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Corporate Governance and Performance of State Owned Enterprises in Uganda

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Abstract

Despite embracing corporate governance and risk management policies, Commercial State-Owned Enterprises (CSOEs) in Uganda are highly characterized by inefficiencies and financial irregularities. The purpose of this study was to establish the relationship between corporate governance, and performance of CSOEs in Uganda. The specific objectives of the study were; to examine the relationship between shareholding, investigate the relationship between board composition, ascertain the relationship between board characteristics, determine the relationship between audit committee independence and the performance of CSOEs in Uganda. Using a longitudinal methodology, the study analyzed the performance of 34 CSOEs. The results of fixed and random regression effects indicated that there is no correlation between shareholding and the performance of CSOEs. However, board composition, board characteristics, audit committee independence, and the performance of CSOEs were significantly correlated. The study recommended an improvement in board composition, board characteristics and audit committee independence to improve the performance of CSOEs.

Keywords: *Corporate governance, Performance, Commercial State Owned Enterprises*

Introduction

Corporate governance is a system for managing businesses so that customers' and investors' interests are given priority when making investment decisions (Bhagat & Brian, 2008). To attain its goals, corporate governance must have internal and external mechanisms that guide the organisations operations to improve their efficiency, and the shape the strategic direction of the firm (Organisation for Economic Cooperation and Development [OECD], 2018). The internal mechanisms include managerial and institutional ownership and shareholding, board composition which includes the chairman and Chief Executive Officer (CEO),

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executive and non-executive members, and the audit committee, while external mechanisms include statutory audits and markets (Damak, 2013).

Commercial State-Owned Enterprises (CSOEs) must have high corporate governance standards to assure their success, particularly financial stability and long-term growth (OECD, 2018). The CSOEs should operate within the specified control mechanism that promotes fairness, accountability, and transparency once there is corporate governance. As a result, prudent operations of state enterprises will be ensured, as well as efficiency, effectiveness, maximum returns, and business growth (Vahid, Dehghampour, & Nasirizadeh, 2013).

In Uganda, there are 45 CSOEs participating in a wide range of service provisions. They were established and governed by an Act of Parliament as provided for in the National Constitution of 1995 (UIA, 2021). Most of these CSOEs were established to handle government interests where the private sector failed to do so, while others were established to eliminate inefficiencies, especially in the provision of public services (UIA, 2021). To streamline their governance and performance, CSOEs in Uganda are mandated to embrace corporate governance, particularly to be led by the Board of Directors (BoDs) with the leadership positions of chairman and CEO, an adequate board size composed of executive and non-executives members, and an independent audit committee (Wanyama, 2018; Office of the Auditor General, 2019). Because of their commercial orientation, CSOEs charge user fees for their services (Muzapu, Havadi, Mandizvidza, & Xiongyi, 2016). Most of these CSOEs have been characterized by the appointment of unskilled managers based on nepotism that has witnessed these enterprises' perform below par in terms of profitability, calling for re-occurring subsidisation from governments to sustain their operations (PwC, 2015b; Njagi, 2016; Mutize & Tefera, 2020).

Research Problem

Commercial State Owned enterprises in Uganda are mandated and have adopted corporate governance structures including operating under the leadership of the BODs with the separate duties of the chairman and CEO, having large numbers of independent directors and audit committees (Auditor General's Report, 2017). In addition, they have designed risk management policies to enable the board to efficiently execute the oversight role in the financial arena to enhance their performance (Wanyama, 2018). Despite embracing corporate governance and risk management policies, available evidence showed that CSOEs are highly

characterized by inefficiencies and financial irregularities. For instance, the Auditor General's Report (2017) revealed that at least 31.8 percent of CSOEs had debt ratios of more than 50 percent implying that most of their assets were financed by debts, while some of these debts had been overdue.

The Auditor General's Report (2017) further reported that other CSOEs were operating without boards or with expired ones that could have contributed to the adverse performance of these firms. For instance, during the financial years 2013/14 to 2017/18, Uganda Electricity Distribution Company Limited's loss increased from UGX 9billion to UGX 16billion, Mandela National Stadium's loss almost doubled from UGX 323 million to UGX 669 million, Uganda Seeds Limited's loss was reported at UGX 67 million, National Enterprise Corporation Tractor Project recorded a loss of UGX 126 million, while Kilembe Mines Limited saw its profits tumble from UGX 35billion to UGX 440 million (COSASE Report, 2019).

These performance flaws are anecdotally due to weak corporate governance that has failed to properly manage the operations of these enterprises. These have in turn resulted in a lack of transparency, poor accountability, corruption, loss of funds, liquidity constraints, and poor service delivery by CSOEs (PwC, 2015; Klovienė & Gimžauskienė, 2014). Notwithstanding this stance, empirical studies linking corporate governance particularly with a focus on shareholding, board makeup, board features, and audit committee independence and the performance of CSOEs in Uganda has not been supported. This led to the conceptual and contextual gaps that were addressed by this study.

Research Objectives

The general objective of the study was to establish the relationship between corporate governance and the performance of CSOEs in Uganda while the specific objectives included:

- i. Establish the relationship between shareholding and performance of CSOEs in Uganda.
- ii. Establish the relationship between board compositions and performance of CSOEs in Uganda.
- iii. Establish the relationship between board characteristics, and performance of CSOEs in Uganda.
- iv. Establish the relationship between audit committee independence and performance of CSOEs in Uganda.

Literature Review

The study is underpinned by the Agency theory and Institutional theory. Propounded by Ross and Mitnick in the 1970s cited in Mitnick (2013), the agency theory distinguishes the roles of the corporation's stakeholders. The theory regards managers as having explicit firm's specific knowledge of running its operations, and that if not kept under the surveillance of the board of directors, they might pursue personal interests at the expense of the ultimate beneficiaries, the investors, and other stakeholders (Jensen & Meckling, 1976).

The major criticism of the agency theory is its assumption of inefficient markets. In this regard, the theory assumes that information flow in all the markets is uneven and as such agents in all ventures might at one time make irrational decisions, hence negating the efficient market hypothesis (Arthurs & Busenitz, 2003). Despite the criticism, the agency theory remains important for this study because it implies that for effective firm performance, especially for larger firms, CSOEs should employ the services of the board of directors to constantly monitor management actions, without giving chances of whether irrationality will occur or not. In so doing, the board manages risk by ensuring effectiveness of the control systems which fosters efficiency and firm performance (Abhayawansa & Johnson, 2007).

Propounded by Meyer and Rowan (1977) and DiMaggio and Powell (1991), the Institutional theory views the performance of the firm from political and social perspectives. From the political perspective, the theory indicates that CSOEs being that they largely pursue state objectives, government plays a significant role in the strategic planning of these firms. From the social perspective, the institutional theory views corporate governance as a mechanism that synchronises views of various players that control the operations of the firm, and among these are stakeholders such as investors, managers, and workers (Aoki, 2001). Therefore, the recognition of the political element and government control particularly for CSOEs is what makes the institutional theory an anchoring theory in this study.

One of the major gaps in institutional theory is the ignorance of the economic aspect of organisations. It does not for instance recognise that CSOEs are partly driven by economic factors such as profitability and earnings per share since these organisations are partly owned by private individuals or other institutions whose interest is organizational profitability and returns to these shareholders (OECD, 2018). Despite this weakness, the institutional theory is relevant as regards the performance of CSOEs because it recognizes

the political element which has been ignored by many theories focusing on the governance of CSOEs, yet these enterprises are largely controlled by the state whose political objectives are always at the forefront. As a result, the theory was critical in forming the study's first hypothesis on the relationship between corporate governance and CSOEs performance.

Corporate Governance and Firm Performance

Amin and Hamdan (2018) adopted a cross-sectional design to study Saudi Arabian Listed Companies. Fitting the data in the linear regression analysis, the results indicated that internal ownership by executive directors had no significant effect, while institutional and managerial ownership positively affected the performance of the firm. The results further indicated that foreign ownership had a negative effect. Yu (2013) analysed panel data of non-financial Chinese listed firms using regression techniques. It was established that state ownership significantly influenced firm performance because of the resources provided by the government. However, the study left a conceptual gap in that it did not consider the intervening influence of politically connected directors who might pursue political interests at the disinterest of managerial and institutional shareholders. These two studies are in line with practices of CSOEs in Uganda. Most of them are purely owned by the state which offer funding and appointment of the boards. There is a lot of government control of these CSOEs.

Krishnan (2005) using correlation analysis of the data from audit committee members of firms in the United States, established that ideal audit committees are those composed of an adequate number (4-6), the majority of who are outside members, with relevant financial expertise and qualifications. The study further established that such an audit committee significantly influenced internal controls. The study, however, ignored the ultimate effect of this relationship on the performance of state enterprises. In a comparative study, Lai, Li, Lin, and Wu (2017) reported that weaknesses in internal controls pave the way to financial misconduct by employees and this ultimately influenced firm investment resources and returns of firms in China though this was not explicit in state enterprises.

Based on the above theoretical and empirical review of literature, the following null hypotheses were developed and tested:

H₀₁: Shareholding has no effect on the performance of CSOEs in Uganda.

H₀₂: Board composition has no effect on the performance of CSOEs in Uganda.

H₀₃: Board characteristics have no effect on the performance of CSOEs in Uganda.

H₀₄: Audit committee independence has no effect on the performance of CSOEs in Uganda.

Methodology

This study adopted a longitudinal correlational design. This design enabled the researcher to develop the hypotheses based on the possible causes, explaining certain relationships in line with the existing literature, and then provided evidence to reject or fail to reject the study hypotheses so that informed inferences are drawn (Ishtiaq, 2019). The study population constituted 45 CSOEs in Uganda. The whole population of 45 CSOEs was studied since the number was relatively small. Hence census sampling approach was used so that each CSOE was included in the study (Feldmann, 2014).

The study used secondary panel data of 10 years from 2009/10 to 2018/19 financial investigation from 34 CSOEs. This panel data was solicited from the audited annual reports of these CSOEs using a data collection survey sheet. Data collected was edited for accuracy, uniformity, consistency, and completeness, after it was coded and analysed using descriptive and inferential statistics. Diagnostic tests were also conducted on this data to determine its compatibility with regression analysis.

Financial and non-financial performance criteria were used to assess firm performance. Return on Assets (ROA), or the ratio of Earnings before Interest and Tax (EBIT) to the firm's total assets, was used to assess CSOEs' performance (Niresh & Velnampy, 2014b). The non-financial performance was measured using the DEA model. The model analyses efficiency of a set of DMUs that use some inputs to get outputs in return (Fu, Vijverberg, & Chen, 2008). The DEA model gives a composite index that ensures that outputs and inputs of the dependent variable are aggregated. To compute the composite index, max-min procedure was used. Data was converted into indices ranging from 0 to 100 based on min values of CSOEs. The DEA model indices are defined in such a way that the higher the value of the aspect variables, the better the score (Banker, Emrouznejad, Lúcia, Lopes, & Rodrigues De Almeida, 2012).

The model results are given by the formula:

$$I = \frac{V - \text{Min}}{\text{Max} - \text{Min}} \times 100$$

where:

V is the observed indicator value (after limits are imposed)

I is the new index number representation

The model specification was such that the inputs were the number of employees, working capital, and net fixed assets value, while the output was management reports in a year, hence measuring management efficiency. The DEA model gives data points for each DMU ranging from 0 to 1 given by the following formula (Basso & Funari, 2003):

$$\sum_{k=1}^m U_k Y_{ki}$$

$$\sum_{j=1}^n V_j X_{ji}$$

Subject to

$$\frac{\sum_{k=1}^m U_k Y_{ki}}{\sum_{j=1}^n V_j X_{ji}} = <1, \text{ for } i = 1, \dots, N \text{ and } U_k \text{ and } V_j \geq 0$$

$$\sum_{j=1}^n V_j X_{ji}$$

Where:

m is the number of outputs for each CSOE using n different inputs

n is the number of inputs used by each CSOE to produce m different outputs

y_{ki} is the amount of the kth output for the ith CSOE

x_{ji} is the amount of the jth input used by the ith CSOE

U_k is the output weight

v_j is the input weight

The DEA model's flaw is that the precision of the inputs and outputs is contingent on the quality of the data provided. As a result, inaccuracies in secondary data may cause results to be skewed (Banker et al., 2012). Hierarchical regression models were used to examine mediation effect of risk management on the relationship between corporate governance and firm performance and hence test the null hypotheses as advised by (Baron & Kenny, 1986).

Results

The sample consisted of 34 out of the 45 commercial state-owned enterprises (CSOEs) that were initially targeted in Uganda observed from 2009 to 2018. The resultant response rate was 75.5 percent which according to Lindemann (2019) is high enough to enhance the representation of the results in the panel and social surveys.

Descriptive Statistics

Corporate governance was measured using dimensions that included shareholding, board composition, board characteristics, and audit committee independence. The results of these dimensions are presented in Table 1 below.

Table 1 Descriptive Statistics for Shareholding

Shareholding	Observations	Descriptive Statistics (Percent)	
		Mean	Standard Deviation
Government ownership/shareholding	327	83.83	24.21
Institutional shareholders	327	11.55	20.54
Managerial shareholders	327	1.65	8.16
Non-managerial shareholders	327	.40	2.24
Foreign shareholding	327	4.22	14.70
Chairman owns shares	327	.00	.00
CEO owns shares	327	.00	.00
Director's ownership other than CEO and chairman	327	.00	.000

According to Table 1 above, majority of the shares (mean value was 83.83) in CSOEs were held by the government, with a standard deviation of 24.21 percent. However, in some enterprises, government-owned all the shares as shown by 100 percent maximum ownership, although in other cases it held a minimum of 51 percent. The results further show that 11.55 percent were institutional shareholders, 4.22 percent were

foreign shareholders. No cases of chairman, CEO, and director share ownership were reported suggesting that there was independence in managing CSOEs which according to Abhayawansa and Johnson (2007) is important in fostering efficiency.

Based on the results, it can be deduced that strong aspects of shareholding and ownership are government-controlled. Most CSOEs have managerial independence because of the small percentage of managerial shareholding. These two aspects imply that CSOEs have back up of the government arm in case of financial constraints, in addition to independent managerial decision making which implies high rationality of the decisions. The shareholding status implied that profits are retained by the government which would be a different case if these firms were being controlled by private or foreign owners.

Table 2: Descriptive Statistics for Board Composition

Board Composition	Observations	Minimum	Maximum	Mean	Standard Deviation
Number of non-executive board members	327	2.00	7.00	4.87	.959
Members whose contracts have expired (percent)	327	0.00	4.00	.75	.863
Number of politically connected directors	327	0.00	8.00	4.21	1.944
Number of Female board members	327	1.00	4.00	2.64	.758

From Table 2, it is observed that the average number of non-executive directors was 4.87, with a minimum of two and a maximum of seven, and a standard deviation of 0.959, it was noted. This average value meets the minimal requirement for non-executive directors, which is three directors (Davies, 2000). This signified good corporate governance since it demonstrated board independence. Board members whose contracts had expired were very low at 0.75 percent which suggested that CSOEs respect the tenure of board members an indicator of good corporate governance. Based on the results, it is deduced that all four aspects namely, the percentage of non-executive directors, managing directors whose contracts have expired, the proportion of

politically connected directors, and female composition on the board are good attributes of corporate governance. These signify board independence and hence rationality in decision making.

Table 3 Descriptive Statistics for Board Characteristics

Board Characteristics	Observations	Minimum	Maximum	Mean	Standard Deviation
Board size (number)	327	6.00	13	9.28	1.736
Non-executive directors board meeting attendance (number of times)	327	2.00	5.00	3.73	.479
Tenure of board members (years)	327	3.00	5.00	3.57	.825
Number of board meetings	327	1.00	5.00	3.69	.600
Age of directors	327	50	67	58.76	3.481
Experience (years on boards of CSOEs)	327	2.00	5.00	3.26	.688

From Table 3, it is observed the total number of directors on the board was 9.28 on average. This number satisfies the recommended minimum of three directors for state-owned enterprises (OECD, 2018b), hence an indicator of good corporate governance. The mean value of non-executive board members’ meeting attendance was 3.73 times with a standard deviation of 0.479. This was adequate and an indicator of good corporate governance when compared to the maximum of five by better-performing companies, and an ideal industry average of 75 percent (PwC, 2014). The tenure of board members was 3.57 years with a standard deviation of 0.825. This was relatively fair compared to the ideal recommended industry average of three years (Livnat, Smith, Suslava, & Tarlie, 2021). However, there were extreme variations of up to five years which was not a good practice of corporate governance for some CSOEs.

The board meetings averaged 3.69 times in a year, while the maximum number was 5 times an average of 73.8 percent of the time when compared to the best performing firms which was an indicator of good corporate governance. The average age of directors was 59 years with a minimum of 50 years and a maximum of 67 years representing a standard deviation of 3.48 as shown in Table 3. This suggested that

some directors, though not the majority, were above the retirement age of 60 years stipulated by the Pensions Act of 1946 cited in Muhanguzi (2020) which is a sign of poor corporate governance.

Table 4 Descriptive Statistics for Audit Committee Independence

Audit Committee Independence Indicators	Observations	Mean	Standard Deviation
Number of audit committee members	327	3.33	.891
Non-executive members on audit committee (percent)	327	73.46	28.20
Audit committee members financial expertise (level of education and financial expertise)	327	1.03	.390
Audit committee diligence (frequency of audit committee meetings)	327	3.04	.593
Tenure of audit committee members (years)	327	3.43	.709

The total membership of the audit committee for CSOEs averaged 3.33, with a standard deviation of 0.891, as shown in Table 4 above. This number was below the average of five members on average that is recommended (The Institute of Internal Auditors, 2014), which is an indication of poor corporate governance because a smaller number puts the independence of the audit committee in jeopardy. The findings in Table 4 above further show that 73.46 percent of members are non-executive in nature on average. This was a good corporate governance feature since it strengthens audit independence. This concurs with the ideally recommended percentage of audit committee members of 60 percent (Deloitte, 2015), hence an indicator of good corporate governance as this fosters audit committee independence.

The audit committee meeting frequency was reported to have a mean of 3.04 and a standard deviation of 0.593. (See Table 4). This fell short of the four times that were advised (Sharma, Naiker, & Lee, 2009), making it a weak point in the corporate governance of CSOEs in Uganda. The findings in Table 4 above also demonstrate that the average tenure of audit committee members was around three and a half years. This contravenes the ideal recommended average of not more than three years (Financial Reporting Council, 2012), hence a weak aspect of corporate governance.

With regard to external members and the audit committee members' financial expertise, it can be inferred from the results above that strong characteristics of audit committee independence in CSOEs in Uganda were observed. Few members of the audit committee, the infrequent meetings, and the lengthy terms of these committee members are the weak points that could compromise the independence of the committee.

Table 5 Descriptive Statistics for Firm Performance

Firm Performance Indicators	Observations	Minimum	Maximum	Mean	Standard Deviation
Number of employees	327	5.00	7000	702.06	1344.52
Working capital(Billion UGX)	327	.06	592.42	74.24	140.13
Net fixed assets value (Billion UGX)	327	.09	10525.30	591.71	1803.94
Earnings before interest and tax (EBIT) (Billion UGX)	327	-125.87	589.31	25.97	83.46
Total Assets (Billion UGX)	327	1.10	11121.00	636.81	1781.03
Frequency of management reports in a year	327	0.00	5.00	1.40	.873

In Table 5 above, the mean number of employees was 702.06, with a standard deviation of 1344.52. The number of employees could be as little as 5 or as high as 7,000. The findings indicate that there were extreme values in the distribution of employees in CSOEs, justifying a standard deviation that was higher than the mean value. Working capital had a mean value of 74.24, Standard Deviation of 140.13, with a minimum of Ugx.0.6bn and a maximum of Ugx 592.42bn. Net fixed assets had a mean score of Ugx 591.71bn, with a minimum of Ugx.09bn and a maximum of Ugx 10525.30bn, respectively, and Standard Deviation of Ugx 1803bn.

The results in Table 5 further indicate that the mean value of EBIT of the CSOEs was Ugx 25.97bn with Standard Deviation of Ugx 83.46bn. The minimum value of Ugx -125.87 indicates that some firms' returns were negative, while a maximum of Ugx 589.31 was attained by the firms. The fixed assets value was reported at Ugx 636.81bn and Standard Deviation of Ugx 1781.03bn suggesting that this item was characterized by extreme values among CSOEs as justified by a very low minimum value of Ugx 1.10 and very high maximum value of Ugx 11,121.00. The minimal worth of EBIT and a high mean value of total assets value justify a very low ROA and technical inefficiency.

Basing on the results, it is deduced that the strong aspects of performance of CSOEs in Uganda are increased total assets of the firms and growth in the number of employees. However, these are not backed by the desired returns as demonstrated by low and negative EBIT for some firms and technical efficiency and managerial efficiency as demonstrated by inadequate reporting, hence rendering the latter a weak aspects of performance of CSOEs.

Inferential Statistics and Hypotheses Testing

Finding the relationship between corporate governance and the performance of CSOEs in Uganda was the study's main goal. To address this, the following hypotheses were tested:

- H₀₁: Shareholding has no effect on the performance of CSOEs in Uganda.
- H₀₂: Board composition has no effect on the performance of CSOEs in Uganda.
- H₀₃: Board characteristics have no effect on the performance of CSOEs in Uganda.
- H₀₄: Audit committee independence has no effect on the performance of CSOEs in Uganda.

Shareholding and Firm Performance

The hypothesis tested was shareholding has no effect on the performance of CSOEs in Uganda. The results of this analysis are shown in Table 5 below, which indicates that 7.3 percent of changes in firm performance was explained by Government Ownership (GOVOWN); non-Managerial Ownership (MGROWN); and Foreign Ownership (FOROWN) has low explanatory power. This meant that 92.7 percent of the changes in firm performance was explained by other variables.

When determining whether the whole model was statistically significant or not, the Wald Chi-Square showed that it was not, since the p-value (0.842) above the level of significance (=0.05). As a result, the

null hypothesis was not rejected, indicating that shareholding had no impact on CSOE performance in Uganda.

Table 6: Regression Model Results for Ownership/Shareholding and Firm Performance

Firm Performance	β Coefficient	t	p>t
GOVOWN	-0.0102	-0.33	0.743
MGROWN	0.224	0.57	0.569
Non_MGROWN	-0.173	-0.66	0.512
FOROWN	-0.013	-0.4	0.686
_cons	5.564**	1.97	0.049
R-Squared	0.0732		
Wald chi2(4)	1.41		
Prob > chi2	0.842		
Number of Enterprise_ID	34		

*** p<0.01, ** p<0.05, * p<0.1

Board Composition and Firm Performance

The performance of CSOEs in Uganda was anticipated to be unaffected by board composition under hypothesis H₀₂. Regressing firm performance (the dependent variable) on non-executive board members (NONEXECBM) and female board members (FBM) as proxies for board composition was done to test this hypothesis.

Table 7 Regression Model Results for board composition and Firm Performance

Firm Performance	β Coefficient	t	p>t
NONEXECBM	2.380	0.81	0.42
FBM	5.69	2.58	0.01
_cons	1.64	1.43	0.154
R-squared	0.023		
F(1, 290)	6.67		
Prob > F	0.0103		
Number of Enterprise_ID	34		

*** p<0.01, ** p<0.05, * p<0.1

According to Table 7 above, NONEXECBM and FBM only explained 2.3 percent of changes in firm performance, whereas other independent variables explained 91.7 percent. This indicates a low explanatory power. In terms of significance, the whole model was significant since the null hypothesis was rejected and the p-value for the model was less than 0.05, indicating that board composition affects the performance of

CSOEs in Uganda. According to the prediction formula, $FP = 5.69FBM$, the performance of CSOEs will typically improve by 5.69 units if a second female is added to the board.

Board Characteristics and Firm Performance

The following null hypothesis (H_{03}) that board qualities have no impact on CSOEs' financial performance in Uganda was examined in order to ascertain whether this was the case. In order to improve company performance, the following variables were regressed: board attendance (BATT), average age of directors (AGE DIR), board size (BS), board independence (BIND), and board qualifications (BQ). Table 8 below shows the results, which reveal that the model's explanatory power was low at 5.9%, meaning that other factors not in this model were responsible for 94.1 percent of the changes in company performance.

Table 8: Regression Model Results of Board Characteristics on Firm Performance

Firm Performance	β Coefficient	t	P>t
BATT	1.012**	2.36	0.019
AGE_DIR	-0.046	-0.52	0.603
BS	10.687**	2.26	0.025
BIND	0.623	0.21	0.831
BQ	0.213	0.26	0.799
_cons	15.147*	1.97	0.05
R-squared	0.059		
F(8,252)	1.97		
Prob > F	0.05		
Number of Enterprise_ID	34		

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

The total model was statistically significant since the p-value of 0.05 was equivalent to the -value of 0.05. It was therefore established that board features did have an impact on the performance of CSOEs in Uganda and the null hypothesis that they had no impact on the financial performance of CSOEs in Uganda was rejected. The predictive equation was $FP = 15.147 + 1.012BATT + 10.687BS$, meaning that if BATT and BS were increased marginally, firm performance would, on average go up by 1.012 and 10.687 units respectively.

Audit Committee Independence and Firm Performance

The null hypothesis (H_{04}) that audit committee independence has no effect on the performance of CSOEs in Uganda was examined.

ROA was used as a stand-in for firm performance, and audit committee independence was determined using the following metrics: audit committee size (AC Size), audit committee meeting attendance (AC MEET), percentage of non-executive audit committee members (AC NEM), and financial expertise of audit committee members (AC FQUA). The outcomes of the regression analysis are displayed in Table 9 below.

Table 9. Regression Model Results for Audit Committee Independence and Firm Performance

Firm Performance	β Coefficients	t	P>t
AC_Size	0.545**	2.25	0.026
AC_MEET	0.100	0.3	0.764
AC_NEM	0.007	1.03	0.306
AC_FQUA	0.336**	2.25	0.029
_cons	6.237***	4.72	0.000
R-squared	0.0205		
F(4,287)	1.51		
Prob > F	0.0121		
Number of Enterprise_ID	34		

*** p<0.01, ** p<0.05

According to Table 9 above, the model's explanatory power was low at 2.05 percent, meaning that other factors not included in this model were responsible for 98.8 percent of the changes in firm performance. The whole model was statistically significant since its p-value of 0.0121 was lower than its -value of 0.05. This resulted in the conclusion that audit committee independence does, in fact, have an impact on the financial performance of CSOEs in Uganda, rejecting the null hypothesis. According to the predictive equation, $FP = 6.237 + 0.545AC\ Size + 0.336AC\ FQUA$, the average improvement in firm performance would be 0.545 and 0.336 units, respectively, if AC Size and AC FQUA were slightly raised. This implies that increasing the size of the audit committee rather than the members' financial acumen would be a wiser investment in terms of improving corporate performance.

Discussions

The main goal of the study was to establish a connection between corporate governance and CSOE performance in Uganda. While management effectiveness and financial success were taken into consideration as the dimensions of business performance, shareholding, board composition, board characteristics, and audit committee independence were all analyzed as factors of corporate governance. The following hypotheses were tested:

- H₀₁: Shareholding has no significant effect on the performance of CSOEs in Uganda.
H₀₂: Board composition has no significant effect on the performance of CSOEs in Uganda.
H₀₃: Board characteristics have no significant effect on the performance of CSOEs in Uganda.
H₀₄: Audit committee independence has no significant effect on the performance of CSOEs in Uganda.

The results showed that there was no connection between CSOE's performance and shareholding. The results showed that managerial, foreign, and government ownership, as well as performance, were not significantly correlated. As a result, the null hypothesis H₀₁, which claimed that ownership of shares had no appreciable impact on the financial performance of CSOEs in Uganda, was not disproved. The results corroborate Amin and Hamdan's (2018) assertion that internal ownership of executive directors has no appreciable impact on firm performance. The results, however, contradict those of Yu (2013) who established that state ownership significantly influences firm performance because of the resources provided by the government. But it is important to note that even though resources might be available, their inefficient allocation might not yield the desired performance. In this study, CSOEs were found to be inefficient with a DEA value of 0.74.

The survey also showed that a significant portion of the non-executive board members had little bearing on the firm's success. The results go against those of Mwesigwa et al. (2014), who discovered that having a lot of non-executive members on the board can aid in resolving growing complexity. This may be because non-executive board members are rarely involved in day-to-day management, even if they may be involved in policy making, planning, and executive director monitoring, and working in the interests of the company's stakeholders (Muravyev, Weir, & Talavera, 2014). This implies that they may not be able to capture some operational gaps and hence contribute significantly to firm performance. However, the study discovered that the performance of CSOE was positively and statistically significantly correlated with the presence of female board members (FBM).

According to R-squared, the FBM explained 2.3 percent of the variation in CSOE performance in Uganda (R²). The null hypothesis H₀₂, which claimed that board composition had no bearing on CSOE's performance in Uganda, was thus rejected. The results support Pasaribu's (2017) finding that the performance of UK listed firms is significantly improved by having more female directors on the board of directors.

Board Meetings (BM), Directors Age, Board Size (BS), Board Independence (BIND), and Board Qualification were determined to be the board's characteristics and financial success. The corresponding hypothesis H_{03} , which states that board characteristics have no bearing on CSOE performance in Uganda, was put to the test. R^2 was 0.059, indicating that the board features accounted for 5.9% of the variance in the performance of Uganda's CSOEs. The overall model was statistically significant. Due to the statistical significance of the entire model, the null hypothesis H_{03} was rejected.

This suggests that strengthening board characteristics, notably board attendance and board size, will lead to better CSOEs performance. The findings support those of Lin, Yeh, and Yang (2014), who established that higher board attendance improves firm accounting performance, indicating that businesses could use the attendance rate as an indicator of the quality of these corporate monitors' board oversight. Furthermore, increased board attendance allows them to focus more on their supervisory tasks, which improves management efficiency. This explains why several CSOEs claimed high management efficiency levels

Findings regarding audit committee independence and firm performance revealed that it was determined by the number of non-executive members on the audit committee (AC NEM), the size of the audit committee (AC Size), the frequency of audit committee meetings, and the audit committee's vigilance (AC FQUA). Return on Assets (ROA) and management effectiveness were used to assess the performance of CSOEs. The outcomes of the regression analysis showed that the entire model was statistically significant. A positive and statistically significant association between financial performance and audit committee size and members' financial expertise was found. The hypothesis H_{04} that the performance of CSOEs in Uganda is not significantly affected by the independence of audit committees was rejected.

Conclusions and Recommendations

According to the study, it can be deduced that enhancing corporate governance through improvements in board characteristics (board size and attendance), board composition (female board members), and audit committee independence (audit committee size and financial knowledge) will improve CSOE performance. Therefore, in order to improve their performance, CSOEs should not worry about shareholding but rather concentrate on the composition of the board, especially increasing the number of female board members, as well as improving the board's characteristics, particularly increasing board attendance and board size.

Additionally, CSOEs should strengthen the size of their audit committee and the financial knowledge of its members in order to increase the audit committee's independence.

Contributions of the study and areas for future research

The study's findings are important to Uganda's commercial state enterprises' policy-making divisions. For example, CSOE boards may use the findings of this study to develop guiding policies for their ownership, board characteristics, and board composition and audit committee set up to improve their performance. It was discovered, for example, that CSOEs with boards composed of more female members and those that hold frequent meetings improve their performance. Therefore, a policy can be formulated to ensure that boards are composed of more female board members to enhance the rationality of the decisions, and also organize meetings frequently to improve on their performance.

The performance of CSOEs and the qualitative dimensions of corporate governance were not taken into account in this study, which solely looked at quantitative data. Triangulating techniques may be used in similar studies in the future to close this methodological gap. Only CSOEs were included in this analysis. Future studies could be done in a larger setting that includes both for-profit and nonprofit state-owned firms. The dependent variable in this study examined how corporate governance impacted both financial success (Return on Assets) and non-financial performance (Management efficiency). Future studies can be conducted to determine whether corporate governance affects only financial performance or only non-financial performance.

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