

The Failure of Corporate and Banking Institutions in Sierra Leone- A Case on the Impact of Corporate Governance in Sierra Leone Banking Institutions

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Abstract: The breakdown of businesses and banks in Sierra Leone has deeply affected the nation's economy and money system. Instead of growth, weak leadership practices have dragged down bank performance - this paper looks into how that happened through real local examples. Rather than just blaming luck or markets, it shows that clear rules and honest decision-making could've prevented many issues. Without solid checks and balances like active boards, smart regulations, or working control systems - major banks eventually failed. A look at reports, finances, and official policies shows what's behind bank collapses in Sierra Leone problems like weak leadership or poor rules. These breakdowns don't just hit companies; they shake trust in markets, make loans harder to get, and leave people and firms exposed financially. What stands out is how badly broken systems need fixing - and fast. Tougher watchdog powers could help, along with clearer operations, smarter management habits, so disasters don't repeat themselves while making the money network stronger overall. This study adds to what's already known about company leadership in poorer countries, giving a clearer look at the struggles banks face in Sierra Leone - while also pointing toward possible fixes through real world examples.

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I. INTRODUCTION

Sierra Leone saw over 20 bank collapses from 1980 to 2015 (Reserve Bank of Sierra Leone, 2015). During 2003–2004 though, things got worse - ten banks were put under supervision, two wound up, while a discount house shut down completely (BSL, 2015). Come 2013, regulators pulled licenses from two lenders but also stepped in to manage another one directly (BSL, 2013). Back in 2003, the country's financial system struggled with weak leadership and frequent rule-breaking behavior (RBZ, 2012). The central bank rolled out two rules - one about how banks should manage leadership practices, another on basic internal audits - back in 2004 (BSL, 2012). By 2015, Sierra Leone put into place its own nationwide framework for business oversight. This study, built on interviews and real-life examples from several banks, looked into what actions certain banking leaders might take to better grasp how proper oversight helps avoid collapse. Knowing what pushes banks toward failure gives managers clearer direction when choosing tactics to boost earnings while reducing risk. A few studies showed strong management systems lift overall results; others saw no gain - or even decline - with tighter controls; then some turned up

nothing at all linking structure to success (Ergin, 2012; Ghabayen, 2012). Even though experts still argue whether governance directly stops bank crashes, most agree it - especially specific parts of it - does shape financial outcomes one way or another (Aebi et al., 2012; Fanta, Kemal, & Waka, 2013).

The global money meltdown from 2008 to 2009, which saw several big banks shut down, sparked doubts around how these finance firms are run (Alabdullah et al., 2014; Omankhanlem et al., 2013). Over a span of 35 years - from 1980 up until 2015 - Sierra Leone faced more than twenty bank crashes (BSL, 2015). Come 2013, authorities pulled licenses from two local banks while handing control of another to an outside manager (BSL, 2013). That same year, the net earnings left after taxes across Sierra Leone's banking industry dropped sharply - down 85% versus earlier figures (BSL, 2013). Bottom line issue? Certain top bankers weren't guiding their institutions toward making profits or shielding them from failure. The main issue? A few bank managers in Sierra Leone don't have clear methods to better grasp how good company oversight helps avoid banking collapses. This study, which looked closely at several real-life cases using

interviews and observations, aimed to uncover practical ways those managers could sharpen their insight into how solid governance protects banks from failing.

➤ *Goal Behind how Companies are run:*

The main aim of corporate governance is boosting shareholder returns while also shielding the concerns of others involved. The World Bank sees it as a mix of rules, oversight, along with sensible private initiatives that help businesses pull in funding and talent to operate well - building lasting value for owners without ignoring wider stakeholder or societal needs. It targets several goals like stronger trust from investors, which in turn drives quicker company expansion and higher earnings. Listed here are those key points:

A well-organized Board capable of making fair, standalone choices runs things from the top - using clear judgment without outside influence shaping its path.

The Board includes a mix of non-executive and independent members, ensuring different viewpoints are heard while safeguarding stakeholder concerns. Instead of just focusing on one group, it spreads attention across everyone involved through careful selection. By having this blend, decisions tend to reflect broader needs rather than narrow goals. It's built so no single side dominates - each voice helps shape outcomes.

The Board goes for clear methods, also makes choices using solid info.

The Board picks up on what stakeholders care about through a working system that actually listens so feedback doesn't just vanish into the void.

The Board shares key updates about changes affecting the company with shareholders - keeping them in the loop through clear, timely messages.

The Board keeps a close eye on how the management team works, checking in often to stay updated. The Board keeps hold constantly, no matter what.

➤ *Operational Definitions*

Some words in this project have specific meanings. These words matter here - they connect to how we understand the big picture. When a bank can't cover what it owes compared to what it owns, that's called bank failure (Kaufman, 2009). How many people sit on a board - plus what kind they are - shapes how it's built, depending on whether they're insiders or outsiders (Chatterjee, 2011). Board independence means having more external members than insiders on a company's governing body (Akpan & Amran, 2014).

Board of directors: A group picked to watch over how a company runs, setting big-picture plans while checking how well top leaders do their jobs (Ali & Nasir, 2014; Kilic, 2015; Nekhili & Gatfaoui, 2013). CEO duality: When one person acts as both chief executive and head of the board at the same

time (Guo, Smallman, & Radford, 2013). Corporate governance: The way businesses get guided and controlled behind the scenes (Rehman & Mangla, 2012).

II. PLAN FOR TRACKING DOWN THE LITERATURE

I started looking into existing studies by checking academic journals, PhD theses, textbooks, along with official reports. Documents were pulled from web-based archives linked to Walden University's library - sources like Academic Search Complete/Premier, ProQuest Central, ScienceDirect, Emerald Management Journals, and Sage Journals came in handy. On top of that, I set up live updates via Google to stay informed about new findings tied to the subject. Terms connected to core ideas - for instance, agency theory, stewardship theory, oversight in business, banking collapses, or financial institution results - helped track down fresh material. I stuck to papers published within five years of 2016 - of the 157 total, around 87 percent cited in the review came out no earlier than a few years before expected graduation. That means I met the 85 percent guideline. When it comes to credibility, nearly 98 percent had been through peer review.

➤ *Corporate Governance Review*

Banking institutions know honesty and taking responsibility matter big time for getting things right - success comes from doing what's fair plus building a solid mindset around managing risks. Strong company leadership isn't just talk; it's built into how we operate, making sure owners stay protected while workers, clients, and neighborhoods keep believing in us. When it comes to rules about running the bank well, the Board backs guidelines listed in Nigeria's 2014 Banking Governance Code from CBN, follows SEC's own standards, along with the updated 2018 version rolled out by FRC starting New Year's Day, 2020. In 2022, the Bank teamed up with outside checkers, Ernst & Young - a global firm based in London - to go over how risks are handled and how staff can safely report concerns. That move opened space to hear honest feedback on current controls and safety steps already in place. The Bank sticks to the rules laid out in its governance documents. Check page 66 of the 2022 Annual Report and Accounts for more details.

➤ *The Board Diversity*

The team on the board brings together knowledge, abilities, strengths, because each person adds something different. By end of 2023, there were fourteen people total - this group holds a chair who doesn't run operations, one leader managing the whole business, seven others guiding strategy (three being fully independent), along with six handling daily work (one leading both roles). Different voices shape choices so decisions stay sharp while fairness stays strong. Skills fit well across ages, cultures, genders but never weaken honesty or capability. Women now make up half of the directors compared to less than half before. This shows the bank values different backgrounds while keeping fairness central. On top of that, clear internal rules help separate responsibilities the right way.

➤ *Board Oversight*

The Board Audit & Governance Committee handles the bank's ESG and sustainability efforts under its official mandate. Our organization understands those environmental goals can't succeed unless leadership plays a key role within how we're run. So now, ESG check-ins show up every three months when the Board meets. Because of this, ESG issues fit into how we run things, shaping the way rules are made and followed across the company. The related committee sessions took place throughout this time, focusing on key environmental and social topics affecting the bank. To see what each group did and who was involved, check out the governance section in Bank's 2023 yearly financial report.

➤ *The Role of Senior Management*

The Group Chief Risk Officer, along with the Executive Management Committee (EMC), acts as a driving force behind handling sustainability matters at the Bank. Together, they make sure the institution follows eco-friendly operations, runs trustworthy CSR initiatives, educates staff on ESG topics, while sticking to required disclosure norms.

• *The Members Include:*

- ✓ Top sustainability boss (executive director)
- ✓ Boss of Bank's nonprofit arm
- ✓ Team lawyer
- ✓ Head HCM
- ✓ Operations Lead
- ✓ Lead credit risk oversight
- ✓ Top boss at the delivery hub
- ✓ Lead for Company Support Work
- ✓ Head, ESRM/Sustainability

➤ *Risk Management Strategy*

Banks handles risks through a built-in system that runs from top-level planning right down to daily choices in each department. To meet one key goal - spelled out in its company-wide risk rules - the bank checks what strategic threats it might face amid ongoing market shifts. Staying true to that aim, we've looked into how environmental and social factors could affect Banking institutions way of doing business, along with possible upsides, as shown next.

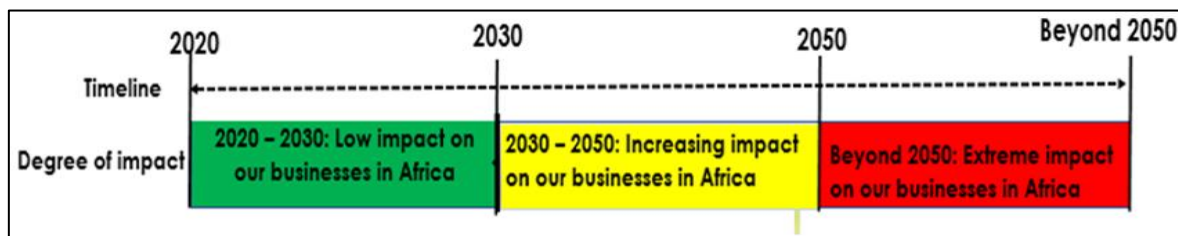


Fig 1 Impact of Sustainability-Related Risks and Opportunities on Business Model

In the first ten years (2020 – 2030), our business setup likely won't change much thanks to sustainability threats - mainly since African economic, market, and tech frameworks probably won't shift a lot. Starting around 2031, effects begin showing up more clearly, building through the early 2050s. Past that point, by 2050, unmanaged pressures could hit hard. Still, chances to gain appear sooner compared to those dangers. We're looking at quick wins plus long-term benefits once we shift toward cleaner tech. This outlook comes from the IEA's model aiming to limit warming to 1.5°C by mid-century.

➤ *Sustainability-Related Risks & Opportunities Identification*

An entity faces sustainability challenges because it needs natural assets, while also changing them in return. Besides this, threats come from how it connects with others around it. Double materiality shows how these changes and needs can hurt or help the organization. UBA's way of operating relies on people involved - those influenced by us just as we're shaped by them. We spotted a few risks along with potential upsides tied to how we're connected to different stake holders. What this means for the bank's money coming in and overall finances is laid out straight in the yearly report plus financial statements.

First line of defense (operational)	Second line of defense (oversight)	Third line of defense (Assurance)
- Frontline Staff	- Risk Management	- Internal Audit
- Business Unit Heads	- Compliance	- Assurance Providers
- Operational Managers	- Sustainability Managers	
- Stakeholder Relations		

Fig 2 Three Lines of Defense for ESG Risk Management

- *The First Line of Defense- Business Line Management*

This part covers the everyday roles inside the bank - featuring tellers, supervisors, or team leads who face ESG challenges and openings regularly. Frontline operations handle these duties directly, meaning they're the ones taking action right away:

- ✓ Spotting ESG risks in their work zones, then checking how serious they are, handling any issues that come up, while keeping updates flowing to the right people.
- ✓ Baking ESG factors into how companies run day-to-day, shape choices, or track results.

- *The Second Line of Defense - Risk Oversight*

The second layer checks and guides the front-line work on its own. Usually made up of teams handling risk, rules, along with long-term impact goals at a financial institution.

The next part's job? To handle what comes after - while keeping things moving without slowing down:

- ✓ Set up rules, steps, and checks for handling ESG risks - also keep an eye on how well they're working using ongoing reviews.
- ✓ Check how the bank is doing on ESG matters, spot new patterns or concerns coming up, while also giving useful guidance to top leaders and those running the company.
- ✓ The second line gives a clear check on things - so the bank handles ESG risks well while staying true to its sustainability goals, thanks to independent review and steady monitoring.

- *The Third Line of Defense- Assurance Functions*

The third layer involves audit teams who give clear, unbiased feedback to top leaders and company decision-makers. Instead of constant monitoring like the second tier does, this level checks things occasionally through spot evaluations. These check-ups look at how well environmental, social, and governance practices are managed across operations. Auditors review if rules around ESG actions are actually used, whether safeguards work as intended, while also verifying that reported results reflect real outcomes without errors.

III. METHODOLOGY

➤ *Study Approach and Setup*

In this project, I looked closely at people's personal stories through their own eyes. Because I wanted rich details, I went with a case study approach. This kind of setup lets you dig deep into complicated situations as they happen in everyday life (Yin, 2014). Instead of surveys or numbers, I talked one-on-one with just a few individuals - long conversations helped me spot trends and connections. What I was trying to find out shaped how I did it.

➤ *Research Method*

My goal? To check out how certain bank bosses see corporate oversight helping stop banks from crashing - focusing on their views, not numbers, no hypotheses tested, nothing about variable links. So instead of crunching stats,

going deep into personal takes made more sense (Patton, 2015). Bernard (2013) said this kind of study digs into how people make sense of social issues. It looks at things as they happen naturally, in real-life spots, where nobody's tweaking what's being studied (Patton, 2015). People doing qualitative research look at how humans make sense of life, focusing on personal insights instead of numbers, while avoiding goals like prediction or proving cause-effect links (Moustakas, 1994). When studying corporate oversight, scholars sometimes pick qualitative ways to dig into tangled real-world situations tied to governance actions (Agyemang & Castellini, 2015). These researchers try to grasp issues through the eyes of those directly affected by them (Moustakas, 1994). By using this method, investigators can see things as locals do - those living through the issue (Tolstiev Eshlaghy et al., 2011). This path helps academics go deeper into answers they hear or notice, pulling out richer details about what people think, act, or believe (Wisdom, Cavaleri, Onwuegbuzie, & Green, 2012). Compared to number-focused studies, here individuals aren't forced into fixed choices made ahead of time.

➤ *Research Design*

Phenomenology, narrative research, grounded theory, ethnography, and case study are all qualitative research designs. Only phenomenology, ethnography, and case study are considered appropriate for a DBA study since the purpose of the DBA is to apply existing academic theory and understanding to derive proposals and policies that may solve existing business and organizational problems. I chose a case study approach. A case study is a research approach that is used to generate an in-depth, multifaceted understanding of a complex issue in its real life context (Crowe et al., 2011). A qualitative case study facilitates exploration of a phenomenon within its context using a variety of data sources (Baxter & Jack, 2008). A case-study approach, unlike other approaches, involves more than one type of data collection method (Agyemang & Castellini, 2015; Yin, 2012). A case study research design is appropriate for understanding complex social phenomena (Merriam, 2014; Yin, 2014). According to Yin (2014) case studies can be used to explain, describe or explore events or phenomena in the everyday contexts in which they occur. A case study design should be considered when (a) the focus of the study is to answer *how* and *why* questions (b) the researcher cannot manipulate the behavior of those involved in the study, and (c) the researcher wants to cover contextual conditions because the researcher believes these contextual conditions are relevant to the phenomenon and context (Yin, 2014). I chose a qualitative case study approach because it enabled me to get the perspectives of the people who experienced the phenomenon under study. It is a flexible approach, and it does not constrain respondents into predetermined answers.

IV. KEY FINDINGS AND RESULT

➤ *Key Findings*

- **Weak Corporate Governance Structures:** The study revealed that most banking institutions in Sierra Leone suffer from weak corporate governance frameworks. This

includes inadequate board composition, lack of transparency, and poor internal controls.

- **Lack of Accountability and Oversight:** There was a significant lack of accountability and oversight mechanisms within the banking sector. This contributed to poor decision-making and increased risk of financial mismanagement.
- **Inadequate Regulatory Framework:** The regulatory environment in Sierra Leone was found to be insufficient in enforcing corporate governance standards. This allowed for the proliferation of non-compliant practices.
- **Impact on Financial Stability:** The failure of corporate governance systems in banking institutions had a direct impact on the financial stability of the country. It led to a loss of public trust, increased financial risks, and a decline in investor confidence.
- **Limited Capacity for Risk Management:** Many banks lacked the capacity to effectively manage financial risks, leading to poor performance and, in some cases, insolvency.

➤ *Results*

The results for this research are as follows:

- **Financial Instability:** The banking sector experienced a decline in performance, with several institutions failing or requiring government intervention.
- **Public Trust Erosion:** The lack of effective corporate governance led to a loss of public trust in the banking system.
- **Regulatory Gaps:** The regulatory framework was found to be inadequate in addressing the governance challenges faced by the banking sector.
- **Institutional Weaknesses:** The study highlighted institutional weaknesses in terms of governance, transparency, and accountability.

V. SUMMARY, CONCLUSION AND RECOMMENDATIONS

➤ *Summary*

The study on the failure of corporate and banking institutions in Sierra Leone highlights the critical role of corporate governance in ensuring the stability and performance of the banking sector. The findings indicate that weak governance structures, lack of accountability, and inadequate regulatory oversight have contributed to financial instability and a loss of public trust. The study concludes that strengthening corporate governance systems is essential for the long-term health of the banking sector and the broader economy. This summary and analysis is based on the findings of a study on the failure of corporate and banking institutions in Sierra Leone, with a focus on the impact of corporate governance systems. The recommendations aim to address the identified weaknesses and promote a more stable and transparent financial sector.

➤ *Conclusion*

The failure of corporate and banking institutions in Sierra Leone is closely linked to the poor implementation of

corporate governance systems. The lack of effective governance structures, coupled with an inadequate regulatory environment, has contributed to financial instability, loss of public trust, and a decline in the overall performance of the banking sector. The study underscores the critical need for strengthening corporate governance frameworks in the banking sector to ensure financial stability and sustainable development.

➤ *Recommendations*

Recommendations for the research topic the failure of corporate and banking institutions in sierra Leone are as follows:

- **Strengthen Corporate Governance Frameworks:** The government and regulatory bodies should work to strengthen corporate governance frameworks in the banking sector, ensuring that institutions adhere to international standards.
- **Enhance Regulatory Oversight:** There is a need for enhanced regulatory oversight to ensure that banks operate within a transparent and accountable framework.
- **Promote Board Diversity and Expertise:** Banks should ensure that their boards are composed of diverse and qualified individuals with relevant expertise in finance and governance.
- **Improve Transparency and Accountability:** Institutions should improve transparency in their operations and ensure that there are clear mechanisms for accountability and oversight.
- **Capacity Building:** There should be a focus on capacity building for bank executives and regulators to ensure they have the necessary skills and knowledge to implement effective corporate governance practices.

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