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# Corporate Governance Compliance Model: The Extent to Which Financial Institutions have Complied with the Reserve Bank of Zimbabwe (RBZ) Corporate Governance Guideline No. 01-2004/BSD of 2004

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**ABSTRACT**

The study sought to evaluate the extent of compliance by listed banking institutions to the Reserve Bank of Zimbabwe corporate governance (CG) guidelines of 2004. The research sample comprised of five listed banks. Secondary data was collected through content analysis technique, thus use of financial institution's annual report was made for period covering 2013-2015.The model developed in this research was applied to each of these banks and a compliance classification score was awarded. Results indicated that 20% of financial institutions did not comply with the RBZ CG guidelines in relation to board meetings. Findings also revealed that the board composition of banks on the ZSE was in compliance with the RBZ guideline which stipulates that each banking institution shall have a minimum of five directors and the maximum of the study was five. It was concluded that there was high compliance rate in Zimbabwean banks to CG principles on board composition, risk management, remuneration, audit committee and code of ethics. It was recommended that the Reserve Bank of Zimbabwe should continuously supervise banks on CG guidelines requirements and best practices so as to avoid bank closure and also to stabilize the financial sector.

**Keywords:** Corporate Governance, Model, Compliance, Zimbabwe, Reserve Bank, Financial Sector
**JEL Classifications:** G30, G33

## 1. INTRODUCTION

In Zimbabwe the RBZ established a code of guidelines on corporate governance (CG) in 2004 which all banking institutions adopted for them to operate efficiently and effectively. According to Muranda (2006), Zimbabwe's financial services sector has witnessed phenomenal growth since economic deregulation in 1991. However, economic turbulences and political meltdown that have hogged the country since the year 2000 have created a new and challenging environment. Between 1998 and 2003 banks were declaring super profits at the close of each financial year. The above normal profits were mainly attributable to non-core operations some of which were to be declared illegal by monetary authorities at a later stage. Zimbabwe's financial sector underwent a serious financial crisis over the past decade to date characterized by bank closures, curatorship and wind ups. The list of victim banks include ZABG bank, Kingdom Financial holdings, United Merchant Bank, Trust Banking Corporation; Inter-market Banking Corporation; Interfin banking corporation, Royal Bank Limited and century bank. Dhliwayo (2015), noted that failed banking institutions in the Zimbabwean market have been subjected to severe challenges that ranged from chronic liquidity problems, deep-rooted risk management deficiencies and poor CG practices. In particular, the weak governance structures in the wake of poor or lack of policies, failure to enforce compliance with policies and failure to interrogate management reports is a common characteristic of failed banks. The case in owner-managed institutions, where owner managers often exert overbearing influence in the day to day operations of the banks, without due consideration for best practice standards of risk management was identified as one of the main cause of failures.

The supreme regulator of the Zimbabwe's financial sector is the Ministry of Finance through the Reserve Bank of Zimbabwe which is at the apex of the banking sector and performs much of the traditional central bank functions as defined in section 6 of the Reserve Bank of Zimbabwe Act [Chapter 22:15]. As a result of the liberalization of the financial sector in 1991, the establishment of local banks has grown considerably. The financial sector is relatively sophisticated, consisting of the Reserve Bank of Zimbabwe, discount houses, commercial banks, building societies, the post office savings bank, numerous insurance companies and pension funds and a stock exchange. The latest architecture of registered banking institutions is as shown in Table 1:

The financial sector plays a vital role in the economic process through the intermediation services of banking institutions by facilitating the transfer of funds, to provide additional money when required and to create markets in debt in order that the price of funds, and therefore the allocation of funds, is determined efficiently. Empirical research confirmed strong linkages to exist between financial sector stability and economic growth. Banks achieve this function by accepting deposits from surplus funds and granting financial resources in form of loans to deficit units and other productive sectors of the economy.

Zimbabwean financial system had experienced periods of financial distress characterized by a glut of bank failures, as well as by severe deterioration of the whole financial system's health. According to the Reserve Bank of Zimbabwe (2006), in their supplement for troubled banking institutions noted that the financial sector was exhibited by poorly constituted CG structures. One of the prime roles of the Reserve Bank is the maintenance of a sound and stable financial system through prudential supervision of banking institutions and in that respect the central bank had been continuously devising regulatory frameworks in the wake of bank licensing framework, risk based on-site examination system, off-site surveillance, consolidated supervision, stress testing to early warning systems, among others (Tsumba 2002). This saw the Central Bank in 2004 introducing the bank licensing, supervision and surveillance guideline no. 01-2004/BSD on CG for immediate implementation by the financial services sector. It is against this background that the research was done to evaluate the extent to which financial institutions have complied with the RBZ CG principles; which include composition and structure of the board of directors, roles of the board of directors, audit committee, risk management, information technology (IT) governance, internal auditing, stakeholders relations and engagement, organisational integrity and code of ethics and integrated and sustainability reporting.

**Table 1: Architecture of the banking sector**

| Type of institution | Number |
|---|---|
| Commercial banks | 13 |
| Merchant banks | 1 |
| Building societies | 4 |
| Savings bank | 1 |
| Development institutions | 2 |

Source: (RBZ, 2017)

The objective of the study is to investigate the extent of compliance by financial institutions in Zimbabwe to the RBZ guidelines on CG, Guideline No. 01-2004/BSD.

The study will contribute an understanding that will help in policy decisions as well as provide guidance for managers and shareholders on the importance of good governance towards a stable financial system.

## 2. LITERATURE REVIEW

Institute of Directors in Southern Africa (2009), defines CG as the establishment of structures and processes, with appropriate checks and balances that enable directors to discharge their legal responsibilities. Fernando (2010) defined CG as typically perceived by academic literature as dealing with problems that result from separation of ownership control and thus from this perspective, CG focus on internal structure, rules of the board of directors, the creation of independent audit committees, rules for disclosure of information to shareholders and creditors, and control of the management.

According to (RBZ, 2004), CG refers to the processes and structures used to direct and manage the business and affairs of an institution with the objective of ensuring its safety and soundness and enhancing shareholder value. The process and structure define the division of power and establish mechanisms for achieving accountability between the board of directors, management and shareholders while protecting the interest of depositors and taking into account the effects of other stakeholders, such as creditors, employees, customers, and the community.

### 2.1. Importance of CG

- Ensuring compliance laws and regulations
  Compliance becomes agenda in establishing good CG. CGs ensure long-term survival of a corporation and thereby enable its shareholders long term benefits.
- Enhancing valuation of an enterprise
  Fernando (2010), states that improved management accountability and operational transparency fulfill investors' expectations and confidence on management and corporations and in return, increase value of corporations. Companies that have adopted CG standard have invariably enhanced market their valuations.
- Stake holder benefits
  According to Mitchell (2003), under CG, a firm intends to act in the best interest of the firm and its stakeholders. This will ensure greater success as the goal of the company managers will now be aligned with the goals of the company. The result of this will be greater profits and faster growth which will benefit the company and all the stakeholders.
- Reduces risks, mismanagement and corruption
  A company can reduce the amount of risks in their business as well as any attempts of corruption and mismanagement by following the practices of good governance. Due to the amount of transparency in companies that follow the principles of good governance many individuals intending to misuse their position and power. Therefore this will reduce

the overall incidences of negative acts in the company and help it achieve success and a positive image in the community Mitchell (2003)

### 2.2. CG Structure according to RBZ Guideline (2004)

The Reserve Bank of Zimbabwe (RBZ) guidelines of 2004 states that in banking and financial sector perspective, CG involves a manner in which the business and affairs of individual institutions are governed by their boards of directors and senior management, affecting how the banking institutions set corporate objective. The principles are premised on the following structures.

- The composition and structure of the board of directors
- Appointment of Directors and Bank Executives
- Board Attendance
- Roles of the board of directors
- Audit Committee
- Roles of an audit committee
- Risk management
- IT Governance
- Internal auditing
- Stakeholders' relations and engagement
- Organizational integrity and code of ethics
- Integrated and sustainability reporting

### 2.3. Empirical Literature Review

Empirical literature provided by different authors and researchers in different countries in relation to the subject under study is analyzed below. This empirical literature will further enlighten and provide guidance on the type of methodology appropriate for this study.

According to Maune (2015), Zimbabwe lags behind in terms of CG structures and associations that coordinate the proper implementation of CG. There are no specific codes of CG in the country except for the financial services sector and NGOs although efforts are underway to finalize the national code of CG.

Bawaneh (2011) conducted a study to evaluate how the Jordan banking sector is affected by the CG requirements released by Basel Committee on Banking Supervision (BCBS) and Organization for Economic Cooperation and Development (OECD). Through the use of the actual based model, a sample of 10 commercial banks listed on the Amman Stock Exchange was selected for carrying the study. Data was collected through questionnaires. As a result, the findings indicated that the banks in Jordan comply with CG requirements by acting in accordance with a request from the Central Bank based on BCBS and OECD guidelines and requirements which enhance the CG procedures.

AL-Sa'eed (2013), carried out a study to investigate the compliance of the Jordanian banks to the principles of CG from the viewpoint of the related regulatory bodies. The study relied on the CG topics discussed in the World Bank's ROSC Report. Sixty postal questionnaires were distributed randomly to the Audit Committee Members in Jordanian Banks, Control and Governance Department in the Central Bank of Jordan and in the Jordan Securities Commission, to empirically explore the extent of compliance with the OECD's Principles of CG from the view point of those parties.

The results of the study concluded that the Jordanian Banks comply with the OECD Principles of CG and the average score of Audit Committee showed that the Jordanian Banks earned a perfect 5.00 score for both the role of stakeholders in CG and disclosure and transparency categories, while the lowest score was in the rights of shareholders category of (3.33). The Average score by category of control and governance department in the Central Bank of Jordan has shown that the banking sector of Jordan is moderately saving the rights of shareholders and so the responsibility of the board and the average is 2.5 and 3.00% respectively. In conclusion, the overall average scores of all tested parties are supporting that the banking sector of Jordan is complying with the (OECD) Principles of CG.

Most studies examined the compliance of banks to the OECD Principles of CG mainly in the foreign countries and their findings indicated that banks comply with the OECD Principles of CG. However, in Zimbabwe there has been limited literature on the evaluation on compliance of banks listed on the ZSE to the RBZ guidelines on CG, hence this study aims to fill the gap of lack of knowledge on the compliance of banks listed on the ZSE to the RBZ Guidelines on CG.

## 3. RESEARCH METHODOLOGY

This study is designed to appraise the extent to which financial institutions have complied with the RBZ CG guidelines. The study focused on banking institutions that are listed on the Zimbabwe Stock Exchange. The content analysis technique was used in this study. This is a methodology for determining the content of written, recorded, or published communications via a systematic, objective, and quantitative procedure. Thus, it is a set of procedures for collecting and organizing information in a standard format that allows analysts to draw inferences about the characteristics and meaning of recorded material (Hsieh and Shannon, 2005).The research was mainly based on secondary data source because of the historical nature of the information hence content analysis. Use of financial institutions' annual reports was made; data was collected from annual reports for time period from 2013 to 2015. Content analysis was also used in other compliance research on triple bottom line reporting and sustainability (Mawanza and Mugumisi, 2014), (Chapman & Milner, 2003) (Nyahunzvi, 2013). Content analysis can quantify largely qualitative information, facilitate unobtrusive measurement and cope with large volumes of source material. This type of analysis helps the researcher to learn more about issues of interest and add qualitative richness to otherwise quantitative data as well as to validate evidence from other sources.

The population of this study, to which the researcher generalized the study findings, was made up of 13 commercial banks currently operating in Zimbabwe. Of these banks, only those that have their financial statements published up to 2015 and are listed on the ZSE will be included because they form the basis upon which data will be analyzed and used for general conclusions. Moreover, only banks with complete data for the period between 2013 and 2015 will constitute the research population. The population was studied over a period of 3 years from 2013 to 2015.

Content analysis was deemed as the appropriate type of analysis for this study. There was data reduction (selecting, focusing, simplifying, abstracting, transforming) data display (organized, compressed), and conclusion drawing or verification (noting irregularities, patterns, explanations, possible configurations. Final conclusions were drawn from the CG compliance index that was adopted from the research of Tuteja and Nagpal (2013) and modified with respect to variables considered key in the analysis. The choice of variables takes root in the aspects that have been of importance to CG issues in Zimbabwe's financial sector. The Index formulated consisted of essential factors like board of directors, meetings, audit committee, remuneration committee, nomination committee, risk management, related party transactions and disclosures. These factors were delineated further by defining sub-elements under each head. These sub-elements were assigned individual scores on the basis of review of literature performed while selecting factors. The result of this study was a CG Index designed especially for Zimbabwean banks. The Table 2 shows the variables for inclusion on the model for compliance index:

The CG index assigns bonus points for the banks and compliance classification would be done using the actual scores awarded. The scores were further used to come up with a compliance classification matrix. The matrix was adopted from the Argenti, (1976) failure classification index, and the failure prediction model of banks from a CG point by (Mawanza et al., 2017). The table shows a summary of score rating criteria for CG compliance index for all banks listed on the ZSE.

This criterion was used to analyze compliance of banks as shown in the Table 3. This is done by assigning scoring points to each prognosis so as to show the compliance of banks. Just like in the a score, the model would review a positive relationship between the extend of compliance and magnitude of the score.

## 4. RESULTS AND DISCUSSIONS

The results of this study were initially presented and analyzed using descriptive statistics. It is important to note that actual results were compared with the requirement of the guideline. Table 4 shows a summary of the descriptive statistics of the variables used:

Descriptive statistics analysis was conducted in order to have an overview of the key CG structures within the banking institutions and hence will form basis for compliance evaluation. As shown in the table the number of executives had a mean of 2.6 and maximum of 5, number of non-executives with maximum of 12 directors and a mean of 7.4 and proportion of non-executives which had a mean of 73.2%. Therefore this means that on average the banks listed on the Zimbabwe Stock Exchange comply with the RBZ guidelines on CG. More so, the audit committee on the descriptive statistics table above shows an average of 3.1333 and maximum of 5, thus there is compliance with the RBZ CG guidelines of 2004 which says that the audit committee should consist of not <3 members all of whom should be independent non-executive directors of the banking institution.

### 4.1. Board Composition

According to the RBZ (2004), each banking institution shall have a minimum of five directors. The board shall maintain a majority of non-executive directors such that no individuals or interest can dominate its decision making. Each banking institution must ensure that it appoints executive directors who constitute not more than two-fifths of the total membership of the board, in terms of section18 (2) of the Banking Act (Chapter 24:20). Table 4 shows that the board composition of all banks listed on the ZSE comprised of executive members and non-executive members. The number of non-executive directors as indicated by the table above had a maximum of 12 and a mean of 7.4000. On the other hand the number of executive directors had a mean of 2.600 and maximum of 5, also proportion of non- executive directors had a mean of 73.2%. This meant that the board composition of all banks listed on the ZSE was in compliance with RBZ CG guidelines on board

**Table 2: CG compliance index for banks**

| Component | Sub component | Points |
|---|---|---|
| Number of directors | Board consists of 8 to 12 members | 3 |
| | Board consists of more than 12 members | 2 |
| Chairman | Chairman of the Board is a non-executive directors | 5 |
| Director independence | Proportion of independent directors is<33.33% | 0 |
| | Proportion of independent directors is equal to 33.33% and<50% | 1 |
| | Proportion of independent directors is equal to 50% | 3 |
| | Proportion of independent directors is>50% | 5 |
| CEO duality | Chairman is an independent director (and separate from CEO) | 5 |
| Board meetings | Number of meetings≥6 | 4 |
| | Number of meetings≥4 | 1 |
| | Number of meetings≥12 | -1 |
| Director independence | All directors are independent | 3 |
| | At least 3 directors in Audit Committee are independent (two- thirds must be independent) | 1 |
| Committee meetings | Audit committee exists and meets at least 4 times a year | 1 |
| | Independent members of audit committee meet separately as well | 1 |
| Criteria for CEO incentives | Performance based incentive of CEOs | 5 |
| Risk management initiative | Risk management plan exists | 5 |
| Audit committee approval | RPTs approved by audit committee before the transaction takes place | 5 |
| Relative remuneration of directors | Ratio of remuneration of each director to median employees' remuneration | 5 |

Source: Tuteja and Nagpal (2013). CG: Corp$orate governance

**Table 3: CG compliance classification**

| Total score | Prognosis |
|---|---|
| 0-10 | Non-compliance |
| 11-20 | Grey zone (weak compliance) |
| 21-30 | Cause for anxiety |
| 31-40 | No worries (high compliance) |

Source: Researcher's findings

**Table 4: Descriptive statistics**

| Component | n | Minimum | Maximum | Mean±SD |
|---|---|---|---|---|
| Number of executives | 15 | 1.00 | 5.00 | 2.6000±1.18322 |
| Number of non-executives | 15 | 4.00 | 12.00 | 7.4000±2.58567 |
| Proportion of nonexecutive | 15 | 56.00 | 90.00 | 73.2000±10.61131 |
| Audit committee | 15 | 1.00 | 5.00 | 3.1333±0.91548 |
| CG points | 15 | 25.00 | 36.00 | 33.1333±3.39888 |
| Valid N (listwise) | 15 | | | |

Source: SPSS. SD: Standard deviation

composition. The board composition shall maintain a majority of non-executive directors such that no individuals or interest can dominate its decision making and also all banks listed on the ZSE comprised of executive and non-executive members. The study revealed that the board composition of all banks listed on the ZSE was in compliance with the RBZ guideline which stipulates that each banking institution shall have a minimum of 5 directors and the minimum of the study was 5 (combining both executive and non-executive directors).

### 4.2. Meeting Attendance

RBZ guideline on CG of 2004, says that every member of the board shall attend at least 75% of the board meetings of a banking institution so as to discharge duties and responsibilities effectively and also each banking institution is required to review the suitability of a non-executive director who has failed to comply with this 75% attendance rule. Results indicated that 3 out the 5 banks attended more than 75% meetings held and the other two banks indicated that the board members attended <75% of the meetings held between 2013 and 2015.The study found out that only 2 out of 5 banks (20%) did not comply with the RBZ CG guideline on board meetings hence the board members were not discharging their duties and responsibilities effectively.

### 4.3. Risk Management

According to RBZ CG guideline which stipulates that every banking institution should have a risk management committee that shall assist the board of directors in the discharge of its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting. It is also the responsibility of the risk management committee to oversee the quality, integrity and reliability of their institution's risk management systems and review all group-wide risks. All the banks in their annual financial statements as from 2013 to 2015 indicated the existence of the risk management departments within their banking structures. These findings suggest that the risks of fraud activities among banks listed on the ZSE are being minimized because of the existence of risk management departments that enhance identification, monitoring and management of material business risks.

### 4.4. Remuneration policies and Employee Share Option Scheme

Banks listed on the ZSE stated in their annual financial statements that Non-Executive Directors receive fees for their board membership and committees on which they serve. This remuneration policy is designed to reward performance and retain highly skilled individuals. Accordingly, a discretionary performance related bonus is offered in addition to a basic salary package.

Descriptive statistics on remuneration of banks listed on the ZSE and the results indicated that all banks gave their directors remuneration as the cumulative percentage was 100% and the valid percentage was 100%.Banks listed on the ZSE stated in their annual financial statements that Non-Executive Directors receive fees for their board membership and committees on which they serve. This remuneration policy is designed to reward performance and retain highly skilled individuals. Accordingly, a discretionary performance related bonus is offered in addition to a basic salary package. This is in compliance with the RBZ (2004) CG Guideline which stipulates that the chief executive of a group should draw all his salary, including benefits, from one source, usually the parent company. While the chief executive of a banking institution is entitled to receive director's fees from that institution's subsidiaries, such fees should be nominal. Accordingly, a discretionary performance related bonus is offered in addition to a basic salary package. In line with best practice, proposals on Non-Executive Directors' remuneration are made by the Human Resources and CG Committee for review by the Board. The remuneration of non-executive directors is submitted to shareholders for approval at the Annual General Meeting held prior to implementation. This is in compliance with the RBZ (2004) CG Guideline which stipulates that the directors and chief executive should not avail themselves of unreasonably bountiful remuneration, with excessive bonuses and fringe benefits relative to the profits and operations of the banking institution. Non-executive directors should not expect executive pay.

The remuneration committee should regularly review employee share based option schemes so as to ensure their continued contribution to shareholder value. Only 73.3% of the banks indicated that their employees are given employee share option scheme and the other 26.7 % of the banks did not give their employees share option schemes. This means that only 3 banks were giving their employees share option schemes in all the respective years under study. (Richard & Ward, 2005), identified share options and remuneration as a CG principle that aligned the goals of the employees and owners thereby complying with the RBZ CG guidelines of 2004.

### 4.5. Audit Committee

The board is required to establish an audit committee to review the financial condition of the banking institution, its internal controls, performance and findings of the internal auditors, and to recommend appropriate remedial action regularly, preferably at least once in 3 months. The audit committee should consist of not <3 members, all of whom should be independent non-executive directors of the banking institution. Furthermore, the audit committee members should elect a chairman among them who is an independent non-executive director and also the chairman should not be chairperson of the board.

Descriptive statistics indicated that the audit committee for all listed banks in Zimbabwe had a mean of 3.1333 and a maximum of 5.00. All the banks listed on the ZSE had more than 3 non-executive directors in their audit committee and also disclosed that their audit committees comprises of non-executive directors and the chairman of the Committee is an independent non-executive director and is not the chairman of the Board. This is in compliance with the RBZ CG Guideline that stipulates that The Audit Committee should consist of not <3 members, all of whom should be independent nonexecutive directors of the banking institution and the chairman should not be chairperson of the board. These results were similar to those obtained by (Menon & Williams, 2004) who found out that the average goal of the audit committee of the Jordan Banks earned a perfect score of 5.00. This means that the board composition of Jordan Banks was in compliance with OECD principles of CG.

### 4.6. Audit independence

According to the RBZ CG guideline (2004), each banking institution should have an external auditor and the number of years spent with the external auditor should not be more than 5 years. A critical examination of the descriptive statistics concerning audit revealed that thereis audit independence of all banks listed on the ZSE. According to the RBZ (2004) CG Guideline, it states that each banking institution should have an external auditor and the number of years spent with the external auditor should not be more than 5 years. This means that all banks listed on the ZSE had the same external audit for <5 years and it shows that the banks were complying with the RBZ CG guideline.

### 4.7. CG Index

According to Tuteja and Nagpal (2013), a research analysis was carried out on the formulation of CG compliance index for banks. The study provides a mechanism to evaluate the adherence of banks to CG principles and also to determine the relevant and critical factors for evaluating the effectiveness of CG banks.

The CG index assigns bonus points for the banks and compliance classification is done based on the actual score earned by each bank. This criterion was used to analyze compliance of banks as shown in the table below. This is done by assigning scoring points to each prognosis so as to show the compliance of banks. The summary of classification shows the compliance classification for all banks listed on the ZSE. This was done by assigning score points to each bank's compliance classification. The Table 5 below depicts summary of compliance classification for listed banks on the Zimbabwe Stock Exchange.

**Table 5: Summary of classification**

| Bank | Score | Compliance classification |
|---|---|---|
| Bank1 | 34 | High compliance |
| Bank2 | 26 | Cause for anxiety |
| Bank3 | 35 | High compliance |
| Bank4 | 34 | High compliance |
| Bank5 | 31 | High compliance |

Source: Researcher's analysis

The table above shows that 80% of the banks were highly compliant to the CG index with the bonus points above 30 points. Only one bank did not fully comply with the RBZ CG index as it had a bonus point which was below 30 points (26 points) which is a cause for anxiety. The results of descriptive statistics also indicated that the CG index for all banks had a mean of 33.1333 which means there was high compliance for Zimbabwe banks.

## 5. CONCLUSIONS AND RECOMMENDATIONS

Having presented and analyzed collected data, the following conclusions were drawn from the study. It was concluded that there was high compliance rate in Zimbabwe banks to CG principles on board composition, risk management, remuneration, audit committee and code of ethics. However, some of the banks did not comply with the RBZ CG guidelines in relation to board meetings. 20% of banks did not comply with the RBZ CG guideline on board meetings hence the board members were not discharging their duties and responsibilities effectively. Only 2 listed banks on the ZSE which did not disclose their employee share option schemes hence they did not comply with RBZ guidelines.

The study presented the following recommendations:

- RBZ should continuously be supervising Banks to comply with CG guidelines requirements and best practices so as to avoid bank closure and also to stabilize the Financial Sector. The RBZ guidelines should also clearly specify in its CG guideline the relevant qualification required for one to be appointed as an audit committee member. This would prevent appointment of persons who have little knowledge of financial matters.
- Board members should be cautioned or have their office terminated if they do not attend at least 75% of the meetings as they will not be discharging their duties and responsibilities effectively and as well this is a legal required according to the companies act Chapter 24:03 Table A, article 89.
- Share options should be given to employees so that they feel that they are a part of the organization as this will reduce the agency conflict between shareholders and managers.
- To increase independency of the external auditors, each bank should rotate its auditors at most after every 5 years. The rotation might enable the new firm to have a fresh look at the firms affairs and bring in new ideas and perspectives.

In the future research work, further research is needed to assess the extent to which Zimbabwe corporate have complied with the Zimbabwean code on CG.

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