Governance and performance of Tunisian banks

Trabelsi, Mohamed Ali

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TRABELSI Mohamed Ali

Department of Quantitative Methods
High School of Business of Tunis, University of Manouba, Tunisia
E-mail : daly1704@yahoo.fr

Abstract

Developing banking standards is an important process for a country's financial and economic well being. Their importance incites governments to insure the stability and the good performance of their banking systems. Accordingly, several researchers pay a particular attention to banking governance. Specifically, shareholders-managers' convergence of interests and the possible repercussions of these on the performance of banks can be avoided only by implementing a solid system of governance. The main purpose of this article is to determine the impact of governance on the performance of banks, through an empirical study of a sample of 10 Tunisian banks during the period 1997-2007. Our empirical investigation shows a positive association between external administrators and performance. It is worth noting that a high number of administrators results in a negative effect on performance. The results also reveal that managers lack control while the board of directors seems to exert a lot of power. This state of affairs results from the fact of associating the role of the manager with that of the board of directors. Finally, our results reveal a negative association between the presence of a group of dominant shareholders and performance, a phenomenon which might be explained in terms of private appropriation of benefits.

Keywords: Banks, Corporate governance, Board of directors, Ownership structure, Performance, Shareholders, Managers.

JEL classification: G32, G34

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