system is ineffective against 11% who initially said it's effective. Similarly, 12% of employees strongly agree that the current corporate governance system is ineffective against 7% who share the view that it's effective. In addition, 31% of customers agree that the current corporate governance system is ineffective against 39% who agree that it's effective. On the same token, 24% of employees agree that the current corporate governance system is ineffective against 45% who agree that it's effective. 19% of customers disagree that the current corporate governance system is ineffective against 22% who believe it is effective. Furthermore, 22% of employees

disagree that the current corporate governance system is ineffective against 18% who disagree its effective.

Finally, 11% of customers strongly disagree that the current corporate governance system is ineffective versus 7% who strongly disagree that it's effective. On the other hand, 15% of employees strongly disagree that the current corporate governance is less effective against 6% who strongly disagree that the current corporate governance system is effective. This analysis appear to suggests that when it comes to evaluating how effective the current corporate governance system in the financial sector organisation in The Gambia is, the simply is inconclusive.

An evaluation of corporate governance in the financial sector organisations provides accountability of management to stakeholders forms the bases of survey statement six. Chart 6 shows that 49% of bank customers and 70% of bank employees either strongly agree or agree that corporate governance in the financial sector organisations provides accountability of management to stakeholders. It is important to note the difference even though both are stakeholders. It appears that employees seem more positive to think that corporate governance in the financial sector organisations provides accountability of management to stakeholders. The number of customers who don't know (31%) whether corporate governance in the financial sector organisations

provides accountability of management to stakeholders. This suggests a degree of uncertainty regarding management accountability. Overall, these figures strongly suggest that corporate governance in the financial sector organisations provides accountability of management to stakeholders. On the contrary, some of the participants did not support statement six, as shown in the chart 6 with 45% of respondents had no view on the issue while 20% of bank customers and 17% of employees either did not agree or strongly disagree with the statement that corporate governance in the financial sector organisations provides accountability of management to stakeholders.

An evaluation of an effective corporate governance system in the financial sector organisation is necessary in order to meet the needs of stakeholders forms the bases of survey statement seven. Chart 7 reads that 64% of both bank customers and employees either strongly-agree or agree that an effective corporate governance system in the financial sector organisations is necessary in order to meet the needs of stakeholders.

A closer examination of the data above appears to suggest that an effective corporate governance system in the financial sector organisations is necessary in order to meet

the needs of stakeholders. On the contrary, some of the participants did not support statement seven, as shown in the chart above with 47% of respondents had no view on the issue. 12% of the bank customers and 13% bank employees either did not agree or strongly disagree with the statement that an effective corporate governance system in the financial sector organisations is necessary in order to meet the needs of stakeholders.

An evaluation of good governance makes corporate organisations more socially responsible and ethical forms the bases of the survey statement eight. Chart 8 reads that 67% of bank customers and 69% of bank employees either strongly-agree or agree that good governance makes corporate organisations more socially responsible and ethical.

These clearly demonstrate that good governance is perceived by bankers and customers that make corporate organisations more socially responsible and ethical.

On the other hand, some of the participants did not support statement eight, as shown in the chart above with 35% of respondents had no view on the issue while 12% of the bank customers and 17% bank employees either did not agree or strongly disagree

with the statement that good governance makes corporate organisations more socially responsible and ethical.

A close scrutiny that bank management always consider the ethical consequences of their decisions on stakeholders prior to making decisions forms the bases of survey statement nine.

Chart 9 reveals that 46% of bank customers and 53% of bank employees either strongly agree or agree that bank management always considers the ethical consequences of their decisions on stakeholders before making decisions. The number of participants who stated that they don't know whether or not bank management always consider the ethical consequences of their of their decisions on stakeholders before making decisions is considerably high when compared against bank customers and employees who strongly support this view.

These would suggest that bank management consider the ethical consequences of their decisions on stakeholders before making decisions. On the other hand, some participants failed to support statement nine, as shown in the chart above where 49% of respondents had no view on the issue while 28% of the bank customers and 25% bank employees either disagree or strongly disagree with the view that bank

management always consider the ethical consequences of their decisions on stakeholders before making decisions.

An evaluation of whether there is conflict of interest between shareholders and stakeholders in relation to corporate social responsibilities policies corporate forms the bases of the survey statement ten. As shown in chart 10 54% of bank customers and 50% of bank employees either strongly agree or agree that there is conflict of interest between shareholders and stakeholders in relation to CSR policies. Furthermore, 34% of customers and 30% of bank employees failed to support the view that there is conflict of interest between shareholders and stakeholders in relation to CSR policies.

Based on the data above, it would appear to suggest that there is conflict of interest between shareholders and stakeholders in relation to CSR policies with some degree of uncertainty. In addition, 13% of the bank customers and 20% bank employees either did not agree or strongly disagree with the view that there is conflict of interest between shareholders and stakeholders in relation to CSR policies.

An evaluation of CSR and ethics aimed at providing accountability, responsibility, transparency and trust forms the bases of the survey statement eleven. Chart 11 reads that 62% of bank customers and 70% of bank employees either strongly agree or

agree that CSR and ethics are aimed at providing accountability, responsibility, transparency and trust.

These evaluations appear to suggest that CSR and ethics are aimed at providing accountability, responsibility, transparency and trust. Some of the participants did not support statement eleven, as shown in the chart above with 39% of respondents had no view on the issue while 15% of the bank customers and 13% bank employees either disagree or strongly disagree with the statement that CSR and ethics are aimed at providing accountability, responsibility, transparency and trust.

An evaluation of bank accountability to all the stakeholders forms the bases of survey statement twelve. Chart12 reads that 52% of bank customers and 63% of bank employees either strongly agree or agree that their bank is accountable to all the stakeholders. It is interesting to note that 33% of customers don't know whether or not their bank is accountable to all the stakeholders a figure which is rather high. In fact, the figure of 33% is higher than the number of employees and customers who either strongly agree or agree individually.

These strongly appear to suggest that banks are accountable to all the stakeholders. In addition, 15% of the bank customers and 19% bank employees either did not agree or strongly disagree with the statement that their bank is accountable to all the stakeholders.

APPENDIX VIII: Semi-structured Interview Questions

PhD CORPORATE GOVERNANCE
Semi-structured interview on *corporate governance regulation on*
financial sector organisations in a developing country: The Gambia

Dear Sir/Madam,

I am a senior lecturer and the MBA Programme Manager Holborn College (London) in association with the University of Wales. I am also reading for a PhD Corporate Governance at the University of Plymouth, UK. I am conducting a study on corporate governance regulation on the financial sector organisations in The Gambia. This questionnaire is required to generate data for analysis on the subject matter of study. Kindly fill the questionnaire in accordance with given guidelines. Please be assured that the information derivable from this questionnaire will be treated with deserved confidence.

Thank you.

Sainey Faye Cert, BA (Hons), MSc Banking and Finance (Cass Business School – City University)

SEMI-STRUCTURED INTERVIEW QUESTIONS

Name of Manager (optional).....

Name of Bank.....

Total number of customers.....

How long have you been working with the bank.....

Total number of employees working for the bank.....

1) To what extent does corporate governance regulation affect the financial performance of financial sector organisations?-----

2) What was the rationale for the introduction of corporate governance regulation in the financial service sector in The Gambia?-----

3) How does the governance of financial sector organisations affect the services you provide to your stakeholders?-----

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4) How effective is the current corporate governance system within the financial sector organisations?-----

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5) How can effective corporate governance in the financial sector organisation provide management accountability to stakeholders? -----

6) How vital is effective corporate governance system in the financial sector organisations necessary to meet the needs of its stakeholders? -----

7) Would you prefer a voluntary code of governance or the current legislative approach (please give your reasons)?

8) What are the key contributors/factors of good governance? -----

9) Does good corporate governance in the financial sector organisations enhance corporate social responsibility and ethics (please give your reason)? -----

10) Do you see yourself as accountable to shareholders only or stakeholders generally (please give reasons)?

11) Do you consider the ethical consequences of your decisions on your stakeholders (if so why)?

12) How will increase emphases on business ethics (legislative or voluntary) affect financial performance the financial sector organisations?

I sincerely appreciate your time and co-operation in completing this form. Confidentiality is assured. Personal details will not be included in any part of the research or made public.

Thank you.

Sainey Faye

email: sainey.faye@plymouth.ac.uk

University of Plymouth, UK.

APPENDIX IX: Focus Group Questionnaire

PHD CORPORATE GOVERNANCE
Focus group discussion on *corporate governance regulation on*
financial sector organisations in a developing country: The Gambia

Dear Sir/Madam,

I am a senior lecturer and the MBA Programme Manager Holborn College (London) in association with the University of Wales. I am also reading for a PhD Corporate Governance at the University of Plymouth, UK. I am conducting a study on the effects of corporate governance regulation on the financial sector organisations in The Gambia. This questionnaire is required to generate data for analysis on the subject matter of study. Please be assured that the information derivable from this questionnaire will be treated with deserved confidence.

Thank you.

Sainey Faye Cert, BA (Hons), MSc Banking & Finance (Cass Business School – City University)

1. How do corporate governance regulations affect financial sector organisation
2. How does the governance of financial sector organisations affect the services they provide to their stakeholders
3. How effective is the corporate governance system within the financial sector organisation in The Gambia
4. Can corporate governance in the financial sector organisations provide accountability by management to stakeholders
5. How does being public organisation (Central Bank) affect the governance mechanism, the institutional ethics and the code of conduct of such organisation
6. How does the current governance structure affect the regulation of the financial sector organisations

I sincerely appreciate your time and co-operation in taking part in this discussion forum. Confidentiality is assured. Personal details will not be included in any part of the research or made public.

Thank you

Sainey Faye

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University of Plymouth, UK.