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EFFECT OF CORPORATE GOVERNANCE PRACTICES ON FINANCIAL PERFORMANCE OF PROXIMITY DESIGNS SOCIAL ENTERPRISE

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EFFECT OF CORPORATE GOVERNANCE PRACTICES ON FINANCIAL PERFORMANCE OF PROXIMITY DESIGNS SOCIAL ENTERPRISE

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ABSTRACT

This study examines the current practices of corporate governance in the Proximity Designs and makes analysis on this good corporate governance practices which would effect on the performance of the Proximity Designs. Total 30 respondents (41%) out of total 72 employees who are working at senior officer positions at Proximity Designs 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. Regression and Correlation analysis show that there has significant relationship of all these variables to the performance of Proximity Designs. 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 Proximity Designs has achieved social ,cultural, community economic and environmental outcomes and got earn revenue. The corporate governance dimensions by ethics have most relationship with Proximity Designs 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 progress its designed products, control financial risky areas, microfinance 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 organization's performance is better.

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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

MFI -Microfinance Institutions

NGO -Non-government Organization

OECD - Organization for Economic Co-operation and Development

PD -Proximity Designs

ROA - Return on Assets

ROE - Return on Equity

SME - Small and Medium Enterprise

UNCTAD - United Nations Conference on Trade and Development

CHAPTER I

INTRODUCTION

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. As any evolving industry, it faces new challenges of governance and operating practices, and control issues. Good governance issues can determine the organizations' performance of the business and thus is responsible for building a framework of policy within which it will operate to archive the organization goals and objectives.

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 Common wealth 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. 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.

Financial institutions of saving and loans organizations such as credit unions, microcredit organizations, cooperative banks and revolving loan funds are social enterprises. A social enterprise can be structured as a for-profit or non-profit and it may take many operation forms depending on one country' rules and regulations. The entities of social enterprises may exist as the legal forms as a co-operative, mutual organization, a social business, a benefit corporation, a community interest company, a company limited by guarantee or a charity organization.

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. Corporate governance therefore refers to the processes and structures by which the business and affairs of institutions are directed and managed, in order to improve long term shareholders‟ value by enhancing corporate performance and accountability, while taking into account the interest of other stakeholders (Jenkinson and Mayer, 1992). Corporate governance is therefore, about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that will foster good corporate performance.

Social enterprises have both social goals and business goals. Thus, a social enterprise has two goals: first is to achieve social, cultural, community economic and/or environmental outcomes; and the second is to earn revenue. As a result, their social goals are embedded in their objective, which differentiates them from other organizations and corporations. A social enterprise's main purpose is to promote, encourage, and make social change. Social enterprises are businesses created to further a social purpose in a financially sustainable way. Social enterprises can provide income generation opportunities that meet the basic needs of people who live in poverty. They are sustainable, and earned income from sales is reinvested in their mission. They do not depend on philanthropy and can sustain themselves over the long term. Their models can be expanded or replicated to other communities to generate more impact.

1.1 Rationale of the Study

Corporate governance issues can determine the organizations' performance of the business and thus is responsible for building a framework of policy within which it will operate to archive the organization goals and objectives. Good governance is essential for all successful organizations. The responsibilities of governance and management: creates a vision for the future, makes strategic and tactical decisions are the fundamental foundations on which effective organizations are built. The board helps develop, support, and defend the organization's mission (Gharp, 2006). Corporate governance can be considered as enhancing the reliability and quality of public financial performance, and thereby enhancing production and family income. The literature on institutional governance suggests that the role of a regulatory authority is important in improving an entity's performance.

Proximity Designs Social Enterprise is a successful organization in microfinance community also research, creates affordable, income-boosting product. They design and market products and services that low income farmers purchase and use to help increase their incomes. Their mission is to increase their incomes across and Myanmar. Over the past 14 years, their customers have seen an average annual income increase of 30 percent by using our products and services, which helps put food on the table, keep kids in school and set families up for a brighter, easier future. They have secured US$ 2.75 million in new grant funding from 7 donors. According with report of Quarter 2 (Oct 1st to Dec 31st, 2017) earned revenue, 99.1%repayment rate on farm loans. Its management of programmes is very interesting and should learn for governance experiences and knowledge of microfinance industry. In this study the corporate governance practices at Proximity Designs, how can specify the management responsibilities, sustainability and financial resources and fairness among financial performance.

Lack of corporate governance, all companies and society can lead to loss of profits, corruption and image damage affecting the world. This form of corporate governance management is also designed to limit risk and eliminate corrosive elements in the organization. There are areas that need to be improved with enhanced control over education, accounting, corporate governance, transparency and disclosure, to encourage investment and practice by minorities and external shareholders / foreigners as more overview of the company.

1.2 Objectives of the Study

The objectives of the study are:

(1) To identify the Corporate Governance practices of Proximity Designs Social Enterprise

(2) To analyze the effect of Corporate Governance practices on financial performance of Proximity Designs Social Enterprise.

1.3 Scope and Method of the Study

The study is focusing on over all governance practices of Proximity Designs Social Enterprise. There are 30 respondents (41%) from total 72 employees who are working at different positions at PD. Their positions are the executive level, director, the senior management level, shareholder, the audit body and senior staff formats research design, the arrangement for data collection and analysis of data will consider to achieve the objectives of research. The study will utilize descriptive and analytical research methods by employing primary data and secondary data.

The required secondary information and data will be gathered from previous research studies, official released reports of Microfinance organizations, and seminar and workshops of NGOs related to microfinance in community. As literature search, textbooks, lecture notes, various Internet Websites, social media, newspapers and various E. Books are studied. For more information, previous research studies in the similar topic of study field will be also referred as necessarily. The data analyzed in this study mainly primary data from sample survey of personal interview.

1.4 Organization of the Study

This study includes five chapters. Chapter I is introduction; it includes rational of the study, objectives of the study, method and scope of the study. And then, this chapter ends with organization of the study. Chapter II provides a theoretical background on corporate governance practices. Chapter III consists of corporate governance of Proximity Designs. Chapter IV is the effect of the corporate governance practices of Proximity Designs. Chapter V represents the conclusion of the study. It includes findings, suggestions and recommendations and needs for future research.

CHAPTER II

LITERATURE REVIEWS

In this chapter, definitions of Corporate Governance, role of Corporate Governance consists of theories such as Agency theory, Transaction cost theory, and Organization and Stewardship theory are presented. Corporate governance of Social Enterprise and financial management in Social Enterprise are also described as theoretical backgrounds about corporate governance and its related practices and concepts, best practices. Reviews of previous study on corporate governance are described. Conceptual framework of this study is also depicted.

2.1 Definition of Corporate Governance

Corporate governance has been suggested as one of the most important commerce terms of the 21 the century. Analyzing the existed literature indicates that there is no definition agreed with the corporate governance system. There significant differences between the definitions of the corporate governance system based on cultural, economic, and other conditions of ach country, there for, these definitions locate in the range included from in finite views to advanced views. Term logically, “Governance” which we define it as structure and performance of a company in respect with public and private stockholders, is synonym with words like, governance, reference, supervision, and control, which their nature is accountability of managers to owners.

Youndong Luo writes corporate governance system, is a system governing the stock companies, and determining frameworks, wage division methods, and responsibilities, among different stack holders of the company. It also illustrates roles and procedures of deciding about the company affairs. In finance and accounting literature, corporate governance is define as: “the range of control system to maintain and increase the interests of the commercial units’ stockholders. In fact, corporate governance is a system which control procedures of the companies operating to ensure the adaptation of the manager with the stockholders’ interests, are directed with. Such a system suggests the relations between different groups in order to determine the company’s direction and performance. It also states the roles and methods, determining how/ in favor of whom the companies are governed .Corporate governance does not deal with governing the company performance, but it relates with Business direction, control and supervision of the managers' actions, as well as being accountability to all stockholders. Generally stated, corporate governance addresses the way of governing/controlling the companies, especially role of the board of managers in this respect, and it provides a framework for an intuitional accountability system.

Definitions of corporate governance in scientific texts have common characteristics, which one is accountability. These definitions focus on the accountability to stockholders and other stack more advanced definitions show that companies are responsible against all the society, future generations, as well as natural resources. In this view, corporate governance system deals in fact within/ex-organizational barriers, crows, and adjustment. Existed for companies, insuring that they perform their responsibility toward all the stockholders and act in all business settings in a responsive manner. Also, logic rational in this view is that stockholders' in tersest are only satisfied through considering all stockholders interests; because, companies, being responsible toward all stock holder, are of more yield and success in the long term.

A key aspect of corporate governance is concerned with ensuring the flow of external capital to companies both in the form of equity and credit. Corporate governance is also concerned with finding ways to encourage the various stakeholders in the firm to undertake economically optimal levels of investment in firm-specific human and physical capital. The competitiveness and ultimate success of a corporation is the result of teamwork that embodies contributions from a range of different resource providers including investors, employees, creditors, and suppliers. Corporations should recognize that the contributions of stakeholders constitute a valuable resource for building competitive and profitable companies. It is, therefore, in the long-term interest of corporations to foster wealth-creating co-operation among stakeholders. The governance framework should recognize that the interests of the corporation are served by recognizing the interests of stakeholders and their contribution to the long-term success of the corporation.

2.2 Role of Corporate Governance

All definitions of the corporate governance system follow common target, and it in colludes providing control on management to perform given duties and maintain stockholders' interests. Generally, these views have been resulted in suggesting theories for corporate governance system, which they include: Agency theory, which is in due of economical and financial issues. Cost theory, which is in due of economics and organization theory. Stockholders theory, which is due of a social view about corporate governance issues of Organization and Stewardship theory.

2.2.1 Agency theory

Corporate governance has been noticed as a system and mechanism for controlling behavioral interests of the management. From agency theory prospective, performing the role of revision should be independence of managers. This theory deals with the case that one delegates response ability of the deciding about financial resources, or performing some services following even contract to another person. Former will be called owner (or employer) and the latter will be called agent (or executor). The relationship between stock holder and manager as well as executive manager and the managers of the different department of an organization are some examples of agency theory. Those problems being appeared from agency theory are: Existence of interests contrast between stockholder and manager; it means that the stockholder tries to reach to the highest investment value, and the manager tries to initially increase his/her own wealth, Inability of stockholder in considering managers actions/ operations, Effects of in farmed an in favorable election, Moral risk.

In the condition of assurance lack to future occurrences, a contract between stockholder and manager is concluded. In accordance with above cases, agency theory will be effective and useful if it follows from 4 ethical principles" to avoid from damaging others, to respect others' votes, to avoid from Lying and accept agreement. Beside above cases one should consider following two actions: A suitable contract in which wage rate, company risks, as well as manager/stockholders shares from resulted profit have been determined. A suitable information/accounting system, providing necessary data based on contracts, should selected by them. In formation of this system should commonly be considerable and invaluable for both parties.

2.2.2 Transaction cost theory

Which is an inter-course combination of economics, laws, and organization, first in the name of company behavioral theory was suggested by Cyert and March (1963), and become one of basics in industrial economic and financial theory. This theory bases on a foundation that, making companies so great that they substitute with market in resources so great that they substitute with market in resources devotion. Indeed, Companies are so complex and extended that they adjust market's transactions, and direct production in accordance with price flexibility of the market. Inside the companies, some transactions are removed, and the companies' managers adjust production with those transactions that they prefer themselves.

Transaction cost theory supposes that people often upper realistic, while the agency theory addresses the ethical risk and agency costs. Agency theory supposes that managers try to achieve diverted incomes, while in transaction cost theory, managers arrange themselves opportunistically. Other difference is that the unit of analysis in agency theory is individual, while in transaction cost theory the unit of analysis is transaction. This view focuses on managerial control.

In comparison with agency theory, this view states corporate governance as an inevitable variable. In revision, corporate governance has no effect, and in management dominant it is clearly a symbolic term. In fact, master managers select members of the board of managers instead of independent individual from his/her friends. Members of the board of managers are as passive individual in governance procedure, and they depend on the company's managers for information about industry and company. Although, corporate governance is an apparently composed to maintain the stockholders' interests, these views are combination of both company management and board of managers, and there is no stockholder. In these theories, also there are no other stockholder or society.

2.2.3 Stakeholders theory

That being a combination of social and organizational theories, begun to develop in 1970th; it is more an extensive research, That mixes philosophy, ethics, political theories, economics, lows, organizational as well as social sciences with each other (wheeler et al). Foundation of this theory is that companies become more great, and their influence on the society is so deep that is should pay attention/accountability to much more sections of the society, having mutual interests (except stakeholders); in the other words, not only stockholders are influenced by the company, but they also influence on the companies. They, in the companies, have interests rather than stocks. Stakeholders include stakeholders, staffs, sellers, costumes, debaters, neighbor companies, and public restricted to conforming the managers' decisions, trying to satisfy them requiring themselves to satisfy all of the stakeholders' right or in other words they are responsible against all stakeholders, they will move successful in long term and the probable of reaching to determined goals will be more to them. In fact, this theory states the responsibility of the company against these members. Also, company's goal in this theory, wealth or value creation for stock holders, are satisfied through changing their stocks to goods and services.

In stakeholder model, the view of agency theory is dominated. In this view, management as those individuals who depending on the board of managers are investigated to determine certain information and here the role of the board of managers has been changed to supervisor. In this view, like agency theory, the board of managers along with other managers arranges procedures and strategies of the commercial unit, and its focus is generally on defining new products, markets, and new technologies, as well as helping to executive management and strategic plans. As a result, it should be noted that in this view, skill, proficiency, knowledge, and ability are external resources.

Organization and Stewardship theory this theory includes in estimations and acknowledgments that determine how to delegate power, facilities and profit of the company between owners, managers, and other stockholders via governments. Ownership structure and legal frameworks are the most basic and determining factors of the corporate governance system. Also, external factors, like, rates of investment from in/out side, global economic status, stock supply in other countries markets, and in outflow investment will affect the corporate governance in a country.

In this theory, it is stated that managers are good agents in the companies. Because they try to improve the company's profits and stockholders' yields to a high level. Also, managers excite with the need to be responsible, and this makes their work better. The other characteristic of the definitions is to maintain the minor stockholder rights as well as defense from stockholders and their rights. Using better managers in companies leads to improve the company performance as well as increase the stockholders rights. As a result, the company's financial yield will increase and its control will be better done. Legal and cultural issues, as well as revelation and changes in capital's market result in development of the corporate governance theory.

2.3 Functions and Practices of Corporate Governance

The World Bank (2006) stated that corporate governance includes two mechanisms; internal and external corporate governance. As stated, internal corporate governance focus on the priority of shareholders' interest, engage with the board of directors to oversee top management, whereas, external corporate governance engages on force and external regulations in order to control and oversee managers' behavior. Corporate governance also includes processes and relations through which corporations' objectives are set and pursued in the context of the social, regulatory and market environment. These include monitoring the actions, policies, practices, and decisions of corporations, their agents, and affected stakeholders. Corporate governance practices can be seen as attempts to align the interests of stakeholders.

Governance of a well incorporated social enterprise will help safeguard the mission of the enterprise while allowing the management team to meet the demands of such various stakeholders as investors, employees, clients and beneficiaries, as well as comply with public policies and regulations. However, few social enterprises use governance as a means to reach their highest potential. Likewise, board members of social enterprises often feel that they have more to offer than the social enterprise currently engages them. No one governance mechanism fits all social enterprises. Rather, governance should be dynamic and adapt to the changing needs of the management team, the operating and regulatory environment, and the larger goals and vision of the social enterprise over its lifespan.

Social enterprises are organizations that pursue a social mission through the use of market mechanisms. Social enterprises are business ventures that intentionally affect societal good. The sustainability of early stage social enterprises is particularly vulnerable because they rarely operate at a high profit margin. As a result, the wrong executive decisions are more likely to end the business because there is little operating reserve to sustain the organization's recovery. Moreover, social enterprises must constantly manage the conflicting interests of profit returns and social impact, which is hard to do. Thus, social enterprises need good corporate governance practices and enforcement mechanisms if the sector will thrive.

Corporate governance describes the system of internal controls to regulate people, processes, and policies within an organization. But there is an absence of regulatory oversight to enforce good governance models within the social enterprise sector because most social enterprises do not exceed the thresholds to initiate government monitoring.

Another function of corporate governance is to ensure accountability within the board of directors as well as the company's larger management structure. This provides a system of checks and balances to make certain organizational procedures and initiatives are being carried out properly. The board of directors can stay well informed as to the progress of investments and business projects because of this greater level of accountability and communication among the organization's management structure.

The responsibilities of governance include choosing BOD and top executives, evaluating their performance, authorizing plans/commitments and evaluating the organization's performance. Shareholders have a dominant role in appointing board of directors. Shareholders believe that appointed BOD and senior managers will act in their interests. Senior managers are responsible of directing; planning and controlling work and take corrective actions necessary. They should manage risk, have appropriate control systems, provide accurate information and act ethically. Shareholders place their trust in board's decisions in supervising senior manager's actions and proficiency. On the other hand, management has the responsibility for managing and enhancing the overall performance of the organization.

However, in many incidents this is not the case and agency problem persist. When existing and potential investors are considering buying or selling stocks of any companies, they often rely on financial information which is not forward looking, subjective and sometimes incorrect. In this case, shareholders confidence for an effective role and responsibilities of the board in supervising and selecting senior managers is crucial. In order for corporate governance to function efficiently, several dimensions might be taken into consideration including role and responsibilities of the board, board composition, management process, relationship between board members, and duality of CEO and Chairman.

Corporate governance can be viewed as a nexus of relations between board of directors, company management, shareholders, debt holders, customers, government and other stakeholders within a social, legal and political framework. The effectiveness of corporate governance flourish in an environment of compliance, transparency and accountability. Board of directors has a control, strategic and resource provision roles the supervisory board "can help the firm connect with the relevant segments and environmental constituencies".

2.3.1 Roles of Boards of Directors (BOD)

In the roles of BOD, there have 3 primary roles: to establish policies, to make significant and strategic decisions, and to oversee the organization's activity.

1. Policy making

Effective execution of policy is necessary to fulfill the other 2 roles. Policies define focus and differentiate responsibilities among the board, the management, and the staffs. Well-written policies lead to more efficient board functioning. Instead of having the same matter or very similar matters on the agenda repeatedly, the board can develop a policy that covers the issue and leave implementation of the policy to management.

2. Decision making

Decision making involves making choices about the organization's vision, mission, and strategies. Boards make decisions about issues that are strategic and significant, such as whether to enter an affiliation agreement with another organization. As decision makers, boards can also delegate non-governance types of decisions to others and would be wise to do so.

3. Oversight

Oversight is an important function, but boards must remember that the organization is theirs to oversee, not to manage. Some boards cross the line and try to involve themselves in management. Nevertheless, in the oversight role, the board is legally responsible for everything that happens within the hospital, whether in the emergency department, a clinic, or a nursing unit. In the area of quality, for example, the board's oversight role may include setting the tone by stating that the organization is committed to quality; establishing policies related to quality, such as credentialing; ensuring that mechanisms are in place, such as committees, to establish a plan for quality; and monitoring implementation of the plan. Board committees play an important role in the governance process. It is useful to periodically review the structure and functions of the committees and to ensure that everyone knows what to expect from them.

2.3.2 Responsibilities of Boards of Directors (BOD)

BOD has numerous responsibilities: they oversee management, finances, and quality; set strategic direction; build community relationships; establish ethical standards, values, and compliance; and select a CEO and monitor his or her progress. Although the management team develops the strategic plan, it is the board's responsibility to accept or modify the strategic plan and to set the direction. The board considers elements in the environment—such as growing competition and changing patterns of care—and develops a vision, a mission, strategic thrusts, goals, and tactics that respond to the environment, all the while showing the organization's values.

Financial oversight is a familiar job that boards usually do well. Boards ensure the use of financial controls; ensure that funds are prudently invested, considering cash management, banking, and contracting parameters; and establish policies related to budgets. Their goal is to protect the community's assets. Oversight of the quality area often involves utilization and risk management in addition to continuous quality improvement. Attention to community relationships is a responsibility unique to not-for-profit institutions. Inasmuch as board members have contact with the community, they can be sensitive to the expectations and needs of its citizens and bring that knowledge to the board room. The focus is on all those the organization serves: consumers, businesses, elected representatives, payers, and collaborators. Boards are paying more attention to the quality of life in their communities.

The ethical standards of the organization are determined by the behavior of the board. Through its ongoing actions, the board decides what behavior will and will not be tolerated. These actions supersede ethical statements—however important such statements are-in showing an organization's true values. In recent years, compliance issues have risen to board-level responsibility as well, particularly as the media have reported people being sent to jail and organizations and individuals being fined millions of dollars for breaches in government regulations. Compliance is probably the only new issue that has been added to board responsibilities over the past 10 years.

When reviewing these responsibilities, it is important to note that the board as a whole, and not any individual member, has the authority. Further, the board exists only when it is in session. The committee is an appendage of the board, and the board can delegate certain tasks to a committee or an individual, but otherwise an individual board member has no prerogative. Thus, it would be inappropriate for a board member to walk in to a manager's office and ask to review the books or demand certain changes. Such actions, in fact, can cause much disruption. The CEO is the full-time agent of the board and is the only person directly accountable to the board.

2.4 Corporate Governance practices in Social Enterprise

Corporate Governance System is built upon a framework that provides clear steps for an enterprise to define their own corporate governance regime, and is focused on the intersection of best practice and individual enterprise needs. The framework has the guiding principles of Accountability and Transparency. These two principles flow from the fiduciary duty owed by a member of a board when assuming their position of trust. This means being.

Accountable -to the owners and other legitimate stakeholders to manage the allocation of resources to achieve the best possible outcome for these stakeholders. Transparent -so that there is a free flow of information to those that should have it in a way that is easy for them to understand and to respond. It is important that decisions and processes are transparent to all stakeholders. Although there will always be commercially sensitive information that will need to be withheld, the predominant culture should be one of disclosure.

The pursuit of quality requires leadership in clearly communicating needs, requirements, and expectations to all involved. Consistent outstanding performance is best achieved by ensuring that people at all levels are quality conscious, and use the right processes and tools. An enterprise must commit and invest in quality to gain the returns. As enterprises can differ dramatically in shape and size, corporate governance traverses variations such as structure, ownership, activities, risk profile and competition, and addresses issues as diverse as joint ventures, compliance committees, directors" remuneration, performance evaluation and disclosure. It is important for a board to have an understanding of each of these variations so they can make informed choices about the areas of interest and need for their enterprise.

The framework has four knowledge components which are an important step to defining enterprise-specific corporate governance. These are the Legal Responsibilities of Directors, the Role of a Board, the Role of a Director and Self Knowledge. Legal responsibilities of directors is about the legal and societal expectations and requirements. The role of the board and the role of the director are contextual. Contrast the needs of a small community organization with one or two staff with that of a large corporate entity with many staff over a wide range of activities in many locations. In both cases the same basic responsibilities exist, but the focus of the role for each Board and of the individual directors of that board is quite different.

For every enterprise, the board and individual directors need to understand their context and its impact on their roles. Self-knowledge for an enterprise is an agreed and shared understanding among the board and senior management about who you are and what you do. Many organizations that have been in existence for some time have changed and grown, and as they gain more resources and as the founders more on, there can often be little agreed clarity of purpose. A clear vision of the enterprise by all is an important ingredient of effective corporate governance.

The Quality Corporate Governance System starts from the premise that to run an organization all Boards must undertake the five key processes of Direction Setting, Decision Making, Leadership Development, Reputation Assurance, and Stakeholder Reporting. From these five, all processes flow. Each of these process clusters can differ depending on the nature of the enterprise. For example, Decision Making in a small organization may consist only of Board Meetings and Annual General Meetings. As the organization grows, it could expand to include delegated committees, out-of-session decisions and working groups.

Sustainable enterprises are organizations that have business strategies, activities, and products and services that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future. An enterprise must be economically viable, have clear direction, understand its financial, human and social capital needs, and be aware of the strengths and weaknesses of the organization. Environmental thinking and social responsiveness must be integrated proactively into core business processes, systems, and strategies. And above all, an enterprise must be accountable to the communities in which it operates for the actions of the enterprise. The multiple benefits of a sustainable business include reduced costs and improved productivity; competitive advantage; increased revenue, enhanced brand image and reputation; improved relations with key stakeholders; lowered risks and liabilities; enhanced innovation; long-term profitability and increased shareholder and stakeholder value; and improved environmental performance and reduced environmental impact.

Good corporate governance is about creating a robust organization with a strong reason for being and enhanced longevity for the enterprise. This will lead to reducing the dependency on individuals, creating a focus on achieving the goals of the organization, strengthening the engagement with stakeholders and retaining the non-financial capital created by the organization.

2.5 Financial Measurement in Social Enterprise

In order to be as effective and successful than profit-making organizations need social purpose organizations be highly innovative in creating reporting practices and measurement systems as they are not as developed and extensive than the measurement systems for financial reporting. Furthermore, the whole measurement and reporting processes are much more complex as social and financial value creation and their evaluation need to be combined.

New reporting innovations seek to consider both value creation approaches as equal in organizations' strategic planning (Nicholls 2009). Social entrepreneurship is "a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs" defined by Mair & Marti (2006, 37). It is viewed as an attempt and a willingness to achieve change by combining resources differently. Social enterprises are driven by a social purpose and try to seek the balance between their social mission and business performance (Drayton 2002). The status of a social enterprise does not give necessarily any preferences in the competitive market and this is the reason why their financial and social objectives need to be in balance and they must be considered in an appropriate way (Luke et al. 2013). Furthermore Luke states that in order to establish financially sustainable operations, performance needs to be measured effectively. Additionally to dual functions of social enterprises they need to meet requirements for two groups of stakeholders, both external and internal. The need for relevant and reliable information sets measuring performance to the important position. While external stakeholders expect assessments and reporting to be transparent and comparable, internal stakeholders demand information on which to base rational and strategic decisions.

Measuring only because of the need to measure is not enough but relevance and decision-usefulness of chosen measures need to be ensured (Haigh & Hoffman 2012; Luke et al. 2013; Tracey & Phillips 2007). The development of performance measurement systems is seen crucial, simply for the reason to be able to gain and maintain present and future stakeholders' interest towards social entrepreneurship (Volkmann (Eds.) et al. 2012). Emerson's (2003) study holds a significant position within the topic "blended value." Emerson emphasized that the value of organizations cannot strictly be measured with financial indicators, it should be considered that return on investment does not serve only financial interest. It is rather a value proposition of both social and financial interest of which "the blended value proposition" results from. Thus, between two traditional perspectives falls the third perspective which takes a part from both surrounding perspectives; it is operating neither on a pure financial market nor pure social market but social capital market where "social return on investment" (SROI) is considered as much as is the financial metric "return on investment" (ROI). According to Kagalwala and Ram, (2003) many institutions throughout the world have disappeared due to weaknesses in board parameters of risk management functions. Institutions that must survive need Higher Return on Assets (ROA). This is a net after tax profit divided by total assets. It is a critical indicator of profitability. Companies, which use their assets efficiently, will tend to show a ratio higher than the industry norm.

Also the main stream enterprises have noticed the complexity of performance measurement. Balanced scorecard is one of the widespread management tools that enable organizations to consider also other aspects in entrepreneurship than just so called hard values. Success requires more: soft values are equally important. Balanced scorecard gives the possibility to consider both hard and soft sides of businesses (Kaplan & Norton 1996). This conceptual paper focus on existing literature about performance measurement and reporting in social enterprises and main stream SMEs. The conceptual research discusses about ideas and ways to measure social value creation by existing management accounting tools and discusses about the relation between traditional accounting and blended value accounting and reporting.

2.6 Theories of Corporate Governance for Social Enterprise

Corporate governance refers to the way an organization is governed. It is about promoting fairness, transparency, and accountability in the running of an organization governed by the rules, practices and processes. Board of directors (BOD) and managers are the major players in corporate governance, but employees, vendors and other stakeholders also have a stake in corporate governance. Compliance requirements, regulations and laws ensure that corporations are fair to their shareholders, consumers and employees. Corporate governance also provides a process for corporations to compete fairly within their industries.

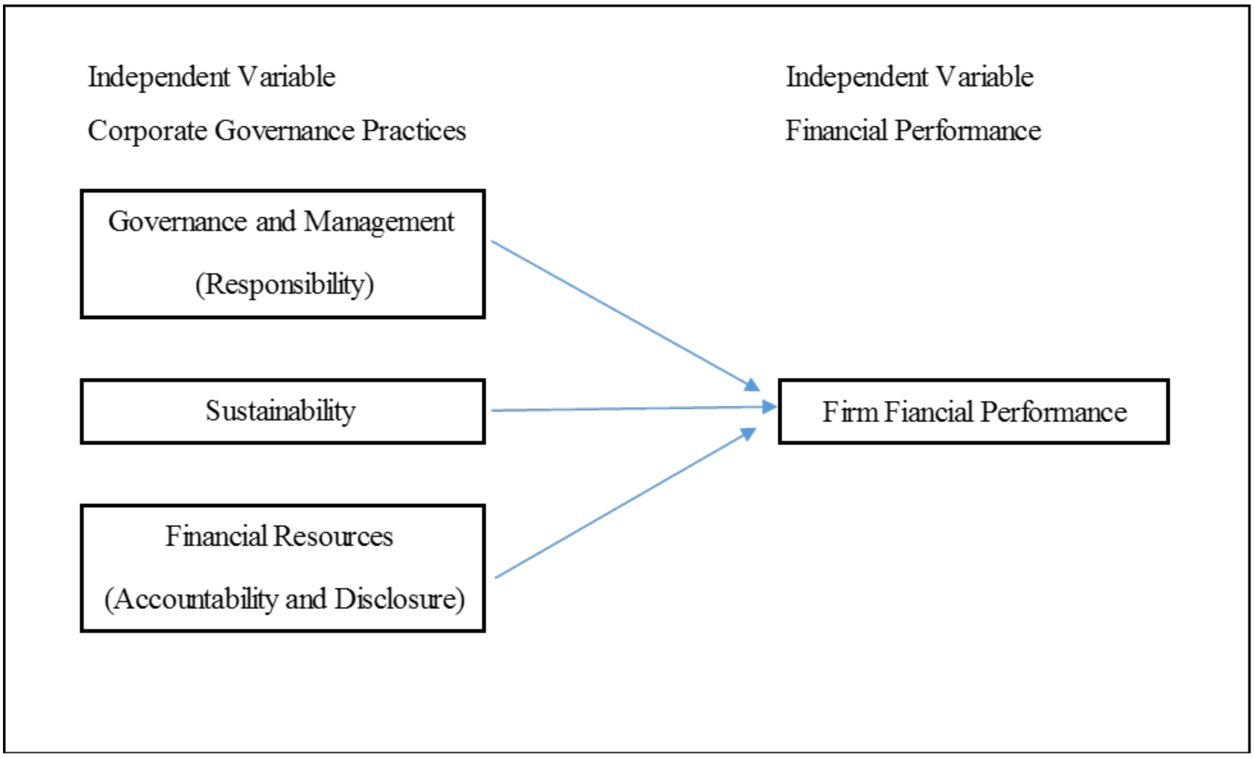
Regarding to definition of Corporate Governance, it has different definitions. Margaret Blair defines corporate governance as a set of policies, and way of life measures proportionately more than is customary. This measurement and others are deliberate, using specifications that anticipate your paper as one part of the entire proceedings, and not as an independent document. Please do not revise any of the current designations. and organizational procedure that guide corporate organizations' activities which entails – the way things are done, who supposed to do it, how it should be done, what are the things to be considered before doing it and the controls measure (Cornelius & Kogut, 2003). In another definition by Organization for Economic Co-operation Development (OECD, 2005), corporate governance is the way and methods by which organizations are directed and controlled.

Corporate governance spells out the rights and responsibilities among the member of an organization and also the regulations and methods for making decision (Co-operation & Development, 2005).From the above definitions of corporate governance, it can be deduced that the concept of corporate governance is about conducting business operations with all integrity, fairness and transparency and disclosing all necessary decisions in accordance with regulations and to be accountable and responsible towards shareholders. Corporate best practices evolved as a standard of basic principles for organizations to strive for to demonstrate that they're governing themselves well, and that they're operating with honesty, integrity and accountability. With successful corporate governance, an organization can attract a good deal of public interest because of its importance for the economic health of the organization and for the welfare of society in general. Therefore, importance of corporate governance in today's progressive and aggressive business environment cannot be denied.

2.7 Conceptual Framework of the Study

Figure (2.1) is the relationship between corporate governance dimensions, and then good corporate governance, and then link to the organization performance.

Figure 2.1 Analytical Framework of Corporate Governance and its Impacts



Source: Adapted from Natenzi Cynthia (2011)

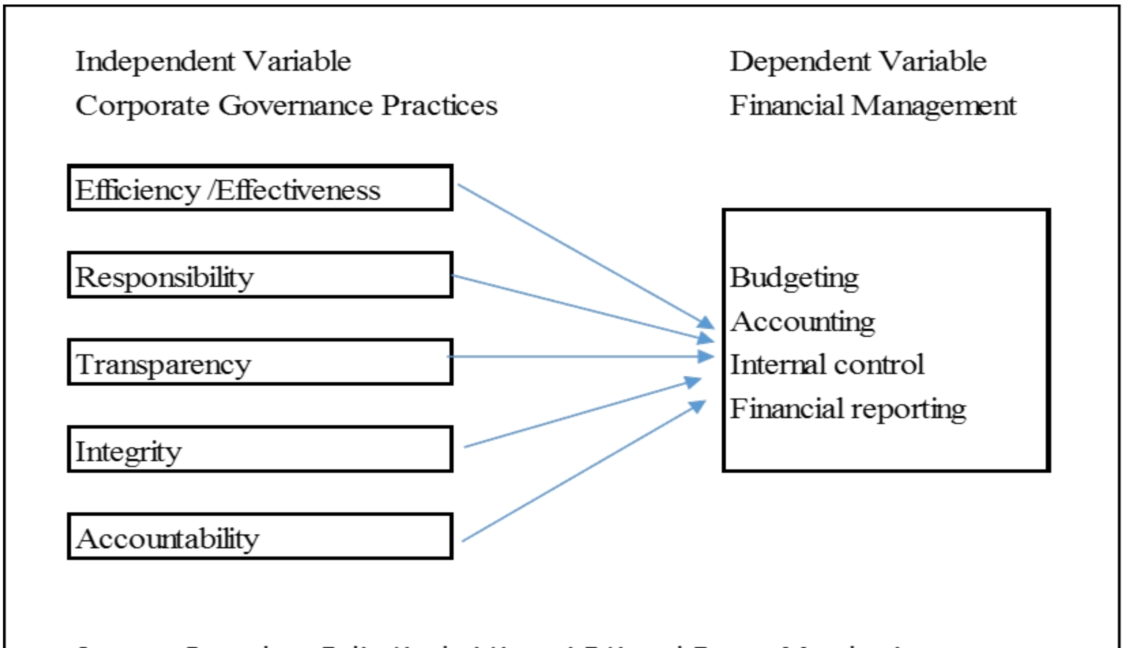
The main purpose of the study is to establish the role of corporate governance in financial management. An explanatory research design was adopted in the in-depth study on the corporate governance applied by 30 senior managers in one of social

Enterprise of PD. Primary data was obtained by administering questionnaires. Data was analyzed using both quantitative. From the regression results corporate governance responsibility, sustainability and financial resources (accountability and disclosure had significant and positive effect on financial management of PD. Thus, leading to efficient, effective and sustainable entities that have contributed to the welfare of society by creating wealth, employment and solutions to emerging challenges; creating positive image among the stakeholders both locally and internationally; and promoting transparency and accountability recognized by the stakeholders are among the major importance of corporate governance. The study recommends that there is need for the Non-Governmental Organizations through relevant agencies to train shareholders and establish a shareholders association to heighten their involvement and that there is need for the management to ensure that there are sound communications channels in order to facilitate easy adoption of corporate governance.

2.8 Previous Study on Corporate Governance Practices on Performance

Figure (2.2) is the relationship between corporate governance dimensions, and then good corporate governance, and then link to the Organization Financial Management.

Figure 2.2 Analytical Framework of Previous Study



Source: Based on Felix Koskei Kemei F.K and Evens Mweberi

A previous study on Corporate Governance Practices on Performance was analyzed to be reference for this study. The title is “effect of corporate governance practices on financial management in non-governmental organization, kenya” by Felix Koskei Kemei and Evans Mweber, the researchers for Ph. D dissertation. Based on this previous study, theory of explanatory research design was adapted as the in-depth study on the corporate governance applied by 50 NGOs in Kenya. The objectives of the study were: (i) To investigate the current governance practices by NGOs in Kenya and (ii) To investigate the relationship between governance practices of NGOs in Kenya and their performance. Primary data was obtained by administering questionnaires. Data was analyzed using both quantitative. From the regression results corporate governance efficiency/effectiveness, Responsibility, Transparency, Integrity and Accountability had significant and positive effect on financial management of MFI. Thus, leading to efficient, effective and sustainable entities that have contributed to the welfare of society by creating wealth, employment and solutions to emerging challenges; creating positive image among the stakeholders both locally and internationally; and promoting transparency and accountability recognized by the stakeholders are among the major importance of corporate governance. The study recommends that there is need for the Non-Governmental Organizations through relevant agencies to train shareholders and establish a shareholders association to heighten their involvement and that there is need for the management to ensure that there are sound communications channels in order to facilitate easy adoption of corporate governance.

CHAPTER III

PROFILE OF PROXIMITY DESIGNS SOCIAL ENTERPRISE

This chapter presents the historical background of social enterprises and Proximity Designs with the organization structure and provided by PD. There are four sections. They are historical background, vision, mission, objectives, core value and corporate governance system at PD.

3.1. Historical Background of Social Enterprise in World

A social enterprise is an organization that applies commercial strategies to maximize improvements in financial, social and environmental well-being—this may include maximizing social impact alongside profits for external shareholders. A social enterprise can be structured as a for-profit or non-profit and it may take many operation forms depending on one country' rules and regulations. The entities of social enterprises may exist as the legal forms as a co-operative, mutual organization, a social business, a benefit corporation, a community interest company, a company limited by guarantee or a charity organization.

Social enterprises have both social goals and business goals. Thus, a social enterprise has two goals: first is to achieve social, cultural, community economic and/or environmental outcomes; and the second is to earn revenue. As a result, their social goals are embedded in their objective, which differentiates them from other organizations and corporations. A social enterprise's main purpose is to promote, encourage, and make social change. Social enterprises are businesses created to further a social purpose in a financially sustainable way. Social enterprises can provide income generation opportunities that meet the basic needs of people who live in poverty. They are sustainable, and earned income from sales is reinvested in their mission. They do not depend on philanthropy and can sustain themselves over the long term. Their models can be expanded or replicated to other communities to generate more impact.

With an aim to generate income if not wealth, the social enterprises come up with innovative as well as people-friendly solutions to bring a positive change in the society. What makes them different from the corporate world is their basic aim; they work for the people who live below poverty line and offer flexible working environment to people. Although the concept of social entrepreneurship has been around since 1960s and is promoted by many individuals but the establishment of The Grameen Bank in Bangladesh was the first instance where the concept was thoroughly used. Under the leadership of Muhammad Yunus, it tried to address the issue of people living below poverty line and gradually has evolved as a strong identity.

3.1.1 Successful Social Enterprises in the World

1. The Skoll Foundation - North America

Founded by Jeff Skoll, the first president of ebay, the Skoll Foundation supports the social enterprises and highlights their work by establishing their partnerships with Sundance Institute and NewsHour with Jim Lehrer. NIKA Water Company is another social enterprise in America. The company sells bottled water in the country and brings clean water to the developing world with its profits. It uses its 100 percent profit in the activity.

2. Grameen Bank - Bangladesh

Social enterprise is not a new concept but it started becoming popular only in 1960s. There may be different rules and regulations for social enterprises around the world but their basic concept remains the same. Their ultimate aim is to serve the people of the society who are at the bottom of the pyramid. In Bangladesh, Muhammad Yunus incorporated the Grameen Bank, a microfinance organization that makes small loans to people living in rural areas without requiring collateral. The bank does not believe in charity but in offering help to people as an initiative to break through the poverty cycle.

3. Echoing Green - USA

Based in New York, Echoing Green is a non-profit organization that operates in social sector investing. For last twenty years, it has been working in this field encouraging and helping young entrepreneurs to launch new organizations.

4. Rang De - India

Rang De is a not profit online organization in India that lends small loans to individuals planning to start a new or grow their existing business. It is a successful attempt to bring together the two parts of India one of which is successfully progressing while one is left out due to shortage of resources. Founded in the year 2006 by Ramakrishna NK and Smita Ram, Rang De, today is a major online platform in the country.

5. Schwab Foundation for Social Entrepreneurship

Founded by Professor Klaus Schwab and his wife, the main purpose of Schwab Foundation for Social Entrepreneurship is to promote social innovation. The foundation does not give grants but addresses social problems and provides platforms at the country, global and regional levels.

6. Omidyar Network

Established in 2004, the Omidyar Network is a philanthrocapitalist investment firm that fosters economic advancement. With a network of for-profit companies, the network encourages participation in the areas of government transparency, microfinance, social media and property rights. Headquartered in Redwood City, California, it was established by Pierre Omidyar and his wife Pam.

3.2 Overview of Proximity Designs in Myanmar

Myanmar is one nation with 54 million people a least developed country. Agriculture is major livelihood of rural people, most of whom are hard-working, enterprising small-plot farmers. Most still live in poverty, and lack electricity, access to financial services, and the technology to be more productive. It is a land of immense need and tremendous opportunity. In such situation, Proximity Designs (PD) creates and delivers the products and services used by thousands of low-income families in rural Myanmar to dramatically improve their lives.

Proximity Designs (PD) is a social enterprise in Myanmar by delivering affordable, income-boosting products that complement the entrepreneurial spirit of rural families. It is one of the largest non-profits operating in Myanmar today. Founded in 2004, its products and services have improved the lifestyles, and boosted the incomes of over 3,000,000 rural farmers across the country. Proximity Designs is a not-for-profit social enterprise working to help reduce poverty for rural families in Myanmar. Proximity Designs is shaping the future of smallholder agriculture in

Myanmar by empowering farmers with its platform of agricultural technology, tailored and timely knowledge, and rural finance. It designs and markets the products and services which are targeted for low-income farmers who purchase and us them to help increase their incomes.

Foot-operated (treadle pump) of irrigation pump of PD, water storage tanks, drip irrigation systems, solar lighting, and farm advisory services of PD significantly increase farm productivity. Users generate substantially more income for food, health care, farm re-investment, and education. All of Proximity's products are designed for affordability and they use the power and reach of markets to get them to families who need them most. Since 2004, they have helped more than 100,000 rural households increase their income by over US$ 276 million.

PD distributes its products and services through a network of private sector agro-dealers and independent village-level agents that reaches approximately 80 percent of Myanmar's rural population. The products are designed to help farmers grow higher value crops and significantly increase their annual incomes. Proximity Designs (PD) has created Myanmar's largest agricultural services platform; farm technology, advising and finance in order to help small family farms be profitable. It has conducted several economic research projects for keeping things in perspective of it objectives.

Since starting in 2004, more than 110,000 Proximity products have been purchased by farm households in Myanmar. Following the disaster of Cyclone Nargis in 2008, the organization became active in designing and implementing humanitarian relief and recovery efforts for entire communities. To reach scale, and maximize impact, Proximity Designs (PD) applies a business model, and design thinking, to the mission. They believe this to be the most sustainable, and effective way of helping people getting more income.

After the cyclone they began diversifying their line of services, and created their farm recovery services in direct response to the crop failings and pest infestations that Delta farmers were suffering from. They also formed their infrastructure service, rebuilding and building footpaths, embankments, bridges and canals to help with connectivity and water control. As relief became less critical, they grew and adapted these services to the changing situations; cash-for-work labour opportunities were provided on infrastructure projects, and Farm Advisory Services staff began teaching smart but simple farming techniques to farmers, for longer lasting impact.

All the while, it has been continuing to design and manufacture a range of irrigation products. To make these technologies accessible to thousands more rural families, they developed a product financing service. More recently, they began offering a crop loan service that provides credit for critical inputs, to help farmers set themselves up for a successful season. Each of these services increases incomes by an average of $ 250 per season.

Proximity Design sold 100,000th product, launched a successful range of solar lighting, and began to spin off crop loans into a larger entity called Proximity Finance. PD was also honored to be recipients of both the Skoll Foundation's and the Schwab Foundation's Award for social entrepreneurship. It has resulted in increased incomes and improved lifestyles for over 566,500 people across Myanmar.

3.3 Performance and Corporate Governance of Proximity Designs

Established by Jim Taylor and Debbie Aung Din, Proximity began life, in 2004, as a country office of International Development Enterprises (IDE). The new entity was established as a wholly independent organization in 2008 and renamed Proximity Designs. Mr. Taylor and Ms. Aung Din, both graduates of Harvard’s Kennedy School of Government, were named Rainer Arnold Fellows in 2007-08, and received a 2012 Skoll Award for Social Entrepreneurship. Proximity has partnered with Stanford University’s Hasso Plattner Institute of Design’s, Entrepreneurial Design for Extreme Affordability course since 2007. PD has over 350 full-time staffs in Myanmar with its central office located in Yangon. The US office is located in Los Angeles.

Since then established, PD entered the Myanmar rural market with two types of treadle pumps, 13 staffs and a distribution reach of just 600 villages. Now, 15 years on, they are accessible to nearly 80% of the rural population, and offering a complete range of services that address many of the most pressing needs of rural families. That's no mean feat in a country like Myanmar. Over the years the environment has changed, and it had to adapt quickly to respond to its customer's needs. For the first few years, they focused on creating affordable irrigation products tailored to the

Myanmar farmer. They worked on building a distribution network to help us reach scale, and perfecting quality, and service. They also began building a team of field staff across the project regions.

Proximity Finance is the financial services business unit of Proximity Designs. It provides working capital loans to smallholder farmers to help them increase their farming income to improve their livelihoods. It provides only credit products in the future they aim to offer a full range of financial services to rural based target customers. Proximity Finances is an award winning social enterprise designing products and services that help Myanmar rural families achieve their goals. In 2012, Proximity Finance began offering much needed affordable credit to smallholder famers. The pilot program of micro-loans disbursed to rice farmers in the Lower Delta confirmed that there is a huge unmet demand for affordable credit among Myanmar’s rural entrepreneurs. With the extensive distribution of work and a long-standing connection to the rural sector, they have expanded the micro- lending business rapidly. From an initial reach of 10,000 customers and a portfolio of $ l.3 million, Proximity Finance has grown to 69,719 customers as of November 2018 with a balance sheet of $15.9 million. Leading the way for micro-finance in Myanmar, they are expanding the range of services to address the modernization needs of crop farmers, as well as supporting business growth for livestock farmers and urban entrepreneurs.

3.3.1 Mission and Vision of Proximity Designs

The mission is to improve the livelihoods of rural families throughout Myanmar. Proximity aspires to transform Myanmar’s small farm ecosystem. Myanmar's small farm system would become economically, socially and environmentally sustainable. Proximity is helping transform rural areas into more vibrant economies, providing decent income earning opportunities for men and women who would otherwise need to migrate to urban areas for employment. A more dynamic flow of goods, services and money between rural and urban areas would support more balanced and sustained growth in Myanmar.

3.3.2 Innovation of Proximity Designs

Proximity's platform offerings revolve around four core service areas: the provision of improved agronomy practices/skills, access to affordable farm financial services, micro-irrigation systems, and farm mechanization services.

These core services are being provided by Proximity Designs, and other partners including start-ups incubated by PD and other investors, manufacturers and distributors of irrigation systems. Partnerships are critical to the success of the platform, since Proximity does not have the scope and scale to reach desired outcomes. Additional service areas and partners will be added as the market evolves. PD delivers farm technologies, improved agronomy practices and seasonal farm loans through four primary delivery channels: 1) PD employs a local field force across Myanmar of agronomists, loan officers and irrigation sales reps who market, sell and install its products in over 10,000 target villages, 2) PD engages 175 local agro-retailers to sell the innovative farm products, 3) PD has built a network of over 1,000 independent village-level agents who promote, sell and deliver products and services and, 4) PD uses digital channels to market farm tech products and deliver agronomy advice.

3.3.3 Competitive Advantage

PD has built over the years a national platform of practical on-farm services and products designed to improve farm yields, productivity, profitability, resilience and sustainability of small farmers. Both the government and private companies have failed to focus on the needs of small farms. Proximity's platform changes this by showing the viability of markets for products such as irrigation systems and farm credit, thereby attracting new participants. The platform encourages innovation and introduces new approaches proven elsewhere, such as precision agriculture skills. Proximity also helps government and agencies to design more efficient and cost effective public goods, serving as a source of learning as the farming environment is changing rapidly and risks are increasing. PD serves farmers through (a) direct field force staff for sales and delivery; (b) independent village agents; (c) retail dealers and; (d) digital channels.

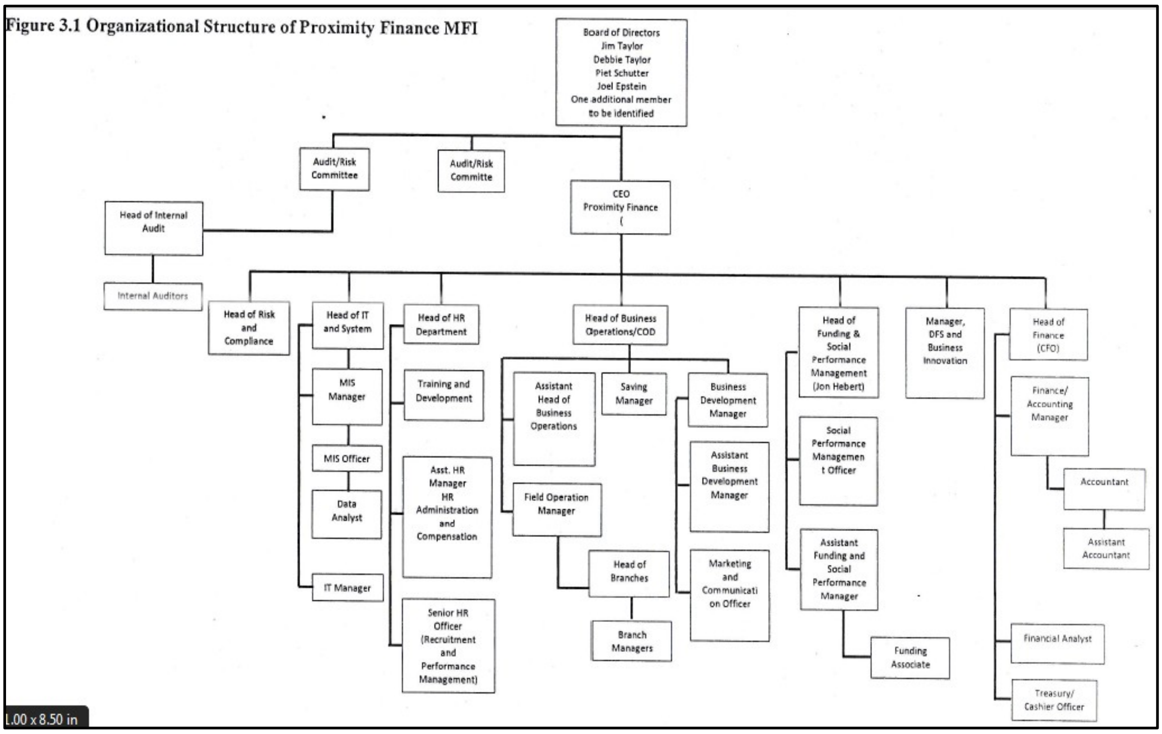
3.3.4 Approach of Proximity Designs

PD uses a design approach to improve the incomes and well-being of rural families in Myanmar. They employ professional designers, engineers and ethnographers to discover unmet needs and opportunities for new products and services. The organization operates a local design lab in Myanmar where its product designers create and test multiple prototypes with the goal of developing products that a) provide value to rural customers by increasing household productivity and incomes; and, b) are affordable for families earning $ 2 per day or less. Products reach villages nationwide through a distribution network of private agro-dealers and independent village agents. After-sales support and repair services are also offered to user households. Proximity conducts annual surveys to measure customer satisfaction and to document improvements in farm family incomes.

3.3.5 Organizational Structure of Proximity Designs

The Proximity team is made up of some remarkable individuals. All 450 of them- from the small-plot farmer turned sales staff, to the ballroom dancing Knowledge Manager- bring valuable, unique perspectives to our work. Here's a sampling of some of the people who make up Proximity. Organizational structure of Proximity Designs is shown as follows.

Figure 3.1 Organization Structures of Proximity Designs



Source: Proximity Designs

3.3.6 Policy and Core Values of Proximity Design

As the mission is to help improve livelihoods in rural Myanmar through the provision of appropriate, affordable financial services, PD has adopted policies and core values in line with vision. The vision is become the leading provider of financial services the rural sector in Myanmar, providing innovative and customer friendly products and services that will boost customers' incomes and quality of life, while contributing to the development of the country's rural economy. The core values of Proximity Finance are as follows: treat clients as our partners, listen, observe and Understand client's needs , keep the promises, measuring the results, hold the performance to International Standards of Professionalism, be flexible entrepreneurial and innovative activities, communicate, share, speak up, open to change, trust each other.The primary goals of the Proximity MFI are to increase customers and portfolio by deepening our penetration in current territories, moving into new territories, serving new customer segments and increasing average loan size, and diversify portfolio through geographical expansion and introduction of non-agricultural loans. The MFI also plans to introduce new products and value-added services to deepen relationships with customers and differentiate PF from competitors while improving operational sustainability by maintaining portfolio quality, boosting operational efficiencies, controlling costs and managing risk. It focuses on strengthening institutional capacity through the recruitment, development and retention of talented staff.

3.4 Performance Management Practices of Microfinance Implemented by Proximity Designs

The key financial performance measurement indicators are used by proximity Finance MFI. The primary sources of financial information are come from annual report of Proximity Finance MFI. It reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. Net assets, revenues, expenses, gains and losses are classified on the existence or absence of donorimposed restrictions. The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in United States America (US GAAP). They publicly announce their report on website quarterly and monthly. Therefore, financial information is reliable, transparent, consistent and timely reporting of financial performance enhances donors' confidence in Proximity Finance MFI and provides equal opportunity to act on such information. Indicators of Financial Perspective: the financial perspective considers whether the organization meets the expectations of its donors and how it creates value for them. There can be seen profit margin, Return on investment and operating efficiency as financial performance indicators.

The key Non-Financial Performance measurement indicators are determined by Country Directors and respective department managers based on organization's current market condition of distribution company and operating in that country. Non-Financial Performance indicators are customer perspective: Customers satisfactions and perception. Internal business process perspectives: the perspectives aim to improved internal process and decision making. Indicators of internal Business process Perspective are growth in number of branches per year, number of borrowers' complaints and number of internal audit observation per year. Learning and Growth Perspective are number of training courses per employees, number of borrowers per employee and information and technology and systems invested by Proximity Finance MFI.

The Chief Operating Officer is responsible for the business operations and development. The Senior Management Credit Committee oversees the operations activities and works strengthens interdepartmental relationships and enhance information flow' It oversees the loan appraisal and approval process at the branch. The committee meets on continuous basis whenever there are loan applications to be reviewed. The members are Branch Manager, Deputy Branch Manager, Senior Loan Officer and Loan Officer presenting their application and bookkeeper or Data Analyst. At least, three Committee Members must present during the meeting for a quorum and the Chair must be senior to the presenting Loan Officer. Area manager have to attend the meeting periodically.

The staffs returned their objectives, targets, performance indicators and actions for achieving them because this was the first time they were participating in the strategic planning process and performance measures were part of their daily activities. The team (with some modifications to its composition) was gathered again in a different venue to start the strategic planning process, now for a long- term period. According to their experience and discourses, the results were very good. The Branch Managers were confident that the Proximity Finance framework had helped to focus on objectives and performance indicators were important tools for helping to control performance and targets. As results and after a small ballot, the group decided to maintain the proximity Finance as a strategy and performance management framework. It put the following: guidelines to be followed in the period ahead to improve company's image a reference of managing agreements and contracts, to extend affirmative action towards being acknowledged as a supporting entity to the business, to seek alternative sources of resources due to the reduction in private funds, to fit action within a sustainable framework to improve the human resource development process.

According to their testimony, some departments had promoted meetings with others departments in order to search alignment among objectives. When it is proposed different sets of objectives the idea behind the action was a transform each department into a single business unit. The first feeling was that it could bring about competition between departments, but that did not happen on the country, they began to seek means for improving their performance together rather than tearing themselves to pieces to gain advantages in relation to one another. Instead of competing with each other for financial resources and legitimacy, the management team liaised in order to devise common objectives which would be more easily attained with less effort. As a result of this behavior ideas were discussed to improve the quality of the service provided and to challenge the processes carried out. The synergy and cooperation which resulted from alignment of mission, objectives and actions, which they regard as the result of the application of the institution, helped the foundation to improve its performance by achieving a higher surplus, developing a better image in the eyes of service users, and a better image in the eyes of the Administrative and Fiscal Councils. Other managerial result of the Proximity Finance MFI scheme is: the level of staff motivation is higher than ever (measured by turnover figures) the quality of services provided is good, according to a survey carried out among service users (we shall deal with this issue elsewhere), and the number of services rejected dropped to almost zero, according to each department's internal figures.

CHAPTER IV

ANALYSIS ON DATA FROM SURVEY INTERVIEWS

This chapter presents the findings from the analysis of data by interview survey with managers and clients of Proximity Designs about the issues of corporate governance on organizational performance of Proximity Designs.

4.1 Research Design

Since this research applies descriptive research method, it needs to describe the situation of information required and availability. Research methods using in this study are analytical descriptive method and quantitative method. Research design is a working plan of the study to be conducted empirically. In the plan, it includes research method, population of the study, sampling method, research material, data collection, and method of analysis. There are two types of data searching sources: primary and secondary data sources. The primary data approach is data collection from primary source which is a first-hand source of data. Since required primary data are about corporate governance, that will have to be collected from all managers working in management field. Data collected method used in this research is only method of interview with structured questionnaire. However, there has not been considered statistical techniques of sampling. In choosing sample of respondents, it applies method of convenient sampling because of questionnaire format is designed as self-administered answering. In the questionnaire, there are statements elated to corporate government to be chosen one score from 5 points Likert Scales. Five point scales are; 5 is strongly agree, 4 is Agree, 3 is Neither agree nor disagree, 2 is Disagree, and 1 is Strongly disagree.

The study sampled 30 participants who are working in the top and middle management level in different departments/division which is 10% of total employees of Proximity Designs. Questionnaire is sent by email to reach the respondents: 40 out of which 30 responded to the questionnaire set while 10 did not respond. Therefore, response rate of the study is 75 percent. Descriptive research method examines the problem by measuring the representative characteristics of the issues with information from the respondents. In this study, a total of 30 managers were participated in the primary data collection.

4.2 Demographic Profile of Respondents

Demographic profile in this study includes five factors such as gender, age, position, education level and working experiences at Proximity Designs. Each characteristic has been analyzed in terms of frequency and percentage. The summary of demographic profile data is presented as follows sections.

4.2.1 Gender of Respondents

In the analysis of the respondent's gender; male and female are shown by percentage. Table 4.1 shows the result of gender demographic profile data of the respondents.

Table 4.1 Gender of Respondents

Gender	Frequency	Percentage (%)
Female	18	60
Male	12	40
Total	**30**	**100**

Source: Survey Data (2019)

By the information of gender composition in Table (4.1), it is found that 18 female and 12 male respondents answered in the questionnaire and resent by email. In term of percentage share, male respondents have been 40 percent while female respondents cover 60 percent in the respondents participated in interviews survey. It is found that gender balance in the study and there has balance of gender perception.

4.2.2 Age of Respondents

In the survey questionnaire, ages of the respondents are already classified into four groups. Those are 21-30 years old, 31-40 years old, 41-50 years old, and 51-60 years old. Table 4.2 summarizes on the result of age of the respondent employees.

Table 4.2 Age Group of Respondents

Age Group (years)	Frequency	Percentage
21-30 **(years)**	6	20
31-40 **(years)**	8	26.7
41-50 **(years)**	15	50
51-60 **(years)**	1	3.3
Total	**30**	**100**

Source: Survey Data (2019)

According to the results of analysis on the ages of the respondents, it is found that there are 6 respondents (20%) of total in the age group of 21-30 years. Moreover, there are 8 respondents (26.7%) of total respondents in 31-40 years, 31 respondents (50%) of total in 41-50 years age-group respectively. There are only one respondent in 51-60 years includes 3 respondents. From that analysis, matured age group between 31- and 40-years old employees is majority who have answered the survey questionnaire.

4.2.3 Position of Respondents

In the analysis of position of respondents, there are six levels based on the organizational structure. Those positions are Deputy Country Director, Senior Director, Director, Deputy Director, Senior Manager and Manager who are working in different areas and different departments/units. Table (4.3) summarized the result on the position of respondents as follows.

Table 4.3 Position of Respondents

Position	Frequency	Percentage
Deputy Country Director	1	3.3
Senior Director	1	3.3
Director	2	6.7
Operation Manager	12	40

Project Coordinator	9	30
Manager	5	16.7
Total	**30**	**100**

Source: Survey Data (2019)

According to Table 4.3, it is found that only one Deputy Country Director and another one of Senior Director are participated in the survey with total 30 respondents. There are also only 2 Directors (6.7%) have participated in survey. Moreover, majority of respondents are 12 Operation Managers (40%), 9 Project Coordinators (30%), and 5 Managers (16.7%) have participated in survey of this study. From the survey results, the majority of answers to the survey questions come from the manager levels.

4.2.4 Education Level of Respondents

In the analysis of education levels, there have been grouped into four: College Diplomat, Master Degree holder, Post Graduate and University Graduates respectively. Table 4.4 shows the results of analysis on the data by the respondents' answers.

Table 4.4 Education Level of Respondents

Education Level	Frequency	Percentage
College Diploma	4	13.3
Master Degree	12	40
Post Graduate	5	16.7
University Degree	9	30
Total	**30**	**100**

Source: Survey Data (2019)

According to Table 4.4, it is found that 4 (13.3%) of total respondents are College Diploma degree holders, another 12 (40%) of total respondents are master degree holders, 9 (30%) of total respondents are University Degree holders, 5 (16.7%) of total respondents are post graduated. From that education level analysis, Proximity Designs have employees with strong educational background who are working in the management level.

4.2.5 Working Experiences of Respondents

Working experiences of respondents are categorized into four groups as below 5 years, 6-10 years, 11-15 years and above 15 years. As mentioned in Table 4.5, the results of the analysis for the working experiences of the respondents can be seen as follows.

Table 4.5 Working Experiences of Respondents from Proximity Designs

Experiences	Frequency	Percentage
Below 5 years	12	40
6-10 years	7	23.3
11-15 years	6	20
Above 15 years	5	16.7
Total	**30**	**100**

Source: Survey Data (2019)

According to the Table 4.5, there are 12 (40%) of total respondents have below 5 years working experiences, 7 (23.7%) of total respondents have 6-10 years' experiences, 6 (20%) of total respondents have 11-15 years' experiences and 5 (16.7%) of total respondents have above 15 years' experiences who are long-term service employees at Proximity Designs. According to the respondent's experience, there have mixture of perceptions from both of old services and young services.

4.3 Reliability of Variables

Cronbach's alpha is indicators of Reliability analysis to ensure the measurements are free from bias in order to obtain consistent results (Sekaran, 2003). The test of Cronbach's alpha value is appropriate for multi- scaled items and is a perfectly adequate index of the inter-items consistency reliability (Cavana, Delahaye, & Sekaran, 2001). The coefficient alpha value is range from zero (0) to one (1) whereby value less than 0.60 indicate unsatisfactory internal consistency reliability (Joseph F. Hair, 2006). The rule of thumb for Cronbach's alpha coefficient value is shown in Table 4.6.

Table 4.6 The Rule of thumb for Cronbach's Alpha Coefficient Value

Alpha Coefficient Range	Strength of Association

Less than 0.60	Poor
0.60 to less than 0.70	Moderate
0.70 to less than 0.80	Good
0.80 to less than 0.90	Very Good
0.90 and above	Excellent

Source: Hair (2003).

If alpha value is high, then this suggests that all the items are reliable, and the entire test is internally consistent. If alpha is low, then at least one of items are unreliable and must be identified via item analysis procedure. However, as per (DeVellis, 2003), the Cronbach's alpha value should ideally be above 0.7. Table 4.7 shows the summary of the reliability test based on the Cronbach alpha coefficient for the five scales items from the survey data of the study.

Table 4.7 Reliability Test

Factors	No. of Items	Cronbach's Alpha Value	Result
Responsibilities	10	.801	Very Good
Accountability	10	.824	Very Good
Transparency	10	.815	Very Good
Fairness	7	.793	Very Good
Financial Performance	6	.789	Very Good
Non-Financial Performance	6	.786	Very Good

Source: Survey Data (2019)

According the Table 4.7, the Cronbach's alpha for all dimensions are exceeding the minimum alpha value of 0.70, thus the construct measures are deemed reliable and all items in the construct measures are retained.

4.4 Analysis on the Corporate Governance Practices of Proximity Designs

The analysis on corporate governance practices of Proximity Designs have been based on four main pillars of corporate governance. Those are responsibility, accountability, fairness, and transparency and disclosure. Analysis of SPSS results are described by mean value and standard deviation that in in following Table, Table 4.8.

4.4.1 Respondent Perception on Responsibility

In the questionnaire set related to the responsibility, there are ten statements to be responded by respondents. Those ten elements are: political performance, interpersonal skill, planning, monitoring, evaluation, steering capacity, risk management, analytical, strategic, and contextual performance. The main score of each statement is shown in Table 4.8 as follows.

In the analysis of responsibility of the board, Table (4.8) reports that the overall mean score for the responsibility at Proximity Designs is 3.65, indicating that there has the responsibility of the board at Proximity Designs as a core practice of corporate governance.

The highest mean score is 4.15 (standard deviation 0.837). This highest number indicates it can be noted that clearly articulation of the organization's mission and vision was well practiced as others NFPs. This is a key function of the board and thus the result shows the board is fulfilling its main duties.

Table 4.8 Respondent Perception on Responsibility

Sr. No.	Statements	Mean	Standard Deviation
1	The organization has clearly articulated vision and mission statements.	4.15	.837
2	All the employees understand the vision and mission of the organization.	3.08	.917
3	The organizations activities geared towards achievement of vision and mission.	3.69	.756
4	The organization undertakes periodic review of the strategic plan..	3.79	.779
5	The organizational strategic plan is aligned with the overall organizational vision and mission.	3.76	.724
6	The organization's current activities are aligned to the strategic plan.	3.61	.780
7	The organization has ability to produce action plans in place to deal with donor funding issues.	3.63	.756

8	The organization conducts regular organizational analysis to determine its strength and challenges.	3.41	.953
9	The management of department/unit develops the strategic direction of their department/unit	3.73	.765
10	Business Unit's plans and budgets are monitored and guided by Business Unit's Board.	3.72	.716
	Overall Mean	**3.65**	

Source: Survey Data (2019)

The lowest score is found that at understanding of mission and vision with the mean value 3.08 (standard deviation 0.917). The result shows that there are some weak points in employee engagement at Proximity Designs.

From the analysis on the responsibility at the corporate governance of Proximity Designs, the result clearly indicates that the board of Proximity Designs has highly responsible for the organizational performance and management directions.

4.4.2 Respondent Perception on Accountability

In this section, the accountability of the board and management team was analyzed by using ten elements such as board competencies, board compliance, management contextual skill, management competencies, management compliance, political performance, financial planning, fund management, whistleblowers protection and whistleblowing policy. The main score of each element is shown in Table (4.9).

Table 4.9 Respondent Perception on Accountability

SN	Statement	Mean	Standard Deviation
1	Business Unit's Board has the relevant competencies to guide the deliverance of the vision and mission of the organization.	3.43	.871
2	Business Unit's Board complies with a code of conduct which compiles to prevent the conflict of interest.	3.86	.883
3	The management of Business Unit understands the vision and mission of the organization.	3.86	.749

4	The management of Business Unit has the competency to lead the team to deliver on the organizations' vision and mission.	3.70	.761
5	The management of Business Unit complies with the internal policy to protect the conflict of interest..	3.79	.780
6	The organization is able to demonstrate results/ impacts of its programs.	3.93	.628
7	The organization establishes realistic annual budgeting and financial targets.	3.50	.934
8	The organization has a system capable of tracking and reporting on individual donor funding.	4.11	.802
9	The organization has a formal policy protecting whistle-blowers.	4.18	.855
10	The organization has a confidential complaint system available for employees to communicate concerns about accounting, auditing, internal control processes, or suspected fraudulent activities.	4.12	.896
Overall Mean		**3.85**	

Source: Survey Data (2019)

Regarding to the analysis of accountability of the board and management team, Table 4.9 reports that the mean score for the accountability at Proximity Designs is 3.85, indicating that there has high accountability of the board and management team of Proximity Designs represented as a core value of corporate governance practices.

The highest mean score is 4.18 (standard deviation 0.855). This highest number indicates the organization has strong whistle-blowing policy for protecting whistle-blowers who can report every concern about accounting, auditing, internal control processes, or suspected fraudulent activities by anonymous. Whistleblowing is an ethical thing to do. It addresses wrongdoing and allows justice to reach the depths of organizations that otherwise may remain unexposed. Honesty amongst employees helps to cultivate dedication towards the organization's mission. Respondents are highly agreed for that protection policy which is strong at Proximity Designs.

The lowest score is found that at Business Unit's Board's competencies with the mean value 3.43 (standard deviation 0.871). The core competencies of an effective board fall into five categories: group skills, interpersonal skills, personal leadership skills, technical skills, and personal attributes. Respondents believe that the Board needs some skills to become an effective board.

From the analysis on the accountability at the corporate governance of Proximity Designs, the result shows the board and management team of Proximity Designs highly accountable to the organization for their main actions of planning, organizing, leading and controlling.

4.4.3 Respondent Perception on Transparency and Disclosure

In this section, transparency and disclosure of financial and non-financial information was analyzed by using ten elements: standardized accounting system, external auditing, regular analysis, control for conflict of interest, financial information disclosure, financial reporting timeliness, role of internal audit, determine focal point on auditing issues, program information disclosure and employment rights. The main score of each element is shown in Table (4.10) as follows.

In the analysis of transparency and disclosure for about financial and non-financial information, Table 4.10 reports that the mean score for transparency and disclosure is 3.89, indicating that higher score in transparency and disclosure of information share to all stakeholders at Proximity Designs. Transparency and disclosure is an important pillar of corporate governance and the result shows Proximity Designs has good mechanism and practices for this pillar.

The highest mean score is 4.43 (standard deviation 0.657). This highest number indicates that Proximity Designs has been strongly focus on the donor guidelines especially for financial information. Financial reports have to be accurate, timely and realistic information provided to donor and that is very important to grant-seeking organization for organization’s reputation and status. Furthermore, accurate and timely financial information persuade donor’s satisfactions and future funding supports. Management team and Board focus carefully on reporting quality such as accuracy and timely.

Table 4.10 Respondent Perception on Transparency and Disclosure

SN	Statements	Mean	St. Dev
1	The organization has internationally recognized accounting and auditing system is in place.	4.20	.773

2	The external audit is performed by a recognized national/ international firm.	4.21	.680
3	Regular analysts' meetings are held. (e.g. quarterly or semi-annually).	3.95	.724
4	Conflicts of interest are fully revealed through a clear and well-established mechanism.	3.62	.865
5	The organization's annual report is published.	3.18	1.193
6	The organization submits its financial reports to donor regular and periodic.	4.43	.657
7	The local internal audit team auditing autonomy into all departments.	3.98	.774
8	The management is responsive in terms of addressing any audit queries and recommendations emerging from the external audit(s).	4.02	.751
9	The organization discloses the program information to all stakeholders.	3.54	.934
10	The organization has clearly defined Human Resource policy and shared to all employees.	3.79	1.022
Overall Mean		**3.89**	

Source: Survey Data (2019)

The lowest score is found that at annual report was published with the mean value 3.18 (standard deviation 1.193). Recent practices in not-for-profit organizations in Myanmar are not required by law to publish annual reports. However, funding situation report includes receipt of fund, expenditure of program implementation, administrative and overhead expenditure, equipment purchasing, program achievement, etc. are provided to respective Ministries every year by the request basis.

From the analysis on the transparency and disclosure at the corporate governance of Proximity Designs, the result shows that there has good practices of transparency and disclosure of information share to stakeholders at Proximity Designs.

4.4.4 Respondent Perception on Fairness

In this section, fairness in relationships with stakeholders was analyzed by using seven elements: equal in attention, good communication, fair treatment, maintaining communication, interest prioritizing in decision making, equal in resource allocation and openness. The main score of each element is shown in Table (4.11) as follows.

In the analysis of fairness in stakeholders' treatment, Table (4.11) reports that the mean score for transparency and disclosure is 3.71, indicating that there is good in fairness for all stakeholder and the result shows Proximity Designs has good communication with its stakeholders, fair and equal treatment to donor, government, other NGOs and INGOs, volunteers and employee.

The highest mean score is 4.07 (standard deviation 0.735). This highest number indicates that Proximity Designs is strengthening and well-maintaining the communication with donor, local organizations, other INGOs, NGOs and Government. Regarding to INGO's nature, there must be built good communication with both internal and external stakeholders. Strategic management involves satisfying stakeholders that are essential to a nonprofit's success because stakeholders support the overall movement of a nonprofit organization by spearheading or supporting publicity.

Table 4.11 Respondent Perception on Fairness

SN	Statement	Mean	Standard Deviation
1	The organization pays attention equally to all beneficiaries.	3.79	.948
2	Stakeholder communication is certainly good for the organization.	3.77	.809
3	Conducting procurement with suppliers based on free, equitable and transparent rules.	3.96	.660
4	The organization is strengthening and well-maintaining the communication with donor, local organizations, other INGOs, NGOs and Government.	4.07	.735
5	The organization prioritizes the stakeholder's	3.62	.906

	interest in making the decision.		
6	The organization ensures the resources allocation in the interest of stakeholders.	3.46	.762
7	The organization ensures the open system to access the information for stakeholders.	3.30	.933
Overall Mean		**3.71**	

Source: Survey Data (2019)

The lowest score is found that at the open system to access the information for stakeholders with the mean value 3.3 (standard deviation 0.933). This number indicates that not having open system to access the information for stakeholders at Proximity Designs. According to data security and limitation, program-related and financial information cannot access for all stakeholders. However, the respective information share to respective stakeholders by the request basis.

From the analysis on fairness at the corporate governance of Proximity Designs, the result shows that Proximity Designs is fairly and equally treated all the stakeholders and well-maintaining its communication with stakeholders.

4.5 Effect of Corporate Governance Practices on Financial Performance

This section discusses the descriptive analysis for the measures of central tendency of financial performance elements and the multiple linear regression analysis for analyzing the impact of governance on financial performance.

4.5.1 Respondent Perception on Financial Performance

In this section, financial performance is analyzed by using six elements: costs and productivity, financial results, financial resources availability, efficiency and effectiveness, appropriateness, and financial control. The main score of each element is shown in Table (4.12) as follows.

In the analysis of financial performance, Table (4.12) reports that the overall mean score for financial performance is 3.70, indicating that there is good financial performance of Proximity Designs under the effective guidance of board and management team and retaining the skillful employment.

The highest mean score is 4.05 (standard deviation 0.672). This highest number indicates that the organization accounts for revenues and expenditures, and for assets and liabilities which leads to financial results. Both for-profit or not-for-profit organizations need to manage the financial results. Financial results can be foreseeing the organization's growth and planning to avoid the risk which leads to financial sustainability.

Table 4.12 Respondent Perception on Financial Performance

SN	Statement	Mean	Standard Deviation
1	There is a relationship between costs, inputs and outputs of the programs.	3.87	.715
2	The organization accounts for revenues and expenditures, and for assets and liabilities.	4.05	.672
3	Financial resources are sufficient and available to support the program purpose	3.34	.978
4	Financial resources are applied efficiently and effectively to support the program purpose and objectives.	3.50	.915
5	Expenses are consistent with the program objectives and commitments.	3.54	.830
6	The organization has a reliable financial management system.	3.88	.833
Overall Mean		**3.70**	

Source: Survey Data (2019)

The lowest score is found that at financial resources are sufficient and available to support the program purpose and objectives with the mean value 3.34 (standard deviation 0.978). This score indicates that financial resources are insufficient such as higher technical person retention rate, budgetary control and financial system rapid changes which faces difficult to success the program objectives and the commitments in time. From the analysis on financial performances at the corporate governance of Proximity Designs, the result shows that Proximity Designs has good financial performance even scores are varying from highest to lowest.

4.5.2 Effect of Corporate Governance Practices on Financial Performance

The multiple regression analysis was conducted to test the proposed objective of the effect of corporate governance practices as independent variables on financial performance as dependent variable. The multiple regression results are shown in Table 4.13.

Table 4.13 Effect of Corporate Governance Practices on Financial Performance

	Unstandardized Coefficient		Standardized Coefficient	t value	p value	VIF
	B	Standard Error	Beta (β)			
Constant	**.752**	**.483**	**-**	1.555	.126	
Responsibility	-.041	.158	-.035	-.262	.794	1.922
Accountability	.461	.176	.411	2.625	.011*	2.588
Transparency	-.129	.220	-.116	-.585	.561	4.111
Fairness	.492	.167	.510	2.946	.005**	3.159
Adjusted R Square		0.479				
F value		13.636				

Dependent Variable: Financial Performance
* Correlation is significant at the 0.05 level.
* * Correlation is significant at the 0.01 level.
Source: Survey Data (2019)

The result of multiple regression analysis from Table (4.13) provided that accountability was significant at 5% level and positive correlation with financial performance (B=0.461, t=2.625, $p < 0.05$), fairness was significant at 1% level and positive correlation with financial performance (B=0.492, t=2.946, $p < 0.01$) but the result did not support significant relationship between corporate governance practices: responsibility and transparency were p value is greater than 0.05 and negative relationship with financial performance. Responsibility and transparency are not statistically significant and thus do not significantly predict the financial performance.

Multi-collinearity can be assessed by calculated variance inflation factors (VIFs). VIF values higher than 10 indicates that multi-collinearity may be a problem. Results in Table (4.15), those VIF values are less than 10 and it shows weak interaction between each other of independent variables and thus no effect on dependent variable.

Following equation explains the relationship between the independent and dependent variable. The purpose model for the study:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon_0$$

Where;

Y= financial performance

β_0 = Constant in the regression equation (intersection)

$\beta_1, \beta_2, \beta_3, \beta_4$ = regression coefficient (the slope of the regression)

X_1 = Responsibility

X_2 = Accountability

X_3 = Transparency and Disclosure

X_4 = Fairness

Regarding to the significant variables from the result, the estimated model for the study is

$$\hat{Y} = b_0 + b_1 X_1 + b_2 X_2$$

Where; $\hat{Y}$ = financial performance

b_0 = Constant (intersection)

b_1, b_2 = Unstandardized coefficient (the slope of the regression)

X_1 = Accountability

X_2 = Fairness

Therefore, the regression equation is

Financial Performance = 0.752 + 0.461 Accountability + 0.492 Fairness

According to the regression result, each increase of one additional unit of accountability, the fitted model predicts that financial performance is estimated to increase by 0.461 units. For each unit of fairness, the fitted model predicts that financial performance is estimated to increase by 0.492 units. According to the result, among positive and significant dimensions, fairness is the most significant and show the relationship between financial performance one additional unit of the financial performance depends on the accountability and fairness of Proximity Designs. Responsibility and transparency show no significant relationship with financial performance mainly. Therefore, it can be said that financial performance mainly effects on accountability and fairness, and may have less effects on the others.

4.6 Effect of Corporate Governance Practices on Non-Financial Performance

This section discusses the descriptive analysis for the measures of central tendency of non-financial performance elements and the multiple linear regression analysis for analyzing the impact of governance on non-financial performance.

4.6.1 Descriptive Analysis on Non-Financial Performance

In this section, non-financial performance was analyzed by using six elements: management direction, relevance, appropriateness, achievement of intended result, working environment, and monitoring and reporting. The main score of each element is shown in Table (4.14) as follows. In the analysis of non-financial performance, Table (4.14) reports that the mean score for non-financial performance is 3.62, indicating that there is good non-financial performance at Proximity Designs under the effective guidance of the board and management team and retaining the skillful employment.

The highest mean score is 3.73 (standard deviation 0.726). This highest number indicates that the goals and objectives of the program of Proximity designs has been achieved. Outputs are good when the inputs are efficiently allocated and processing are well-functioning. Board, management and employee are working with high accountability in their respective roles. That is very important element which towards good organizational performance which leads to the organizational sustainability.

The lowest score is found that at an appropriate work environment for its staff with the mean value 3.41 (standard deviation 0.869). This lowest score indicates that working environment is not appropriate for the staffs. Proximity Designs runs the multi funding from multi-source of funding and thus sometimes difficult to stand between the interest of employees and other stakeholders. Complex compliance environment becomes stressful working environment. Board and management team review these environmental problems frequently and take required actions to solve those problems to align with funders' interests and also employees' interests.

Table 4.14 Non-financial Performance

SN	Statement	Mean	Standard Deviation
1	The programmatic objectives are clearly stated and understood.	3.73	.863
2	The programs are implemented by the organization continue to make sense with respect to the problems or conditions.	3.64	.699
3	The design of the programs and the level of effort are logically related to programmatic objectives.	3.68	.834
4	The goals and objectives of the program have been achieved.	3.73	.726
5	The organization provides an appropriate working environment for its staff.	3.41	.869
6	Key matters are applicable to performance and organizational strength identified, reported and monitored.	3.54	.830
Overall Mean		**3.62**	

Source: Survey Data (2019)

From the analysis on non-financial performances at the corporate governance of Proximity Designs, the result shows that Proximity Designs has strong non-financial performance to achieve its mission and vision.

4.6.2 Effect of Corporate Governance Practices on Non-Financial Performance

The multiple regression analysis was conducted to test the proposed objective of the impact of corporate governance practices as independent variables on non-financial performance as dependent variable. The multiple regression results are shown in Table 4.15.

The result of multiple regression analysis from Table 4.15 provided that responsibility, accountability and fairness were significant at 5% level and positive relationship with non-financial performance (B=0.298, t=2.255, $p < 0.05$), (B=0.305, t=2.081, $p < 0.05$), (B=0.297, t=2.124, $p < 0.05$) but the result did not support significant relationship between corporate governance practices and responsibility was p value is greater than 0.05 and positive beta value. Responsibility is not statistically significant and thus the variable does not significantly predict the non-financial performance.

Multi-collinearity can be assessed by calculated variance inflation factors (VIFs). VIF values higher than 10 indicates that multi-collinearity may be a problem. Results in Table 4.15, those VIF values are less than 10 and it shows weak interaction between each other of independent variables and thus no effect on the dependent variable.

Table 4.15 Effect of Corporate Governance Practices on Non-Financial Performance

	Unstandardized Coefficient		Standardized Coefficient	t value	p value	VIF
	B	Standard Error	Beta (β)			
Constant	.048	.404		.120	.905	
Responsibility	.298	.132	.266	2.255	.028*	1.922
Accountability	.305	.147	.285	2.081	.042*	2.588
Transparency	.046	.184	.044	.253	.801	4.111

Fairness	.297	.140	.321	2.124	.039*	3.159
Adjusted R Square		0.602				
F value		21.828				

Dependent Variable: Non-Financial Performance
* Correlation is significant at the 0.05 level.

Source: Survey Data (2019)

Following equation explains the relationship between the independent and dependent variable. The purpose model for the study:

$Yi = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon_0$

Where; Y = financial performance

β_0 = Constant in the regression equation (intersection)

$\beta_1, \beta_2, \beta_3, \beta_4$ = regression coefficient (the slope of the regression)

X_1 = Responsibility

X_2 = Accountability

X_3 = Transparency and Disclosure

X_4 = Fairness

Regarding to the significant dimensions, the estimated model for the study is

$\hat{Y} = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3$

Where; $\hat{Y}$ = financial performance

b_0 = Constant (intersection)

b_1, b_2, b_3 = Unstandardized coefficient (the slope of the regression)

X_1 = Responsibility

X_2 = Accountability

X_3 = Fairness

Therefore, the regression equation is

Financial Performance = 0.048 + 0.298 Responsibility+ 0.305 Accountability +

0.297 Fairness

According to the regression result, each increase of one additional unit of responsibility, the fitted model predicts that non-financial performance is estimated to increase by 0.298 units. For each unit of accountability, the fitted model predicts that non-financial performance is estimated to increase by 0.305 units. For each unit of fairness, the fitted model predicts that non-financial performance is estimated to increase by 0.297 units.

According to the result, among significant, accountability is the most significant and show the positive relationship between non-financial performance one additional unit of non-financial performance depends on the responsibility, accountability and fairness of Proximity Designs but transparency and disclosure show no significant relationship with non-financial performance mainly. Therefore, it can be said that non-financial performance mainly impacts on responsibilities of board, accountability of board and management team, fairness for all stakeholders, and may have less impact on transparency and disclosure.

CHAPTER V

CONCLUSION

This chapter presents the findings from the analysis of data by interview survey with managers and clients of Proximity Designs about the issues of corporate governance on organizational performance of Proximity Designs. It is also recommended to current practices and made some suggestions, as follows.

5.1 Findings and Discussions

Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled essentially involves balancing the interest of a company's many stakeholders. This study examines the current practices of corporate governance in the Proximity Designs and makes analysis on this good corporate governance practices which would effect on the performance of the Proximity Designs. Proximity Designs Myanmar organization forwards a social business in Myanmar. Company designs and delivers reasonably priced product which can help income-increasing products that complement the entrepreneurial spirit of rural families. The primary data are collected by key informant interview (KII) method with some key persons from Proximity Designs Social Enterprise

In the demographic profile analysis, survey finds out that more female respondents than male respondents. Age level is also found that most have already 30 years, old. Their positions are also found that operation managers are the most participants for the organization employment status, whereas all other levels of senior key persons are also actively involved in the study. Their educational levels are also found as post graduate diploma and master degree level, with the most. Their working experiences are also found as more than 5 years. By the demographic profile analysis, the matured age and high education would aim at well understanding on survey questions to answer more correctly. To be the consistency of survey questions, the calculated reliability test result shows that the Cronbach's alpha for all dimensions are exceeding the minimum alpha value of 0.70, thus the construct measures are deemed reliable and all items in the construct measures are retained.

By the analysis on corporate governance practices of Proximity Designs, efficiency assessment questions are used. Survey is focusing four key dimensions which are responsibility, accountability, transparency and disclosure, and fairness examining the governance culture.

By the study on the responsibility of the board, the obtained higher overall mean value is showing that the responsibility of the board at Proximity Designs as a core practice of corporate governance and has highly responsible for the organizational performance and management directions. This highest number indicates it can be noted that clearly articulation of the organization's mission and vision was well practiced as others NFPs.

By the study on the accountability of the board and management team, at the corporate governance of Proximity Designs, the obtained higher mean value is found, and for the higher result, it finds out the highly accountable to the organization for their main actions of planning, organizing, leading and controlling by the board and management team of Proximity Designs

By the study on the transparency and disclosure of financial and non-financial information, this highest number indicates that Proximity Designs has been strongly focus on the donor guidelines especially for financial information with accurate, timely and realistic information provided to donor and that is very important to grant-seeking organization for organization's reputation and status.

By the study on the fairness in relationships with stakeholders, the highest mean score is also found and thus, Proximity Designs has good communication with its stakeholders, fair and equal treatment to donor, government, other NGOs and INGOs, volunteers and employee.

By the well practices of corporate governance at Proximity Designs Corporation, overall mean score for financial performance is found, and thus there is good financial performance of Proximity Designs under the effective guidance of board and management team and retaining the skillful employment. This highest number indicates that the organization accounts for revenues and expenditures, and for assets and liabilities which leads to financial results.

To be more understanding on that of the relationship between these key corporate governance practices on financial performance, regression analysis is made. By the above survey results from descriptive method of mean values are found as there has significant relationship of all these variables to the performance of Proximity Designs. However, regression analysis reveals that only the variables, namely responsibility, governance structure, ethics, values and disclosure are the best relationship to the cooperate governance. And the corporate governance dimensions by ethics have most relationship with Proximity Designs performance. The finding of the study can prove that the organization's success depends on the good corporate governance structure.

5.2 Recommendation and Suggestions

Corporate governance is the system of rules, practices, and processes by which a firm is directed. As the Myanmar is becoming more democratic political climate and practicing at open market economy by inviting foreign investment to the country, there is the needs of corporations of Myanmar to set up well foundation of well corporate governance their organization, that is, how they protect their stakeholders with well-organized systems and practices. For the Proximity Designs Organization, it is standing for world donors in the implementation of a social business in Myanmar especially how they can perform well to the entrepreneurship spirits of rural people. For that, it is strongly recommended to all the Myanmar profit oriented as well as non-profit organization, all should have well practices of corporate governance in terms of fairness, accountability, responsibility, transparency, governance structure, ethics, supervision and controlling, disclosure, and commitment.

By the survey finding of the study can prove that Proximity Designs Organization's success depends on the good corporate governance structure. For their believing on that, organization is also found as the well implementing at corporate governance practices. For that, it could be strongly recommended the management at Proximity Designs organization to take their responsibility of the board, accountability for the affairs that directed by board itself, transparency and disclosure of financial and non-financial information, fairness in relationships with stakeholders that is the good communication with its stakeholders, fair and equal treatment to donor, government, other NGOs and INGOs, volunteers and employee, so that Proximity Designs would be standing with high corporate image that will be the unique skill of the organization at where other organizations are difficult to perform.

Regression and correlation analysis shows that there has significant relationship of all these variables to the performance of Proximity Designs. However, regression analysis reveals that only the variables, namely responsibility, governance structure, ethics, values and disclosure are the best practices of the cooperate governance.

Although the corporate governance practices is found as high at that organization, there is still chances that can be more improvement of the organization only if the corporate governance dimensions by ethics because of the regression correlation analysis, which has most positive relationship with Proximity Designs performance.

From the finding of the study, it is strongly recommended that the organization's success depends on the good corporate governance structure. In order to be able to progress its designed products, control financial risky areas, organization 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 organization's performance is better.

5.3 Needs for Further Studies

This study is the Corporate Governance Practices of Proximity Designs (Myanmar) organization. There are many corporations in Myanmar. Further studies should extend to other corporations so as to have more understanding the corporate governance practices how successfully implementing in Myanmar. For the limitations of the study, this study is only based on the options of key person at this organization. Further studies should be undertaken lower down the level involvement, so that they all will reveal in extent to which the success of the corporate government at present and more corrective actions would be come out.

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