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Empirical Analysis of Corporate Governance, Financial Performance, and Microfinance Banks' Sustainability in Nigeria

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Abstract:
This paper empirically analyzed the relationship among corporate governance, financial performance, and microfinance banks' sustainability in Nigeria. The data for the study were collected from 133 respondents, who were selected from ten (10) licensed microfinance banks in Lagos state. Descriptive statistics and regression analysis were employed to analyze the relationship that exists among corporate governance, financial performance, and microfinance sustainability. The study found that board size (BS) and Bank size (MFBS) have a statistically significant positive impact on Return on Asset (ROA). It shows that a 1 percent point increase in Board size and Microfinance Bank size (MFBS) will increase Return on Asset (ROA) by 0.081 and 0.28 percent, respectively. The study also established that corporate governance is a major determinant of the financial performance of MFBs. This result further reflects that a coefficient value of 0.94 that exists between board size (BS) and equity (EQ) implies that corporate governance (BS) influences the financial performance (EQ) of MFBs. The study concludes that corporate governance and financial performance are effective tools for ensuring the survival and sustainability of MFBs. Therefore, the study recommends that microfinance banks (MFBs) should be more concerned about:

- *The composition of the board of directors and*
- *Raising more equity for the stability and sustainability of microfinance institutions*

Keywords: *Corporate governance, financial performance, sustainability, microfinance banks*

1. Introduction

Financial performance is very vital to the sustainability of microfinance institutions. Thus, the need to ensure a sound micro-financial system through appropriate regulations to protect depositors and build public confidence cannot be over-emphasized (Oke & Itemeh, 2019). Microfinance provides financial services to the economically active poor and low-income households, providing credit, savings, micro-leasing, and payment transfer (Central Bank of Nigeria, 2005). It is noteworthy that microfinance serves as a veritable financial instrument to reduce poverty and create job opportunities for poor households. Therefore, microfinance institutions worldwide occupy a very strategic position in enhancing the socio-economic well-being of the poor, who are typically self-employed, low-income entrepreneurs such as traders, street vendors, smallholder farmers, artisans, and others (Chinwendu, Hollman & Lilian, 2019).

Moreover, Central Bank of Nigeria report in 2004 asserts that the emergence of Microfinance banks has been largely due to the inability of the formal financial banks to provide financial services to both the rural and urban poor. In view of the need for financial inclusion, both government and non-governmental agencies, over the years, implemented a series of microfinance programs while providing financial services to low-income households (Chinwendu, Hollman & Lilian, 2019). In 2005 the microfinance system arising from fraud, embezzlement, poor management, etc, failed miserably. Therefore, the practice of microfinance entered into full force regulation in an attempt to ensure a sound microfinance system.

More so, lack of internal management control was also identified as one of the strong reasons behind the failure. However, this makes it imperative for good corporate governance to provide a disciplined structure through which a bank sets its objectives and means of achieving them, as well as monitoring the performance of those objectives (Grunting & Bratanovu, 2009).

Consequently, the absence of a corporate governance structure could undermine a microfinance bank's financial performance and create a vacuum in the entire organizational structure as there would be no strategic direction, management control, and supervision. Therefore, effective corporate governance is necessary to provide proper guidance to management regarding the financial institution's strategic direction and to oversee and monitor management activities towards achieving the corporate objectives of the microfinance bank. Undoubtedly, effective corporate governance ensures a safe and sound financial system (Oke & Itemeh, 2019).

However, several studies have researched the impact of corporate governance on the financial performance of various corporate organizations. However, surprisingly only a few studies were carried out about microfinance institutions' sustainability. Against this backdrop, this study is carried out due to the role microfinance institutions play in providing financial inclusion and veritable instrument for poverty reduction. Therefore, this study examines the relationship among corporate governance, financial performance, and microfinance institutions' sustainability in Nigeria. Specifically, the study provides answers to the following questions:

- What is the impact of corporate governance on the financial performance of microfinance institutions?
- What is the impact of financial performance on microfinance institutions' sustainability?
- What are the major factors that determine of financial performance of microfinance banks?

2. Literature Review

2.1. Conceptual Clarification

2.1.1. Corporate Governance Concept

It is believed that there is no generally accepted definition of corporate governance. At different government and non-governmental levels, corporate governance has been defined by several researchers, scholars, institutions, agencies, and many others. Corporate Governance is a system in which organizations are managed, controlled, and directed to achieve the set objectives (Olowe, 2011). According to Oke and Itemeh (2019), corporate governance is a set of relationships that exists between the management, its board, shareholders, and other stakeholders in view of setting objectives and means of achieving them in compliance with applicable laws and regulations while protecting the interest of depositors and other stakeholders. Corporate governance monitors an organization's actions, policies, and decisions to ensure that it aligns with stated corporate objectives. However, it is a procedure of an idealistic circle that connects the board and shareholders, administration, staff, and clients within the organization community. Corporate governance is linked with transparency, fairness, integrity, and accountability (Glossary, 2013), while it can be seen as building credibility, ensuring transparency, accountability, fairness, and striking an appropriate balance among various stakeholders' interests. It safeguards the interest of various stakeholders in the organization. According to Alexander, Reed, and Lajoux (2005), corporate governance is characterized into two dimensions, namely: direction and control. The direction component defines the responsibility of the board to attend to strategic positioning and planning, which enhances the performance and sustainability of the organization. In contrast, the control component emphasizes that the board's responsibility is to oversee the organization's executive management in the execution of the plans and strategies (Alobari, Igbara, Tordee & Igbara, 2019). Therefore, corporate governance can be seen as a system of checks and balances between or among a group of people to ensure effective organizational management, which in turn helps achieve the organizational objectives.

The success of any organization is measured through its performance. The financial performance of microfinance institutions is an indicator of productivity with reference to their total assets. It shows an organization's capacity to achieve its stated objectives in terms of income and profitability. There are two major ways in which financial performance can be measured, either by investor returns or accounting returns (Hassan et al., 2011). Investor returns are measured from the perspective of shareholders, while accounting returns are explained based on the reactions of the earnings to various managerial policies (Alobari, Igbara, Tordee& Igbara, 2019). However, return on asset (ROA) has been identified as the most acceptable measure of financial performance compared with the return on equity (ROE). It takes cognizance of every shilling put into resources and is not affected by various degrees of leverage.

2.1.2. Sustainability of Microfinance Institutions

The term 'Sustainability' is a common term used in the microfinance industry. In microfinance literature, the term is used interchangeably with financial sustainability, profitability, financial self-sufficiency, and financial efficiency. UNESCAP, (2006:15), cited in Mohana and Fitamo (2013), defined sustainability as the ability of the organization to meet the cost of the operations and build enough reserves for capitalization. According to Degefe (2007), cited in (Mohana & Fitamo, 2013), sustainability of microfinance institutions is defined as a long-term availability of the means required for the long-term achievement of goals. In this definition, sustainability refers to the institution's ability to continually meet its goals or target over the long term. It entails that appropriate systems and processes have been put in place that will enable the Microfinance services to be available continuously, and the clients continue to benefit from these services in a routine manner (Githinji, 2009).

Ahlinn and Lin (2006) simply explain sustainability as being understood immediately in financial or resource terms. However, it has broader dimensions, of which financial sustainability is only one major dimension. The different dimensions of sustainability are institutional sustainability (mission, program, human resource, financial, and market sustainability), legal policy, environmental sustainability, and impact sustainability. In other words, sustainability itself must be seen in a broader sense than just financial sustainability. The sustainability of demand, the MFI's mission, its ownership and governance structure, and the legal and regulatory framework under which it works are all contributory to the overall sustainability of an MFI (Mahajan & Nagasri, 1999). In microfinance, sustainability can be considered at several levels, such as institutional, group, and individual, and can relate to organizational, managerial, and financial aspects (Sa-Dhan 2003 cited in Ganesh Thapa 2007).

From bankers' perspectives, Sharma and Zeller (1997) argued that a microfinance institution is said to have reached sustainability when the operating income from the loan is sufficient to cover all the operating costs. This definition sticks to the 'accounting approach' of sustainability. However, the sustainability of microfinance institutions includes both financial viability and institutional sustainability (self-sufficiency) of the lending institution. The frames of reference in banker's definitions are, therefore, more financial, administrative, and institution-focused. Further, the sustainability of an MFI by itself may not be enough unless a full-fledged micro-finance sector (MFS) is established on sustainable lines.

2.2. Corporate Governance and Financial Performance

The success of any financial institution depends not only on the quality of management and innovation put in place but also on good corporate governance. Therefore, implementing good corporate governance practices will enhance performance and build a solid, strong, healthy financial system (Tadesse, 2004). Invariably, poor governance would always lead to poor financial performance and bank failure. However, corporate governance is aimed at setting up rules and procedures for making decisions and establishing a procedure for monitoring performance. Therefore, corporate governance helps an organization perform well through high-quality decision-making (Shivani et al., 2017).

In general, corporate governance has been confirmed to be an essential factor in stimulating clientele growth and public confidence in the microfinance bank because good corporate governance helps reduce the risk for shareholders to attract more investors and improve financial performance (Spanos, 2005). In other words, corporate governance helps management to take reasonable risks and implement strategies to reduce possible losses. Oke and Itemeh (2019) confirm that effective corporate governance is the second critical success factor that affects the appropriate legal and regulatory framework for achieving the performance objectives of microfinance banks. Alobari, Igbara, Tordee & Igbara (2019) find corporate governance related to profitability. It tends to promote effective management that yields return for microfinance institutions. Bae and Goyal (2010) also find that effective corporate governance practice is a good mechanism to improve equity market performance. In contrast, Uchenna, Adedayo, Ahmed, and Isibor (2020) find that corporate governance variables do not contribute to the financial sustainability of Microfinance Banks.

2.3. Determinants of Financial Performance of Microfinance Banks

Several studies have identified different variables that determine the financial performance of microfinance banks, including:

<u>2.3.1. Corporate Governance</u>

Corporate governance plays a major role in influencing the performance of any financial institution. It affects financial performance through its mechanism such as board composition, board size, board independence, gender diversity, etc. However, sound corporate governance practices facilitate the institution's profit and wealth maximization objectives.

<u>2.3.2. Microfinance Bank Size</u>

The financial institution's size is also a major factor affecting its financial performance. The size in terms of branches or networks influences productivity. There are several opinions about the impact of bank size on financial performance. Specifically, there are benefits from the economies of scale. In fact, organizations that become bigger in branches or networks could achieve more benefits unless such experience becomes wasteful.

<u>2.3.3. Liquidity</u>

A financial institution with more flow of resources (both fixed and variable capital) to meet its financial commitment will probably perform well. Liquidity is calculated as a total liability to liquid assets. Therefore, any financial institution with inadequate fluid resources is exposed to more liquidity problems, and affects its performance.

<u>2.3.4. Leverage</u>

Financial leverage affects profit after tax. It is critical for dividends available to ordinary investors because it measures how much the firms use debt and equity for asset funding. It is permitted for a firm to fund its investment by equity and debt. The interest rate on the obligation is on the firm's ROA. As obligation increases, financial leverage increases.

2.4. Financial Performance and Microfinance Institution Sustainability: The Nexus

The sustainability of microfinance institutions has recently captured the attention of several scholars worldwide due to its essential service to the poor and micro-enterprises. The sustainability of every MFI shows its performance level. If its sustainability level increases, the performance level increases. The sustainability of MFIs also depends on the arrangement of financial services, including savings, loans, and insurance, available to poor entrepreneurs and small business owners with no collateral security. However, many factors may impact the sustainability of the microfinance program. Each determinant has its own significance and can be controlled differently (Khabeer, 2006). Ikeanyibe (2002) argued that financial sustainability is a key factor of microfinance banks: while Lisa et al. (2012) described financial sustainability as the ability of an organization to maintain and ensure continuous financial capacity for a long period of time. Therefore, Bowman (2011) posited that the financial sustainability of microfinance institutions is the financial capacity of an organization over a long term to meet the need of a large section of the population who are vulnerable.

Similarly, Naser (2002) also sees the sustainability of microfinance institutions as the ability of microfinance institutions to develop, maintain and sustain various resource bases for a long term to serve the needs of vulnerable groups. This points to the fact that an organization's financial performance determines its sustainability level. Therefore, it implies that for microfinance institutions to keep existing, they must always build the shareholders' confidence and trust.

2.5. Microfinance Institutions in Nigeria

Traditionally, microfinance practice has a long history in Nigeria. It is culturally rooted in providing access to credit for rural and urban low-income earners through self-help groups or rotating savings and credit association types for many decades. Governments initiated a series of publicly financed microcredit programs targeting the poor to enhance the flow of financial services to the active poor and low-income earners. These programs resulted in increased credit disbursement, which increased agricultural production and other productive activities. The effect of the program was later short-lived due to the unsustainable nature of the program (CBN, 2005). Nevertheless, the limitations of these programs in financing microenterprises in Nigeria gave rise to the idea of transforming existing microfinance NGOs into microfinance banks (private sector ownership and management) for more adequate and self-sustainable institutions to serve the poor on a sustainable basis. With these challenges, as microfinance banks are presently constituted, there is a need for specific reforms to

- Strengthen the sub-sector and Reposition microfinance banks towards improved performance (CBN, 2018).

The Central bank of Nigeria in 2018 issued a code of corporate governance for microfinance Bank in Nigeria. To strengthen corporate governance practices among microfinance banks in Nigeria, the CBN, pursuant to the provision of section 2(d) of the CBN act of 2007 and section 57 of the banks and other financial institutions Act (BOFIA) CAP BE LFN 2004, hereby issues this code of corporate governance for microfinance banks in Nigeria.

Furthermore, corporate code is strengthened by the Companies and Allied Matters Act of 2004, which requires, among other things, several corporate governance provisions that have been made for every company to abide by. In addition, specific provisions are made for the guidance of the operations of banks in Nigeria. However, it has been observed that it is not just about having the code, as it is established that in most legal systems, codes of good governance have no specific legal basis and are not legally binding (Wymersch, 2006). Therefore, enforcement is generally left to the board of directors and external market forces, thereby reducing its effectiveness in the interest of the directors. Therefore, the directors are expected to exhibit certain basic principles to protect shareholders' rights and the safety of the organization's assets. These principles include accountability, fairness, transparency, responsibility, capability, integrity, and efficiency.

2.6. Theoretical Framework

This study adopted the Agency theory due to its dominion over the corporate governance literature. There are two factors that affect the significance of agency theory:

- The first one considered two participants (managers and shareholders),
- The second one is about the notion of human beings as self-interested is a generally accepted idea (Daily, Dalton & Canella, 2003).

Agency theory expresses agency problems emanating from the disconnection between proprietors (owners) and executives (managers) caused by divergent interests, especially in goals and risk tolerance. The difference may occur when an agent (manager) acts in a way that is opposite to the best interest of the principal (owner). Therefore, the theory explains how the conflict of interest can be managed through appropriate monitoring and a better compensation system.

This theory is a good theoretical foundation for this study because where corporate governance practices come to play is the mechanism of managing conflict of interest. According to Jason Gordon (2021), corporate governance rules provide a legal framework for the agent-principal relationship. These rules align the incentives of agents (managers) with those of principals (shareholders). It establishes norms and customs that prevent the adverse outcomes of divergent corporate interests. This is expected to influence organizational performance. Fundacionn (2011) aptly captures the essence of corporate governance where value, criteria, processes, and procedures ensure that an organization is managed properly and that guides it towards its mission and vision. The rationale behind the agency theory is the separation of ownership from control. The code of corporate governance must be exercised to solve this problem.

2.7. Empirical Literature

The corporate governance issue has attracted more attention in the literature; several studies have been carried out on the relationship between corporate governance and financial performance. Sayilir and Coşkun (2012) investigate the Relationship between Corporate Governance and Financial Performance of Turkish Companies using corporate governance scores and financial statement information of 31 organizations published by CGA of Turkey. The results indicate no significant relationship of corporate governance with ROE or ROA. In contrast, Mwesigwa, Nansiima, and Suubi (2014) conducted the relationship among corporate governance, responsibility, administrative skills, and financial performance of commercial banks in Uganda. The findings reveal that all the explanatory variables influence financial performance.

Similarly, Momanyi, Rahman, and Libations (2018) examine the impact of corporate governance practices on the growth of microfinance institutions in Kenya. The study indicates that only financial transparency was a statistically significant impact asset growth of microfinance institutions examined. The study recommended that corporate governance should be given top priority among MFIs in Kenya, and self-regulatory practice among the MFIs should be adopted for better service delivery and corporate performance.

The study of Adekunle and Aghedo (2014) examines the relationship between Financial Performance and Corporate Governance in Nigeria using a cross-sectional research design. The findings show a connection between board size as an independent variable, firm performance, and board composition, while the relationship with return on asset (ROA) was negative. Ochola (2013) investigates the relationship between state administration practices and their impact on Kenyan fund managers' financial performance using a questionnaire to gather data from all 16 Fund Managers. The study found that corporate governance variables, the size of the board, and shareholding had a positive relationship with return on equity. At the same time, there is a negative connection between the return on equity of fund managers with a high number of board meetings and internal directors.

Gadi and Emesuanwu (2015) assess the impact of corporate governance (CG) on microfinance banks' financial performance in Nigeria using Pearson correlation coefficient and ordinary least square regression. In addition, earnings per share (EPS) and return on assets (ROA) were used as proxies for financial performance. The study establishes that board committee composition has a significant connection with banks' financial performance. At the same time, the regression analysis revealed that there is no significant relationship between corporate governance and the bank's financial performance.

The empirical evidence was generated from Alobari, Igbara, Tordee, and Igbara (2019) using the ordinary least square (OLS) method. Its main purpose was to investigate the relationship between financial performance and microfinance sustainability, with an interest in the impact of corporate governance in improving financial performance. The study used profit after tax to measure microfinance sustainability as a dependent variable. In contrast, the board of directors was used to capture corporate governance and share capital or equity to capture financial performance. The results reveal that the relationship between board size and profitability does not imply that board size increases profitability. Instead, the study found that a positive relationship exists between the equity of MFIs and profit after tax. It means that the higher the equity of MFIs, the higher their profitability.

3. Research Methodology

3.1. Research Design

A survey research design was employed to collect data from selected CBN licensed microfinance Banks in Lagos state. This approach was chosen for easy accessibility of information about corporate governance and the financial performance of the selected MFIs. The study's population comprises 200 employees of ten (10) selected microfinance banks in Lagos state. Of the total population of 200 employees, a sample size of 133 was selected using a stratified sampling technique.

3.2. Data Collection and Analysis

This study relied on both primary and secondary data. The source of secondary data involved the use of journals, articles, books, and online reports such as annual accounts and reports of the banks. The primary data involved using a questionnaire to collect data from employees of ten (10) selected microfinance banks in Lagos state. The questionnaire was developed by using a five-point Likert scale to elicit information about determinants of corporate governance. A total of 133 copies of the questionnaire were distributed to represent a comprehensive view of the sample size. However, 120 copies of the questionnaire representing 90.2% were accurately filled and returned. Descriptive statistics were employed on the secondary data from annual accounts and reports of the selected microfinance banks for six (6) years (2014 to 2019). On the contrary, regression analysis was used to analyze the relationship among corporate governance and financial performance and the sustainability of microfinance institutions.

The research model is expressed as follows:

MFIS = f (CG, FP) ………………………………………………………. (1)

Where:

MFIS = Microfinance Institutions Sustainability

CG = Corporate Governance

FP = Financial performance

Equation 1 is the functional relationship among microfinance sustainability, corporate governance, and financial performance.

The model can be re-specified in an explicit form as follows:

ROA = (BS, EQ, MFBS) ….. ……………………………………………… (2)

$ROA = \alpha + \beta_1 BS + \beta_2 EQ + \beta_3 MFBS + u$ …………………………… (3)

Where:

ROA = Return on Asset

BS = Board size

EQ = Equity

MFBS= Microfinance Bank size

3.3. Measurement of Variables

The dependent variable is microfinance sustainability proxies by Return on Asset (ROA). ROA is the most acceptable variable to measure banks' sustainability. This shows how well financial institutions use their assets to generate a future return. The independent variables such as board size and equity were used to measure corporate governance and financial performance, respectively. Bank size in terms of the banks' network was also used to influence the financial performance of microfinance institutions.

4. Results and Discussion

The secondary data on Return on Asset (ROA) from annual accounts and reports of the selected microfinance banks from 2014 to 2019 are analyzed below using descriptive statistics.

Indicator	Year					
	2014	2015	2016	2017	2018	2019
Return on Asset (ROA)	20.87	32.87	41.28	54.46	49.8	76.4

Table 1: Financial Performance
Source: Computed from Annual Accounts and Reports of the Selected Microfinance Banks

	ROA	CG	MFBS	FC
Mean	45.94500	17.66667	3.333333	3.666667
Median	45.54000	6.000000	4.000000	2.500000
Maximum	76.40000	76.00000	6.000000	9.000000
Minimum	20.87000	6.000000	1.000000	2.000000
Std. Dev.	19.16564	28.57738	1.966384	2.732520
Skewness	0.336539	1.788854	-0.160082	1.477096
Kurtosis	2.296152	4.200000	1.772889	3.583546
Jarque-Bera	0.237109	3.560000	0.402076	2.266943
Probability	0.888203	0.168638	0.817881	0.321914
Sum	275.6700	106.0000	20.00000	22.00000
Sum Sq. Dev.	1836.608	4083.333	19.33333	37.33333

Table 2: Descriptive Statistics
Source: Computed Result

Table 2 presents the descriptive statistics of the dependent variable and independent variables. It shows that the sustainability of the selected MFIs measured by Return on Asset (ROA) for the total observation of 6 (2014 to 2019). The ROA ranges among the Microfinance banks (MFBs) from 20.8% to the maximum value of 76%. However, the mean of 45.94 depicts a high level of ROA. This implies that the selected MFIs will continuously utilize their assets for long-term growth.

4.1. Test of Hypotheses

4.1.1. Hypothesis One

- H0: There is no significant relationship among corporate Governance, financial performance, and microfinance bank sustainability

Independent Variables	Coefficients	T-Statistics
Constant	0.485	0.234
BS	0.081	1.185*
EQ	0.220	1.261*
MFBS	0.280	5.885**

Table 3: Summary of Regression Result
Source: SPSS Printout

R-Square = 0.81
Adjusted R^2 = 0.75
F-ratio = 12.509 **
*NB * ⟶ Statistical significance at 1 percent level*
*** ⟶ Statistical significance at 5 percent level*

The model results in table 3 above show the relationship among corporate governance, financial performance, and sustainability of microfinance banks in Nigeria. The results indicate that the model explains about 75 percent of the total adjusted variations in Return on Asset (ROA). The F-statistic also shows that the model has the goodness of fit.

On the behavior of each independent variable on Return on Asset (ROA), it is observed that Microfinance Bank size (MFBS) has a statistically significant positive impact on Return on Asset (ROA). It shows that a 1 percent point increase in Microfinance Bank size (MFBS) raises Return on Asset (ROA) by 0.28 percent. However, the financial performance proxy by equity (EQ) promotes microfinance banks' sustainability. The result shows that a 1 percent point increase in equity (EQ) raises Return on Asset (ROA) by approximately 0.22 percent and is statistically significant at 1 percent level.

Overall, in terms of sign and magnitude of estimated coefficients, Microfinance Bank size (MFBS) promotes microfinance banks' sustainability more than Board Size (BS) and Financial Performance (EQ) in Nigeria.

4.1.2. Hypothesis Two

- H0: Corporate Governance has no significant impact on the financial performance of microfinance bank

Model	**Coefficients (β)**	**Std.Error**	**T**	**P-Values**
(Constant)	0.19	0.32	0.62	.063
BS	0.94	1.05	0.13	.000
MFBS	0.46	.013	-0.35	.001
	Model Summary			
Model				
Adjusted R Square	.412			
Std. Error of the Estimate	.310141			
F-Statistic	0.24629			
Prob. (F-stat.) .000	.000b			

Table 4: Summary of Regression Result
Dependent Variable: EQ
Predictors: (Constant), BS, MFBS
Source: SPSS Printout

Table 4 reveals the relationship between corporate governance and the financial performance of microfinance banks. The results show that board size (BS) positively and significantly influences equity (EQ). This implies that a 1 percent point increase in board size increases equity by 0.94 percent. However, the corporate governance proxies by board size influence the financial performance of microfinance banks. Therefore, the null hypothesis (H0) is rejected. The overall fittings, thus, accept the alternative hypothesis (H1) that corporate governance significantly impacts the financial performance of microfinance banks. The overall outcome of the findings has established that corporate governance is a major determinant of the financial performance of MFBs. This further reflects that effective corporate governance help to build a solid, strong, and healthy microfinance bank. The findings are supported by Alobari, Igbara, Tordee, and Igbara (2019), who established that corporate governance has a relationship with profitability. Also, this result validates the study of Gadi (2015), who employed ordinary least square regression analysis to show that ROA is related to corporate governance indicators.

5. Conclusion

This study has assessed the relationship among corporate governance, financial performance, and sustainability of microfinance institutions. The study acknowledged the essence of corporate governance and financial performance in microfinance bank sustainability. Corporate governance seems to be a key factor in the performance, survival, and suitability of MFIs. Effective corporate governance would always lead to good financial performance. Corporate governance provides strategic direction, effective risk management framework, corporate growth and development, monitoring and control, and overall actualization of the financial institution's goals. In addition, financial performance is key to continuity, builds shareholders' confidence, and ensures satisfactory organizational growth.

It is recommended that microfinance banks (MFBs) should be concerned more about the composition of the board of directors, building on competence and capacity rather than qualification to ensure high-quality services by the board members appointed into the board to build a solid and healthy financial institution.

MFBs should better-govern their networks by utilizing qualified work control to ensure effective and efficient service delivery. More so, MFBs should enhance their liquidity to achieve a higher future return that will translate to financial performance.

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