

**THE EFFECT OF COPORATE GOVERNANCE ON THE FINANCIAL PERFORMANCE OF
BEVERAGE COMPANIES IN UGANDA CASE STUDY COCA COLA BOTTLING COMPANY
NAMANVE**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS, IN PARTIAL
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**UGANDA CHRISTIAN
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APPROVAL

This research report has been submitted to the Faculty of Business and Administration with my approval as the University supervisor.

Signed: 

Date: 

MR. KISENYI VINCENT

DEDICATION

It is my considered and desired opinion to dedicate this piece of writing to my beloved gudians, Mangok Khali Mangok for their entire support, moral encouragement and above all spiritual enrichment which have proved a ground towards the superior excellence in my field of academia. Thank you very much.

ACKNOWLEDGEMENT

There is no such whetstone to sharpen a good wit and encourage a will to learning as is praise;
Robert Ashram 1515-1568.

Firstly, I am extremely thankful to God for the gift of wisdom, knowledge and understanding that have proved key towards the accomplishment of this piece of writing.

Secondly, I would like to express my gratitude to my supervisor; Mr. Kasenyi Vincent for his unstinting patience and wise council as well as precious time committed to make this report a success. Your guidance and advice were paramount and important in having this work accomplished as requested by the University Examination Board. May God bless you. I am also grateful to hold my lecturers in the faculty of Business Administration who inspired me to finish this course.

ABSTRACT

The study was conducted in Coca cola botting company and focused on corporate governance and financial performance of commercial banks in Uganda: A case of Stanbic bank Uganda limited. Research objectives were to; establish the relationship between audit committees and financial performance, establish the relationship between accountability and financial performance and finally, find out the influence of separation of ownership on financial performance of Stanbic bank (Uganda) Limited. A cross sectional survey research design was employed and both quantitative and qualitative approaches were used. Data was collected using questionnaires, interviews and observation, and analyzed using Pearson correlation coefficient and regressions.

The study findings revealed that: auditing and financial performance are significantly related; there is a significant relationship between accountability and financial performance of Stanbic bank and; separation of ownership moderately influences financial performance of Stanbic bank Uganda limited. It was recommended that; i) Audit committees should be strengthened and members should devote more time and commitment to perform their oversight function and appointment to the committee should be based on technical competency of the members ii) Regulators and board should ensure enhanced accountability that is, transparency and disclosure for effective market discipline in accordance with professional best practices iii) Shareholders interference with the work of directors should be minimized as much as possible. The study makes an original contribution by suggesting that there is a positive relationship between corporate governance and financial performance of a firm. These insights in explaining the relationships are useful for academic understanding and business and public policy formulations.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background to the study, problem statement, objectives of the study, research questions, scope of the study, significance of the study, limitation of the study, definition of operation terms and the conceptual framework

1.1 Background to the study

Worldwide financial crises have prompted much government regulation, for example, the Sarbanes-Oxley Act, and have led to the persistent need for enhanced governance. Since the formation of the King Committee in 1992 in South Africa with the objective of making recommendations on effective implementation of corporate governance, there have been developments in the reviewing of corporate governance standards. The 2009 global economic recession called for an increasing need to promote good corporate governance across the globe. However, recent corporate scandals and business failures have spurred a lively debate on whether firms are adequately governed (Yongrok, 2019).

Modern corporate governance principles support an approach that considers and balances the legitimate and reasonable needs, interests, and expectations of its stakeholders in an inclusive, ethical, and sustainable manner as part of its decision-making. Corporate boards include not only those that pursue wealth creation as the sole objective, but also ethically responsible individuals who seek to improve social and environmental performances. Corporate governance has now become a mainstream concern of discussion in corporate boardrooms, educational meetings, and policy circles the world over. Interest in corporate governance has increased since the turn of the century due to corporate fraud, managerial misconduct, and negligence and massive loss of shareholder wealth (Yongrok, 2021).

In East Africa, more particularly in Uganda, Crane bank has seen its downfall due to corporate governance issues. In an article written in the New Vision posted on March 2, 2017 about “The relevance of corporate governance to organizations”, emphasis upon the integration of world

economies and business cutting across borders called for urgent adhering to world-accepted principles of governance. In Uganda, the Code of corporate governance is enshrined in the Table F of the companies Act 2022 and it has two approaches “comply or else” and the “comply or explain” approach. It is apparent that the relationship between corporate governance and company performance is not clearly established and therefore companies develop and rely on their board of directors to serve as a source of counsel, advice and discipline, in executing their fiduciary duty of protecting shareholder interests (Adams, Hermalin, & Weisbach, 2019). Developing economies have as a result come to recognize the need for good corporate governance, as international investors are hesitant to lend money or buy shares in companies which do not subscribe to good corporate governance principles (McGee, 2021).

1.2 Problem statement

Various studies have indicated that the objectives pursued by shareholders and corporate managers tend to differ and are contradictory concerning their individual interests and this has given rise to corporate governance which is said to minimize the spill over. Good corporate governance firms to keep off from scandals and fraud and enhance the organization’s image on public domain. It is also important for companies to improve the performance of the firm, enhances investment atmosphere, ensures investor rights, as well as promote economic development (Shastri & Braga, 2021).

However, in Uganda, cases of corruption have brought about many debates in many business and legal sectors, which have in turn influenced the confidence of both local and foreign investors (Munyuru, 2019). For example, the recently published huge losses and numerous unresolved court cases of NSSF between the top management have thrust corporate governance practices into the limelight (Mboka, 2020). Scandals involving poor corporate governance of the directors and managers have been reported in NSSF (Madiavale, 2021). Despite the existence or corporate governance, there are number of questions arising as to why financial performance of private corporations is still low. In light with this predicament facing the private sector in Uganda this study seeks to investigate the effect of corporate governance on the financial performance of beverage companies

1.3 General objective

To investigate the effect of corporate governance on the financial performance of beverage companies in Uganda

1.3.1 Specific objectives

- a) To examine the influence of the audit committee on the financial performance of beverage companies in Uganda
- b) To examine the influence of board size on the financial performance of beverage companies in Uganda
- c) To examine the influence of board independence on the financial performance of beverage companies in Uganda

1.4 Research questions

- a) What is the influence of the audit committee on the financial performance of beverage companies in Uganda?
- b) What is the influence of board size on the financial performance of beverage companies in Uganda?
- c) What is the influence of board independence on the financial performance of beverage companies in Uganda?

1.5 Scope of the study

1.5.1 Content scope

The study will be limited to the effect of corporate governance on the financial performance of beverage companies. The independent variable is corporate governance with sub dimensions like audit committee, board size and board independence. The dependent variable is financial performance of beverage companies measured in terms of sales turnover and market share in the beverage industry

1.5.2 Geographical scope

The study will be carried at Coca Cola in Namanve industrial area. Coca Cola is one of the brands under the century bottling company located along Kampala Jinja in Kira town council Wakiso district

1.5.3 Time scope

The study will consider a period 2010 to 2019 regards collected information. A period of 6-10 years is deemed appropriate because there have been many scandals in the governance of corporate entities evidenced by a recent parliament probe by COSASE into closure of the different financial banks by Bank of Uganda. The study will be conducted between marches to august 2020. It will take a period of 6 months

1.6 Significance of the study

Decision makers at the various levels of management in private limited corporations will gain value added information on corporate governance as a key enabler of developing economic perspective.

Management of different firms will benefit from the findings of this study by adopting findings from the study, which will help them enhance responsible governance that may lead to sustained productivity and better financial performance.

Those in the academic realm cannot be forgotten too. Future researchers and academic institutions, especially those of higher learning can use the findings of this research as a source for future reference.

1.7 Limitation of the study

Financial constraints; Financing the research study may be too costly in terms of transport, feeding and processing of the proposal and research report but this will be overcome by drawing a budget plan for the study.

Limited time, inadequate time frame required for a detailed research study. Comprehensive research study involves a great deal of collecting, analyzing and processing that requires a lot of time. This will be overcome by drawing a work plan for the study.

Non response from the respondents may also be encountered when collecting data but this will be overcome by assurance of confidentiality that the information obtained is only for academic purpose.

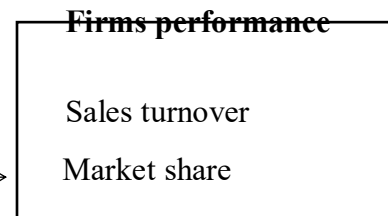
1.8 Conceptual framework

The conceptual framework shows the relationship between the independent variable and dependent variable

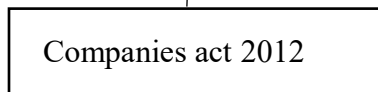
Independent variable



Dependent variable



Moderating variable



Source: Adopted and modified by the researcher from lin honghui, (2017)

The conceptual framework above shows the relationship between corporate governance and performance of private Limited Corporation. Corporate governance has three parameters, which are Board size, board independence and audit committee whereas firm's performance is measured in terms of sales turn over, market share. Government policy plays a major role in influencing the performance of private limited corporations in terms of the working environment

1.9 Definition of operational terms

Corporate governance

Corporate Governance refers to the system by which corporations are directed and controlled. (Cadbury report, 2022).

Financial performance

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Will Kenton, 2019).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter will present the review of literature across the globe on the objectives of the study. It entails the overview of the main concepts and empirical review on the objectives of the study that is to say influence of audit committee, board size and board independence on the financial performance of beverage companies

2.1 Overview of the main concepts

2.1.1 Corporate governance

Corporate governance is the international term associated with the trend towards greater corporate responsibility and the conduct of business within acceptable ethical standards as viewed by Brown and Caylor (2019). Brown and Caylor (2020) assert that transparency, accountability and openness in reporting and disclosure of information, both operational and financial, are internationally accepted to be vital to the practice of good corporate governance. According to Bhagat (2018), the object of good corporate governance is attained when institutions demonstrate their public accountability and conduct their business within acceptable ethical standards. This demonstration will take the form of effective financial reporting, both internally and externally, and the unqualified encouragement of public debate in respect of such financial reports. Consequently, effective corporate governance in the public sector means that public officials must demonstrate compliance, which according to Bhagat (2021) is supported through outwards and internal reporting.

2.1.2 Financial performance

Performance may be defined as the reflection of the way in which the resources of a company are used in the form that enables it to achieve its objectives. According to Heremans, (2017), financial performance is the employment of financial indicators to measure the extent of objective achievement, contribution to making available financial resources and support of the bank with investment opportunities.

Rutagi, (2017) defines financial performance as to how well an organization is performing. Other researchers define performance of the organization as the extent to which an organization achieves its intended outcome, Namisi, (2012). The general assumption among both researchers and practitioners is that effective boards lead to effective organization. From either an internal long-term profitability or external shareholder perspective, there is an indication that good boards may be able to add value to the organization, Epstein et al., (2023).

2.2 Empirical review

2.2.1 Influence of audit committee on the financial performance of beverage companies

Anderson et al, (2018) argues that if the size of a team is large, individual members may be more vulnerable to the pressures and more subject to follow the others' opinion without giving another argument. In this case, the audit committee members are not likely willing to question the potential errors in the accounting reports of the internal review process, which in turn can lead to a greater chance of presenting again later. Conversely a small team will facilitate the exchange of information in the firm and a better discussion between members, to assist management to identify potential errors in financial reporting and reduce the incidence of restatement of the minimum size requirements. A large committee may suffer from the problem of free riders, from previous studies; the performance of the audit committee was determined by the number of audit committee members. These variables have been tested in previous studies conducted by (Xie *et al.*, 2018).

The results showed that the size of the audit committee and to devote more resources is more likely to oversee financial reporting and internal control systems within a firm hence high performance (Anderson et al, 2016.) and facilitate discussions between the audit committee members (DeZoort and Salterio, 2071). Empirical evidence shows that companies with greater audit committee size prefer to suspicious auditor switches (Archambeault and DeZoort, 2017) and more likely to have lower costs of debt (Anderson et. Al, 2014.).

Sharma *et al.* (2019) found evidence that the number of AC meetings is negatively associated with multiple directorships, audit committee independence and an independent AC chair. They find a

positive association between the higher risk of financial misreporting and AC size, institutional and managerial ownership, financial expertise and independence of the board. Hence it is argued that the number of members on the audit committee and number of meetings can potentially have a positive impact on firm performance.

Consistent with this argument, a study of Anderson *et al.* (2019) showed that the cost of debt is reduced while increasing audit committee experience; shown to improve the performance of the company to reduce debt. Xie *et al.* (2023) found that the number of negative audit meetings related to Discretionary Accruals (DAC). The topic of audit committee financial expertise has been widely discussed by accounting researchers. Questions were also raised by public investors whether the exchange requirements of financial reporting and financial expertise of audit committee members have been well addressed (SEC, 2022). Raghunandan *et al.* (2020) find that committees comprised of at least one member having an accounting or finance background are more likely to have longer meetings with the chief internal auditor; provide private access to the chief internal auditor; and review internal audit proposals and results of internal auditing. Likewise, the financial expertise of audit committee may also affect audit services.

Abbott *et al.* (2016) document that audit committee financial expertise is significantly, positively associated with audit fees. Information content of audit committee financial expertise has already been documented. Defond *et al.* (2015) claim that a positive market reaction to the appointment of financial experts assigned to audit committees is found however, there is no reaction to non-financial experts assigned to audit committees. Davidson *et al.* (2022) show significant positive stock price reaction when new members of audit committees have financial expertise.

Archambeault *et al.* (2018) find that there is a predicted positive relation between short-term incentive compensation (short-term stock option grants) for audit committee members and likelihood of restatement. The presence of audit committee financial expertise could help the company from fraud prevention and therefore improve firm performance.

In Australia, the ACGPR explicitly requires that the Audit Committee includes members who are all financially literate in that they are able to read and understand financial statements. At least one member should have relevant experience and education qualifications (i.e. qualified accountant or another finance professional with experience of financial and accounting matters) and that some

members should have an understanding of the firm's industry (Australian Securities Exchange Corporate Governance Council 2017). Recent research confirms that accounting expertise within boards that are characterized by strong governance contributes

Braiotta (2019) provides that members of the audit committee must have some skills in accounting and related fields. Likewise, Price Waterhouse indicates that the expertise of the members of the Audit Committee in the field of accounting and finance is a key element of the effectiveness of this committee. Similarly, Dezoort & al (2012) require that audit committees consist of at least three independent members whose one of them has a high level of expertise in accounting and finance

The audit committee is a good corporate governance mechanism because it involves the quality, reliability, objectivity and integrity of the company's financial reports. The audit committee has become an important process in corporate governance, where the company has delegated many important tasks, such as corporate governance and financial reporting to its standing committee (Zhang et al., 2007), in particular, the audit committee (Dhaliwal et al., 2010). Since all members of the audit committee are responsible for overseeing the company's financial reporting process, their identity can improve the effectiveness of the audit committee.

Previous studies have concluded that audit committee effectiveness and its importance in the quality of corporate financial reports can reduce financial management (Bedard et al., 2004); financial fraud (Sharma, 2004); and qualitative research reports (Carcello & Neal, 2000). With regard to the analysis of previous studies on audit committees, it falls into two categories. The first section deals with the composition of the audit committee; while the second examines the relationship between audit committee characteristics and their impact on firm performance (Kamaruddin, 2013). The audit committee is a good corporate governance mechanism because it involves the quality, reliability, objectivity and integrity of the company's financial reports. The audit committee has become an important process in corporate governance, where the company has delegated many important tasks, such as corporate governance and financial reporting to its standing committee (Zhang et al., 2007), in particular, the audit committee (Dhaliwal et al., 2010). Since all members of the audit committee are responsible for overseeing the company's financial reporting process, their identity can improve the effectiveness of the audit committee. Previous

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It is important to note that the identity of the audit committee is an important element of governance, as a guarantee that management is accountable to shareholders and provides a good image of the company. The work of the research committee is the main dialogue between policymakers, advocates, investors and scientists, which includes regular meetings with external and internal auditors to identify any irregularities in financial reporting, risk assessment and audit of the company's management system. This reduces the gap between managers and shareholders by preventing information limitations in management and making sure that all reports are submitted on time (Heenehgala & Armstrong, 2011).

Over time, several efforts have been made to understand the nature of corporate governance processes and how these processes affect corporate performance (Pratheepkantha et al., 2016).

Researchers have examined the effectiveness of corporate governance by ownership and organizational structure; or through corporate governance arrangements; or the identity of the internal audit committee (Buck towar et al., 2017). According to the Organization for Economic Co-operation and Development (OECD, 2015), corporate governance is critical to organizational success. Donovan (2003) defined corporate governance as an internal process that includes procedures, policies, and people who work for the owners of the business by combining good management practices with respect to integrity. materials and business knowledge that will eventually lead to better home design. creating the right system in the company

2.2.2 Influence of board size on the financial performance of beverage companies

There is no one optimal “size” for a board” (Reddy et al. 2017, p. 194). The King II Committee Report, did not provide a specific number regarding the size of a board, but required that every board consider whether or not its size, amongst the factors that include diversity and demographics, makes it effective (Institute of Directors, Southern Africa, 2022). The size of the Board should not be too large to undermine an interactive discussion during Board meetings or too small such that the inclusion of a wider expertise and skills to improve the effectiveness of the Board is compromised (corporate governance good practices for capital markets, part ii section 19).

Eisenberg et al. (2018) also find negative correlation between board size and profitability when using sample of small and midsize Finnish firms. In Ghana, it has been identified that small board sizes enhance the performance of MFIs, Kyereboah-Coleman and Biekpe, (2015). Mak and Yuanto (2013) echo the above findings in firms listed in Singapore and Malaysia when they found that firm valuation is highest when board has five directors, a number considered relatively small in those markets. In a Nigerian study, Sanda et al (2017) found that, firm performance is positively related with small, as opposed to large boards.

The contrary school of thought believes that large board sizes are more effective and enhances the firm performance. Various researchers (Adhikary, Huynh, & Hoang, 2018; Coles, Daniel, & Naveen, 2018; Fauzi & Locke, 2017; bJackling & Johl, 2019; Kathuria & Dash, 2019; Mak & Li, 2001; Pearce & Zahra, 2022) found that there exists a positive relationship between the board size and firm performance. The arguments in support of larger boards favor the resource dependency aspect. Larger boards have directors from diverse background possessing different skill sets. The

knowledge and intellect of these can be used for effective decision-making and strategic planning in the organization. Coles et al. (2018) find that firms that require more advice derive greater value from the larger boards. Pearce and Zahra (2021) recommended that a larger board size enhances a company's ability to understand and respond to diverse stakeholders and are tougher to manipulate as compared to boards with fewer seats.

Setia-Atmaja (2018) analyzed firms listed on the Australian Stock Exchange (ASX) and found a positive relationship between the board size and firm performance (Tobin's Q). Haleblan and Finkelstein (2023) argued that the major advantage of large boards is the collective information that the board possesses about factors that affect the value of firms, such as product markets, technology, regulation, mergers and acquisitions. Anderson, Mansi and Reeb (2014) argue that investors of firms with larger boards believe that the financial accounting structures of those firms are monitored better, enabling those firms to decrease the cost of borrowing. The positive impact of the board size on firm performance is also found in Indian studies (Jackling & Johl, 2009; Sahu & Manna, 2013). Kathuria and Dash (1999), however, found that a corporation's performance improves by increasing the board size but the contribution of an additional board member decreases as the size of the corporation increases. Thus, larger organization which already have a high average board size do not gain much if an additional board member joins.

Lipton and Lorsh (2012) recommended that the number of directors must be restricted to seven or eight, as when the board size increases to more than 10 members, it becomes difficult for directors to express their opinions and ideas. Jensen (2018) argued that keeping boards small can increase the firm performance as when the board size goes beyond that people are less likely to function and it would then be difficult for the CEO to control. Hermalin and Weisbach (2018) suggested that larger boards can be less effective than small boards as they believed that when the board becomes too big, it often moves into a more symbolic role, rather than performing their basic functions as part of the management. Empirical evidence also supported the notion of smaller board size to improve the firm performance.

The governance process as defined in the agency theory encompass the board size, composition including gender diversity, CEO pay performance sensitivity, directors, ownership and shareholders rights. According to Chirchir (2014), in a scenario where the governance mechanisms

are to be changed, the managers have to align their interests with those of the shareholders to have a higher firm achievement or value. Kumudini (2011) asserted that properly-governed corporations have better financial growth and performance than the poorly governed firms. Better corporate governance framework benefits firms through greater access to financing, lower cost of capital, better financial performance and more favorable treatment of all stakeholders. The weak corporate governance does not only lead to poor firm financial performance and risky financing patterns, but are also conducive for macroeconomic crises. Good corporate governance is also important for increasing investor confidence and market liquidity (Ren, 2014).

Basically, effective corporate governance is critical to firm performance and by extension shareholder value, and especially so after the collapses and scandals of the high-profile corporates such as Enron, WorldCom and others in the US, serving as an impetus to such recent U.S. regulations as the Sarbanes-Oxley Act of 2002. The Act is considered the most sweeping corporate governance regulation in the past 70 years (Khaled, 2014), with the main objective of the Act being to protect investors by improving the accuracy and reliability of corporate disclosures made pursuant to the securities laws and other purposes. Others are Parmalat in Italy, Marcos 10b & Fortune and Baby Doc of Haiti. Back in Kenya, the collapse of Uchumi Supermarkets, Kenya-United Insurance, Lake Star Insurance, Goldenberg, Kenren and Anglo-Leasing scandal clearly point out on the need for good corporate governance. Corporate governance has succeeded in attracting a good deal of public interest because of its apparent importance for the economic health of corporations and society in general.

Cadbury (2012) recommends an ideal board size of 8–10 members, with an equal number of executive and non-executive directors. Jensen and Meckling (2016) argue that the optimum board size should be around 7– 8 directors. Based on the Codes of Corporate Governance in the UAE, the board of directors consists of 3–12 members. Brown and Caylor (2014) also suggest that a board size of between 6-15 members is ideal to enhance firm performance. Lipton and Lorsch (2012) argue that board size should be small and limited: a board size of 8–9 directors is optimal for coordination and communication, because if the board has more than 10 members, it is not easy for directors in the board to indicate their opinions and ideas (Lawal, 2012). The board of directors plays an important role in corporate governance practices because it is responsible for planning and monitoring a company's objectives (Bhagat and Bolton, 2008). Thus, an effective

board director with an appropriate composition of directors is important in order to help the board accomplish its aim and ensure the success of the company (Al-Matari and Tellis, 2012).

Yermack (2016) analyzed a sample of US firms between 1984 and 1991 and provided strong evidence for the negative relationship between the board size and firm performance. Ghosh (2016) based on the empirical investigation of 127 non-financial listed manufacturing firms for the year 2003 suggested that the board size exerts a negative influence on corporate performance irrespective of accounting and market-based measures, and thus concluded that larger boards tend to have a dampening influence on the firm performance. Garg (2017) studied the data of 164 companies from the Bombay Stock Exchange (BSE) 200 companies for six financial years from 1997–1998 to 2002–2003 and found an inverse association between the board size and firm performance as measured by Tobin's Q and other market-based measures. He recommended the board size limit of six as ideal. A number of researchers (Boone, Field, Karpoff, & Raheja, 2007; Eisenberg, Sundgren, & Wells, 1998; Garg, 2007; Ghosh, 2006; Guo & Kga, 2012; Kota & Tomar, 2010; Mak & Kusnadi, 2005; Rashid, 2010; Yermack, 1996) documented the negative relationship between the board size and firm performance. Bennedsen, Kongsted and Nielsen (2018) in Denmark found that there is no effect on the firm performance when the board size was varied at the levels below six directors; however, a significantly negative effect was found when increasing the size of board with six or more members. Thus, each firm must find the best trade-off between the benefits of having sufficient competencies represented and the cost arising from increased free-riding among directors to find an optimal board size

2.2.3 Influence of board independence on the financial performance of beverage companies

The board of directors has long been recognized as an important corporate governance mechanism for aligning the interests of managers and all stakeholders to a firm. The need to adopt the right corporate governance mechanisms is driven by the agency problem and the associated free-rider problem that makes it difficult for any single investor or stakeholder to bear the cost of monitoring managers. Directors are typically divided into two groups, being executive directors and non-executive directors (NEDs). A director who is a full-time employee of the company is deemed an executive director, whereas a director, whose primary employment is not with the company, is deemed a NED or independent NED (Adams et al. 2009). The central role of board of directors in this process has therefore been recognized and in recent years has gained significant attraction for

at least two reasons. One, both transition countries and other developing countries are struggling to attract resources for investment in an increasingly competitive global environment. Two, events at Enron and several other large corporations suggest the need for policies to promote board independence and other aspects of corporate governance. Levine (2004) also sees a link between corporate governance and the economy, arguing that it has the capacity to foster economic growth. According to him sound corporate governance makes it more likely for owners of capital to monitor the activities of managers either directly through voting on crucial matters or indirectly through the board of directors. This helps to protect shareholder interest and promote savings, investment and economic growth. Oman et al. (2003) argues along similar lines, but see the importance of corporate governance on growth through a different channel. For them, well-governed firms are better able to raise productivity and aid economic growth.

In the study by Gani & Jermias (2016) board independence is tied to company performance by looking at different strategies. They find that board independence has a significantly more positive effect on performance for firms pursuing a strategy of cost efficiency than for those pursuing a strategy of innovation. Klein *et al.* (2015) analyze the relationship between firm value (proxied by Tobin's Q) and corporate governance indices for a sample of 263 Canadian firms. In contrast to the study by Gani & Jermias (2016) they find no evidence that board independence has any positive effect on firm performance.

The possibility of overlapping CEO/chair function is part of the discussion of the optimal board composition. Forsberg & Nelson (2019) looked at explanations for a dual leadership structure, i.e., why some firms have different persons holding the chairman of the board and CEO positions. In fact, they found evidence supporting both the dual leadership structure in line with agency problem theory and in line with the normal succession theory, and expects that separating the CEO and chairman of the board positions will reduce the agency costs. They also found a positive relationship between company performance and separation of the leadership positions under circumstances where the leadership structure changed.

The board of directors has an important role in alleviating the agency costs that arise from the separation of ownership and decision control in corporations (Fama and Jensen, 2019). Short et al. (2019) also took this view and argued that the board of directors is the central corporate governance

control mechanism responsible for monitoring the activities of managers, whilst Jensen (2017) describes the board of directors as the apex of the internal control mechanism in an organization. Therefore, the sole existence of board of directors is to protect the interests of shareholders from where it receives its authority for internal control (Jensen, 2019). However, a board nominated by insiders, clearly would not be able to perform its supervisory functions properly, as personal relations make critical reflections of corporate policy less likely, given the fact that insiders are subordinates of CEO and they are not in a strong position either to monitor or discipline the CEO, (Daily and Dalton, 2018). However, this could be avoided with the adoption of outsiders in the board who could enhance the board's monitoring power since they do not hold active role in the company except for their directorship which puts them in the best position to judge managerial decisions objectively (Fama, 2019). Dare (2018), who believes that the outsiders become effective monitors when they question company's strategies and ask awkward questions, while at the same time being able to provide independent judgments to the board, also supports this view.

Furthermore, according to the agency theory a higher proportion of outsiders on a board can better monitor and control the opportunistic behavior of the incumbent management, thus, minimizing the agency problem and maximizing shareholders' wealth (Fama and Jensen, 2013a, 2017b; Jensen and Meckling, 2018). Therefore, boards should have majority outside directors because a higher proportion of outsiders can strengthen a board's independence, provide greater breadth of knowledge and experiences and enhance the effective functioning of the board (Bacon and Brown, 2023; Williams and Shapiro, n2019). This was supported further by Fama and Jensen (2013), who provide the classic theoretical arguments that independent boards are more objective than non-independent boards at monitoring the firm.

Berghe and Baelden (2005) examined the issue of independence as an important factor in ensuring board effectiveness through the monitoring and strategic roles of the directors. The ultimate factor for the board independence is by acquiring enough numbers of the independent directors on board. They stated that the director's ability, willingness and board environment might lead to the independent attitude of each director. Kakabadse, Yang and Sanders (2010) narrated the effectiveness of non-executive directors in China is determined by their formal independence, information accessibility, incentives provided and competency. However, they found out that the non-executive director system in China was weak because there was too much intervention of

controlling shareholders and there was a lack of understanding of the functions of non-executive directors. Johari, Saleh, Jaffar and Hassan (2008) indicated that the minimum composition of the independent director by the Malaysia Code of Corporate Governance is still not adequate enough to monitor the management. They concluded that the composition of the independent directors on the board was not associated with earning management. They found out that most of the firms in Malaysia have 1/3 or 33% of the independent directors on the board, but it did not have any effect on the earning management. Besides, Woo and Ming (2009) indicated that the independent directors have failed in their internal monitoring role in Malaysian Government Linked Companies (GLCs).

Nowak and McCabe (2008) have studied the roles of the independent directors in Australian public listed companies by interviewing 30 directors. The participating directors agreed that a majority of non-executive directors (NEDs) on the board would provide a safeguard for a balance of power or management relationship. Besides that, there was a distinction between the boards with independent non-executive directors and non-independent directors. Independent directors would provide a variety of independent thinking, and majority of them could reduce the dangers of 'group think'.

Epps and Ismail (2009) indicated that firms in United States with annually elected boards, small size boards, 100 percent independent nominating committees, and 100 percent independent compensation committees have more negative discretionary accruals. Similar with Cybinski and Windsor (2013), the independence remuneration committee may align CEO remuneration with firm performance in larger Australian Stock Exchange (ASX) as compared to smaller and medium ASX300 firms. It showed that independent directors were having a crucial function of the monitoring remuneration process of CEOs and executive directors for larger public companies, and later the remuneration paid to them commensurate with their performance.

Nowak and McCabe (2008) have studied the roles of the independent directors in Australian public listed companies by interviewing 30 directors. The participating directors agreed that a majority of non-executive directors (NEDs) on the board would provide a safeguard for a balance of power or management relationship. Besides that, there was a distinction between the boards with independent non-executive directors and non-independent directors. Independent directors would

provide a variety of independent thinking, and majority of them could reduce the dangers of 'group think'

CHAPTER THREE:

RESEARCH METHODOLOGY

3.0 Introduction

This section will comprise of the research design, area of the study, study population, sample size determination, sample selection, sources of data, data collection instruments, procedure of data collection, data quality control, data processing and analysis and ethical consideration.

3.1 Research design

In conducting this study, the researcher will opt\ to use a case study. Case study research design was selected because different categories of respondents were studied. With a case study approach a variety of quantitative research methods would employ such as questionnaires. The quantitative data will be collected through the use of questionnaires. The case study often will involve simply interviewing what has happened to, or reconstructing ‘the case history’ of a single participant or group of individuals such as a district staff or a specific social group (McLeod, 2008).

3.2 Study population

The population of study will be including Accountants, Managers, internal and external auditors, all are contacts for the information in the study to make this study successful. Civil servants include accountants, Procurement officers, Chief Administrative Officer, Assistant Chief Administrative Officer and Chief Finance Officer. These respondents will be selected and used in order to obtain reliable and valid information. The study population will be 60. They will consider to give the researcher valuable and professional views which made the findings more credible. Such respondents will be interviewed so as to get variety of views so as to make the study findings more reliable and comprehensive for the benefit of this society.

3.3 Sample size determination

The sample size will be 52 respondents, which included sixteen (16) internal and external auditors, twenty (20) Managers and sixteen (16) accountants; all were contacted to obtain necessary information.

$$n = \frac{N}{1 + N(e)^2}$$

Where; N = Target population n = sample size e = level of significance

$$N = 60$$

$$e = 5\%$$

$$n = \frac{60}{1 + 60 \times (0.05)^2}$$

$$1 + 60 \times (0.05)^2$$

$$n = \frac{60}{1 + 60 \times 0.0025}$$

$$1 + 60 \times 0.0025$$

$$n = \frac{60}{1 + 0.15}$$

$$1 + 0.15$$

$$n = \frac{60}{1.15}$$

$$1.15$$

$$n = 52 \text{ respondents}$$

Table 1: Summary of Sample Size

Category	Target Population	Sample size	Sampling techniques
Accountants	24	20	Purposive sampling
Managers	18	16	Purposive sampling
Internal and External Auditors	18	16	Simple random sampling
Total	60	52	

3.4 Sampling techniques

Sampling is described by Sarantakos (1997) as the process of choosing the units of the target population which included in the study in such a way that the sample of selected elements to represent the population. For quantitative part, purposive sampling will be used to select internal and external auditors, top Managers and accountants from whom the researcher got specific information. These will purposively be selected because of their position and they will be interviewed from their place of work, and it helped to provide more of unbiased information. These respondents also will provide vital information on auditing and offer accurate results.

3.5 Sources of data

Both primary and secondary data will be used in this study. Primary and secondary data as envisaged will be collected by different methods that will explain hereunder. Due to its flexibility in data collection, the researcher will conduct a comprehensive assessment of the case unit, which will be Century Bottling Company. The researcher will use interviews and questionnaires in which has a good position of getting data and/or information in the first hand and therefore avoid second hand data and/or information that will have invalid study findings.

3.6 Data collection instruments

The study will use the following research instrument: -

3.6.1 Questionnaire

Tailored questionnaire (vide Questionnaire A and D) by focusing the research questions and capturing research objectives will be designed and used to collect respondents' perceptions. Questions will focus to assess the impact of cooperate governance in enhancing Organizational performance in Century bottling company.

3.7 Measurement levels

The sound measurement level met the tests of validity and reliability. There will be four types of measurement levels namely, ordinal, nominal, ratio and interval (Kothari, 2013). The ordinal scale refers to ranking of the measure in order of importance. Nominal scale measures only terms of names or designation of discrete units or categories. Ordinal scales measures in terms of such value as more or less or larger or smaller but without specifying the size of the intervals. Interval scales measures in terms equal intervals or degrees of different, but with an arbitrary established zero point that doesn't represent anything of something. Ratio scales measures in terms of equal intervals and an absolute zero point. The nominal scale will use for gender and education level. The interval scale will use for period one has been in school. It is recognizable when you are asked to indicate your strength of feeling about a particular issue on a 5-1 rating scale. The five-point scale which included the following kinds of answers were used; 5 = Strongly Agree, 4= Agree 3=Undecided/neutral, 2=Disagree and 1= Strongly Disagree, and the respondents were asked to indicate their degree of agreement with the statements.

3.8 Procedure of data collection

Ethically, the researcher obtained a letter of introduction from the Research Coordinator, Faculty of Business and Administration of Uganda Christian University, to conduct research. Such a letter of permission was obtained in order for the researcher to carry out the study. The researcher will administer the questionnaires to Managers, Accountants, external and internal auditors. This data will be collected in the year 2019 using questionnaires and interview guide. The researcher will also

assure respondents that the study will be strictly academic and that utmost confidentiality will be observed. The data will be used in this study was anonymously coded and cannot therefore be traced back to individual respondents.

3.9 Quality/error control

The study will be guided by validity and reliability of research instruments as follows: -

3.9.1 Validity of instruments

McMillan & Schumacher (2006) stated that validity refers to the degree of congruence between the explanations of the phenomena and the realities of the world. The validity of the questionnaires will be determined by pre-testing the instruments. Pre-testing will help to estimate the time it took take to fill the questionnaires, relevancy of the questions, and accuracy of the questions in measuring the subject under study. Pretesting will be done by administering five (5) respondents within the study population but outside the sample. Questionnaires will also be scrutinized question by question and those deemed irrelevant will drop in the real data collection tool. Results from the field and opinion of the researcher will help to identify gaps and made modifications to the instrument. To ensure validity of the mentioned instrument, the researcher will ensure that questions or items in it conform to the study's objectives.

3.9.2 Reliability of instruments

According to Mugenda (2003) reliability is a measure of the degree to which a research instrument yields consistent results of the data after repeated trials. To ensure the reliability of the instrument, the instrument first administered to the respondents who will outside the sampled Mukono DLG. The test was carried out on five key players' who were not part of the sample population to change on the questions as per the comments.

3.10 Data processing and analysis

Raw data will process into meaningful information. The process will involve editing, tabulation and analysis with a view of checking the completeness and accuracy of the information.

3.10.1 Editing

This will detect and eliminate errors that may occur. Only relevant, correct and crucial information will identify and used to draw conclusion.

3.10.2 Tabulation

Some data will present in table to enable analysis and identification of relationship between variables.

3.10.3 Quantitative data

Under this technique, data will analyze using statistical packages like Ms. Excel to generate frequencies and then the rate percentages will be calculated using the same package. This will be useful and would help in generating tables for easy presentation and interpretation of the study findings. This will be done by way of content analysis where field notes from the respective respondents will summarize in briefs on the daily basis. This will be necessitated by construction of summary sheets containing data in key variable sought. The analysis of the data will be made using the information given by the external and internal auditors, accountants and managers through questionnaires. The questionnaire will be in form of objective questions. Further, a sequential analysis will be under taken to provide much depth insight to the data collected, this will help in pointing out areas that require additional literature before finally compiling the final report.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.0 Introduction

This chapter deals with the presentation and analysis of the findings collected from the field in an attempt to assess the corporate governance and Financial Performance of Organisation: A Case of coca cola botting company. The findings are presented according to the research questions. They are presented in frequency tables. The findings are coined to the purpose of the study and are analyzed within the theoretical frame work. It presents the collected data in a more organized and summarized way, guided by the study objectives and research questions.

4.1 Profile of the Respondents

This section presents demographic characteristics of respondents that include; age, sex, marital status and education. This information was obtained from political leaders, civil servants, internal and external auditors

Table 2: Profile of Respondents

	Category	Frequency
Age bracket of respondent	18 – 27	9
	28 – 37	17
	38 – 47	11
	48 – 57	9
	58 years and above	6

	Total	52
Gender of respondent	Male	22
	Female	30
	Total	52
How long have you been in the company.	Below 3 yrs.	15
	Between 3 – 6 yrs.	19
	6 – 8 yrs.	8
	More than 8 yrs.	10
	Total	52

Source: Primary Data, 2024

4.1.1 Age Distribution of Respondents

With regard to age, the majority of the respondents were in age range of 28 – 37 years, with slight difference to those in age range of 38 – 47 years, and these were the age group still in reproductive stage. Other respondents were in age of 48 – 57 years and 18 to 27 years respectively represented by 13, and 58 years and above by 6. However, looking at the table above, it can be concluded that the age distribution was fairly representative in the sample selected.

4.1.2 Gender of Respondents

Out of the 52 respondents interviewed, the researcher found out that 30 of the respondents were female while 22 were male as shown in table 2 above. This implies that most respondents were female, and

few males were employees in coca cola botting company; and this implies that there was no gender bias in the study. However, looking at the sex distribution it can be seen that the sample was fairly selected for the findings to be generally acceptable.

4.1.3 Period at Work

Respondents were further asked to reveal the time period they have spent in the district. This was intended to give a clear picture on whether there was notable progress in the district or not. It was found out that 21of respondents have been in district for less than 12 years, 10 of respondents have been there between 10 and 12 years, 8 respondents have there for 8 - 10 years, 6 revealed of 5-8 years, 5 revealed of 3.5 years and the least of the respondents 2 were in district for less-than 3 years. This observation shows that respondents had some experience and knowledge on what makes progress in the company looking at the number of years spent in company.

4.2 The influence of the audit committee on the financial performance

The study ascertained the influence of the audit committee on the financial performance in Uganda. The findings from the study are presented in the table below;

Table 4.6 shows the influence of the audit committee on the financial performance of the organisation

	Statement	SA	A	N	D	SD	St De	Mean
1	It ensures accurate financial reporting and compliance with regulations	51.9%	48.1 %	0%	0%	0%	.505	1.48
2	Enhances financial performance by providing independent oversight of financial management and internal controls.	34.6%	50%	15.4%	0%	0%	.687	1.81

3	Provides valuable guidance and insights leading to improved financial decision making and performance	53.8%	0%	0%	46.2%	0%	.503	1.54
4	Promotes good corporate governance which is essential for achieving good financial performance.	38.5%	46.2%	15.4%	0%	0%	1.007	1.92
5	Internal controls are critical to maintaining investors' confidence and achieving good financial performance.	69.2%	30.8%	0%	0%	0%	.466	1.31

Source: field data (2024)

The findings from the study reveal that 51.9% of It ensures accurate financial reporting and compliance with regulations, 48.1% of the respondents also agreed with the statement, the findings imply that it ensures accurate financial reporting and compliance with regulations.

The findings from the study reveal that 50% of the respondents agreed that enhances financial performance by providing independent oversight of financial management and internal controls, 15.4% of the respondents were not sure about the statement, the findings from the study imply that Enhances financial performance by providing independent oversight of financial management and internal controls.

The findings of the study also reveal that 53.8% of the strongly agreed that provides valuable guidance and insights leading to improved financial decision making and performance 46.2% of the respondents disagreed with the statement, this implies Provides valuable guidance and insights leading to improved financial decision making and performance.

The findings from the study further reveal that 46.2% of the respondents agreed that promotes good corporate governance which is essential for achieving good financial performance, 38.6% of the respondents also strongly agreed with the statement, 15.4% of the respondents were not sure

about the statement, the findings from the study imply Promotes good corporate governance which is essential for achieving good financial performance.

The study further revealed that 69.2% of the respondents strongly agreed Internal controls are critical to maintaining investors' confidence and achieving good financial performance ,30.8% of the respondents also agreed with the statement, the findings from the study imply that financial Internal controls are critical to maintaining investors' confidence and achieving good financial performance.

4.3 The influence of board size on the financial performance.

The study ascertained **the influence of board size on the financial performance**. The findings from the study are presented in the table below;

Table 4.7 shows influence of board size on the financial performance.

	Statement	SA	A	N	D	SD	St De	Mean
1	Small board size Provides reduced agency costs and reduced monitoring and control.	57.7%	42.3 %	0%	0%	0%	.499	1.42
2	Effective in making of decision	26.9%	46.2 %	3.8%	23.1 %	0%	1.096	2.23
3	Enables more effective monitoring and control reducing agency costs and improving performance.	26.9%	65.4 %	0%	7.7%	0%	.758	1.88
4	Enhances collaboration and communication hence improved governance.	30.8%	69.2 %	0%	0%	0%	.471	1.68
5	Board size is acts as a representation and stakeholder engagements thus provide improved governance and accountability.	76.9%	23.1 %	0%	0%	0%	.425	1.23

Source: field data (2024)

The findings from the study reveal that 57.7% of the respondents strongly agreed that small board size Provides reduced agency costs and reduced monitoring and control., 43.3% of the respondents also agreed with the statement, this implies that small board size Provides reduced agency costs and reduced monitoring and control.

The study reveals that 46.2% of the respondents agreed that Effective in making of decision., 26.9% of the respondents also agreed with the statement, this implies that Effective in making of decision

The findings of the study reveal that 65.4% of Enables more effective monitoring and control reducing agency costs and improving performance. 26.9% of the respondents strongly agreed with the statement,7.7% of the respondents disagreed with the statement, this implies that Enables more effective monitoring and control reducing agency costs and improving performance

The study further revealed that 69.2% of the respondents agreed that Enhances collaboration and communication hence improved governance. 30.8% of the respondents also agreed with the statement, this implies that Enhances collaboration and communication hence improved governance

The study further revealed that 76.9% of the respondents strongly agreed Board size is acts as a representation and stakeholder engagements thus provide improved governance and accountability.23.1% of the respondents agreed with the statement, this implies that Board size is acts as a representation and stakeholder engagements thus provide improved governance and accountability

4.4 The influence of board independence on the financial performance

The study ascertained the influence of board independence on the financial performance

Table 4.8 shows the influence of board independence on the financial performance

	Statement	SA	A	N	D	SD	St De	Mean
1	Allows a diversity of perspectives and opinions leading to a reduction of the risk of the group think and the poor decision making.	46.2%	53.8 %	0%	0%	0%	.503	1.54
2	Makes objectives decisions that maximizes the long term returns rather than priotizing to personal interests or short-term gains.	57.7%	42.3 %	0%	0%	0%	.499	1.42
3	Provides constructive challenge and expertise, helping management teams to develop and implement effective strategies and holding them accountable for performance.	50%	50%	0%	0%	0%	.505	1.50
4	Audit committees ensure accurate financial reporting by providing objective oversight of accounting practices, internal controls and risk management processes.	73.1%	26.9 %	0%	0%	0%	.448	1.27
5	Good governance and transparency of the help to ensure that companies are managed in a responsible and sustainable way.	61.5%	38.5 %	0%	0%	0%	.491	1.38

Source: field data (2024)

The study revealed that 53.8% of the respondents agreed that allows a diversity of perspectives and opinions leading to a reduction of the risk of the group think and the poor decision making, 46.2% of the respondents also strongly agreed with the statement, the this implies that allows a diversity of perspectives and opinions leading to a reduction of the risk of the group think and the poor decision making.

The study also revealed that 57.7% of the respondents strongly agreed that Makes objectives decisions that maximizes the long term returns rather than priotizing to personal interests or short-term gains 42.3% of the respondents also agreed with the statement, this implies that Makes objectives decisions that maximizes the long term returns rather than priotizing to personal interests or short-term gains

The study also revealed that 50% of the respondents strongly agreed and agreed that provides constructive challenge and expertise, helping management teams to develop and implement effective strategies and holding them accountable for performance, this implies that provides constructive challenge and expertise, helping management teams to develop and implement effective strategies and holding them accountable for performance.

The study revealed that 73.1% of the respondents strongly agreed Audit committees ensure accurate financial reporting by providing objective oversight of accounting practices, internal controls and risk management processes. 26.9% of the respondents also agreed with the statement, this implies that Audit committees ensure accurate financial reporting by providing objective oversight of accounting practices, internal controls and risk management processes.

The study further revealed that 61.5% of the respondents strongly agreed that good governance and transparency of the help to ensure that companies are managed in a responsible and sustainable way. 38.5% of the respondents also agreed with the statement, this implies that good governance and transparency of the help to ensure that companies are managed in a responsible and sustainable way.

CHAPTER FIVE

RECOMMENDATIONS AND CONCLUSION

5.0. Introduction

This chapter presents discussions from the research study. The purpose of the study was to establish the impact of corporate governance on the financial performance of coca cola bottling company. This chapter therefore contains a discussion of findings of the study as presented in chapter four in order to establish whether the objectives of the study were achieved, to answer the research questions an. These follow the sequence of research questions as developed from the research objectives

5.1. Summary of the findings

5.1.1. The influence of the audit committee on the financial performance

In conclusion, an effort to enhance the quality of financial information that firms report, the NYSE, NASDAQ, and SEC have recently taken action that will force corporate Boards to alter the composition of their audit committees. Audit committees will now have to be comprised of at least three members, who are all independent, and with at least one individual being classified as an expert in accounting or financial management. There is little extant empirical research on whether these audit committee characteristics impact the quality of financial reporting, especially in non-fraud settings. Using a sample of firms that predates these requirements, our results indicate that the financial analysts' perceptions of a firm's financial reporting quality are predictably related to audit committee characteristics. Specifically, financial/accounting expertise of the audit committee and to a lesser extent, audit committee size is significantly positively related to financial reporting quality. Hence, our results support the recommendations of the Blue-Ribbon Committee and adopted by the NYSE and NASDAQ and the requirements of the Sarbanes-Oxley Act of 2002 that audit committee members have financial/accounting expertise.

In fact, our results suggest that having more than one expert in accounting or financial management on the audit committee may be beneficial to firms (rather than having one expert, as the Exchanges now require). In addition, our results suggest that committing more directorial resources to the

audit committee may enhance the firm's reporting quality. Our results suggest that audit committee have an important role to play in ensuring the quality of a firm's financial reporting and could help firms possibly lower its cost of capital.

5.1.2. The influence of board size on the financial performance

The findings found that the contrary school of thought believes that large board sizes are more effective and enhances the firm performance. Various researchers (Adhikary, Huynh, & Hoang, 2018; Coles, Daniel, & Naveen, 2018; Fauzi & Locke, 2017; bJackling & Johl, 2019; Kathuria & Dash, 2019; Mak & Li, 2001; Pearce & Zahra, 2022) found that there exists a positive relationship between the board size and firm performance. The arguments in support of larger boards favor the resource dependency aspect. Larger boards have directors from diverse background possessing different skill sets. The knowledge and intellect of these can be used for effective decision-making and strategic planning in the organization. Coles et al. (2018) find that firms that require more advice derive greater value from the larger boards. Pearce and Zahra (2021) recommended that a larger board size enhances a company's ability to understand and respond to diverse stakeholders and are tougher to manipulate as compared to boards with fewer seats.

5.1.3. The influence of board independence on the financial performance

The findings found that the board of directors has long been recognized as an important corporate governance mechanism for aligning the interests of managers and all stakeholders to a firm. The need to adopt the right corporate governance mechanisms is driven by the agency problem and the associated free-rider problem that makes it difficult for any single investor or stakeholder to bear the cost of monitoring managers. Directors are typically divided into two groups, being executive directors and non-executive directors (NEDs). A director who is a full-time employee of the company is deemed an executive director, whereas a director, whose primary employment is not with the company, is deemed a NED or independent NED (Adams et al. 2009). The central role of board of directors in this process has therefore been recognized and in recent years has gained significant attraction for at least two reasons. One, both transition countries and other developing countries are struggling to attract resources for investment in an increasingly competitive global environment. Two, events at Enron and several other large corporations suggest the need for policies to promote board independence and other aspects of corporate governance. Levine (2004)

also sees a link between corporate governance and the economy, arguing that it has the capacity to foster economic growth. According to him sound corporate governance makes it more likely for owners of capital to monitor the activities of managers either directly through voting on crucial matters or indirectly through the board of directors. This helps to protect shareholder interest and promote savings, investment and economic growth. Oman et al. (2003) argues along similar lines, but see the importance of corporate governance on growth through a different channel. For them, well-governed firms are better able to raise productivity and aid economic growth.

5.2. Conclusions

In conclusion, the study is specified an empirical framework to examine the impact of corporate governance and risk on company performance in Food and Beverage Industry for the period of 2011 until 2015 by obtain the data based on Farm's Best Berhad's annual financial report. So, based on the finding, it is clear that corporate governance and risk give an impact to the company performance either positive or negative sides to the Food and Beverage Industry. Whereby, company must consider all those variables that may give an impact to the company performance in order to ensure that the company are well-managed and operate. Therefore, this company should take a serious effective strategy in order to reduce any insufficient regarding to corporate governance to generate more profits. However, it is also clear that risk and external factors which are inflation and GDP also make sense to company performance. Since the firm goals is to create sustainable for profitability

In today's business world, successful businesses will not do without corporate boards. In this study, corporate governance was found to significantly influence the Eton et al. 2019 financial performances of hotels and manufacturing firms in coca cola botting company. Firms whose boards demonstrate integrity are likely to register positive changes in their financial performance than firms whose boards do not. This study demonstrates that board integrity promotes independence of the board, which is a key factor in aligning both the principals' and managers' goals. Whereas previous studies indicate the importance of board diversity and board communication in firm performance, evidence among hotels and manufacturing firms in coca cola botting company indicates the contrary.

As firms struggle to diversify board membership, they are likely to attract men and women with low reputation, leave alone those who might stifle the independence of the board in executing its roles. This study extends the application of the stake holders' theory to understanding the significance of board integrity on firms' financial performance. Additionally, the study has generated a testable relationship between corporate governance and firms' financial performance, which is important for business practice. Therefore, hotel and manufacturing firm owners should be cautious in selecting board members lest they attract many that would increase the firm's liabilities. Secondly, hotel and manufacturing firm owners should exercise some discipline and leave boards to operate independently. This would allow the board to remain focused on the long-term goals of the firm.

5.3. Recommendations

From the above conclusions, the following recommendations are made:

The role of Audit committees should be strengthened and members should devote more time and commitment to perform their oversight functions and appointment to the committee should take care of technical competency (qualification and experience) of the members. The audit committee should be more independent and they should be obliged to report fraud and any observed non-compliance with the internal controls and policies.

Regulators and the board should ensure enhanced accountability i.e. transparency and disclosure for effective market discipline in accordance with professional best practices. Professional and regulatory bodies should promote best practice in disclosure and motivate banks to publish more informative reports

Shareholders interference with the work of directors should be minimized as much as possible (a clear distinction between ownership and management should be established). The stewardship of the directors and managers should be regularly checked through engagement of independent external auditors. And external auditors should be regularly rotated to ensure Objectivity. The relationship between shareholders and managers plays a pivotal role in the corporate governance. A bizarre relationship may cost the company large profits leading to eventual collapse.

Bank directors (both: executive and non-executive) should bear personal responsibility for banks' activities and risk; banks' executives remuneration should be linked to performance and risk exposure; there should be an obligation to use part of their salary deferred: a) not to motivate to generate short-term profits and increase the risk and make the bonuses contingent on long-term sustainable outcomes; non-executive directors engagement should be stronger – they should devote more time and commitment to perform their oversight function; nomination of supervisory board members should be approved by the supervisors (as it is in case of management board members); the role of independent board members should be strengthened, board members should be required to have proper knowledge and experience (including the financial expertise).

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APPENDIX 1: QUESTIONNAIRE

UGANDA CHRISTIAN UNIVERSITY, MUKONO

Questionnaire for Board of directors, stakeholders, management team

The survey on the corporate governance and Financial Performance of Organisation: A Case of Century bottling company.

Dear respondents

This questionnaire is designed to study the corporate governance and Financial Performance of Organisation: A Century bottling company. The information you provide will help us understand better about the relationship between corporate governance and Financial Performance of Organisation: A Case of Century bottling company. Because you are the one who can give the correct picture, own requesting you to respond to the questionnaire frankly and honestly. Only the members of the research team will access the information you give. In order to ensure utmost privacy, you are provided with the participants Tel. No. -----which will also be used for the follow up procedures. The summary of the results will be mailed to you after the data has been analyzed in case you are interested. Thank you very much for your time and co-operation.

Section A: Bio data

(Kindly tick in the box provided below from No. 1 to 4)

1. Age bracket of the respondents

(a) 20 – 30 Years

(b) 30 – 40 Years

(c) 41 years and above

2. Gender of the Respondents

a). Male

b) Female

3. Designation/activity involved in? (tick as applicable)

4. a). How long have you been in that position?

a). Below 3 yrs.

b). Between 3 – 6 yrs.

c). 6 – 8 yrs.

d) More than 8 yrs.

INSTRUCTIONS:

In this part and the parts that follow, you are required to tick the most appropriate option applicable to you

Section B:

The influence of the audit committee on the financial performance

SA – Strongly Agree, A- Agree, NS – Not Sure, D – Disagree, SD – Strongly Disagree

No.	Statements:	5	4	3	2	1
Qns		SA	A	NS	SD	D
1.	It ensures accurate financial reporting and compliance with regulations					

2.	Enhances financial performance by providing independent oversight of financial management and internal controls.					
3.	Provides valuable guidance and insights leading to improved financial decision making and performance					
4.	Promotes good corporate governance which is essential for achieving good financial performance.					
5.	Internal controls are critical to maintaining investors' confidence and achieving good financial performance.					

Section C:

The influence of board size on the financial performance

Apply a tick where applicable using the following key.

SA – Strongly Agree, A- Agree, NS – Not Sure, D – Disagree, SD – Strongly Disagree

No.	Statements:	5	4	3	2	1
Qns		SA	A	NS	SD	D
1.	Small board size Provides reduced agency costs and reduced monitoring and control.					
2.	Effective in making of decision					
3.	Enables more effective monitoring and control reducing agency costs and improving performance.					
4.	Enhances collaboration and communication hence improved governance.					
5.	Board size is acts as a representation and stakeholder engagements thus provide improved governance and accountability.					

Section D:

The influence of board independence on the financial performance

SA – Strongly Agree, A- Agree, NS – Not Sure, D – Disagree, SD – Strongly Disagree

No.	Statement: -	5	4	3	2	1
Qns		SA	A	NS	SD	D
1.	Allows a diversity of perspectives and opinions leading to a reduction of the risk of the group think and the poor decision making.					
2.	Makes objectives decisions that maximizes the long term returns rather than prioritizing to personal interests or short-term gains.					
3.	Provides constructive challenge and expertise, helping management teams to develop and implement effective strategies and holding them accountable for performance.					
4.	Audit committees ensure accurate financial reporting by providing objective oversight of accounting practices, internal controls and risk management processes.					
5.	Good governance and transparency of the help to ensure that companies are managed in a responsible and sustainable way.					

Thank you for your cooperation and responses