

YANGON UNIVERSITY OF ECONOMICS
DEPARTMENT OF COMMERCE
MASTER OF BANKING AND FINANCE PROGRAMME

EFFECT OF CORPORATE GOVERNANCE PRACTICES
ON PERFORMANCE OF MYANMAR CITIZENS BANK

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(MBF-4th BATCH)

DECEMBER, 2018

ABSTRACT

This study examines the current practices of corporate governance in the MCB public bank and makes analysis on this good corporate governance practices which would effect on the performance of the MCB public bank. 39 respondents (34%) out of total 115 employees who are working at different positions at MCB are taking part as sample respondents. Statistical survey is made by examining the governance culture in terms of fairness, accountability, responsibility, transparency, governance structure, ethics, supervision and controlling, disclosure, and commitment which are analyzed whether they are the good signs of corporate governance mechanism. Further, their relationships to the current organizational performance are analyzed. Correlation analysis shows that there has significant relationship of all these variables to the performance of MCB Banks. However, regression analysis reveals that only the variables, namely responsibility, governance structure, ethics, values and disclosure are the best practices of the cooperate governance. That is, these dimensions of corporate governance practices at MCB can show distinctly the improvement in bank performance in terms of their higher return on investments and return on equity, reduction of risks and reducing nonperformance loans. The other corporate governance dimensions of fairness, accountability, transparency, commitment, supervision and controlling do not show any distinct to change the performance of MCB Bank. The corporate governance dimensions by ethics has most relationship with MCB performance. The finding of the study was that the bank's success depends on the good corporate governance structure. In order to be able to reduce its non-performance loans and mitigate financial risky areas, bank should control its variables since they depend on the good corporate governance. The study recommends that the best practices of the corporate governance are more followed, the bank's performance is better. Bank maintains investors' confidence, as a result of which, MCB bank can raise capital efficiently and effectively.

ACKNOWLEDGEMENTS

Firstly, I would like express my sincere gratitude and thanks to Professor Dr. Tin Win, Rector of the Yangon University of Economics, for his concern and encouragement to the participants of the MBF Programme.

My heartfelt thanks go to the Professor Dr. Daw Soe Thu, Programme Director of the MBF Programme and Head of Department of Commerce, for her encouragement and guidance throughout the course of my study.

My Supervisor, Daw Khin Nwe Ohn, Associate Professor, Department of Commerce, for her invaluable support, guidance and patience during the thesis period which was instrumental to the successful completion of this study. I am truly grateful.

I would like to extend my appreciation and gratitude to all of my respected professors, lectures those who contributed imparted their time and valuable knowledge and sharing the experience during the course of my study at the MBF Programme.

I wish to thank Dr. Thaung Han, MD of Myanmar Citizens Bank for his valuable guidance to make my thesis perfect and the management of the bank and responsible persons for participating in this study as the main respondents and providing all the information needed in this study.

There are no words to express the debt of gratitude towards my mother and my families who always supported me and for their continuous encouragement, good education background, exposure.

Lastly, I thank all of my classmates for the kindness, understanding and sharing the knowledge and for invaluable friendship forever.

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List of Abbreviation

ARGE	- Archaeological Resource Guide for Europe
AGM	- Annual General Meeting
BOD	- Board of Director
CEO	- Chief Executive Officer
COO	- Chief Operating Officer
CIO	- Chief Information Officer
CRO	- Chief Risk Officer
CFO	- Chief Financial Officer
DOA	- Delegation of Authority
MCB	- Myanmar Citizens Bank
OECD	- Organization for Economic Co-operation and Development
ROA	- Return on Assets
ROE	- Return on Equity
UNCTAD	- United Nations Conference on Trade and Development
YSX	- Yangon Stock Exchange

CHAPTER I

INTRODUCTION

Early incorporated entities were established by charter. United Kingdom by Franks, Mayer, and Rossi compares, a cadre of firms founded in 1900 to another founded in 1960. The authors find that ownership grows diffuse in both sets of firms at roughly the same rate. Based on this, they argue that the forces that made founding families withdraw from corporate governance in the modern United Kingdom also operated a century ago. A corporation is a company or a group of people or an organization authorized to act as a single entity and recognized as such in law. Shareholder rights in the United Kingdom were extremely weak until the latter part of the twentieth century. Improved corporate disclosure, implemented in 1948, made hostile takeovers less risky for raiders, and that pyramids developed as a defense against hostile takeovers.

Franks et al. argues that concentrated corporate control and pyramidal groups are of more value to insiders elsewhere than in Britain. This is because these ownership structures permit corporate insiders to extract private benefits of control. Most jurisdictions now allow the creation of new corporations through registration. Corporations enjoy limited liability for their investors, which can lead to losses being externalized from investors to the government or general public. British corporate insiders were and are governed by higher standards of ethical conduct, which preclude the extraction of such private benefits. Given this, British corporate insiders were more readily convinced to sell their control blocks and dismantle their pyramids. Thus, the current diffuse ownership of British corporations came to prevail early in the twentieth century and still persists.

Corporations come in many different types but are usually divided by the law of the jurisdiction where they are chartered into two kinds: by whether they can issue stock or not, or by whether they are formed to make a profit or not. In American English, the word corporation is most often used to describe large business corporations. In British English and in the Commonwealth countries, the term company is more widely used to describe the same sort of entity while the word corporation encompasses all incorporated entities.

Corporate governance broadly refers to the mechanisms, relations, and processes by which a corporation is controlled and is directed; involves balancing the many interests of the stakeholders of a corporation. Corporate governance essentially is balancing the interests of a company's many stakeholders. Governance refers specifically to the set of rules, controls, policies and resolutions put in place to dictate corporate behavior. Good corporate governance is important to benefit the millions of citizen who work for and invest in country's public companies, create economic growth, and sustain the health of country's corporations and markets. It improves

economic efficiency, growth and stability as well as encouraging public and private sector investments.

Banks have a pivotal role in the economic development of a country. It means when banks are effective and efficient, they can make the whole economy productivity growth and prosperity. The stronger the banking sector is, the healthier the economy is. Without the strong banking system and sector, hardly would it be possible to expect the country is economically developed. On the other hand, the weak banking sector and bank crises can result to destabilization of the economic and political situations of nations.

Therefore, it is vitally important for a country to build the financial institutions strong and the banking sector sound for its economic development. To establish and aid a healthy environment in the banking sector, corporate governance has become a widely discussed and debated issue, and gained considerable prominence among the banking sector professionals over the last decade. Well-governed banks will be more efficient in their functions than those governed poorly. That's why, the corporate governance is not merely a private, but also a public affair manifest through the existence of bank regulation and supervision. And, it is simply the rule of the game for a bank that fosters its cohesive relations with its shareholders, its lenders and other stakeholders in the business community and the society at large. Lenders and investors need to be assured that the basic principles of corporate governance are put in place and will be followed, that a company's dealings with stakeholders are fair and transparent, that the board of directors is held accountable and that the company deals with their stakeholders responsibly.

Corporate governance is recognized as one of the most important implications to build a marketplace confidence and to attract positive investors in the organization specifically and the economy generally. Promoting good corporate governance standards considered to be very important in attracting investment capital, reducing risk and developing firms' performance. This paper studies the corporate governance practices at Myanmar Citizen Bank (MCB), how can specify the rights, responsibilities, and fairness among bank stakeholders. Given that the failure of the boards of directors and management is acknowledged to be one of the major causes of the collapse of many banks. A better knowledge of the particular way banking firms are and should be governed will be very helpful in preventing important not only private, but also social costs derived from bank failures or simply poor bank performance.

1.1 Rationale of the Study

Banks are important in financial institutions which play the implementation role of the economic and financial policies of the government. Thus, strong banks can bring better

effectiveness and efficiency in the implementation process of the economic and financial policies which can make a country more developed. The stronger the banks are, the more effective and efficient the country's such policies are. If the collapse of a single bank in Myanmar, it has immediate effects the entire banking sector of the country. Banks possess a significant degree of public trust since they manage a large portion of the country's wealth in the form of savings and facilitate a large percentage of the financing to Myanmar companies. Good governance is perhaps most critical in Myanmar's banking sector.

The stock exchange has launched in October 2015. Myanmar Citizens Bank Ltd. (MCB) listed on YSX on 26th August and First Private Bank Ltd. (FPB) listed on YSX on 20th Jan, 2017. Myanmar Citizens Bank (MCB) provides retail and corporate banking services in Myanmar. Founded in 1991, MCB is serving retail banking services, corporate banking services and international banking services. In addition, the company provides trade finance (import/export license payment) services. Thus, it becomes important to analyze how strong the banks are and how they can build themselves stronger. One of the most obvious features which shows how strong a bank is its governing style and if banks can govern, manage and operate in a cooperate and democratic way, their institution will get stronger.

This is because, currently, the corporate governance does not well develop in the country unlike other countries. And thus, the corporate governance is being practiced with their own guidelines. Yet, in Myanmar, it is still unknown to many organizations especially including commercial banks. Therefore, it is necessary to analyze how the Myanmar public banks govern, manage and operate, how their governing structure is constructed, how they cultivate their relationship with their stakeholders, how important decisions are made and so forth.

1.2 Objectives of the Study

The objectives of the study are;

- (a) To identify the current corporate governance practices in the MCB.
- (b) To analyze the effect of corporate governance practices on performance of the MCB.

1.3 Scope and Method of the Study

The study is focusing on the corporate governance of Myanmar Citizens' Bank (MCB). There are 39 respondents (34%) **from total 115 employees who are working at different positions at MCB. Their positions are** the executive level, the board members, the senior management level, shareholder, the audit body and senior staff from

each bank, and they are interviewed with questionnaire. The descriptive statistics method is used in this study. The corporate governance model is mainly based on the OECD principles of corporate governance in that the rules and practices that govern the relationship between the managers and shareholders of corporations, as well as stakeholders. As the survey instrument, the questionnaire is constructed based on the ten corporate governance principles of fairness, accountabilities, responsibilities, transparency, well-structure, ethics, values, supervision and controlling, disclosure and commitment. To increase the validity and reliability of the study, this study uses the questionnaire and face to face observations to fulfil the thesis objectives. The secondary data are obtained from relevant and reliable books, references, thesis papers and other internet websites.

1.4 Organization of the Study

This study includes five chapters. Chapter one is introduction; it includes rationale of the study, objectives of the study, method and scope of the study. And then, this chapter ends with organization of the study. Chapter two provides a theoretical background on corporate governance practices. Chapter three consists of corporate governance of MCB. Chapter four is the effect of the corporate governance practices of MCB. Chapter five represents the conclusion of the study. It includes findings, suggestions and recommendations and needs for future research.

CHAPTER II

THEORETICAL BACKGROUND

In this chapter, it studies the importance of banking institution, describes theoretical backgrounds of corporate governance and its related practices and concepts, best practices, previous literatures on corporate governance and conceptual framework of this study, which are described as follows.

2.1 Fundamental Principles of Corporate Governance

Corporate governance is the mechanisms, processes and relations by which corporations are controlled and directed (Shailer, Greg, 2004). Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and includes the rules and procedures for making decisions in corporate affairs. Corporate governance is most often viewed as both the structure and the relationships which determine corporate direction and performance. The board of directors is typically central to corporate governance. Its relationship to the other primary participants, typically shareholders and management, is critical.

An economy consists of producers and consumers. Company or business produce and distribute goods or services and to the people. Thus for the growth of an economy, business plays a very important role. Corporate governance has evolved to control business activities which will always lead to economic growth. Collapse of businesses will lead to employees losing their jobs, investors losing their money. A business could collapse for many reasons, and one important reason is dishonesty and greed of few employees. These greedy employees should be made accountable for the collapse of the business which in turn will slow down the economic growth. Corporate governance is a system that is built over a period of time, to govern the way in which a business is directed, administered and controlled.

In the context of transition economies, Black (2001) argues that in developing countries where the corporate governance institutional environment is not developed, good corporate governance practice stands out and contributes to the better corporate governance practice generally. The corporate governance industry, which rapidly developed in the last decade, plays an important, if not a major, role in the corporate

governance policymaking of companies. The main purpose of the corporate governance rating systems is to provide a useful indication of the corporate governance quality of a specific company that should (at least, this is what the rating agencies claim) over time cause better economic performance and lower the cost of capital. At the same time, the corporate governance rating industry plays an important if not “a major role in corporate governance policymaking and, due to its impact on institutional investors, it effectively acts as de facto corporate governance regulator” (Calomiris and Mason, 2009).

Corporate governance structure defines the responsibilities for all the participants, including board of directors, CEO, shareholders, clients and business managers. Corporate governance is a field in economics that studies the impact of business decisions on the economy. Corporate governance is also defined as the set of guidelines and standards for conducting business in compliance with code of ethics. Financial regulatory body like Securities and Exchange Board of India (SEBI) has come with the standards for corporate governance for financial failure. Industry lead and managed organizations like Confederation of Indian Industries (CII) has come with the standards for corporate governance, focusing on transparency and governance in business. In New York, at Oct 18, 2018, CEOs of 20 leading public companies, pension funds and investment firms today have signed the Commonsense Corporate Governance Principles 2.0 (“Commonsense Principles 2.0”), committing to using these standards to inform the corporate governance practices within their own organizations.

The Commonsense Principles 2.0 are meant to promote a constructive dialogue on good corporate governance to benefit the millions of Americans who work for and invest in America’s public companies, create economic growth, and sustain the health of America’s corporations and markets. They are an updated version of the Commonsense Principles successfully launched in 2016 to build momentum around the corporate governance conversation.

The updated principles released today incorporate a number of additions and enhancements, including:

- 1) Board members should be prepared to serve for a minimum of three years.
- 2) If board elections are not annual, companies should explain why.
- 3) Companies and shareholders are encouraged to engage early on important proxy proposals.
- 4) Companies should allow some form of proxy access.

- 5) Poison pills and other anti-takeover defenses should be put to a shareholder vote and re-evaluated by the board on a periodic basis.
- 6) Asset managers should disclose if they rely on proxy advisors to inform their decision making.
- 7) Asset managers should disclose their conflict of interest policies in their proxy voting and shareholder engagement activities.
- 8) Portfolio managers should be compensated based on performance over an appropriate term, given the strategy and investment time horizon for the portfolio.
- 9) Asset owners should promote sound, long-term oriented governance in their direct interactions with both companies and asset managers.
- 10) Asset owners should use benchmarks and performance reports consistent with their investment time horizon to affect governance outcomes with asset managers and evaluate the asset managers' performance on both investment returns and governance.

2.2 Corporate Governance in Banking

Cadbury Committee defines a governance system as “the system by which companies are directed and controlled” (Cadbury, Adrain, et al, 1992). The Organization for Economic Co-operation and Development (OECD, 2015. P.9) defined corporate governance as “Corporate governance involves as set of relationships between a company’s management, its board, its shareholders and other stakeholders”. OECD promotes numbers of policies that improve people’s wellbeing around the world. The organization of Economic Co-operation and Development (OECD) was established in 1961 and sets international standards for many industries including corporate governance. It was initially revised in May 1999 and 2004. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spell out the rules and procedure for making decision on corporate affairs. It also provides company structure through which company objectives are set and attain company objectives and monitoring performance (OECD, 1999).

Banks are places where people can keep their money. A bank plays major roles especially financial institution and intermediary for each and every country around the world. It can facilitate its customers with capital deficits to capital surpluses as much as it can. In a rapid volatile business environment, the internationalization of banking is a

major issue of the international economy of the business. Whenever an investor wants to make an investment in country, it is essential that the government needs to do the bank stability. Most people use banks to save money in their savings accounts and to pay money from their checking accounts.

Today, when a person earns money from their job, their paycheck is often electronically deposited (put) into their savings or checking account. Then, he or she can pay their bills by writing checks from their checking accounts or pay online where their bills are electronically connected to their bank accounts. Banks also give loans to people. People may use the bank's money to buy new houses, cars, or to start businesses among other reasons. The bank makes money from lending by charging interest. In other words, people have to pay back more than they borrowed. This amount depends on how risky the bank thinks the borrower is and how fast the loan is paid back among other things. When the bank wants to build up the good image in the society, it is important to give a trust to its customers. In order to build up a trust, it needs systematic governance structure in order to get a successful financial institution. Banks collapsed and others merged is a major indication of the significance of good corporate governance practices in the sector.

OECD principles are one of the 12 core standards for international financial stability of the Financial Stability Board. The principles provide specified guidance for policy makers regulators and market participants to improve the legal, institutional, and regulatory framework that under pins corporate governance with a focus on publicly traded companies. OECD governance principles was revised in 2004. In February 2015, at the meeting of G20 Finance ministers and Central Bank Governors, a draft of the revised principles was presented and discussed, and final was submitted to the G20 Finance ministers and Central Bank Governors' meeting at September for endorsement as joint G20/OECD principles. The earlier OECD principles covers five areas and updated principles are essential components of an effective corporate governance framework for banking financial institutions.

2.3 Best Practices of Corporate Governance

Corporate governance is the system of rules, practices and processes by which a firm is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community.

Corporations play a critical role-now ever growing-in the national economy. A nation's competitiveness and wealth, for that reason, depend on the competitive nature of its corporations. No doubt a transparent and reasonable governance structure bears positive impact on a company. Moreover, the issue of corporate governance structure now commands attention on the global stage.

Corporate governance is as important as its primary business plan. When executed effectively, it can prevent corporate scandals, fraud and the civil and criminal liability of the company. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

In the other hands, the main difference between the developed countries and the emerging ones is institution. Developed countries have strong institutions such as political institution, economic institution, financial institution and so forth, whereas less developed ones have the weak ones. It is necessary to build institutions of a country in transition like Myanmar strong to stabilize political and economic situations. Every institution is important, yet, one of the most important institutions is the financial institution since it can drive the economic development of a country.

The pillars of successful corporate governance are: accountability, fairness, transparency, assurance, leadership and stakeholder management. All six are critical in successfully running an entity and forming solid professional relationships among its stakeholders which include board directors, managers, employees, customers, regulators and most importantly, shareholders (Gitau, 2015).

2.3.1 Fairness

Focusing on corporate governance and corporate social responsibility, efforts are made to enhance transparency in business management and fairness in market transaction, along with the overview on the development of market economy in the globalized era (Shailer, Greg, 2004). Fairness refers to equal treatment, for example, all shareholders should receive equal consideration for whatever shareholdings they hold. In the UK this is protected by the Companies Act 2006 (CA 06). However, some companies prefer to have a shareholder agreement, which can include more extensive and effective minority protection. In addition to shareholders, there should also be fairness in the treatment of all stakeholders including employees, communities and public officials. The fairer the entity appears to stakeholders, the more likely it is that it can survive the pressure of interested parties. Fairness means "treating all stakeholders including minorities, reasonably,

equitably and provide effective redress for violations. Establishing effective communication mechanism is important in ensure just and timely protection of resource sand people asset as well correcting of wrongs.

Corporate governance is the system by which businesses are directed and controlled and thus distribution of authority at the Shareholder Annual General Meeting between the Board of Directors and executive bodies are important. There must have independent directors who can work independently in the organization. To be an effective communication among these corporate member, the corporate secretary plays a key role in upholding these fiduciary duties for the corporation. Corporate secretaries have demanding and critical responsibilities that require them to be at the top of their game as they prepare for the many board meetings, audit meetings and committee meetings held throughout the year.

Corporate Secretary's duties include ensuring the integrity and fairness of the governance framework, being responsible for the efficient administration of a company, ensuring compliance with statutory and regulatory requirements and implementing decisions made by the Board of Director Efficient corporate secretaries maintain an annual calendar with all board meetings, committee meetings and audit meetings scheduled a year in advance. The annual calendar prompts the corporate secretary to add timely and significant items to the agenda to comply with laws and follow through with good corporate governance principles.

2.3.2 Accountabilities

Niamh M. Brennan (2008) had studied the paper which encourages broader approaches to corporate governance and accountability research beyond the traditional and primarily quantitative approaches of prior research. His broader theoretical perspectives, methodological approaches, accountability mechanism, sectors/contexts, globalization, and time horizons are identified.

Mosunova (2015) defined accountability as quintessence of any corporate governance debate despite that there is no unified doctrine what accountability consists of. Academics, politicians and businessmen advocate different categories as the foundation of this doctrine. To some extent this diversity can be explained by an eternal conflict of agency and stakeholder theories in corporate law.

Accountability embraces ownership of strategy and task required to attain organizational goals. This also means owing reward and risk in clear context of predetermined value proposition. When the idea of accountability is approached with this

positive outlook, people will be more open to it as a means to improve their performance. This applies from the staff all the way up to top leadership embracing Risk management within defined formal appetite for risk. This also include fostering culture of compliance to create real and perceived believe that the entity is operation within internal and external boundaries.

2.3.3 Responsibilities

Corporate governance structure defines the responsibilities for all the participants, including board of directors, CEO, shareholders, clients and business managers. Corporate governance is a field in economics that studies the impact of business decisions on the economy. Corporate governance is also defined as the set of guidelines and standards for conducting business in compliance with code of ethics. Financial regulatory body like Securities and Exchange Board of India (SEBI) has come with the standards for corporate governance for financial failure. Industry lead and managed organizations like Confederation of Indian Industries (CII) has come with the standards for corporate governance, focusing on transparency and governance in business.

Corporate allocate some portion of their profit for corporate social responsibility (CSR). CSR activities are aligned towards the development of the economy. Some companies use CSR as a platform to promote their business and generate more profits.

2.3.4 Transparency

Transparency “means having nothing to hide” that allows its processes and transactions observable to outsiders. It also makes necessary disclosures, informs everyone affected about its decisions. Transparency is a critical component of corporate governance because it ensures that all of entity’s actions can be checked at any given time by an outside observer. This makes its processes and transactions verifiable, so if a question does come up about a step, the company can provide a clear answer. Some companies willfully disclose incorrect financial information to keep their shareholders happy, assuming that they can take corrective action to improve their financial situation in the future. Some companies, especially hedge funds and other investment companies get non- public information about a company through some means and use that information to trade in those company stocks for quicker profits. The contradiction is, the non-public information could have been shared for monetary benefits or on personal relationship. Some companies induce investors to make purchase or sale of a particular company stock based on the false information. This generally leads to loss for the investor.

2.3.5 Well Structure

Corporate governance is the way a corporation polices itself. In short, it is a method of governing the company like a sovereign state, instating its own customs, policies and laws to its employees from the highest to the lowest levels. Corporate governance is comprising the following parties, provides a comprehensive framework to (i) enhance accountability to shareholders and other stakeholders, (ii) ensure timely and accurate disclosures of all material matters, (iii) deal fairly with shareholders and other stakeholder interests, and (iv) maintain high standards of business ethics and integrity.

- a) Board of Directors – is responsible for providing leadership, either directly or through its committees, to its subsidiaries (Group) in order to deliver long-term value to shareholders and other stakeholders.
- b) Board Committees – assist the Board in focusing on specific matters, fulfill their roles and responsibilities delegated by the Board, report to the Board on decisions and actions taken, monitor the management’s performance, and make any necessary recommendations.
 - i. Audit Committee
 - ii. Corporate Social Responsibility Committee
 - iii. Executive Committee
 - iv. Investment Advisory Committee
 - v. Nomination and Governance Committee
 - vi. Panel Member Nomination Committee
 - vii. Remuneration Committee
 - viii. Risk Committee
 - ix. Risk Management Committee (statutory)
- c) Company Secretary – is responsible for facilitating the Board process, as well as communications among Board members, with our shareholders and the management, and advising the Board and its committees on all governance and CSR matters.
- d) Consultative Panels – act as the advisory bodies to the Board and the management to provide market expertise and advice relating to the Cash Market, Derivatives Market and clearing business, respectively.
- e) Management Committee – has delegated authority from the Board for performing the day-to-day management functions of the business and implementing all projects and initiatives as approved by the Board.
- f) External auditor and Internal Audit Department – provide assurance on financial reporting and/or internal controls to ensure accountability and audit quality.
- g) Shareholders – elect their representatives as directors at general meetings to oversee the Group’s business.

- h) Other stakeholders – interact with the Group on daily operations. They include institutional investors, market regulators, government bodies, listed/potential issuers and market intermediaries, Exchange/Clearing Participants/Members, Information Vendors and market participants, Mainland exchanges, overseas exchanges, investing public, media and analysts, non-governmental organizations, industry associations, professional bodies, market users, suppliers/business partners and employee.

2.3.6 Ethical Issues in Corporate Governance

Corporate governance is all about ethical conduct in business. Ethics are the code of values and principles that enable an entity or a person to choose between alternatives of doing things in right and wrong way to achieve the set goal. Ethics is a field of study dealing with what is right or wrong for a given situation. Corporate governance ethics or business ethics refers to examination of ethical problem that arise in business environment. It applies to all aspect of conducting business, which includes conduct of individuals and business as whole. Business ethics is the application of ethical judgments to business activities. The main objective of any business is to maximize the profit, without compromising on the principles. There are various stake holders in a business – both internal and external.

2.3.7 Values

Good corporate governance is nothing but choosing the ethical route influenced by the values, context and culture of organization by a corporate in discharging its roles in line with expectations of all the stakeholders. Strong corporate governance maintains investors' confidence, whose support can help to finance further growth. Companies who implement the principles of good corporate governance into working environment life will ensure corporate success and economic growth. They are the basis on which companies can grow.

2.3.8 Supervisions and Controlling

Privacy of employees refers to the monitoring of phone calls, emails, internet activities of employees by the employer. Employees feel that they do not have privacy in the activities that they perform within the organization. Management monitors phone calls, emails, and internet activities to ensure that no confidential information is transmitted outside the company utilizing the company resources. According to the latest corporate law/act, all the activities performed by an employee within an organization is the property of the organization and the company has full rights to access those information.

Recent (or the so called “after Enron”) empirical literature deals with the problem of multiple directorship and the impact that it has on a firm`s performance. According to Booth and Deli, (1996); Loderer and Peyer, (2002); Carpenter and Westphal, (2001), multiple directorship has a beneficial impact on corporate value contributing through enhanced executive skills and diversified networking that “multi-directors” have. On the other hand, according to Ertugrul, M., Hedge, S. (2009) directors who hold multiple board seats are not able to pursue efficient monitoring, because they become too busy. Consequently, the firm`s performance will suffer.

2.3.9 Disclosure

UNCTAD works on disclosure at corporate governance and it represents the broadest comparison of corporate governance disclosure requirements and practices currently available. Disclosure is important because reporting is widely viewed as the most effective tool that regulators have to encourage better corporate governance. Reporting puts information in the hands of the markets. And markets and investors make investment decisions based on this information. The markets function best when they have access to sufficient information to properly assess governance. Good information helps the markets ascertain the degree to which companies respond to shareholder needs; it reveals risks, and shows the quality of future cash flows.

The disclosure is an effective tool for improving investor protection. Without good disclosure, it is easy to take advantage of minority investors. Of course, with any disclosure regime some of the responsibility for protecting the investor is shifted to the investor himself. However, informed self-interest has proven to be quite effective. With good information, the perception of risk in the markets is reduced, as is the cost of capital. Even very small changes in interest rates and the cost of capital can have a large impact on the economy as a whole. It also encourages better management of enterprises. Disclosure regimes do not appear to be designed for this purpose but better markets and better disclosure seem to make for better companies.

2.3.10 Commitment Dimension at Corporate Governance

Commitment is complex and a multi-faceted construct, and can take different forms. Successful people commit to certain decisions that help shape them into elite businessmen and business women. Corporate governance concerns “the structure of rights and responsibilities among the parties with a stake in the firm” (Aoki, 2000: 11). Several theoretical studies have tried to express the causes of commitment escalation in different ways. Fox and Staw (1979) suggest that manager escalates if “he makes the initial

decisions (responsibility pressure)” and/or “is under the pressure of being responsible for the consequences”. They also indicate that job insecurity and policy resistance also increase the commitment to an initial chosen decision.

2.4 Corporate governance and Financial Institution Performance

Corporate governance is an important aspect while studying firm performance because it is as equally significant as the company’s business plan. It shapes the shared philosophy in the corporation, which enhances the culture and cooperation within the organization (Salim et al., 2016; Hilkevics and Hilkevica, 2017; Jurkevičius and Bublienė, 2017; Sulphey and Alkahtani, 2017; Grenčíková et al., 2017). Aktan B. et al (2018), in their recent studies, shows the relationship of corporate governance which is significantly correlated with organization return on equity (ROE), and return on assets (ROA). This paper is to test whether good corporate governance has an impact on the performance of the financial firms listed on Bahrain Bourse. This would suggest that bigger boards result in higher returns to the shareholders. It could be that the larger boards have many members who provide a variety of expert advice to the CEOs of the firms. Board size is also significantly correlated with firm’s financial leverage and size. This is expected, as larger financial institutions have larger board size and are highly leveraged. Most financing agents assess the firm’s performance before crediting them with their money. Perhaps larger board size provides an impetus for funding these firms in this case.

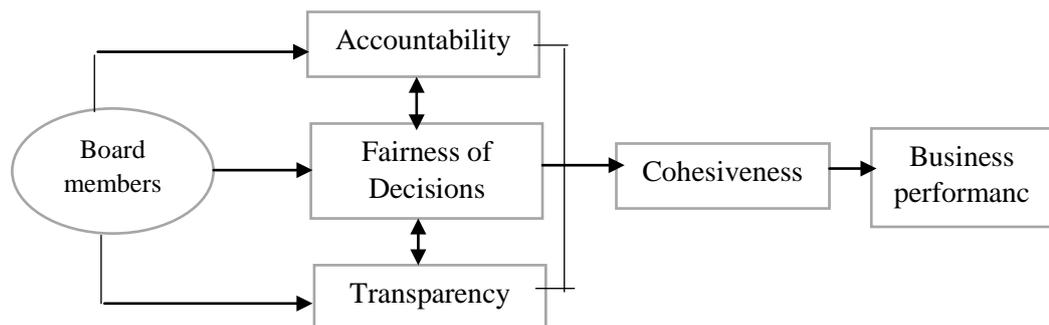
2.5 Literature Reviews on Corporate Governance Practices on Performance

Bauwhede (2009) examined the effect of compliance on corporate governance practices and the operation performance of European companies, measured by return on assets (ROA). The study provided support for the hypothesis that a greater compliance leads to a greater operating performance. The study suggests that corporate compliance provides investors with the confidence to evaluate corporate performance in relation to the company’s governance practices. Saad (2010) also demonstrated the positive influence of compliance on a firm’s capital structure. The study observed the level of compliance with the code of best practices among 126 public listed companies in Malaysia. Saad’s (2010) study indicated a positive outlook on compliance and economy, i.e., market structure.

Early theoretical developments in corporate governance were predominantly focused upon economics, emphasizing the financial benefits of corporate governance. Agency theory, being the pioneer theory in this respect, emphasizes financial benefits as the ultimate focus of corporate objective. Later, governance theories began focusing on the maximization of wealth as the objective of corporations. For example, the stakeholder theory and the stewardship theory postulate that the objective of governance is to maximize the wealth of the shareholder, and safeguard the interest of other stakeholders. Although an element of moral obligation is noticed in relation to the stakeholder and stewardship theories, the rigor of moral obligation is not explicit. In general, these early theories positioned academic contributions towards a single governance perspective, i.e., the generation of wealth through profit maximization. Consequently, corporate governance framework was developed and understood as a system of structures and processes to achieve economic gain, i.e., financial benefit.

According to Rock, Otero & Saltzman (1998) Board Directors are democratically elected by membership however; they may remain beholden to individual members who mobilized votes on their behalf. Branch (2005) agrees with Rock et al (1998) on the election process of board members adding that these members most often act as Volunteers. Small, young SACCOs are also staffed entirely by volunteers. As they grow, more sophisticated and risky operations require professional managers and problems occur when volunteer board members continue to make operational decisions, after Professional managers have been recruited, instead of focusing on monitoring operations. According Branch and Baker (1998) it is important that Board members be qualified as unqualified board members may be unable to make proper decisions. Figure (2.1) shows the conceptual framework of BODs at Corporate Governance and Business performance.

Figure 2.1 BODs at Corporate Governance and Business performance



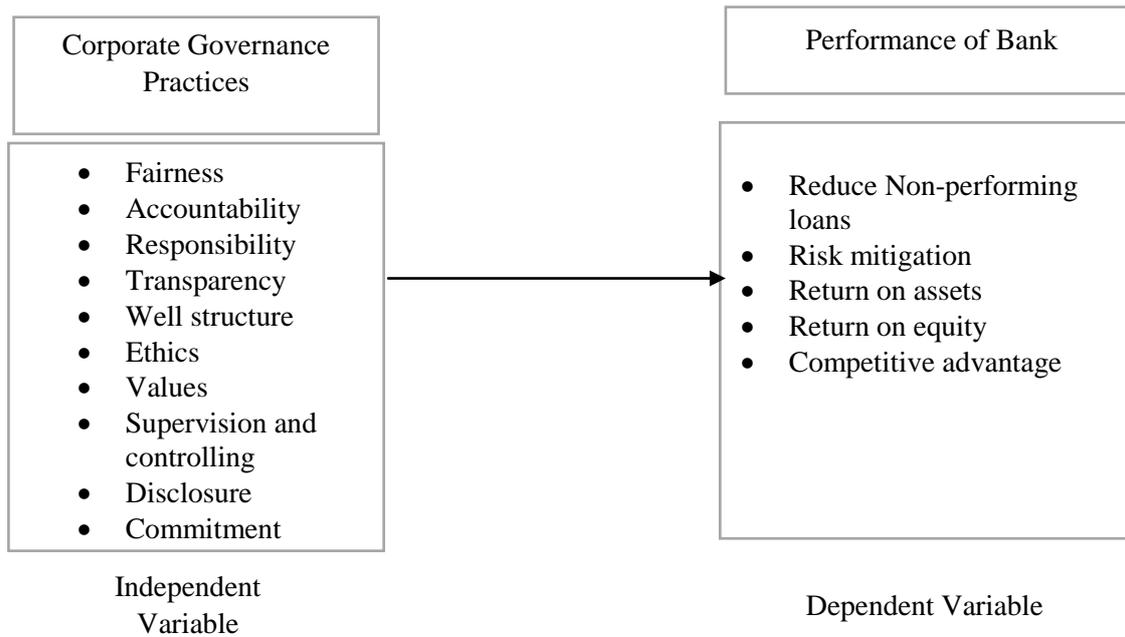
Source: Rock, Otero & Saltzman (1998)

Rock, Otero & Saltzman (1998) surveyed on corporate governance and bank performance. In his study, the ARGE Corporate Governance Model provides a set of questions and best of class examples regarding the application of the logic of governance to the four dimensions of people, team, processes, and business results. The model also looks at how continuous improvement processes are implemented in governance mechanisms. The model analyses the people, team and processes on the basis of corporate governance principles. The purpose of measuring the effectiveness of governance should be to improve it continuously. Therefore, assessing how a board learns and invests in developing its own performance should be an important dimension of the model. The essence of the ARGE Corporate Governance Model is to evaluate how the principles are applied to the logic of governance. The model aims to incorporate not only structural aspects of governance, such as the composition of the boards, but also behavioral aspects such as the evaluation of sufficient number of alternatives in decision-making, the quality of information that forms the basis of sound judgment, the culture of decision-making, the processes, and the results of oversight and guidance functions of the board of directors.

2.6 Conceptual Framework of the Study

Figure (2.3) is the relationship between corporate governance dimensions, and then good corporate governance, and then link to the bank performance.

Figure 2.2 Conceptual Framework of the Study



Source: Own compilation, 2018

Conceptual framework is mainly based upon the OECD principles as the major dimensions of good corporate governance and output stated by Bora Aktan at his study namely Corporate Governance and Performance of Bank. According to the conceptual framework, there are ten variables such as fairness, accountability, responsibility transparency, well structure, ethics, values, supervision and controlling, disclosure and commitment, and their relationship to good governance practices of bank. It is then analyzed the effect on performance in terms of reduce non-performing loans, risk mitigation, ROA,ROE, competitive advantages. Thus, in this study, which factors of corporate governance have an impact on firms' performance especially in Myanmar Citizens Bank (MCB), Yangon, is trying to be established. That is, the objective of this study is to assess whether a significant relationship exists between corporate governance factors (Fairness, accountability, responsibility, transparency, well structure, ethics, values, supervision and controlling, disclosure, and commitment) and firm performance. This study also analyzes which dimensions at corporate governance is the most impact to the governance practices of MCB Bank.

CHAPTER III

COPORATE GOVERNANCE OF MCB

This chapter presents the historical background of Myanmar Citizens Bank with the organization structure and provided by Myanmar Citizens Bank. There are four sections. They are historical background, vision, mission, objectives, core value and corporate governance system at Myanmar Citizens Bank Ltd.

3.1 Historical Background of Myanmar Citizens Bank Ltd

Myanmar Citizens Bank Ltd was established in 1991 (registration number 274/1991-92, Myanmar Citizens Bank started activities on 2nd June 1992 in downtown Yangon, number 33, Mahar Bandoola Road, Kyauktada Township. Myanmar Citizens Bank is a public bank, among the (24) banks, partially owned by government (Ministry of Commerce). Myanmar Citizens Bank is a medium size bank and is listed in Yangon Stock Exchange.

Myanmar Citizens Bank share had been owned by joined venture corporations and the public until all joint venture corporations were liquidated in 1998. And all the shares formerly owned by the joint venture corporations were bought by government departments under Ministry of Commerce. There are two classes of shares: Class A shares (Owned by the ministry of Commerce) and Class B Shares (Public shares). There are total of (1597) shareholders as of 30th June of 2017. As of March 2017, the total paid up capital is 63.86 billion and total share 10,400,986 Numbers.

The face value per share is 100,000 kyats. Any individual can buy up to 500 Class B Shares and an organization can buy up to the limit allowed by the BOD. Individual with minimum of 50 shares ownership, and organization with 100 shares ownership entitled for election to become a member of the board. The permitted investment capital of Myanmar Citizens Bank Ltd is permitted paid up to kyat 75000 Million, with declaration order Number.(1/2013), dated 2.1.2013 of the Ministry of National Planning and Economic Development. Already invested Investment Capital is kyat 52 Billion, as stated overleaf. Myanmar Citizens Bank has given out annual dividend 25 times out of the (25) years since started business. Out of which the highest dividend ratio is 25% (11) years and the lowest dividend payout was 13% (5) years and 23%, 22%, 21%, 20%, 18%, 17%, 16%, 9% respectively. Myanmar Citizens Bank has always been in the front runner as good tax-paying entity. Myanmar Citizens Bank is proud to be the 46th highest tax payer allover Myanmar for 2010-11 tax year and 54th highest tax payer in 2012-13 and 45th tax payer in 2013-14 and 38th highest tax payer in 2014-15. As the incomes were increased year by year as started, income taxes were also able to increasingly deposit to the state year by year. In the list of taxpayers, that paid the highest income tax, assessed for the financial year 2015-2016, for (50) taxpayers list, it stood Number.(33) and in the list, that paid the highest taxes of banks, it stood at Number.(10).

The articles of the association verse (74) of Myanmar Citizens Bank Ltd number of member of directors were formed at maximum of (12) numbers. In total comprising separately freelance (20) directors and (10) shareholders. Under the agreement & approval of 24th annual general meeting, 2015-16 financial year of Myanmar Citizens Bank Ltd, held on 30th July, board of directors comprising individuals stated overleaf was formed and assigned responsibilities. Any individual can buy up to 500 Class B shares, and an

organization can buy up to the limit allowed by the BOD. Individual with minimum of 50 shares ownership and organization with 100 shares ownership is entitled for election to become a member of the board.

Myanmar Citizens Bank current shareholding structure is Capital Diamond Star, Good Brothers Co.Ltd, Shwe Me' Co.Ltd, Farmer Phoeyarzar Co.Ltd, Star Union Co.Ltd, Zeya and Associated and Athar Oo Co.Ltd are Private Company is 77.4% and Ministry of Commerce is 9.8% and General Public is 12.98%.

3.2 Vision, Mission, Objectives and Core Value of Myanmar Citizens Bank

The vision, mission, objectives and core value of Myanmar Citizens Bank is as follows:

Vision

“ To build a strong, stable, sustainable bank which is value creative to all stake holders by harnessing and contributing to the spirit of progress in Myanmar..”

Mission

Mission of MCB Bank are as follows:

- Create value for our investors through sound financial performance embedded in transparency, accountability and good governance,
- Support and develop a customer base in the Commercial, SME, HP and Consumer segment
- Enhance financial inclusiveness through a network delivering accessibility and availability
- Recruit and develop talent to create sustainable long term workforce of dedicated employees
- Build a secure, robust IT infrastructure and roadmap to support the bank in managing its business effectively and efficiently
- Build efficient and innovative technology to deliver to customers convenient and secure products and services
- Build, develop and incorporate operational and risk practices and methodologies into the banks operations

Core Value

“Myanmar Citizens Bank won the presidential Excellence Award on Income Tax payers and was ranked in Top 50th position among 1000 companies Tax payers. In 2014-15 financial year, Myanmar Citizens Bank used over (50) million kyats in corporate social responsibility program for the well- being of social societies in the field of health care, education, natural disaster and community development”.

3.3 Organization Structure of MCB

The bank is managed by the Board of Directors which is composed of (12) members in total, including (2) independent directors and (10) shareholder elected by the annual general assembly. One of them is elected as chairman of the board. BOD meeting is convened at least once a month. The Managing Director serves as Chief Executive officer of the bank. There are 2038 staff in Myanmar Citizens Bank. Myanmar Citizens Bank Board of Director is performed by seven committee and Eight departments. They are Cash Department, Account Department, Loan Department, Admin Department,

International Banking Department, IT Department, Human Resource Department and Audit Department. The seven committees are Risk management committee, Audit committee, Loan committee, Payroll committee, Strategic Management Committee, Board IT Steering Committee and Liability, Revenue & Assets Management Committee.

This is the organization structure of the Myanmar Citizens Bank. Board of Director is performed by 5 committee and 7 Departments. Myanmar Citizens Bank manages by the advisor, COO, CIO, CRO and CFO to improve international Money Transfer Services.

As of April 2018, Myanmar Citizens Bank has (33) Branches across the country. Naypyidaw, Mandalay mini, Monywa mini, Myinchan, Muse, Yesakyo, Tantsal, Mandalay (2) Branch, Moywa Mini Branch, Capital Mini Branch, Lashio, Pabedan Mini Branch, Bayin Naung, Pazundaung, Narth Okkalapa, Aung Lan, Pyi, Bayin Naung Mini Branch, Kyauktada (mini), Phathein, Sittwe, Myeik Branch, Bago Branch, Myaung Mya Branch, Naypyitaw (Myoma Market) Branch, Pakokku, Muse, Taunggyi, Saw Bwar Gyi Gone, Magway, Mandalay Branch (62th Street).

3.4 Corporate Governance Organized at MCB Bank

Corporate governance system of MCB aims to be fair and transparent manner among its shareholders with long-term sustainable value. As for its employment of different ethnicity, MCB values its community through ethical and responsible business practices. Company's inherent responsibility to disclose timely and accurate information to shareholders to allow them to make informed investment decisions, and as such, MCB is constantly looking for ways to improve and incorporate international best practices into its corporate governance system.

The committee on Corporate Governance was founded as a non-government body in March 2016 to develop a code of best practices, a source to guide corporations in establishing proper corporate governance structure. The Committee was composed of fourteen members from the fields of business, finance, accounting, law and academia, along with an Advisory Group of thirteen law, securities, and financial specialists.

Shareholders

- Shareholder Rights
- Equitable Treatment of Shareholders
- Shareholder Responsibilities

Stakeholders

- Protection of Stakeholder Rights
- Stakeholders' Participation in Management Monitor

Board of Directors

- Functions of the Board
- Board Accountability
- Composition of the Board
- Appointment of Directors
- Outside Directors
- Steering of the Board
- Committees of the Board
- Duties of Directors
- Responsibilities of Directors
- Evaluation and Compensation

Audit Systems

- o Internal Audit Systems
- o External Auditors

Board Accountability

The accountability of MCB Board is a key element of strong corporate governance of the organization. Board power is more than a sum of its individual members. Whereas each board member has seven general statutory duties set out in the Companies Act, the responsibilities of the Board to set strategy, and to direct and control the activities of the company for the benefit of stakeholders, are much more difficult. Transparency is key to accountability. Open, clear and honest reporting will help an entity build relationships with stakeholders including customers, employees and investors, and the annual financial statements allow the board to communicate the results for the year and also to document their assessment of performance.

Board Independence

The board establishes a structure for overseeing risk, delegating responsibility to committees and overseeing the designation of senior management responsible for risk management. Focusing on the integrity and clarity of the company's financial reporting and other disclosures about corporate performance. Board as MCB assigns specific tasks to committees to help them fulfil their diverse range of responsibilities. Committees can deal with specific tasks for which the board is responsible, but which it does not necessarily have enough time and resource to manage. The board at MCB can perform the following tasks in independent manner as:

- Board Approval
- Board Evaluation Process
- Board Orientation

- Board Training and Development
- Size and Composition of the Board

Directors' Participation

All Directors are encouraged to voice their views on the Management's decisions and share opinions during Board meetings. Board meetings takes place quarterly, Audit Committee meeting is held every four months, Nominating Committee meeting and Remuneration Committee meeting are conducted biannually, and General Meeting happens annually respectively.

Audit Committee

The Board has set up an Audit committee to assist it in fulfilling its financial reporting responsibilities. Moreover, corporate governance matters are taken up at the level of the Board which ensures that principles adopted adhere to those of MCB Group Ltd, the ultimate holding Company. Furthermore, the Board Charter provides for an appropriate reporting mechanism whereby matters affecting the affairs and reputation of the Company and its subsidiary are escalated as appropriate to the Board by the relevant Board Committee and the Chairperson of the Board of its subsidiary respectively.

Risk Management and Internal Control System

The Board of Directors is ultimately responsible for risk management, the organisation's systems of internal control and procedures in place within the organisation and for the definition of the overall strategy for risk tolerance. The Company's policy on risk management encompasses all significant business risks including physical, operational, business continuity, financial, compliance and reputational which could influence the achievement of the Company's objectives.

The risk management mechanisms in place include:

- a system for the ongoing identification and assessment of risk;
- development of strategies in respect of risk and definition of acceptable and non-acceptable levels of risk;
- reviewing the effectiveness of the system of internal control; and
- processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined by the Board.

Given that the Company is a holding company, any material matters arising out of the risk management committee and audit committee of its subsidiary, are reported and discussed at the board of the Company. At the Company level, the key residual risks are legal, regulatory, reputational, performance and financial risks and the Board is directly responsible for the management and monitoring of these risks.

CHAPTER IV

THE EFFECT OF THE CORPORATE GOVERNANCE PRACTICES ON PERFORMANCE OF MCB

In this study, the compliance of corporate governance practices in the MCB public bank is analyzed. In the first analysis, it analyses on the demographic profiles of respondents, and followed by examine on their awareness in corporate governance practices in the MCB public bank.. The final part is the summarized and evaluated corporate governance practices in terms of fairness of board, accountabilities, responsibilities, transparency, governance structure, ethics, values, supervision and controlling, disclosure and commitment which are analyzed as follows.

4.1 Survey design

This is a plan of how a thesis study is to be completed; operating variables for measurement, selecting a sample, collecting data and analyzing the results of interest to the study. This study is made based on systematic and organized effort to investigate the current practices of corporate governance dimensions at MCB which are ensuring stakeholders' confidence, as a result of which, company can raise capital efficiently and effectively. There is a positive impact on the share price. Study contains both quantitative and qualitative data. Quantitative is measured with numbers of respondents in their classification of gender, age level, income level, and educational level analysis.

To examine the current practices of corporate governance in the MCB public bank, both qualitative and quantitative data are collected. Qualitative data is made on the respondents' psychological status in term of working experience, experience at MCB, opinion on their leaders, their awareness on corporate governance dimensions at MCB, and so on. Total 39 respondents who are currently working at different level positions at MCB. Major instrument in survey is the use of predetermined survey questionnaire. Data are collected by Face-to-face interviewing. Some of data are receiving from admin manager at MCB by sending email questions to some of the respondents. Obtained data are analyzed by the use of excel software calculation to interpret the frequencies and the extent to which agreeable level to each statement. In the descriptive section standard deviation and mean scores are presented based on the findings. The analysis of the impact of influencing factors on the corporate governance practices in Yangon are stated as follows.

4.2 Demographic Profile of Respondents

Collecting demographic information will enable to compare subgroups to see how responses vary between these groups. In this study at demographic profile of respondents at MCB Bank organization, the sample size is 39 respondents who are working at different position levels at MCB in Yangon. Demographic profile of respondents includes factors such as gender, age, education, position and working experience at MCB. Each characteristic has been analyzed in terms of absolute value and percentage, and the summary of the demographic characteristics of respondents at MCB, as follows.

4.2.1 Gender of Respondents

The first analysis of the demographic characteristics of respondents is the gender analysis. The gender of the respondent employee is simply classified into males and females. Table (4.1) shows the result of gender profile of respondents, as follows.

Table 4.1 Gender of Respondents

Gender of Respondent	No. of Respondent	Percent
Male	14	36
Female	25	64
Total	39	100

Source: Surrey data, 2018

By the information of the gender composition in the Table (4.1), it is found that there are 14 number of male and 24 number of female gender of the respondent employees in the study. In terms of percentage, male respondents account for 36 percent while female respondents share 64 percent. It is found that there are more female respondents than male respondents.

4.2.2 Age of Respondents

Age is one of the most common demographic questions asked in surveys. How old a person is will often determine his/her knowledge and experience with the focus of the survey. In the analysis of age of respondents, their age levels have been grouped into five: less than 20 years old, 21-30 years, 31-40 years, 41-50 years, and above 50 years old. Table 4.2 summarizes on the result of the analysis on the respondents as follows.

Table 4.2 Age of Respondents

Age Group	No. of Respondent	Percent
21 to 30 years	6	15
31 to 40 years	18	46
41 to 50 years	12	31
50 years above	3	8
Total	39	100

Source: Surrey data, 2018

Regarding to the age analysis of respondent employees, Table 4.2 reports that the age group 21 to 30 years old respondents includes 6 respondents, the age group 31 to 40 years old includes 18 number, 41 to 50 years old years includes 12 number, and the age group over the age of 50 years includes 3 respondent employees. In term of percentage, the age group between 31 to 40 years shares the largest with 46 percent and the age group above 50 years old shares lowest with 8 percent in the study. From that age analysis, survey could be said that only the age matured employees who are analyzed to response their feedbacks and views on the practices of corporate governance at their organization.

4.2.3 Education of Respondents

Asking a respondent what their highest level of education completed is often found on surveys. In the analysis of level of education of respondents, their education levels have been grouped into six: under graduate level, university graduate, post graduate diploma level, master level, doctorate level, and professor level. Table (4.)3 reports on the result of the analysis on the educational level of respondents as follows.

Table 4.3 Education of Respondents

Education of Respondent	No. of Respondent	Percent
University Graduated	10	26
Post-graduate diploma	18	46
Master Degree	11	28
Total	39	100

Source: Surrey data, 2018

Among the 39 samples of respondent employees, there are 10 number of

employees who have graduated from university, 18 numbers of respondents have attended post graduated diploma and 11 respondents have graduated master degree level. In term of percent, respondent employees who have graduated at post-diploma include the largest share with 46 percent and master degree level respondents are found as least participants in the study. From the survey result, respondents with university graduate and above level with suitable educational background could be assumed that they could understand the questions to answer more correction.

4.2.4 Position of Respondents

In the analysis of position level of respondents, their position levels have been grouped into thirteen: Board chairman, internal audit chief, CEO level, board members level, executive level, risk officer, senior management, shareholder, compliance officer, audit committee chair, external auditor, senior staff, audit body level. Table (4.4) reports on the result of the analysis on the respondents' position level, as follows.

Table 4.4 Position of Respondents

Position of Respondent	No. of Respondent	Percent
Board members	4	10
Executive Director level	3	8
Risk officer	1	3
Senior management	13	33
Shareholder	4	10
Compliance officer	1	3
External auditor	1	3
Senior Staff	9	23
Audit Body	3	8
Total	39	100

Source: Surrey data, 2018

Table (4.4) reports that, among the 39 samples of respondent employees, there are 4 number of respondents who are in the board level position, 3 respondents who are in executive director level, one risk officer, 13 senior management level position, 4 shareholders, one compliance officer, one external auditor, nine senior staffs, and 3 audit

body, respectively. In term of percent, survey includes respondents' position with senior management level includes the largest portion with 33 percent and senior staff level includes 23 percent with the second largest. External auditor position, compliance officer, risk officer level respondents are found as least participants in the study. From the survey result, respondents with different position levels could be assumed that they could understand the questions to answer more correction regarding the set of corporate governance mechanism compliance to their organization.

4.2.5 Working experience

Having the relevant working experience in a particular field is vital to be a successful survey study. In the analysis of the respondents' working experience in this MCB Bank organization, working experience is grouped into five: less than one year, one to three years, above 3 to 5 years, above 5 to 7 years, above 7 years. Table (4.5) reports on the result of the analysis on the respondents' working experiences, as follows.

Table 4.5 Working experience

Working experience	No. of Respondent	Percent
Less than one year	3	8
One to three years	19	49
Above 3 to 5 years	12	31
Above 5 to 7 years	4	10
Above 7 years	1	3
Total	39	100

Source: Surrey data, 2018

Table (4.5) reports that, among the 39 samples of respondent employees, employees with working experience less than one year are 3, employees with working experience one to three years are 19, employees with working experience above 3 to 5 years are 12, employees with working experience above 5 to 7 years are 4, and employees with working experience above 7 years is 1, respectively.

In term of percent, survey includes respondents' working experience at one to three includes the largest portion with 49 percent and above three to five years includes 31 percent with the second largest. Employees who have working experience under one year includes only 3 with 8 percent. The higher the working experience at the MCB could also be assumed that they could

understand the questions to answer more correction regarding the set of corporate governance mechanism compliance to their organization.

4.3 Reliabilities Test of Corporate Governance Practices and Performance of MCB

Study has extensively used scales and thus, it is checked for reliability. Reliability measurement involves assigning scores to individuals so that they represent some characteristic of the individuals. In this study, Cronbach's alpha value is used as a measure of the internal consistency of the scales used in the questionnaire. Table (4.6) reports the result of the reliabilities of the variables at the effect of corporate governance to bank performance.

Table 4.6 Reliabilities Test of Corporate Governance Practices and Performance of MCB

Factors	Cronbach's Alpha	Items
Fairness of BODs	.916	7
Accountabilities	.919	4
Responsibilities	.857	5
Transparency	.867	8
Governance Structure	.902	8
Ethics	.904	6
Values	.824	3
Disclosure	.863	10
Commitment to Corporate governance	.850	11
Supervision and controlling	.875	5
Performance Of Bank	.916	15

Source: Survey data, 2018

In this study, total eleven factors and determinants on the practices of corporate governance to bank performance are indirectly measured. Each factor includes different number of items and each item is measured on five-point Likert scale. As shown in Table (4.6), Corporate governance practices at MCB includes 11 items, fairness of BODs includes 7 items, accountabilities factor includes 4 items, responsibilities factor includes 5 items, transparency factor includes 8 items, governance structure factor includes 8 items, ethics factor includes 6 items, values factor includes 3 items, disclosure factor includes 10 items, commitment to corporate governance factor includes 11 items, supervision and controlling factor includes 5 items, and finally performance of bank factor includes 15 items, respectively. Computed alpha values are found as higher than 0.7. This is indicating that a set of questions for each dimension is closely related. That is, the internal consistency of items to concept is good.

4.4 Corporate Governance Practices in MCB

Analysis of important factors and their specific impact on the Corporate Governance, it is analysed on the fairness, accountability, responsibility, transparency, governance structure, ethics, supervision and controlling, disclosure, commitment to current corporate governance mechanism, as follows.

4.4.1 Fairness

The first important factor is the fairness. To understand that, respondents have to report on the ten statements relating to fairness at corporate governance system at MCB in the key area namely fairness of the distribution of authority of shareholders and BODs, appointing independent directors to fairness of management, external agency rating to corporate governance system, shareholder agreements to appoint directors, having formal succession plan for CEO, having corporate secretary who will organize BOD meeting, and respondents' feeling to fairness of directors. Table 4.7 reports on the fairness of BODs at MCB, as follows.

In the analysis of the fairness at MCB, Table 4.7 reports that the mean score for fairness of BODs at corporate governance of MCB is 3.84, indicating that there is fairness of BODs of MCB bank as a cornerstone of corporate government system.

The highest mean score is found at having of independent directors with 4.36 (standard deviation 0.58). This higher number indicates the executive directors would be controlled by independent directors and thus, BODs itself would be more fairness, in practices.

The lowest mean score is found at shareholder agreements, provisions of the company's charter or informal understandings for Corporate Governance with mean value 3.46 (standard deviation 0.68). However, it is indicating that when shareholders appoint directors, there are

shareholder agreements, provisions of the company’s charter, or informal understanding at MCB. From the analysis on the fairness at corporate government of MCB Bank, the minimum and maximum mean scores are indicating that there has desired level of fairness in MCB Bank.

Table 4.7 Fairness

Fairness	Mean	Standard Deviation
Distribution of authority between the Annual General Meeting of Shareholders, the Board of Directors and executive bodies	3.87	0.73
Directors are independently working at bank.	4.36	0.58
Bank has been rated by an external agency for Corporate Governance	3.59	0.68
There are any shareholder agreements, provisions of the company’s charter, or informal understandings that specify which shareholders appoint directors	3.46	0.68
The company have a formal or informal succession plan for its current CEO	3.97	0.63
The company have a corporate secretary who organizes Board meetings	3.90	0.60
Corporate governance would bring about the desired level of fairness in MCB Bank	3.72	0.56
Overall Mean	3.84	0.06

Source: Survey data, 2018

4.4.2 Accountabilities

The accountabilities of BODs at MCB is analysed by the use of total four statements: whether governance practice and overall functioning of bank in increasing accountability are difference, corporate governance would bring about the desired level of accountability in MCB

Bank, Board of Directors are accountable to the company's interests, and the current mix of skills/experience on the Board of Directors serve the company's interests are relative. Table (4.8) shows the result of the analysis on the accountabilities of BODs at MCB, as follows.

Table 4.8 Accountabilities

Accountabilities	Mean	Standard Deviation
The adoption of corporate governance practice in bank has made difference with regard to the overall functioning of bank in increasing accountability	3.95	0.69
Corporate governance would bring about the desired level of accountability in MCB Bank	4.23	0.48
Board of Directors are accountable to the company's interests	3.67	0.66
The current mix of skills/experience on the Board of Directors serve the company's interests are relative	3.69	0.69
Overall Mean	3.85	0.30

Source: Survey data, 2018

Regarding the accountabilities at MCB, Table (4.8) reports that the mean score for accountabilities of BODs at corporate governance of MCB is 3.85, indicating that there is higher accountability of MCB bank as a cornerstone of corporate government system. This means that BODs are regularly reporting to their action taken to the shareholders.

The highest mean score is found at fact of respondents' feeling that corporate governance would bring about the desired level of accountability in MCB Bank with mean score 4.23 with standard deviation 0.48, indicating they have strong hope that corporate governance would bring about the desired level of accountability at MCB.

The lowest mean score of “Board of Directors are accountable to the company’s interests” is 3.67 with mean value (standard deviation 0.66). However, it is higher and that there is higher perception at accountabilities of BOD at MCB.

Boards of Directors are widely recognized as an important mechanism for monitoring the performance of managers and protecting shareholders’ interests and hence an important component of internal governance.

4.4.3 Responsibilities

The responsibilities at MCB is analysed with five statements namely: role and responsibilities of the BODs is clearly stated. The adoption of corporate governance practice in bank has made difference with other function, Board of Directors set the company’s risk appetite and periodically review the risk management system, and the establishment of internal audit team provides well reputation of the corporation. Table (4.9) shows the responsibilities at MCB, as follows.

Table 4.9 Responsibilities

Responsibilities	Mean	Standard Deviation
The role and responsibilities of the BODs is clearly stated	3.41	0.64
The adoption of corporate governance practice in bank has made difference with regard to the overall functioning of bank in increasing responsibility of the BODs	4.49	0.51
The Board of Directors set the company’s risk appetite and periodically review the risk management system	4.51	0.51
The adoption of corporate governance practice in bank make difference with regard to the overall functioning of bank in increasing responsibility of the BODs	3.64	0.58
Establishment of internal audit team provides well reputation of the corporation	4.49	0.51
Overall Mean	4.06	0.22

Source: Survey data, 2018

Table (4.9) shows that the mean for responsibilities of BODs at corporate governance at MCB is 4.06, is very much higher than average, indicating that respondents’ believes on the BODs at corporate governance in which they are taking responsibilities at directing activities and advising to fulfill the company mission.

The highest mean score is found at the responsiveness behavior of the Board of Directors in setting the company's risk appetite and periodically review the risk management system with 4.51 (standard deviation 0.51), indicating that BOD team takes strong responsibilities to protect financial risks as well as non-financial risks.

The lowest mean score is found at the role and responsibilities of the BODs which are clearly stated or not. The received mean 3.41 (standard deviation 0.64), is indicating that the responsibilities of BODs are clearly stated as a corporate governance dimension of MCB. From that analysis, survey recommends on company's board of directors who are providing the company with direction and advice. It is the responsibility of the board of directors to ensure that the company fulfils its mission statement.

4.4.4 Transparency

Having transparency of BODs at MCB corporate governance system, it is analysed with eight statements. Table (4.10) shows the transparency of BODs at MCB, as follows.

Table 4.10 Transparency

Transparency	Mean	Standard Deviation
The adoption of corporate governance practice in bank makes difference with regard to the overall functioning of bank in increasing transparency	3.64	0.63
The financial statements prepared in keeping with internationally recognized accounting standards (e.g., IFRS or U.S. GAAP)	4.34	0.51
There are many material re-statements of the company's financial statements in the past 5 years	4.12	0.51
The company disclose major transactions, related party transactions, off-balance sheet activities, and other material events	3.74	0.72
Corporate report is annual report and posts at website for its transparency	4.53	0.51
Board of Directors/Audit Committee review key elements of the company's financial statements.	3.62	0.71

Company has a written information disclosure policy that seeks to make all material information (financial and non- financial) fully, timely and equally available to all stakeholders	4.54	0.51
There is autonomy of internal audit team auditing into all departments	4.16	0.40
Overall Mean	4.24	0.12

Source: Survey data, 2018

Table (4.10) shows that the mean for transparency at corporate governance of MCB is 4.24, indicating that respondents' highest perception on the transparency at corporate governance practices at MCB. It is widely recognized that transparency within the governance framework at MCB effectively enhances trust among the major players of the company.

The highest mean score is found at company written information disclosure policy that seeks to make all material information (financial and non- financial) fully, timely and equally available to all stakeholders, with mean score 4.54 (standard deviation 0.51), is indicating that MCB has clearly stated financial and non- financial information to the public.

The lowest mean score is found at Board of Directors/Audit Committee reviewing behavior to key elements of the company's financial statements with mean score 3.62 (standard deviation 0.71), indicating that the Board of Directors/Audit Committee's regular reviewing behavior to key elements of the company's financial statements of MCB which enhances to the stakeholders' interests at MCB.

From the analysis on transparency, survey can be concluded that there are openness and willingness by the company to provide clear information to shareholders and other stakeholders. That is, they are very openness and willingness to disclose financial performance figures which are truthful and accurate.

4.4.5 Governance Structure

To understand the important factors and their specific impact on the governance structure, respondents are requested to answer with the eight statements. Table 4.11 reports on the important factors and their specific impact on the governance structure at MCB, as follows.

In this analysis of the role of governance structure on Corporate Governance, the obtained mean for important factors and their specific impact on the governance structure is 4.32, indicating that respondents are rating as high important role of governance structure.

Table 4.11 Governance Structure

Governance Structure	Mean	Standard Deviation
The composition of the Board of Directors is determined by the work nature, that is, delegation of authority with stakeholders	3.56	0.72
The shareholders' role in organization is to appoint the directors and the auditors and to satisfy themselves.	4.46	0.51
The role of the Board of Directors vis-à-vis management, particularly with respect to Setting strategy and vision of the company	4.18	0.68
The role of the Board of Directors vis-à-vis management, particularly with respect to Selection and compensation of the CEO and senior management	4.13	0.73
The role of the Board of Directors vis-à-vis management, particularly with respect to Risk Management, oversight of internal controls, external audit and preparation of financial statements	4.57	0.51
The role of the Board of Directors vis-à-vis management, particularly with respect to Major capital expenditures and large-value transactions.	3.90	0.72

Directors are appointed on the basis of a clear job description which identifies the required directors' background and expertise	4.49	0.51
MCB Bank has formulated its own policies for Corporate Governance	4.54	0.51
Overall Mean	4.32	0.11

Source: Survey data, 2018

The highest mean score is found at the role of the Board of Directors vis-à-vis management, particularly with respect to risk management, oversight of internal controls, external audit and preparation of financial statements, with the mean score 4.57 (standard deviation 0.51), is very much higher than cut off mean 3, indicating that all the respondents' agreeable to higher management skills of the BODs on the risk management, oversight of internal controls, external audit and preparation of financial statements.

The lowest mean score is found at the statement of 'composition of the Board of Directors is determined by the work nature, that is, delegation of authority with stakeholders' with mean score 3.56 (standard deviation 0.72), is also higher than cut off mean 3, indicating that the composition of the numbers of the BODs is varied with the work nature, that is, composition of the Board of Directors is changed depending to some of the project year of the MCB.

4.4.6 Ethics

Ethics is a set of principles of right conduct or a system of moral principles. Business ethics includes principles, norms and standards that guide an organization's conduct of its activities, internal relations and interactions with external stakeholders. To understand the ethics behavior at corporate governance system of MCB, study is mainly focused on the six items. Table (4.12) reports on the respondents' rating on the ethics policy in compliance with corporate governance at MCB organization, as follows.

In this analysis of the important role of ethics on the Corporate Governance of MCB, the obtained mean for ethics policy in compliance with corporate governance at MCB organization 4.06, indicating that respondents are rating as high important role of the ethics at corporate governance structure.

The highest mean score is found their organization has brought in outside speakers or trainers to provide information about ethics and governance, is mean score 4.59 (standard deviation 0.50), indicating that all the respondents' agreeable to higher perception to MCB who brings outside speakers and trainers to provide information about ethics and governance structure. MCB training of ethics culture at organization by outside speakers enhances to employees in the organization to develop more knowledgeable to ethics at good corporate governance of MCB.

Table 4.12 Ethics

Ethics	Mean	Standard Deviation
My organization has an ethics policy in compliance of the corporate rules and regulation at treating with employees, customers, suppliers and stakeholders.	4.36	0.58
ethics and/or governance policies communicated to staff members at the management meetings, email messages, training sessions, and physical documents	4.26	0.59
Our organization have appointed an in-house ethics advisor who can judge issues related conflicts of interest and legal cases	3.77	0.78
Our organization has brought in outside speakers or trainers to provide information about ethics and governance	4.59	0.50
Our organization has an ethics hotline service (or) whistle blowing service	3.85	0.74
Board of Directors and/ or Audit Committee monthly review key elements of the company's financial statements	3.54	0.72
Overall Mean	4.06	0.27

Source: Survey data, 2018

The lowest mean score is found at the statement of Board of Directors and/ or Audit Committee monthly review key elements of the company’s financial statements with mean score 3.54 (standard deviation 0.72), is also higher than cut off mean 3, indicating that the management team has established a system for monthly review upon key elements like the company’s financial statements.

Regarding to the analysis on the ethical behavior at corporate governance at MCB, it can be concluded that having the issued code of conduct, conflict of interest trainings, which are important features for the establishing good corporate governance at MCB.

4.4.7 Values

Regarding to the importance of values on the corporate governance of MCB, all the respondents are asked to answer the three statements namely: agreeable to having ethics hotline service (or) whistle blowing service, agreeable to organization clearly define mission, vision and values statement and fastened in hotspot area, and distribution of values statements to all the bank branches aiming at well understanding of corporate values also at all the levels of the bank branches. Table (4.13) states the importance of values on the corporate governance of MCB, as follows.

Table 4.13 Values

Values	Mean	Standard Deviation
Ethics, principles, and hotline service, whistle blowing service are standing for good corporate values at my organization	4.15	0.63
Clearly define mission, vision and values statement are well fastened in hotspot area are standing for good corporate values at my organization	4.28	0.46
Values statements are also distributed to all the bank branches aiming at well understanding of corporate values also at all the levels of the bank branches	3.54	0.72
Overall Mean	3.90	0.28

Source: Survey data, 2018

Table (4.13) shows that the mean for important role of values on the corporate governance of MCB is 3.90, which is higher than average value, indicating that employees at MCB are higher perceived at the important role of values on the corporate governance of MCB.

The highest mean score at their agreeable to organization that clearly defines mission, vision and values statement and fastened in hotspot area which are are standing as good corporate values, is 4.28 (standard deviation 0.46), indicating that organization mission, vision and values statements are clearly fastened at the wall at where every people can easily see them. The lowest mean score is found at the statement of values statements distributed to all the bank branches aiming well understanding at all the levels of the bank branches. However, the mean score 3.54 (standard deviation 0.72), indicating that remote stations/branches can easily understand upon corporate mission, vision and values statements. In conclusion on the analysis of values at corporate governance of MCB, there are strong core value features at the whole organization.

4.4.8 Disclosure

Disclosure is the act of releasing all relevant information on a company that may influence an investment decision. A strong disclosure regime is a pivotal feature of market-based monitoring of corporate conduct and is central to the ability of shareholders to exercise their voting rights effectively. To understand the role of disclosure practices at corporate governance of MCB, respondents are asked the question. Table (4.14) reports on the respondents' rating on the level of disclosure on the Corporate Governance of MCB, as follows.

Table 4.14 Disclosure

Disclosure	Mean	Standard Deviation
Our organization discloses financial and operation results in every year	4.21	0.73
Our organization also discloses non-financial information	3.26	0.59
Our organization has disclosed major share ownership and voting right to inform to shareholders	3.97	0.71
Remuneration of boards and key person are also clearly stated	3.38	0.85
Background of board of directors are issued at company profile	3.59	0.79
Related party transactions are also disclosed for more transparency	4.00	0.65
To mitigate the loss of company assets, important risk factors have already examined and informed to every department	4.15	0.71
Company management structure and policy are clearly stated	4.46	0.76
Human resource policy are clearly defined and circulated to	4.08	0.81

every department

Management schedules (i.e., meeting calendar) has pre announced	4.13	0.66
Overall Mean	3.97	0.08

Source: Survey data, 2018

Regarding to the analysis on the importance of disclosure on the corporate governance, Table (4.14) reports that the obtained mean 3.97 is higher than average value, indicating that, most of the respondents have agreed upon the importance of disclosure on the corporate governance at MCB.

The highest mean score of their agreeable to company issuing management structure and policy is 4.46 (standard deviation 0.76), indicating that company has already issued management structure and policy to be strong corporate governance structure at the organization.

However, the mean score of non-financial information is 3.26 (standard deviation 0.59), is somewhat higher level, indicating that the MCB discloses their financial information with full information, whereas, disclosure of non-financial information is not too stronger than the other information, in general.

4.4.9 Commitment

The commitment of people in the MCB organization to their corporate governance is analyzed. Table 4.15 reports on the people commitment to corporate governance of MCB, as follows.

Regarding to the analysis on people commitment level to the Corporate Governance of MCB, Table (4.15) reports that the obtained mean 4.18, indicating that respondents have strong commitments upon the corporate governance at MCB.

The highest mean score of management/Board of Directors has approved the annual calendar of corporate events (Board meetings, General Shareholder Meeting, etc., is 4.69 (standard deviation 0.52), indicating that corporate has already prepared and well distributed annual corporate event and meeting calendar to be followed by the members of corporate management team.

Table 4.15 Commitment

Commitment	Mean	Standard Deviation
Company has a charter or articles of incorporation according to local legislation, with provisions on the protection of shareholder rights and the equitable treatment of shareholders;	3.59	0.68
Company has a charter or articles of incorporation at which distribution of authority between the Annual General Meeting of Shareholders, the Board of Directors and executive bodies,	3.18	0.68
Company has a charter or articles of information disclosure and transparency of the company's activities	4.03	0.67
Board of Directors and the senior management are familiar with the voluntary code of corporate governance for the country as wider view	3.18	0.64
To high extent the company complies with the provisions of this code of corporate governance and this compliance has disclosed	3.38	0.71

Company has well prepared procedures and well monitoring system to compliance with these procedures through management review meetings	4.31	0.80
Company has disclosed the extent to which it is complying with its corporate governance policies and procedures	4.08	0.66
Company has issued a code of ethics such as issuing avoidance of conflicts of interests	4.21	0.80
Company has also issued an agreed delegation of authority (DOA) for budget approval	4.13	0.77
Management/Board of Directors has approved the annual calendar of corporate events (Board meetings, General Shareholder Meeting, etc.	4.69	0.52
Company have a designated officer responsible for ensuring compliance with the company's corporate governance policies and code of ethics	4.46	0.88
Overall Mean	4.18	0.12

Source: Survey data, 2018

However, the lowest mean score 3.18 (standard deviation 0.68) is found at the condition of company issuing articles of incorporation, at which distribution of authority between the annual general meeting of shareholders and between the Board of Directors and executive bodies. Management team of the company is needed some efforts to communicate among these AGM meetings for the information of articles of incorporation, which is already stated at web page.

4.4.10 Supervision and Controlling

To ensure the good supervision and control structure, system, and rules, respondents are asked to report their organizational supervision and control system with the uses of five statements which are company publish adopted decisions and minutes of meetings, company has established legally prescribed options, company has clearly defined policy and procedure, internal audit plays important role, respondents have completed an assurance audit on ethics to organization. Table 4.16 reports on the supervision and control practices at corporate governance of MCB, as follows.

Table 4.16 Supervision and Controlling

Supervision and Controlling	Mean	Standard Deviation
Company publish adopted decisions and minutes of the meetings, immediately, i.e. within prescribed deadlines, after the meeting	3.87	0.77
Company has established some of legally prescribed options for online participation in the Assembly activities, and if so, in which manner	4.21	0.57
Company has clearly defined its dividend policy and the procedures and deadlines for its distribution	3.69	0.66
Internal Audit plays a role within the ethics and governance structure of your organization	3.46	0.64
Our organization have completed an assurance audit on ethics and governance within your organization	3.95	0.60
Overall Mean	3.89	0.30

Source: Survey data, 2018

Table 4.16 reports the mean for Supervision and Control at Corporate Governance of MCB. The obtained mean score 3.89 is higher than average value, indicating that corporate has well structure of supervision and control system.

The highest mean score is found as the company establishing some of legally prescribed options for online participation in the assembly activities, and if so, in which manner. The mean score is 4.21 (standard deviation 0.57), indicating that company has very well established legally prescribed options like watermark at company photos and documents for online participation, especially in the corporation web page to protect from the misuse of others to company information.

The lowest mean score is found at the internal audit role within the ethics and governance structure of organization. The mean score 3.46 (standard deviation 0.64) is higher than average value, indicating that there has some important role for auditor within the ethics and governance structure of MCB.

Corporate governance involves the staff, structures, systems, rules and procedures used to ensure the management and control of an institution. Institutions must ensure, at an individual and consolidated level, that their corporate governance has governance structures, incentive structures

and staff that promote sound and prudent management. The higher the result means hither the well supervision and controlling at MCB.

4.4.11 Summary Dimension of Corporate Governance

Table 4.17 shows the summary dimension of corporate governance dimensions in terms of Fairness, Accountability, Responsibility, Transparency, Governance Structure, Ethics, Values, Disclosure, Commitment to corporate governance, and Supervision and controlling, as follows.

Table 4.17 Summary Dimension of Corporate Governance

Corporate Governance	Mean	Standard Deviation
Fairness	3.7	0.8
Accountability	3.8	0.7
Responsibility	4.0	0.7
Transparency	3.9	0.7
Governance Structure	4.1	0.8
Ethics	4.0	0.8
Values	4.1	0.7
Disclosure	4.0	0.8
Source: Survey data, 2018 Commitment to corporate governance	3.6	0.8
Supervision and controlling	3.8	0.8
Overall Mean	3.9	0.7

Table 4.17 reports that the received overall mean of the corporate governance dimensions at MCB is 3.9 with higher mean score, indicating that all the respondents have agreed to the good governance practices at MCB. The highest mean scores are found as governance structure, values, and the least mean scores are found as commitment to corporate governance structure, and fairness. However, these mean scores are higher, survey can conclude that MCB has been practicing good governance mechanism.

4.5 Bank Performance of MCB

Finally, the performance of the good corporate governance at MCB is analysed in term of the performance at corporation. In relation to the performance analysis of MCB, study focuses on the area of bank improvement in its return on investment, managing non-performance loan for risk mitigating, risk management structure, finance sustainability, and so on. Table (4.18) shows on the analysis of the performance of MCB, as follows.

Table 4.18 reports the mean score of the analysis on bank performance by good governance system. The obtained mean score 3.90 is higher than cut off mean 3, indicating that corporate has shown good result from the practices of good governance system.

The highest mean score is found as the performance resulted from good corporate governance system at MCB make overall profitable organization in terms of higher dramatically which increases margin along with higher customer satisfaction. The obtained mean is 4.26 (standard deviation 0.68), indicating that company has dramatically which increases margin along the increase in its customers' satisfaction level.

Table 4.18 Performance of MCB

Performance of MCB	Mean	Standard Deviation
Well-formed collection policy of MCB can reduce Nonperforming Loan	3.90	0.72
Well-designed risk technique of MCB can reduce NPL	4.23	0.48

Because of good governance structure, organization can have more control on credit extension which can also reduce NPL	3.69	0.66
MCB can mitigate the financial risky area	3.72	0.69
Qualified key players in the corporate governance process take part in effective managing the different dimensions of financial risk.	3.90	0.72
Corporate governance at MCB also minimizes wastages, corruption, risks and mismanagement.	3.79	0.66
The company can emphasize on development of skills continually to improve performance.	3.85	0.74
Information sharing across departments and decision making are more faster than before.	3.92	0.58
Firm is able to recognize and accept new business opportunities ahead of others.	3.59	0.64
Good corporate governance helps to increase in bank reputation, brand formation and organizational development	3.72	0.60
Good corporate governance make profitable to organization in terms of higher return in assets investment.	3.90	0.64
Strong corporate governance maintains investors' confidence so that company can raise capital efficiently and effectively.	4.15	0.67
Good corporate governance make profitable to organization in terms of higher return in equity.	3.95	0.60
Good corporate governance system at MCB make overall profitable organization in terms of higher dramatically increase margin along with higher customer satisfaction.	4.26	0.68
The rules of corporate governance specify the rights and obligations of the various claimants on the cash flows of business enterprises.	3.74	0.44
Overall Mean	3.90	0.08

Source: Survey data, 2018

The lowest mean score is found at the condition at which corporation is able to recognize and accept new business opportunities ahead of others. The mean score is 3.59 (standard deviation 0.64), indicating that MCB has ability to easily recognize and accept new business opportunities ahead of others because of the good corporate system. From the study on corporate governance system of MCB Corporation, it can be concluded that it has been found as well established good governance structure and practices the MCB public bank.

4.6 Relationship of the Corporate Governance Practices and Bank Performance

In order to see the extent to which compliance of good corporate governance practices are correlated with bank performance, correlation coefficients are calculated and the results are presented in Table 4.19.

Table 4.19 Relationship of the Corporate Governance Practices and Bank Performance of MCB

Factor	Performance of Bank
Fairness	.544**
Accountabilities	.772**
Responsibilities	.845**
Transparency	.755**
Governance Structure	.629**
Ethics	.704**
Values	.851**
Disclosure	.704**
Commitment to Corporate governance	.624**
Supervision and controlling	.850**

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Dependent variable = Performance of MCB Bank

Source: Survey data, 2018

Table 4.19 shows the correlation coefficients between Corporate Governance and Bank Performance of MCB. In general, all correlation coefficients are found to be positive and significant. First, it is found that there is a positive and moderately relationship between Fairness of BODs at corporate governance and bank performance factor ($r = 0.544^{**}$) and the relationship is also statistically significant at 1 per cent level. The result implies that better the ethics level at corporation will lead to better bank performance. Secondly, there is a positive and highly relationship between Accountabilities of BODs at corporate governance and bank performance factor ($r = 0.772^{**}$) and the relationship is also statistically significant at 1 per cent level. The result implies that better the accountability of BODs will lead to better bank performance. Thirdly, there is a positive and strongly relationship between responsibilities of BODs at corporate governance and bank performance factor ($r = 0.845^{**}$) and the relationship is also statistically significant at 1 per cent level. The result implies that better the responsibilities of BODs will lead to better bank performance.

In fourth, there is a positive and highly relationship between transparency at corporate governance and bank performance factor ($r = 0.755^{**}$) and the relationship is also statistically significant at 1 per cent level. The result implies that better the transparency will lead to better bank performance. In fifth, there is a positive and moderately relationship between well-established governance structure at corporate governance and bank performance factor ($r = 0.629^{**}$) and the relationship is also statistically significant at 1 per cent level. The result implies that well-established governance structure will lead to better bank performance.

In sixth, there is a positive and highly relationship between ethics at corporate governance and bank performance factor ($r = 0.704^{**}$) and the relationship is also statistically significant at 1 per cent level. The result implies that increase in ethical environment will lead to better bank performance. In seventh, there is a positive and strongly relationship between corporation values at corporate governance and bank performance factor ($r = 0.851^{**}$) and the relationship is also statistically significant at 1 per cent level. The result implies that increase in corporation values will lead to better bank performance.

And then, it is found that there is a positive and highly relationship between disclosure of information at corporate governance and bank performance factor ($r = 0.704^{**}$) and the relationship is also statistically significant at 1 per cent level. The result implies that increase in disclosure of information will lead to better bank performance.

There is a positive and moderately relationship between Commitment to Corporate governance and bank performance factor ($r = 0.624^{**}$) and the relationship is also statistically significant at 1 per cent level. The result implies that increase in Commitment to Corporate governance will lead to better bank performance.

Lastly, there is a positive and strongly relationship between Supervision and controlling at Corporate governance and bank performance factor ($r = 0.850^{**}$) and the relationship is also statistically significant at 1 per cent level. The result implies that increase in Supervision and controlling at to corporate governance will lead to better bank performance.

4.7 Effect of Influencing Factors on Performance of Bank

In this study, the relationships between influencing dimensions of corporate governance on performance of MCB is analyzed by the use of Linear Regression model. The results of estimated regression has shown in Table (4.20), as follows.

Table (4.20) Effect of Influencing Factors on Performance of Bank

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.263	0.305		0.864	0.395
Fairness	-0.157	0.107	-0.199	-1.465	0.154
Accountabilities	-0.004	0.083	-0.005	-0.046	0.964
Responsibilities	0.178	0.130	0.211	1.368	0.182
Transparency	0.328	0.164	0.332*	2.001	0.055
Governance Structure	0.232	0.128	0.286*	1.815	0.080
Ethics	0.389	0.122	0.527***	3.180	0.004
Values	0.301	0.116	0.380**	2.600	0.015
Disclosure	0.301	0.247	0.318	1.218	0.233
Commitment to Corporate governance	0.123	0.140	0.125	0.878	0.387
Supervision and controlling	-0.002	0.079	-0.002	-0.022	0.983
R					0.923
R Square					0.853
Adjusted R Square					0.800

F***

16.225

***, **, *. Correlation is significant at the 0.01 level, 0.05 level, 0.10 level (2-tailed).

Dependent variable = Performance of MCB Bank

The results in Table 4.20 are the correlation and coefficient of determination $R = 0.923$ and $R^2 = 0.853$. Also, the results show that 80.0% of bank's performance could be explained by corporate governance dimension.

According to the results, the relationship of bank's performance and transparency are statistically significant at 10% level ($t = 2.001$; $p < 0.10$). It has effect on performance where transparency goes up one unit, performance will increase 0.328 unit where all other variables hold constant.

According to the results, the relationship of bank's performance and governance structure are statistically significant at 10% level ($t = 1.815$; $p < 0.10$). It has effect on performance where governance structure goes up one unit, performance will increase 0.232 unit where all other variables hold constant.

According to the results, the relationship of bank's performance and ethics are statistically significant at 1% level ($t = 3.180$; $p < 0.01$). It has effect on performance where ethics goes up one unit, performance will increase 0.389 unit where all other variables hold constant.

According to the results, the relationship of bank's performance and value are statistically significant at 5% level ($t = 2.600$; $p < 0.05$). It has effect on performance where value goes up one unit, performance will increase 0.301 unit where all other variables hold constant.

CHAPTER V

CONCLUSION

The conclusion section has three parts. First part is findings which represent why the research was conducted, what aspect of the problem were considered, what the outcome and it consists of the findings of the demographic factors. The second part presents suggestions, and the last part is need for future research.

5.1 Findings

This study analyses the corporate governance practices and the performance at MCB Bank, Yangon. Governance structures and principles identify the distribution of rights and responsibilities among different participants in the corporation (such as the board of directors, managers, shareholders, creditors, auditors, regulators, and other stakeholders) and thus, study is made on the current practices and the relationship of corporate governance on the performance of the MCB Bank.

To be more data consistency, reliabilities analysis of the variables at the compliance of corporate governance to bank performance are made. Because of the higher numbers from these statistics, it reveals internal consistency of items in the factor and thus, the concept is said to yield good result.

Regarding to the analysis on fairness, highest mean score is found at there are any independent directors and the lowest mean score is found at the bank has been rated by an external agency for Corporate Governance. The overall mean for fairness factor is also very much higher and thus, there is the fairness of BODs of MCB bank as a sign of cornerstone of corporate government system.

Regarding to the analysis on the accountabilities of BODs at MCB, respondents' are found to have highest feeling that corporate governance would bring about the desired level of accountability in MCB Bank. Board of Directors are also found as understanding

they are accountable to the company's interests. Overall rating on board accountability dimension in corporate governance, BODs of MCB bank are taking good accountability to protect the interests of MCB organization.

Regarding to the analysis on responsibility dimension at MCB, responsiveness behavior of the Board of Directors in setting the company's risk appetite are found as the highest responsibility. They are periodically reviewing the risk management system. The overall mean for board responsibility factor is also very much higher and thus, responsibilities dimension of corporate governance at MCB is as a sign of cornerstone of corporate government system.

Transparency means openness, a willingness by the company to provide clear information to shareholders. From the analysis on the transparency, it is found as company has very well written information disclosure policy, regarding financial and non-financial, are fully, timely and equally available to all stakeholders, and thus, there are good practice at transparency in corporate governance of MCB.

Regarding to the governance structure role, the highest mean score is indicating the important role of the Board of Directors with respect to risk management, oversight of internal controls, external audit and preparation of financial statements. The lowest mean score is at the variant composition of the Board of Directors according to the work nature. However, the total mean score for governance structure is much higher, indicating that respondents are rating the important role of governance structure.

Ethics is a set of principles of right conduct. In this analysis of the important role of ethics and ethics policy, it is found as their higher perceptions of MCB brought in outside speakers or trainers to provide information about ethics. The statement of Board of Directors and/ or Audit Committee monthly review key elements of the company's financial statements. However, the higher mean is indicating the respondents' agreeable of the important role of ethics in the corporate governance structure of MCB.

Regarding to the importance of values, survey reports the higher perceived values at the corporate governance of MCB. Respondents are strongly agreed that organization has issued clearly defines mission, vision and values statement and fastened in hotspot area. Values statements which are also distributed to all the bank branches aiming at well understanding of corporate values.

Disclosure is the act of releasing all relevant information on a company. Regarding to the analysis on the importance of disclosure on the corporate governance, the highest mean score of their agreeable to company issuing management structure and policy and the lowest mean score of

non-financial information, both are higher, and thus MCB is practicing disclosure policy very well at their corporate governance system.

Regarding to the analysis on people commitment level to the Corporate Governance of MCB, the highest mean score of management/Board of Directors has approved the annual calendar of corporate events and the lowest mean score is the condition of company issuing articles of incorporation, at which distribution of authority. However, the higher the mean score is indicating higher, indicating that, respondents have strong commitments upon the corporate governance at MCB.

Regarding to the analysis on supervision and Control at Corporate Governance of MCB, the highest mean score is the company establishing some of legally prescribed options for online participation in the assembly activities and the lowest mean score is the internal audit role. However, the higher mean score is indicating that corporate has well structure of supervision and control system.

Finally, the performance of the good corporate governance at MCB is analysed. The performance resulted from good corporate governance system at MCB make overall profitable organization in terms of higher dramatically increases margin, along with higher customer satisfaction. Corporation is able to recognize and accept new business opportunities ahead of others, is also higher agreeable by the respondents. In conclusion of the survey findings, the total mean score is indicating that MCB has practicing a good corporate governance system and thus, it can be concluded as influencing on the performance of MCB public bank, Yangon.

In this study, the relationships between good governance dimensions on bank performance is analyzed by the use of Linear Regression model. The results of estimated regression model reports that only four among out of ten variables of corporate governance dimensions have relationship with performance of MCB because of their significant values. These variables are Transparency, Governance Structure, Ethics, and Values dimensions. Among these four corporate governance dimensions, only the ethics has the greatest impact to the organizational performance of MCB.

5.2 Suggestions and Recommendation

Based on the findings from the observed data in the previous section, the suggestions will be presented for the good corporate governance practices and organizational performance. factor of BODs, there has higher fairness, whereas, it could be suggested that they should try to improve fairness inside their corporate governance to acknowledge more form external agency recommendations. Accountabilities at corporate governance of MCB also found as well

monitoring the performance of managers and thus, it could be recommended to maintain their protecting for their shareholders' interests. In that system, it is needed to take more accountability to the company's interests, why maintaining the good governance at MCB at the accountabilities' culture. Responsibility of the board of directors upon company is also important at good governance of MCB. However, MCB should review on the existing written roles and responsibilities for BODs to good corporate governance of MCB to be higher level of responsibility.

From the analysis on the transparency at MCB, company written information disclosure policy, regarding financial information into the public. It could be suggested that MCB also should be more transparency on non- financial information so as to be equally available to all stakeholders. Company should disclose at major transactions, related party transactions, off-balance sheet activities, and other material events. Result reports strong recommendation on organizational ethical culture at MCB. and thus it could be suggested to the MCB to maintain the existing ethical culture which is an important role at good governance of MCB. Corporation's values to its customers and stakeholders, result also reports strong corporate culture at MCB. Analysis on all the items relating to corporation values, the higher the respondents' agreeable highlight the MCB to maintain the existing culture which is also an important role at good governance of MCB.

Disclosure is the act of releasing all relevant information on a company. In the survey result of the analysis of disclosure culture at good governance of MCB, however, corporation could disclose remuneration (pay) of boards and key person, if possible. People committed on charter or articles of incorporation at which distribution of authority between the Annual General Meeting of Shareholders, the Board of Directors and the familiarity. Organization should maintain their commitment to the MCB. Supervision and control is found at well structure of supervision and control system. Regarding the good corporate governance at MCB, the higher the good governance practices could effect on the organizational performance, and thus, it could be recommended that MCB organization has already possessed well established good governance system, in general.

Because of the higher relationship between the "Transparency, Governance Structure, Ethics, and Values dimensions" to the bank performance in terms of reducing risks and nonperformance loans, higher return on investments and return on equity, it is recommended that MCB should maintain good corporate governance practices while improving other dimensions, so as to improve more on company overall performance with which financially sustainability for long run of the organization.

5.3 Needs for Further Studies

This research is only emphasized on one bank named Myanmar Citizen Bank (MCB). Among the several performance management systems, this study only focuses on the practices of corporate governance system in that company. And thus, study does not cover the whole banking system of Myanmar and does not include other organizational management system. This survey was only based on 39 respondents who are randomly selected from different positions at that organization because of time limit. Thus this research cannot represent the whole employees at that company. If the study can be conducted on the basis of larger sample size, the result will be more favorable outcome. Moreover, the future analysis on the relative importance to each characteristics at corporate governance mechanism, such as, fairness, accountabilities, responsibilities, transparency, governance structure, ethics, etc. The performance of MCB is not only the practices of corporate governance at MCB. There are other influencing variables like special marketing achieving activities and performance of employees. It could be concluded that MCB should continue practicing good corporate governance system and also continue its marketing efforts, employee learning and growth, building learning organization culture, and trainings which are aimed to improve more organizational performance, in general.

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<http://www.academia.edu/24726602/>

Appendix_ A

Analysis on the Corporate Governance of MCB, Yangon

Questionnaire

SECTION (A)

ANALYSIS ON SOCIO-DEMOGRAPHIC FACTORS OF RESPONDENTS

Please Tick “√” in the box that best describes you.

1. Gender of Respondent

Male Female

2. Age of Respondent

Less than 20 years 21 to 30 years 31 to 40 years
41 to 50 years 51 years above

3. Education of Respondent

Under Graduate University Graduated Post-graduate diploma Master Degree
 Phd. Doctorate Professor

4. Position of Respondent

Board chairman Internal audit chief CEO Executive level Board
members Risk officer Senior management Shareholder
Compliance officer Audit Committee chair External auditor

5. How long have you been working for this company?

Less than one year One to three years
Above 3 to 5 years Above 5 to 7 years
Above 7 years

SECTION (B)

ANALYSIS ON CORPORATE GOVERNANCE OF MCB

Please tick (✓) the score boxes which mostly explains your opinion on the given statement which you think is mostly concerned and reasonable. The levels of score are described as 5=Very High, 4=High, 3= Moderate, 2=Low, 1= Very Low.

FAIRNESS OF BODs						
No.	Description	1	2	3	4	5
1	Distribution of authority between the Annual General Meeting of Shareholders, the Board of Directors and executive bodies.					
2	There are any independent directors.					
3	Bank has been rated by an external agency for Corporate Governance.					
4	There are any shareholder agreements, provisions of the company's charter, or informal understandings that specify which shareholders appoint directors.					
5	The company have a formal or informal succession plan for its current CEO.					
6	The company have a corporate secretary who organizes Board meetings.					
7	Corporate governance would bring about the desired level of fairness in MCB Bank.					

ACCOUNTABILITIES						
No.	Description	1	2	3	4	5
1	The adoption of corporate governance practise in bank has made difference with regard to the overall functioning of bank in increasing accountability.					
2	Corporate governance would bring about the desired level of accountability in MCB Bank.					
3	Board of Directors are accountable to the company's interests.					
4	The current mix of skills/experience on the Board of Directors serve the company's interests are relative.					

RESPONSIBILITIES						
No.	Description	1	2	3	4	5
1	The role and responsibilities of the BODs is clearly stated.					
2	The adoption of corporate governance practise in bank has made difference with regard to the overall functioning of bank in increasing responsibility of the BODs.					
3	The Board of Directors set the company's risk appetite and periodically review the risk management system.					
4	The adoption of corporate governance practise in bank make difference with regard to the overall functioning of bank in increasing responsibility of the BODs.					
5	Establishment of internal audit team provides well reputation of the corporation.					

TRANSPARANCY						
No.	Description	1	2	3	4	5
1	The adoption of corporate governance practise in bank makes difference with regard to the overall functioning of bank in increasing transparency.					
2	The financial statements prepared in keeping with internationally recognized accounting standards (e.g., IFRS or U.S. GAAP).					
3	There are many material re-statements of the company's financial statements in the past 5 years.					
4	The company disclose major transactions, related party transactions, off-balance sheet activities, and other material events.					
5	Corporate report is annual report and posts at website for its transparency.					
6	Board of Directors/Audit Committee review key elements of the company's financial statements.					
7	Company has a written information disclosure policy that seeks to make all material information (financial and non- financial) fully, timely and equally available to all stakeholders					
8	There is autonomy of internal audit team auditing into all departments					

GOVERNANCE STRUCTURE						
No.	Description	1	2	3	4	5
1	The composition of the Board of Directors is determined by the work nature, that is, delegation of authority with stakeholders					
2	The shareholders' role in organization is to appoint the directors and the auditors and to satisfy themselves.					
3	The role of the Board of Directors vis-à-vis management, particularly with respect to Setting strategy and vision of the company					
4	The role of the Board of Directors vis-à-vis management, particularly with respect to Selection and compensation of the CEO and senior management					
5	The role of the Board of Directors vis-à-vis management, particularly with respect to Risk Management, oversight of internal controls, external audit and preparation of financial statements					
6	The role of the Board of Directors vis-à-vis management, particularly with respect to Major capital expenditures and large-value transactions.					
7	Directors are appointed on the basis of a clear job description which identifies the required directors' background and expertise					
8	MCB Bank has formulated its own policies for Corporate Governance					

ETHICS						
No.	Description	1	2	3	4	5
1	Our organization has an ethics policy in compliance of the corporate rules and regulation at treating with employees, customers, suppliers and stakeholders.					
2	ethics and/or governance policies communicated to staff members at the management meetings, email messages, training sessions, and physical documents					
3	Our organization have appointed an in-house ethics advisor who can judge issues related conflicts of interest and legal cases					
4	Our organization has brought in outside speakers or trainers to provide information about ethics and governance					
5	Our organization has an ethics hotline service (or) whistle blowing service					
6	Board of Directors and/ or Audit Committee monthly review key elements of the company's financial statements					

VALUES						
No.	Description	1	2	3	4	5
1	Ethics, principles, and hotline service, whistle blowing service are standing for good corporate values at my organization					
2	Clearly define mission, vision and values statement are well fastened in hotspot area make corporate value so prestige to its stakeholders					
3	Values statements are also distributed to all the bank branches aiming at well understanding of corporate values also at all the levels of the bank branches					

DISCLOSURE					
No.	Description	Agreeable Level			
1	My organization discloses financial and operation results in every year				
2	My organization also discloses non-financial information				
3	My organization has disclosed major share ownership and voting right to inform to shareholders				
4	Remuneration of boards and key person are also clearly stated				
5	Background of board of directors are issued at company profile				
6	Related party transactions are also disclosed for more transparency				
7	To mitigate the loss of company assets, important risk factors have already examined and informed to every department				
8	Company management structure and policy are clearly stated				
9	Human resource policy are clearly defined and circulated to every department				
10	Management schedules (i.e., meeting calendar) has pre announced				

COMMITMENT TO CORPORATE GOVERNANCE						
No.	Description	1	2	3	4	5
1	Company has a charter or articles of incorporation according to local legislation, with provisions on the protection of shareholder					

	rights and the equitable treatment of shareholders;					
2	Company has a charter or articles of incorporation at which distribution of authority between the Annual General Meeting of Shareholders, the Board of Directors and executive bodies.					
3	Company has a charter or articles of information disclosure and transparency of the company's activities					
4	Board of Directors and the senior management are familiar with the voluntary code of corporate governance for the country as wider view					
5	To high extent the company complies with the provisions of this code of corporate governance and this compliance has disclosed					
6	Company has well prepared procedures and well monitoring system to compliance with these procedures through management review meetings					
7	Company has disclosed the extent to which it is complying with its corporate governance policies and procedures					
8	company has issued a code of ethics such as issuing avoidance of conflicts of interests					
9	company has also issued an agreed delegation of authority (DOA) for budget approval					
10	management/Board of Directors has approved the annual calendar of corporate events (Board meetings, General Shareholder Meeting, etc.					
11	company have a designated officer responsible for ensuring compliance with the company's corporate governance policies and code of ethics					

SUPERVISION AND CONTROLLING

No.	Description	1	2	3	4	5
1	Company publish adopted decisions and minutes of the meetings, immediately, i.e. within prescribed deadlines, after the meeting					
2	Company has established some of legally prescribed options for online participation in the Assembly activities, and if so, in which manner					
3	Company has clearly defined its dividend policy and the procedures and deadlines for its distribution					
4	Internal Audit plays a role within the ethics and governance structure of your organization					
5	Our organization have completed an assurance audit on ethics and governance within your organization					

PERFORMANCE OF BANK

No.	Description	1	2	3	4	5
1	Well-formed collection policy of MCB can reduce Nonperforming Loan.					
2	Well-designed risk technique of MCB can reduce NPL.					
3	Because of good governance structure, organization can have more control on credit extension which can also reduce NPL					
4	MCB can mitigate the financial risky area					
5	Qualified key players in the corporate governance process take part in effective managing the different dimensions of financial risk					

6	Corporate governance at MCB also minimizes wastages, corruption, risks and mismanagement.					
7	The company can emphasize on development of skills continually to improve performance.					
8	Information sharing across departments and decision making are more faster than before.					
9	Firm is able to recognize and accept new business opportunities ahead of others.					
10	Good corporate governance helps to increase in bank reputation, brand formation and organizational development					
11	Good corporate governance make profitable to organization in terms of higher return in assets investment.					
12	Strong corporate governance maintains investors' confidence so that company can raise capital efficiently and effectively.					
13	Good corporate governance make profitable to organization in terms of higher return in equity.					
14	Good corporate governance system at MCB make overall profitable organization in terms of higher dramatically increase margin along with higher customer satisfaction.					
15	The rules of corporate governance specify the rights and obligations of the various claimants on the cash flows of business enterprises.					

Thanks for your kind participations.

