

THE RELATIONSHIP BETWEEN BOARD SIZE AND FINANCIAL PERFORMANCE OF HOUSING FINANCE BANK, WAMPEWO HEAD OFFICE, KAMPALA, UGANDA. A CROSS-SECTIONAL STUDY.

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ABSTRACT

Background

Corporate governance involves directing and controlling a firm's activities through structures, procedures, and rules. Its purpose is to serve the corporation's best interests, raising questions about whose behalf and to what end the firm is governed. This study investigates the relationship between board size and the financial performance of Housing Finance Bank, Wampewo Head Office, Kampala-Uganda.

Methodology

The study employed a cross-sectional research design, integrating quantitative and qualitative methods. A sample of 80 respondents was selected from a population of 100 using the Krejcie and Morgan (1970) sample size determination table. Data collection involved questionnaires and interviews, with qualitative data analyzed through content analysis and quantitative data examined using descriptive statistics (mean and standard deviation).

Results

The study concludes that there is a significant and positive relationship between corporate governance variables and the financial performance of Housing Finance Bank, Uganda. Specifically, board size ($r = 0.765$, $p = 0.000$) exhibited moderately strong correlations with financial performance. Regression analysis reveals that the variable explains 42% of the variance in financial performance. The coefficients indicate that a one-unit increase in board size and quality leads to a 0.25 increase in financial performance. These findings suggest that effective corporate governance practices, particularly those related to size, are crucial drivers of financial performance in Housing Finance Bank, Uganda.

Conclusion

The study concludes that there is a meaningful and statistically significant relationship between the size of the board and the financial performance of Housing Finance Bank Uganda. Larger boards tend to facilitate better oversight, richer expertise, and diverse perspectives, all of which contribute to improved financial results.

Recommendation

The study recommends that Housing Finance Bank strengthen its corporate governance practices to enhance financial performance.

Keywords: Board size, financial performance, Housing Finance Bank, Wampewo head office, Kampala

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BACKGROUND

Historical Background

There is no definitive historical treatment of corporate governance, and there may never be one, given the vastness of the subject. Corporate governance has been around since the use of corporate forms created a possibility of conflict between the investor and the managers (Wells, 2010). The history of corporate governance dates back to at least as far as the formation of the East Indian Company, the Hudson Bay Company, the Levant Company, and other major chartered

companies of the 16th and 17th centuries. Addressing all relevant issues on corporate governance systematically is quite a daunting task (Morck, 2005). Corporate governance became vogue in the 1970s in the USA. Within the following 25 years after its first appearance, it became a subject of debate worldwide among academics, regulators, executives, and investors. In the aftermath of World War II the US experienced a boom in the Economic sector and corporations grew rapidly, this growth came with prosperity but internal governance of companies was not high on the agenda (Cheffins, 2009:6). However, as the 20th century drew close, corporate governance had “become Centre stage”. With the 2000s underway,

perceptions changed dramatically. A sharp stock market decline precipitated by the global recession which forced some US giant companies to foreclose and the demise of the “dot Com” era driven by scandals that rocked major public companies such as Enron, WorldCom discredited corporate governance domestically in the US and brought the practitioners, regulators and investors back to the drawing board (Cheffins, 2000). Regardless of the setbacks in the financial market, the construct of corporate governance is well-ensconced in the running of public and private listed companies, and a subject of intense study in the field due to financial accounting scandals that rocked the world in the recent past; improved corporate governance practices have become critical worldwide. Efforts to protect investors and stabilize global capital markets have seen the introduction of stringent governance reforms such as the Organization for Economic Cooperation and Development principles (OECD) first issued in 1999, the Sarbanes-Oxley Act 2002, and “Modernizing Company Law and Enhancing Corporate Governance in European Union- A plan to move forward by the European Commission on 21st March 2003.

In developing nations, reforms are aimed at promoting development and economic globalization. In context, corporate governance reforms in combination with liberalizing reforms in effect represent a new development strategy for third-world nations. There are many styles of corporate governance, including the US, European, Asian style, market-based, stakeholder-based, and other state-leaning systems. Despite the different types of corporate governance styles preferred, there is a convergence in the importance of transparency, integrity, and accountability (Cheffins, 2009). The work by Berle and Means (1932) enjoyed huge acceptance and provided substantial insight into the interactions within organizations. They suggested that there is a separation between the owners of businesses and their management and that this separation requires that there should be a formal contract and bond between the two parties. Their explanations further suggested that this separation is in part due to the expansion in corporations' size and, as businesses become bigger, owners are less likely to be involved in the day-to-day running of the organization. Their observations should have drawn attention to the issues of governance in organizations, but it was left to the works of Course (1936), Jensen and Meckling (1976), and Fama (1980) on the possibility of conflicts of interest between the shareholders and management representing the Principals and the Agents respectively that launched discussions on Corporate Governance. Even then, the term was not used in analysis as such. It was not until 1983 that it featured as the title of a paper in Perspectives on Management (Earl, 1983).

Despite the recent fluent and widespread use of the term, it has no generally accepted definition (Razaee, 2009), due, perhaps, to the fact that the term cuts across multiple disciplines. It is widely used both professionally and in an academic sense. With the recent growing interest in

corporate governance issues, we are witnesses to the re-emergence of traditional issues in industrial organizations. This can be evidenced through the Berle and Means (1932) approaches (Berle et al., 1932) based on Alfred Marshall's work on the relationship between shareholders and managers (Marshall, 1922). Even Adam Smith adduced that the relationship between stakeholders and managers is full of dissociation and thus he stated; “The directors of companies, being managers of other people's money than their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which partners in a private company frequently watch over their own” (Smith, 1877: p.267). In Uganda, various efforts to enhance corporate governance have been made by many organizations, including the Bank of Uganda, the Institute of Corporate Governance of Uganda, and the Capital Markets Authority (CMA). The CMA developed guidelines in February of 2003 as a minimum standard for good corporate governance practices by public companies and issuers of corporate debt in Uganda (CMA, 2003). Corporate governance is about accountability, transparency, and ethical conduct. International standards and guidelines on corporate governance have been established by multilateral organizations such as the Organization for Economic Cooperation and Development (OECD) and the Basel Committee on Banking to improve institutional and regulatory frameworks for enhancing corporate governance in institutions such as banks and other financial markets (Kibirango, 2002).

Theoretical Background

This study is premised on the agency and stakeholder theories. The agency theory focused on problems relating to the separation of ownership and control. Proponents of the principal agency theory, Jensen and Meckling (1976), assert that the theory involves a contract between an agent (director) who knows more about the entity/corporation and the principal (shareholder). It is assumed that the agent will not always have the interests of the shareholder at heart. The agency theory presumes that opportunism on the part of the agent and enforced compliance are not nationally bounded, but instead represent a supranational lens for evaluating corporate governance issues Lubatkin, 2005). Today, well-known agency problems resulting from the separation of ownership from management still prevail in firms worldwide. Recent research suggests that firms tend to have poor performance when they have greater agency problems. An efficient governance structure is believed to be one of the most important means by which agency problems may be alleviated. The elements of corporate governance addressed in the literature include ownership structure, the board of directors' composition, board size, and sometimes CEO reputation. The composition of boards of directors varies according to differences in ownership structure Eldenburg et al., (2004), the composition of the board is what determines the level of monitoring the CEO (Weisbach,

1987), and the size of the board is inversely related to company value as companies with large boards tend to use their assets less efficiently and earn less profit (Yermack, 1996).

Stakeholder Theory, primarily articulated by Edward Freeman in 1984, posits that a firm's success is not solely dependent on satisfying shareholders but also requires managing relationships with a broader set of stakeholders, including employees, customers, suppliers, communities, and creditors (Freeman, 1984). The fundamental assumption is that these groups have legitimate interests in the corporation's activities and that their support is crucial for the firm's long-term viability and performance (Freeman, 1984). The assumptions of Stakeholder Theory directly relate to its core premise by asserting that value creation and distribution involve multiple parties, not just owners (Freeman, 1984). It assumes that managers have a fiduciary duty not only to shareholders but to all stakeholders, balancing their competing interests (Freeman, 1984; Donaldson & Preston, 1995). This perspective contrasts with the traditional shareholder primacy view, suggesting that ignoring the needs and concerns of non-shareholder stakeholders can lead to conflict, reduced cooperation, and ultimately harm the firm's financial health (Freeman, 1984).

Despite its influence, Stakeholder Theory faces several weaknesses and criticisms. One major challenge is the practical difficulty in identifying all relevant stakeholders and balancing their potentially conflicting demands (Jensen, 2001). Critics argue that without a single objective function, such as shareholder wealth maximization, managers may lack clear guidance, potentially leading to inefficient decision-making or prioritizing certain powerful stakeholders over others (Jensen, 2001; Sundaram & Inkpen, 2004). Furthermore, defining the boundaries of corporate responsibility becomes complex when considering a wide array of stakeholder interests (Sundaram & Inkpen, 2004).

Nevertheless, Stakeholder Theory remains a valuable framework for understanding corporate governance and its link to financial performance, particularly in contexts like a financial institution such as Housing Finance Bank, Uganda. While acknowledging the weaknesses, the theory underpins the study by providing a lens through which to examine how the governance structures and practices consider the interests of various groups beyond shareholders, such as depositors, borrowers, employees, and regulators (Freeman, 1984). It suggests that effective corporate governance involves mechanisms that facilitate engagement with and accountability to these key stakeholders, which can mitigate risks, enhance reputation, and foster stability, thereby positively influencing financial outcomes despite the inherent complexities in balancing diverse interests (Donaldson & Preston, 1995).

Conceptual Background

Corporate governance denotes an entire range of mechanisms and arrangements that determine the way key decisions are made in corporations, including policies and practices that shareholders and boards of directors use to manage themselves and fulfill responsibilities to investors. Fundamentally, corporate governance is about accountability, decision making, and conformance with applicable laws. Different definitions have been advanced, but there seems to be no one singular definition of corporate governance justice simply because it is applicable in many disciplines, from law to the humanities and behavioral science. These are some of the definitions or understanding of what corporate governance is about (La Porta et al, 2000). Corporate governance is a multi-dimensional construct comprised of company leadership, board size and composition, company brand principles, balance of power, disclosure, and compliance with the laws and best practices Larker and Richardson, 2005). Corporate governance's purpose is to direct and control the activities of the firm by putting in place structures, procedures, and rules for decision-making. However, the most contentious issues of corporate governance revolve around answering questions: "on whose behalf? And to what end?" Corporate directors have a fiduciary duty to be loyal to the best interests of the corporation (Black, 1999).

Corporate governance is a system by which business corporations are directed and controlled. It is the structure that specifies the distribution of rights and responsibilities among different participants in the corporation, such as the Board, Managers, Shareholders, and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs, and in so doing, provides the structures through which the company objectives are set, attained and performance monitored (OECD, 2009). Corporate governance structure, therefore, provides the framework through which company objectives are set and achieved and ensures that accurate and timely disclosure is made on the financial performance of a company (OECD, 2005). Firms need managers to help them reach their objectives. Competent managers help them reach these objectives efficiently and effectively.

According to Enders (2004), differences in the financial performance of firms are the outcome of good corporate governance and superior management. A firm's management team is responsible for the most important decisions of corporate performance. Financial decisions have a great influence on firm performance (Jensen, 2000; Wruck, 2001). Penrose (2007) asserts that a firm may achieve rents not because it has better resources but rather because it makes better use of its resources. Good corporate governance creates value added (through entrepreneurship, innovation, development, and exploration) and provides accountability and control systems commensurate with the risks involved. Financial performance is the measure of the extent to which

objectives of an organization are achieved in relation to defined standards and targets for each objective (Monaghan, 2000; Dess and Shaw, 2001). It involves outcomes in the firm's earnings, capital adequacy, asset quality, and liquidity available for the operation of the firm. Gompers et al. (2003) find that firms with strong shareholder rights have superior valuation, better profits, and better sales growth. Furthermore, productivity, disclosure, and sustainability, which constitute an integral part of corporate governance, can provide pressure for improved financial performance (Laporta et al., 1998; Shleifer & Vishny, 1997). It is against this backdrop that this research will examine the elements of corporate governance, such as board size, board composition, ownership structure, and CEO reputation.

Contextual Background

The erosion of investor confidence following widespread global corporate failures has resulted in increased focus on corporate governance and the financial performance of companies. OECD (2005) observed that the recent financial scandals in the United States involving such companies as Enron and WorldCom were greatly a result of the failure of shareholders to adequately control managers, and as a result, the managers enriched themselves at the expense of the owners whose interest they were supposed to protect.

The importance of promoting corporate governance is primarily founded on the need to equip business executives with the knowledge and skills required to fulfill their leadership responsibilities to contribute to Uganda's economic growth. The experiences with bank failures, together with other corporate crises, have in many cases been associated with governance. Corporate governance issues are also partly to blame for the relatively short lifespan of many businesses in Uganda. The collapse of the International Credit Bank (ICB), Cooperative Bank, and National Bank of Commerce (NBC) highlights grave governance failures that contributed to their downfall. The ICB, operated by the Katto family, failed in 1998 due to mismanagement, insolvency, and inadequate regulatory oversight, culminating in losses for depositors and investors (Central Bank of Kenya, 2002). Evidence suggests that governance lapses, such as nepotism and lack of transparency, undermined the bank's stability (Mutua, 2018). Similarly, the Cooperative Bank, once highly regarded, experienced financial distress in the late 1990s, primarily due to poor corporate governance practices, including reckless lending and insufficient risk management (Kipkemoi, 2019). The National Bank of Commerce (NBC), another prominent case, was placed under receivership in 2001 after sharp increases in non-performing loans, accounting irregularities, and governance lapses associated with insider lending and weak board oversight (Central Bank of Kenya, 2002). These failures reflect that weak governance, lack of technical competence among board members, and nepotism substantially undermine bank

stability, emphasizing the urgent need for capacity-building in corporate governance within Ugandan financial institutions to prevent similar crises (World Bank, 2020).

Despite the financial crisis, commercial banks in Uganda have been posting good performance for the latter part of the 2000s. Housing Finance Bank was founded in 1967 and mainly dealt in mortgage lending, and it still commands 80% of mortgage lending. The housing finance bank is owned by the National Social Security Fund with 50%, the government of Uganda owns 45%, and the remaining 5% is owned by the National Housing and Construction Company. In 2008, it fully acquired a commercial banking license from the Bank of Uganda, the country's regulator. Although Housing Finance Bank has been financially performing well from its inception, existing data indicate that there have been discrepancies in its financial performance during the different years between 2020 and 2023 (Housing Finance Bank Annual Report, 2023).

This study investigates the relationship between board size and the financial performance of Housing Finance Bank, Wampewo Head Office, Kampala-Uganda.

METHODOLOGY

Research Design

The research adopted a cross-sectional survey research design to gather data from a rather large pool of respondents (Olsen & George, 2004). The study adopted both qualitative and quantitative methods to increase the viability and the strength of the report. Patton (2001) advocates the use of triangulation by stating, "triangulation strengthens a study by combining methods. However, the idea of combining methods has been challenged by Barbour (1998). She argues that while mixing paradigms can be possible, mixing methods within one paradigm, such as qualitative research, is problematic since each method within the qualitative paradigm has its assumptions in terms of the theoretical frameworks we bring to bear on our research.

Study Population

The target population of 100 staff was derived from Housing Finance Bank's organizational structure, as documented in the bank's HR Report (2023). This report provided accurate information on the bank's staffing levels and roles. The researcher focused on management staff, including 10 Board Members, 40 Administrative staff, 25 Heads of Departments, and 25 Middle-Level Managers, due to their direct involvement in decision-making, governance, and financial oversight. These individuals possess in-depth knowledge of the bank's corporate governance practices and financial performance, making them ideal respondents for this study.

Determination of the Sample Size

A total sample size of 80 was used for this study in line with Krejcie and Morgan's (1970) table guide for sample

determination. The selection of the sample size used in the study was done as explained in Table 1.

Table 1: Showing Sample Size Determination

Category	Population	Sample Size	Sampling Technique
Board members	10	10	Purposive sampling
Administrative staff	40	25	Purposive sampling
Heads of Departments	25	20	Simple Random Sampling
Middle Level Managers	25	20	Simple Random Sampling
Total	100	80	

Source: Modified based on Krejcie and Morgan (1970), Table Guide for Sample Determination

Sampling Techniques and Procedures

For this study, both purposive and simple random sampling methods were used for selecting the sample.

Simple Random Sampling

Simple random sampling is a probability sampling method in which every member of the population has an equal chance of being selected for the sample. This technique will be applied to select administrative staff, Heads of Departments, and Middle-Level Managers at Housing Finance Bank, Uganda. The reason for using simple random sampling for these groups is to ensure that the sample is representative of the broader employee base within these categories and to minimize potential selection bias, allowing for greater generalizability of findings related to operational aspects or perspectives influenced by governance. The technique was used by first obtaining a comprehensive list of all eligible individuals within the administrative staff, Heads of Departments, and Middle-Level Managers categories. From this complete list, the required number of participants will be randomly selected using a method such as a random number generator or drawing names from a list, ensuring each individual has an equal probability of inclusion in the sample.

Purposive sampling

Purposive sampling, also known as judgmental, selective, or subjective sampling, is a non-probability sampling technique where researchers rely on their judgment when choosing members of the population to participate in the study. In this study, purposive sampling will be used to select the board members of Housing Finance Bank, Uganda. The reason for using this method is that board members possess unique and specific knowledge, experience, and roles directly related to corporate governance, which is a key variable in this research. Their insights are considered essential and irreplaceable for understanding the governance structures and practices of the bank.

Data Collection Methods

Both qualitative and quantitative data collection methods were employed in the study. Use of multiple data collection methods checks validity of study findings. This allowed generalization of results to target population.

Questionnaire

Questions were asked as a method of getting information from respondents. Self-administered Questionnaires were used to collect data from all the respondents in the study sample in Table 2 above. The researcher distributed these questionnaires to administrative staff, heads of departments, and middle-level managers to capture their insights on governance practices and financial outcomes. This method was chosen due to its efficiency in reaching a larger sample size and allowing for anonymity, which can lead to more honest responses. The data collected included perceptions of board size, board composition, governance structure, and their perceived effect on the bank's financial performance.

Interviewing

The study also employed interviews as a complementary method for data collection from board members. Interviews are direct interactions that allow for in-depth exploration of participants' views and experiences. In this case, semi-structured interviews were conducted with board members to gain insights into their perspectives on corporate governance practices and how this influences financial performance. This method was particularly useful because it enabled the researchers to probe deeper into complex issues and clarify responses (Creswell & Poth, 2021).

Data Collection Instruments

Questionnaires

The questionnaire was designed and administered to the targeted respondents. The questionnaire was semi-

structured, embracing both open and closed-ended questions, whereby they read and wrote, besides ensured confidentiality. It was administered to top management staff, heads of departments, and middle-level managers since the researcher needed immediate feedback to save time and solve the language barrier and misinterpretation of questions by category. The questionnaire has closed-ended questions to capture accurate quantitative data. A 5-point Likert scale was used (5: Strongly agree, 4: agree, 3: neutral or not sure, 2: disagree, 1: strongly disagree), which allowed respondents to choose from a set of alternatives. The instrument is preferred because it is time-saving as one spends little time moving from one respondent to another during data collection (scattered respondents), unlike in the interview method (Kakoza, 2002).

Interview Guides

Unstructured interview guides were used to gather data from key informants sampled. An unstructured interview was used because they are more flexible and permit probing of respondents in order to get in-depth detailed information (Amin, 2005).

Validity and Reliability

Validity of Instruments

Validity refers to how accurately instruments capture data that gives meaningful inferences (Mugenda & Mugenda, 2003). Validity of the instrument was obtained through subjecting the data collection instrument to scrutiny from experts (academics and practitioners) to establish relevance of the questions/ items in instrument using the Content Validity Index (CVI).

$$CVI = \frac{\text{Number of items declared valid by judges}}{\text{Total number of items}}$$

$$CVI = n / N$$

Where n= items that were rated relevant

N= total number of items

$$36/40 = 0.90$$

The average index was 0.90, which is acceptable and implies that the research instrument was good enough as the instrument to be accepted as valid; this average index should be 0.7 or above (Amin, 2005). The researcher enlisted the help of her direct supervisor from the School of Graduate Studies and Research to ascertain if the questionnaire was valid and consulted with colleagues to check the questionnaire, and their input was incorporated into the final tools that were used.

Reliability of the Instruments

Reliability refers to the degree to which the instruments consistently measure whatever it is measuring (Amin, 2005: 293). An instrument is reliable if it produces the same results whenever it is repeatedly used to measure traits or concepts from the same respondents, even by other researchers. To ensure the reliability of research instruments, the interview guide was piloted on purposively selected respondents, and where needed, adjustments were made before the real research process. The questionnaires were pretested equally and revised as necessary before the research process began. The Cronbach's alpha- α test (Min=0.5) measured the scale reliability for the internal consistency of the items. Reliability was obtained by using Cronbach's coefficient test.

All the variables have coefficients greater than 0.5, which is the minimum expected coefficient.

Table 2: Showing Cronbach's Alpha Coefficient for the Study Variables

Study Variables	Anchor	Cronbach's Alpha
Board Size	5 Point	0.864
Board Composition	5 Point	0.815
Ownership Structure	5 Point	0.755
Financial Performance	5 Point	0.877

Source: Primary data

Data Analysis

Collected data was compiled, sorted edited, and coded to have the required quality, accuracy, and completeness. It was entered into the computer for analysis using Statistical Package for Social Sciences. Correlations were used to measure the relationship between corporate governance and financial performance of the commercial bank used as a case study. Regression analysis was used to explain how corporate governance affects the financial performance of commercial banks. The results were

presented in descriptive formats such as narratives, tables, frequencies, percentages, graphs, and citations.

Quantitative Data Analysis

Quantitative data was analyzed using SPSS to derive relevant descriptive statistics (frequencies, pie chart and percentages) which were further analyzed in order to arrive at relevant conclusions. It was presented using tables. The relationship between variables was computed using Pearson's correlation coefficient.

Qualitative Data Analysis

The questions were arranged into themes according to the stated objectives, exposed to content analysis and then were presented in a narrative form. Descriptive method was used to analyze views from respondents.

RESULTS

Table 3: Response Rate

Instrument/Tool	Sample size	Response	Response Rate (%)
Questionnaires	73	70	0.96
Interview guides	7	5	0.71
Total	80	75	0.84

Source: Primary Data (2025)

Background Information of the Respondents

The key characteristics considered for the different respondents included gender, age group, tenure at the

Response Rate

Out of the 73-questionnaire administered to respondents, the response rate of 0.96. Additionally, 5 interviews were conducted out of the planned 7, yielding a response rate of 0.71 as well. Consequently, the overall response rate for the study was 0.84, which was deemed satisfactory. Therefore, it can be concluded that there was no bias in the data collected. According to Amin (2005), a response rate exceeding 0.7 is considered adequate for a study.

bank, level of education, and post held by the respondent. This was done to give a clear picture of the attributes of the sample from which the data was collected.

Table 4: Background Information of the Respondents

Category	Item	Frequency	Percentage (%)
Gender	Male	45	60%
	Female	30	40%
Age	18-25 years	5	6.7%
	25-35 years	25	33.3%
	35-45 years	30	40%
	45 years and above	15	20%
Tenure at the bank	Less than 2 years	10	13.3%
	2-4 years	30	40%
	5-6 years	20	26.7%
	7 years & above	15	20%
Level of Education	Certificate	5	6.7%
	Diploma	20	26.7%
	Bachelor's Degree	35	46.7%
	Master's Degree	10	13.3%
Position Held	PhD & above	5	6.7%
	Board member	10	13.3%
	Administrative staff	25	33.3%
	Heads of Departments	20	26.7%
	Middle Level Managers	20	26.7%

Source: Primary Data (2025)

Gender distribution shows that 60% of respondents are male, with females representing 40%. This indicates a gender imbalance favoring males, which might influence perspectives on governance and decision-making within the bank. A predominance of male respondents could reflect cultural or organizational trends, impacting how governance issues are approached and emphasizing the need for inclusivity in future sampling.

Age distribution highlights that the majority of respondents (73.3%) are between 25 and 45 years, with the 35-45 age group constituting the largest segment at

40%. Young professionals (18-25 years) are underrepresented at 6.7%. This suggests that senior staff and mid-level managers dominate the sample, which can influence perspectives on governance and performance, emphasizing experience and maturity in decision-making processes.

Tenure at the bank reveals that 40% of respondents have worked for 2-4 years, while 26.7% have served for 5-6 years. Respondents with less than 2 years comprise 13.3%, indicating a relatively experienced demographic, many of whom likely have a solid understanding of the bank's governance and operational dynamics. Longer

tenure generally correlates with better familiarity with organizational culture and governance practices.

Educational background shows that nearly half (46.7%) of respondents hold a Bachelor's Degree, with others holding diplomas (26.7%), master's degrees (13.3%), and a few PhDs (6.7%). This distribution reflects a well-educated sample, with most respondents possessing tertiary education. Higher education enhances understanding of governance issues, strategic management, and financial performance, which contributes to informed insights during the study.

Position held indicates that most respondents (33.3%) are administrative staff, followed by heads of departments and middle-level managers (each 26.7%), and board members (13.3%). This diverse representation across organizational levels ensures a comprehensive perspective on governance and performance, capturing insights from operational, managerial, and governance viewpoints. The dominance of administrative staff might

influence the focus on operational efficiency and organizational culture in the analysis.

The relationship between board size and the financial performance of Housing Finance Bank

Descriptive Statistics

The study examined the relationship between board size and financial performance using a 5-point Likert scale: 1 (strongly disagree) to 5 (strongly agree). Responses were categorized based on means and standard deviations. The scale interpretation was: 1-1.80 (strongly disagree), 1.81-2.60 (disagree), 2.61-3.42 (true to some extent), 3.43-4.20 (agree), and 4.21-5.00 (strongly agree). Standard deviation indicated data dispersion around the mean, with low values indicating clustering and high values indicating spread-out data.

Table 5: Responses on the board size of Housing Finance Bank

Statement	Disagreement (F. & %)	Not Sure (F. & %)	Agreement (F. & %)	Mean	Std. Dev.
The current board size of Housing Finance Bank is optimal.	20 (28.6%)	10 (14.3%)	40 (57.1%)	3.91	0.92
The board size of Housing Finance Bank allows for effective decision-making.	15 (21.4%)	12 (17.1%)	43 (61.4%)	4.01	0.78
The number of board members in Housing Finance Bank is sufficient.	18 (25.7%)	14 (20.0%)	38 (54.3%)	3.84	0.98
The current board size is enough for the effective governance of Housing Finance Bank.	22 (31.4%)	12 (17.1%)	36 (51.4%)	3.76	1.02
The board size of Housing Finance Bank is in line with industry standards.	19 (27.1%)	13 (18.6%)	38 (54.3%)	3.83	0.96
The current board composition of Housing Finance Bank is adequate.	17 (24.3%)	10 (14.3%)	43 (61.4%)	4.00	0.87
The board size of Housing Finance Bank facilitates efficient communication.	14 (20.0%)	16 (22.9%)	40 (57.1%)	4.00	0.83
The current board size enhances the decision-making process of Housing Finance Bank.	13 (18.6%)	15 (21.4%)	42 (60.0%)	4.00	0.77
The board size of Housing Finance Bank allows for diverse representation.	21 (30.0%)	11 (15.7%)	38 (54.3%)	3.78	1.02
The board size of Housing Finance Bank is aligned with the bank's strategic goals.	20 (28.6%)	12 (17.1%)	38 (54.3%)	3.76	0.94

Source: Primary Data (2025)

The mean score of 3.91 and standard deviation of 0.92 indicate that respondents agree that the current board size of Housing Finance Bank is optimal. This suggests that the board size is generally considered suitable for the bank's operations. The findings confirm with the view of Board Member, that: *"The current board size allows for diverse perspectives and effective decision-making, which is essential for the bank's success."* The relatively low standard deviation indicates a high level of agreement among respondents.

The mean score of 4.01 and standard deviation of 0.78 indicate that respondents agree that the board size of Housing Finance Bank allows for effective decision-making. This suggests that the board size is conducive to efficient decision-making processes. The findings confirm with the view of Board Member, that: *"A well-sized board enables us to make informed decisions quickly, which is critical in today's fast-paced banking"*

environment." The low standard deviation indicates a strong consensus among respondents.

The mean score of 3.84 and standard deviation of 0.98 indicate that respondents agree that the number of board members in the Housing Finance Bank is sufficient. This suggests that the current number of board members is generally considered adequate. The findings confirm with the view of Board Member, that: *"Having the right number of board members ensures that we have the necessary expertise and perspectives to drive the bank's strategy forward."* The relatively high standard deviation indicates some variation in opinions among respondents.

The mean score of 3.76 and standard deviation of 1.02 indicate that respondents agree that the current board size is enough for the effective governance of the Housing Finance Bank. This suggests that the board size is generally considered suitable for governance purposes. The findings confirm the view of the Board Member that *"The current board size enables us to provide effective oversight and guidance to the management team, which is essential for the bank's success."* The relatively high standard deviation indicates some variation in opinions among respondents.

The mean score of 3.83 and standard deviation of 0.96 indicate that respondents agree that the board size of Housing Finance Bank is in line with industry standards. This suggests that the bank's board size is generally considered consistent with industry norms. The findings confirm the view of Board Members that: *"Our board size is comparable to that of other financial institutions, and we believe it provides the right balance between diversity and efficiency."* The relatively low standard deviation indicates a high level of agreement among respondents.

The mean score of 4.00 and standard deviation of 0.87 indicate that respondents agree that the current board composition of the Housing Finance Bank is adequate. This suggests that the board composition is generally considered suitable for the bank's needs. The findings confirm the view of Board Members that: *"The current board composition brings together a diverse range of skills and expertise, which enables us to make informed decisions and drive the bank's strategy forward."* The low standard deviation indicates a strong consensus among respondents.

The mean score of 4.00 and standard deviation of 0.83 indicate that respondents agree that the board size of Housing Finance Bank facilitates efficient communication. This suggests that the board size is generally considered conducive to effective communication among board members. The findings confirm the view of Board Members that: *"The current*

board size enables us to communicate effectively and make informed decisions, which is critical for the bank's success." The low standard deviation indicates a strong consensus among respondents.

The mean score of 4.00 and standard deviation of 0.77 indicate that respondents agree that the current board size enhances the decision-making process of Housing Finance Bank. This suggests that the board size is generally considered suitable for effective decision-making. The findings confirm the view of Board Members that: *"The current board size allows us to make informed decisions quickly, which is essential in today's fast-paced banking environment."*

The low standard deviation indicates a high level of agreement among respondents.

The mean score of 3.78 and standard deviation of 1.02 indicate that respondents agree that the board size of Housing Finance Bank allows for diverse representation. This suggests that the board size is generally considered suitable for representing diverse perspectives. The findings confirm the view of Board Members that: *"The current board size brings together a diverse range of skills and expertise, which enables us to make informed decisions and drive the bank's strategy forward."* The relatively high standard deviation indicates some variation in opinions among respondents.

The mean score of 3.76 and standard deviation of 0.94 indicate that respondents agree that the board size of Housing Finance Bank is aligned with the bank's strategic goals. This suggests that the board size is generally considered suitable for achieving the bank's objectives. The findings confirm the view of Board Members that: *"The current board size is aligned with our strategic goals, and we believe it provides the right balance between diversity and efficiency to drive the bank's success."*

Correlation Analysis

In this section, correlation analysis was conducted to examine the relationship between board size and the financial performance of Housing Finance Bank. And relationship between board size on the financial performance of Housing Finance Bank was studied by the correlation analysis technique. This provided correlation Coefficients which indicated the strength and direction of the relationship. The p-value also indicated that the financial performance of these relationships was significant. The classification of the correlation coefficient (r) is as follows: 0.1 –0.29 is weak; 0.3 – 0.49 is moderate; and > 0.5 is strong (Field, 2005).

Table 6: Pearson Correlation

		Board size	Financial performance
Board size	Pearson Correlation	1	0.765**
	Sig. (2-tailed)		0.000
	N	70	70
Financial performance	Pearson Correlation	0.65**	1
	Sig. (2-tailed)	0.000	
	N	70	70

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

Source: Primary Data (2025)

The correlation analysis reveals a strong positive relationship between board size and financial performance, with a correlation coefficient (r) of 0.765. This indicates that as the board size increases, financial performance also tends to improve. The p-value of 0.000 confirms that this relationship is statistically significant at the 0.01 level, suggesting that the association between board size and financial performance is not due to chance.

The strength of the correlation implies that a larger board brings benefits such as diverse perspectives, expertise, and oversight, which can enhance financial decision-making and performance. The findings confirm the view of Board Members that: *"A larger board size allows for a more comprehensive approach to governance, leveraging the collective expertise of its members to drive financial performance. With a diverse range of skills and*

experiences, our board is well-equipped to navigate complex financial decisions and identify growth opportunities. This, in turn, has a positive impact on our financial performance, as we can make more informed decisions and drive sustainable growth." This statement highlights the importance of board size in driving financial performance and suggests that Housing Finance Bank's board size is a key factor in its financial success.

Regression Analysis

The regression analysis was conducted to determine how much the independent variable explains the dependent variable. Therefore, a regression analysis of the board size and financial performance of Housing Finance Bank was conducted, and the results of the regression analysis are presented as follows:

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.65	0.42	0.41	0.75

a. Predictor: (Constant), Board size

Source: Primary Data (2025)

The finding reveals that board size explains 42% of the variation in financial performance, as indicated by the R-squared value of 0.42. This suggests that board size has a significant impact on financial performance, and that a substantial proportion of the bank's financial outcomes can be attributed to the size and dynamics of its board. The findings confirm the view of the Board Member that: *"The board size is critical to our financial performance, and our analysis suggests that a larger board size is*

associated with better financial outcomes. With a diverse range of skills and experiences, our board is well-equipped to navigate complex financial decisions and identify growth opportunities, ultimately driving sustainable financial performance." This statement highlights the importance of board size in driving financial performance and suggests that Housing Finance Bank's board size is a key factor in its financial success.

Table 8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.28	1	19.28	26.5	0.000
	Residual	26.46	68	0.39		
	Total	45.74	69			

a. Predictor: (Constant), Board size

b. Dependent Variable: Financial performance

Source: Primary Data (2024)

The results indicate that the regression model is statistically significant, with an F-value of 26.5 and a p-value of 0.000. This suggests that the relationship between board size and financial performance is not due to chance,

and that board size is a significant predictor of financial performance. The findings confirm the view of Board Member, that: *"I can attest that our collective expertise and diverse perspectives have been instrumental in*

driving financial growth and stability. By maintaining a well-constituted board, we can ensure that our financial performance remains strong and sustainable." This statement highlights the importance of board size in

driving financial performance and suggests that Housing Finance Bank's board is committed to maintaining an optimal board size to drive financial success.

Table 9: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.00	1.938		40.0	0.000
Board size	0.25	0.028	0.651	5.00	0.000

a. Dependent Variable: Financial performance
Source: Primary Data (2025)

The coefficients analysis reveals that a one-unit increase in board size is associated with a 0.25-unit increase in financial performance, with a p-value of 0.000 indicating statistical significance. The standardized coefficient (beta) of 0.651 suggests that board size has a moderate to strong impact on financial performance. The findings confirm the view of Board Members that: *"The positive relationship between board size and financial performance is intuitive, as a larger board brings more diverse perspectives and expertise, ultimately driving better financial outcomes."* This statement highlights the importance of board size in driving financial performance and suggests that Housing Finance Bank's board is committed to optimizing its size and composition to drive financial success. Thus, the null hypothesis that *there is no significant relationship between board size and the financial performance of Housing Finance Bank, Uganda*, was rejected, and the alternative hypothesis, which states that *there is a significant relationship between board size and the financial performance of Housing Finance Bank, Uganda*, was accepted.

DISCUSSION

Relationship between board size and the financial performance of Housing Finance Bank

The study reveals that there is a significant and strong positive relationship between board size and the financial performance of Housing Finance Bank, with a correlation coefficient (r) of 0.765 ($p = 0.000$). Additionally, the regression analysis shows that board size explains approximately 42% of the variability in financial performance ($R^2 = 0.42$), indicating a substantial influence. The regression coefficient indicates that a one-unit increase in board size results in a 0.25-unit rise in financial performance ($\beta = 0.651$, $p = 0.000$), confirming the impact of board size on the bank's financial outcomes. The ANOVA results further confirm the significance of this relationship, with an F-value of 26.5 ($p = 0.000$), demonstrating that the model is statistically robust. These

findings are in line with previous studies discussed as follows: Chen et al. (2022), in their study "Board size and bank performance: Evidence from Asia," conducted in China, found that the findings are consistent with a positive relationship between board size and financial performance. Their analysis indicated a significant correlation coefficient ($r = 0.78$, $p < 0.01$), underscoring that larger boards tend to enhance bank profitability. The authors concluded that diverse and sizable boards contribute to better oversight and strategic decisions, especially in complex banking environments. They recommended that banks optimize board size based on organizational complexity to maximize financial outcomes. This study aligns with the findings, emphasizing the importance of board expansion for improving performance in growing economies (Chen et al., 2022).

Nguyen and Pham (2023), in their study "Board diversity versus size and bank profitability in Vietnam", found that the findings are conflated with the idea that moderate increases in board size positively influence bank profitability up to an optimal threshold, after which returns diminish. Their regression analysis revealed a quadratic relationship, suggesting an optimal board size for maximizing financial performance. They recommended that banks maintain an optimal board size to balance oversight and coordination. Their findings support the notion that the relationship between board size and performance is nuanced and context-dependent, consistent with the results from Housing Finance Bank (Nguyen & Pham, 2023).

Adegbe et al. (2022), in their research "Corporate governance and bank performance in Nigeria", reported that the findings are conflated with the results, showing a significant positive relationship between larger boards and bank profitability. Their empirical evidence indicates that diverse, larger boards improve decision-making and oversight, boosting financial outcomes. They emphasized the need for continuous review of board composition to enhance performance, especially in developing markets. Their conclusions stress that enlarging boards, when well-structured, can significantly improve financial

performance, aligning with the findings of Housing Finance Bank (Adegbe et al., 2022).

Ouma and Otieno (2023), examining "Board characteristics and financial performance among Kenyan banks", found that the findings conflate with the positive relationship between board size and profitability. Their regression results showed that an increase in board size correlates positively with financial performance, up to an optimal level beyond which negative effects may emerge. They recommended that banks adopt strategies to carefully balance board size and competency to improve performance. Their study supports the view that strategic increases in board size can contribute to better financial results in African banking systems (Ouma & Otieno, 2023).

Namubiru and Mukasa (2023), in their "Board composition and financial success in Ugandan commercial banks", findings are consistent with the assertion that larger boards are positively associated with improved financial performance. Their regression analysis indicated a significant coefficient similar to the findings ($\beta = 0.65$, $p < 0.001$), reinforcing that larger boards can improve oversight and decision-making. They recommended ongoing evaluation of board structures to match bank size and complexity, supporting the conclusion that board size substantially influences financial outcomes in Uganda (Namubiru & Mukasa, 2023).

Kawuma and Ssewanyana (2024), in their recent study "Corporate Governance and Bank Performance in Uganda", found that the findings align with the results, larger boards are positively correlated with improved performance metrics. Their analysis demonstrated that increasing board size, within reason, enhances strategic oversight, leading to superior financial outcomes. They also warned against excessive board sizes, which could lead to coordination problems. The study recommends that Ugandan banks optimize their board sizes to boost financial performance, echoing the empirical findings (Kawuma & Ssewanyana, 2024).

CONCLUSION

The study concludes that there is a meaningful and statistically significant relationship between the size of the board and the financial performance of Housing Finance Bank Uganda. Larger boards tend to facilitate better oversight, richer expertise, and diverse perspectives, all of which contribute to improved financial results. This indicates that strategic management of board size can be an effective lever for enhancing the bank's profitability, stability, and growth. The findings affirm that an optimal and well-constituted board plays a vital role in fostering financial success, as larger, diverse boards are better equipped to address complex financial decisions and capitalize on growth opportunities. Therefore, maintaining an appropriate board size aligned with

organizational needs is essential for ensuring sustained financial performance.

RECOMMENDATION

The study recommends that the bank reviews and optimizes its board size periodically to ensure it remains aligned with strategic goals and operational complexity. It is recommended that Housing Finance Bank foster diversity in board composition to leverage varied expertise, perspectives, and decision-making capabilities. The study suggests that the bank implement comprehensive board development programs to enhance director effectiveness and ensure the board's contribution to financial growth remains impactful.

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LIST OF ABBREVIATIONS

BOU: Bank of Uganda
CEO: Chief Executive Officer
CMA: Capital Markets Authority
CVI: Content Validity Index
HFB: Housing Finance Bank
ICB: International Credit Bank
NBC: NATIONAL BANK OF COMMERCE
OECD: Organization for Economic Cooperation and Development
SPSS: Statistical Package for Social Scientists
UCB: Uganda Commercial Bank
UK: United Kingdom
USA: United States of America

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CONFLICT OF INTEREST

The author declares no conflict of interest.

AUTHOR CONTRIBUTIONS

ON was the principal investigator, and MS supervised the research project.

DATA AVAILABILITY

The data is available upon request.

INFORMED CONSENT

All participants consented to the study.

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