

**CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF
COMMERCIAL BANKS IN RWANDA**

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ABSTRACT

This study examines the corporate governance and performance of banks. When banks efficiently mobilize and allocate funds, this lowers the cost of capital to firms, boosts capital formation, and stimulates productivity growth. Good corporate governance practices are regarded as important in reducing risk for investors, attracting investment capital and improving the performance of companies. Weak governance of banks reverberates throughout the economy with negative ramifications for economic development. From many studies in recent financial crisis in Asia, Latino American, now the global financial crisis, corporate governance as a major problem in the banking system. This study will attempt to identify and understanding the relationship between corporate governance and performance of commercial banks in Rwanda.

The results show that Ownership structure has impact on bank performance partially. Results indicate that banks with foreign majority ownership have the highest performance as measured by Non-performing loan ratio and liquidity ratio. However, results did not show any relationship between ownership structure and return on assets.