Human-factor governance and SME finance: strengthening banking sustainability in an emerging economy

Sainey Faye
College of Leadership and Innovation, Buckinghamshire New University, High Wycombe, UK

Uchenna Nweke
College of Leadership and Innovation, Buckinghamshire New University, High Wycombe, UK

Fred Yamoah
College of Leadership and Innovation, Buckinghamshire New University, High Wycombe, UK, and Birkbeck Business School, University of London, London, UK

Adnan Khan
College of Leadership and Innovation, Buckinghamshire New University, High Wycombe, UK

Abstract

Purpose – Small and medium-sized enterprises (SMEs) in emerging economies continue to face persistent credit constraints, often attributed to borrower risk and insufficient collateral. Using the Gambia as a case, this study argues that a deeper and underexplored driver lies within internal banking governance, specifically human-factor failures in accountability, trust, and ethical duty. These governance deficits shape how banking leaders interpret regulatory requirements and exercise discretion in credit allocation. To address this gap, the study develops a stakeholder-oriented Human-Factor Governance Model (HFGM) to support improved SME financing.

Design/methodology/approach – A sequential mixed-methods design was employed. An initial survey informed the development of qualitative instruments leading to interviews and focus groups with bank managers, regulators, employees, and SME clients. Grounded-theory procedures generated an audit trail from 86 open codes to nine categories, six axial categories, and a core category, lack of accountability, which anchors the resulting HFGM.

Findings – The HFGM consists of six interrelated components. The model specifies directional relationships, demonstrating how weak accountability undermines ethical duty and trust, enabling discretionary lending, insider practices, and restrictive SME credit conditions. Effective supervision and compliance curb discretion only when supported by duty-based ethics.

Practical implications – The study offers evidence-based pathways linking governance practices to SME financing outcomes. Policy implications include embedding ethics-by-design into compliance processes, standardising SME documentation, and enhancing supervisory transparency. Boundary conditions and propositions for applying the HFGM in similar emerging-economy contexts are outlined.

Originality/value – The study provides a context-specific governance mechanism integrating Kantian ethics with stakeholder theory to explain how human-factor deficits translate into restrictive SME lending behaviours.

Keywords:

Human-factor governance model, corporate governance strategy, SME finance, banking sustainability, Kantian ethics, grounded theory

Introduction

Access to bank finance remains a significant constraint for SMEs in emerging economies (Fišera *et al*., 2025; Sanga & Aziakpono, 2024). While existing explanations often highlight collateral scarcity and information asymmetry, far less attention has been paid to the governance structures within banks particularly how human-factor failures such as weak accountability, poor adherence to the duty of honesty, and unfair practices amplify these financing frictions and perpetuate the systematic exclusion of SMEs.

This study examines how internal banking governance particularly ethics, accountability, trust, compliance, and governance shapes SME access to finance. Ethics is understood in duty-based (Kantian) terms as adherence to moral obligations irrespective of outcomes (Kant, 1964; Hassan, 2022; Dadwal, 2025); accountability refers to answerability of decision-makers (Nordberg, 2024); trust denotes confidence in fair and transparent conduct (Gurun & Booth, 2024; Abdelsalam *et al*., 2024); compliance reflects adherence to formal rules (Zulfikar *et al*., 2020); and governance concerns the structures guiding discretionary authority (Rabby *et al*., 2026; Olayiwola *et al*., 2025).

Although the term "Small and Medium-sized Enterprises" lacks a universal definition (Adato & Onsare, 2024; El Madani, 2018; Berisha & Pula, 2015), SMEs are generally classified based on employee count, turnover, and balance sheet totals, with contextual variations across countries. In The Gambia, small enterprises typically employ 5–15 people, generate GMD 25,000–1,000,000 in annual turnover, and possess GMD 0.5–2 million in capital/assets. Medium enterprises employ 16–49 people, with GMD 1–5 million in turnover and GMD 2–10 million in capital/assets (Government of The Gambia, 2019). Across Africa, SMEs constitute roughly 90% of all businesses, provide about 80% of employment across formal and informal sectors, and contribute at least 30% of the continent's GDP (Sanga & Aziakpono, 2024). In The Gambia, however, SMEs account for only 20–23% of GDP and 60% of urban employment (Jallow, 2023; Krubally *et al*., 2019). World Bank and IMF assessments further highlight low national productivity, limited human capital, and weaknesses in financial-system robustness (Ebere *et al.,* 2021). Prior SME finance research has predominantly focused on collateral constraints and information asymmetries (Dong & Men 2014; Jaabi, 2018; Krubally *et al*., 2019; Jallow, 2023; Adato

& Onsare, 2024; Ebere & Minteh, 2021; Boris Fišera *et al*., 2025; Abu *et al*., 2025). While valuable, this literature leaves underexplored the human-factor governance mechanisms inside banks that influence how rules are interpreted and enforced, especially in emerging economies.

Several interventions have attempted to strengthen the SME sector. The Indigenous Business Advisory Services, established in the 1970s, aimed to support indigenous enterprise growth (Krubally *et al*., 2019). The World Bank's Gambia Enterprise Development Project, launched in 1988, further sought to improve SME access to finance and build human capital. More recently, the 2019 National SME Policy emphasized the need for improved access to finance and a regulatory environment more conducive to SME development. The policy acknowledges limited progress in the preceding five years despite multiple initiatives (Government of The Gambia, 2019). Banks remain risk-averse, and regulatory reforms have not fully addressed barriers affecting SME lending. Drawing on Kantian ethics (Kant, 1964) and Stakeholder Theory (Freeman, 1984) as foundational lenses, this study asks: How do human-factor governance failures within banks influence SME financing outcomes in emerging economies?

Across Africa, SMEs face persistent financing challenges. Sanga and Aziakpono (2024), analysing data from 47 countries, show that the continent has the highest proportion of financially constrained SMEs. This severely limits enterprise growth. Their work highlights the potential of fintech and digital finance, provided that effective regulatory and institutional frameworks are in place. Similarly, Umar *et al.* (2024), using data from 17 African countries, find that digital finance enhances SME financial inclusion only where regulations adequately mitigate associated risks.

Building on these insights, this study contributes to the literature by examining how a fit-for-purpose corporate governance strategy can enable the Gambian banking sector to deliver greater value to SMEs. It addresses a clear gap by developing a Human-Factor Governance Model that explains how accountability deficits lead to restrictive lending practices. The study's contribution lies in integrating philosophical ethics with stakeholder governance to advance SME finance theory.

Studies focused on The Gambia, including Jallow (2023), Krubally *et al.* (2019), and Jaabi (2018), emphasize the sector's importance for employment, innovation, and economic development. They also highlight cultural influences and sustainability challenges. These findings reflect broader regional patterns, where access to finance remains a key constraint. For example, Jallow (2023), based on a survey of 87 SMEs, identifies inadequate financing as a major barrier to growth and calls for stronger regulatory frameworks to support banking sector development.

Despite policy interventions, SMEs in The Gambia continue to face structural barriers to finance (Krubally *et al*., 2019). Weak governance structures and poor regulatory enforcement worsen these challenges. They create conditions for discretionary lending, corruption, and opacity, which limit financial inclusion (Rajesh, 2025; Jabbi, 2019; Nabaneh, 2018; Afrobarometer, 2023). Corporate governance is therefore critical in shaping financial stability and enterprise outcomes, particularly in emerging economies with evolving institutions (Arjun & Kalaivani, 2024). Although reforms in The Gambia aim to strengthen transparency, accountability, and sustainable growth (Faye, 2014), their impact on SMEs, the backbone of the real economy, remains underexplored (World Economic Forum, 2022).

Against this backdrop, this study adopts a grounded theory approach to develop a stakeholder-oriented, customer-centric human-factor corporate governance model. The model centres on accountability, trust, and ethical conduct (Neahmah, 2023; Okyere *et al*., 2026). These elements, shaped by cultural norms and regulatory compliance, are essential for enhancing transparency, institutional legitimacy, and public confidence. The proposed framework embeds ethical principles within governance structures to reduce favouritism, standardize lending practices, and promote equitable, predictable access to finance for SMEs. In this way, ethical banking is positioned as a catalyst for financial stability, inclusive development, and stronger linkages between sustainable banking practices and real-economy growth.

The remainder of the paper is structured as follows: Section 2 reviews the literature. Section 3 outlines the research methodology, followed by the results and discussion section. Section 5 concludes the paper by looking at the implications and limitations of the study.

Literature Review

Corporate governance and banking accountability

Corporate governance in banks across emerging economies is shaped by evolving regulatory structures, hybrid oversight arrangements, and uneven enforcement capacity (Rabby *et al*., 2026; Gyimah & Owusu-Afriyie, 2025). Although governance codes and prudential rules can enhance transparency and control, they often fail to deliver meaningful outcomes when not supported by strong ethical foundations and effective accountability mechanisms (Dadwal, 2025; Faye & Nweke, 2024). In such contexts, compliance risks becoming a box-ticking exercise rather than a genuine effort to protect stakeholders.

While stakeholder-oriented governance is widely advocated, its effectiveness depends on how banks prioritize competing stakeholder interests. It also relies on whether institutional incentives align with the financial needs of SMEs (Adu *et al*., 2023).

Recent qualitative studies challenge the assumption that formal governance codes alone ensure effective oversight. Ekanayake *et al.* (2025) demonstrate how state-centred power dynamics and reciprocal relationships with politically connected elites create obligations that manage covert conflicts but undermine board objectivity in Sri Lanka's banking sector. This phenomenon is conceptualized as the subversion of corporate governance.

Similarly, Nakpodia *et al*. (2025) show that in Nigeria, "board ethnicity logic" operates as a powerful institutional force. It is sustained by ethnocentric tendencies, federal character policies, colonial legacies, and informal networks. This logic shapes board appointments and deliberations, suppresses constructive cognitive conflict, and reinforces in-group loyalty. As a result, governance effectiveness is constrained despite the adoption of formal codes.

Ethics, trust and stakeholder-oriented governance

Ethical banking and inclusive finance are central to sustainable banking practices (Sajid, 2026; Gyimah & Owusu-Afriyie, 2025). Ethical banking requires adherence to principles of transparency, accountability, and responsible financial conduct (Nordberg, 2024). Closely linked to this is the need for banks to promote financial inclusion in ways that accommodate diverse stakeholder groups, particularly SMEs. Sajid (2026) finds that perceptions of sustainable banking enhance both reputation and stakeholder trust. This highlights the strategic importance of governance mechanisms that actively support sustainability (Takyi *et al*., 2025).

Kantian ethics (Kant, 1964; Hassan, 2022) provides a strong normative framework for evaluating governance practices. The principle of universalizability rejects actions such as insider favouritism, as they cannot be consistently applied as universal law. Likewise, the humanity-as-an-end principle condemns practices that treat loan applicants merely as means to an end. Such practices include opaque fees, arbitrary delays, and unfair decision-making processes. These ethical principles help redefine good governance by identifying behaviours that are ethically deficient, even when they comply with legal requirements.

Regulation, compliance and supervisory enforcement

Regulation plays a central role in shaping governance environments. Khemani and Shapiro (1993, p. 180) define regulation as the imposition of rules by government, supported by penalties designed to influence private-sector behaviour. The widespread adoption of corporate governance codes reflects growing demands for transparency, accountability, and stakeholder confidence (Olayiwola *et al*., 2025; Yamoah & Nweke, 2025; Nel *et al*., 2022).

Tricker (2009, p. 145) similarly notes that global governance frameworks combine company law, corporate regulation, accounting standards, and stock exchange rules. However, the history of financial scandals highlights the limitations of relying solely on formal rules (Rabby *et al*., 2026; Toms, 2019; Driel, 2019; Atuahene & Xusheng, 2024).

Such failures have resulted in significant financial losses and have prompted governments to introduce new governance codes aimed at restoring trust. Berle and Means (1932) argued that corporations wield considerable economic and political power, often enabling them to resist regulation. Their analysis reinforces the need for strong regulatory frameworks to protect market integrity (Nyakurukwa, 2022). Maintaining public confidence in corporate governance therefore remains essential (Abdelsalam *et al*., 2024; Olayiwola *et al*., 2025; Yamoah & Nweke, 2025).

Corporate governance systems vary across contexts. The United Kingdom's "comply-or-explain" approach differs significantly from the rule-based Sarbanes–Oxley Act in the United States (Webb, 2008). In Africa, governance codes often adopt stakeholder-inclusive models (Rossouw, 2005), as seen in South Africa's King Reports. Nigeria, however, remains an exception, with limited emphasis on inclusivity (Okara, 2021).

Voluntary governance systems, which are common across Africa, depend heavily on ethical conduct and legal frameworks that genuinely protect stakeholder rights (Ahunwan, 2002; Faye & Nweke, 2024; Dadwal, 2025).

SME finance and human-factor governance gaps

Coventional SME finance literature attributes credit constraints to factors such as documentation requirements, information asymmetry, and perceived borrower risk (Abu *et al*., 2025; Dong & Men, 2014). However, these constraints are shaped and amplified by internal governance structures within banks. Weak accountability and human-factor failures can translate structural challenges into systematic exclusion.

Siddiqui (2009) argues that an institution-based governance system is most suitable for African economies. This is due to underdeveloped capital markets and heavy reliance on bank financing, conditions that are also evident in The Gambia (Jaabi, 2019).

Given that SMEs constitute the majority of enterprises in Africa (Sanga & Aziakpono, 2024; Jallow, 2023; Umar *et al*., 2024), banks play a disproportionately influential role. SME owners often lack the financial literacy and resources needed to navigate complex banking systems (Adato & Onsare, 2024; Siddiqui, 2009; Jaabi, 2019).

Effective governance reform therefore requires improvements in transparency, market liberalization, economic growth, and the strengthening of legal frameworks (Reed, 2002; Atuahene & Xusheng, 2024;

Buertey & Pae, 2021; Nel *et al*., 2022). This study draws on the Anglo-Saxon governance model, which emphasizes liberalization, growth, and transparency (Siddiqui, 2009), to develop a human-factor governance framework.

Synthesis and theoretical implications

Collectively, the literature reveals a critical gap: existing governance and SME finance models under-theorise how accountability mediates the relationship between ethics, compliance, and trust within banking systems. While regulation provides formal architecture, evidence shows that compliance without ethical commitment becomes symbolic. Ethical governance grounded in Kantian duty strengthens accountability by discouraging opportunism and instrumental stakeholder treatment.

Building on these insights, this study develops a Human-Factor Governance Model linking internal governance behaviour to SME finance outcomes. Guided by Kant's categorical imperative and grounded theory methodology, the model positions ethics and accountability as central drivers of sustainable banking, financial inclusion, and institutional trust.

Methodology

This study adopts a sequential mixed-methods design (Ofori Manteaw *et al*., 2026), comprising an initial exploratory survey followed by an in-depth qualitative phase. The survey was not intended for hypothesis testing but served a sensitizing and instrument development function, enabling the identification of key issues, emergent themes, and areas requiring deeper investigation. As outlined in Appendix 1, the survey examined participants' experiences, perceptions, and practices related to the research phenomenon among both bank customers and employees.

Survey data were analyzed descriptively using bar charts to identify broad trends and areas of divergence across participant groups. This preliminary analysis informed the qualitative phase by highlighting issues requiring further clarification. In particular, responses to questions 4, 5, and 10 revealed interpretive inconsistencies, which guided the development of more focused semi-structured interview and focus group protocols. While the survey played a supportive role, the qualitative components constituted the primary evidential basis for theory development, consistent with a grounded theory–informed approach.

Qualitative data were analyzed using Strauss and Corbin's (1990; 2008) grounded theory methodology. Analysis proceeded through three stages: open coding, where initial concepts and categories were identified; axial coding, which refined categories and examined relationships among them; and selective coding, where core categories were integrated into an emerging theoretical framework.

Focus group data were subsequently compared with interview-derived categories to enable methodological triangulation. This process enhanced the credibility of findings by confirming, extending, or challenging emerging categories. While some findings aligned with existing literature, others diverged, necessitating further refinement through axial and selective coding.

Table 1 summarizes the data collection procedures and strategies employed to enhance rigor and trustworthiness (Ahmed, 2024). Data were collected over a one-month period in The Gambia using surveys, semi-structured interviews, and focus group discussions. A judgemental sampling strategy (Collis & Hussey, 2009) was used to select participants with relevant expertise. To support theoretical saturation, six key experts in corporate governance within the Gambian banking sector were re-engaged to validate emerging categories.

At the selective coding stage, sampling became more targeted to maximize opportunities for theoretical integration. In line with Strauss and Corbin (1998), participants were selected based on their ability to interrogate category properties, relationships, and conceptual boundaries. Validation was embedded throughout the analytic process, with constant comparison ensuring that only robust concepts were retained. Negative or deviant cases were actively examined to refine the scope and limits of emerging categories.

Accordingly, six participants were purposively selected for the revalidation phase based on their potential to provide maximum theoretical insight rather than numerical representation. The revalidation group comprised: a senior official at the Central Bank of The Gambia (B1); a senior bank examiner at the Central Bank (B2); a senior manager of a foreign-owned bank (B3); a senior commercial bank executive (B4); a commercial bank branch manager (B5); and a legal and compliance officer in a commercial bank (B6). This composition enabled comparative analysis across regulatory, managerial, operational, and compliance domains, thereby enhancing the credibility and explanatory power of the emerging theory.

During revalidation, six theoretically informed statements were developed to explicate the core category of lack of accountability and examine its relationships with subcategories identified during axial coding. These statements captured key properties, dimensions, and logical linkages within the emerging framework. Participants engaged with the statements through semi-structured discussions, allowing for both validation and critical interrogation of the analysis. This process resulted in minor refinements to category boundaries and strengthened conceptual integration, directly informing the final selective coding structure.

The revalidation process continued until theoretical saturation was achieved (Glaser & Strauss, 1967; Glaser, 1978). Saturation was considered reached when no new insights emerged, categories were fully developed, and relationships between them were stable and empirically supported (Strauss & Corbin, 1998). Ongoing constant comparative analysis enhanced analytic robustness and ensured conceptual depth; without this, the resulting theory would risk limited development.

All participants provided informed consent in accordance with ethical research standards. They were assured of voluntary participation, confidentiality, anonymity, and their right to withdraw from the study at any stage.

Table 1. Summary of data collection process

Component	**Detailed Summary (with Appendix References)**
Survey	400 questionnaires distributed (200 customers, 200 employees). Received 140 customer surveys (70%) and 130 employee surveys (65%), combined 68% response rate. The survey consisted of 12 Likert-scale items.
Semi-structured interviews	20 senior managers targeted; 14 interviews completed (70%). Interviews guided by 12 semi-structured questions. Interviews formed the basis for open coding in grounded theory.
Focus groups	Two focus groups conducted: (1) two Central Bank regulators; (2) two senior managers, two customers, two employees. Focus group discussions centered on six statements (Appendix 2). Sessions recorded, transcribed, and analyzed via axial and selective coding to refine categories.
Expert revalidation	Six experts (B1–B6) reviewed statements developed to validate the core category and subcategories. Statements for expert review referred to as Set B (Appendix 3). Process ensured theoretical saturation and validated category relationships.
Fieldwork window	Data collection conducted over one month in The Gambia.
Ethics and consent	Ethical approval granted; confidentiality, anonymity, and voluntary participation assured.

The study is conceptually grounded in Immanuel Kant's (1964) Categorical Imperative (CI), a deontological ethical framework emphasizing the inherent moral worth of individuals. This philosophical perspective aligns with and strengthens stakeholder theory (Freeman, 1984), underscoring the ethical responsibilities of financial institutions to all stakeholders rather than exclusively to shareholders (Faye & Nweke, 2024).

Theory building began with conceptualization, grouping data into labelled phenomena (Strauss & Corbin, 2009). Axial coding, the paradigm model proposed by Strauss and Corbin (1990), was employed to reassemble fragmented data and examine interrelationships among categories. As shown in Figure 1, this model enabled analytical exploration across five dimensions: causal conditions, context, intervening conditions, action/interaction strategies, and consequences. Through structured questioning asking how, why, and with what results these connections were systematically established. Finally, selective coding integrated core categories validated through interview and focus group data, forming the basis for the construction of a coherent, grounded substantive theory of corporate governance in The Gambia's banking sector (Glaser & Strauss, 1967).

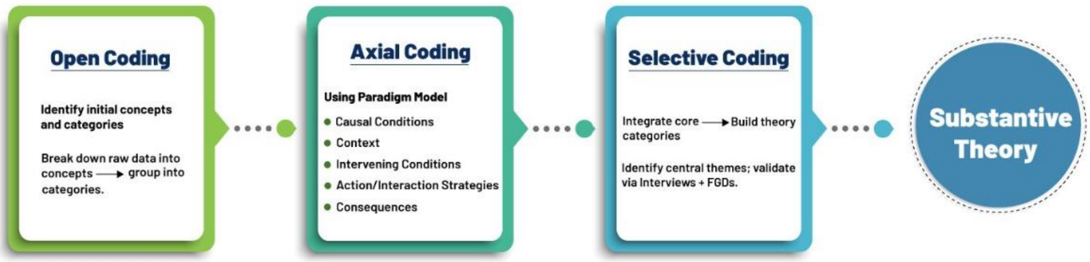

Figure 1. Stages of theory building – grounded theory approach
Source: Author's own work

Results and Discussion

Analysis of interview data – open coding

As shown in Table 1, the semi-structured interview for this research had 12 questions in total aimed at the senior bankers with line reports. These interviewees were experienced senior bank managers involved in policy making and implementation of corporate governance matters ranging from branch managers, risk managers, compliance managers, and financial controllers to portfolio managers.

The following are selected sample responses drawn from participants' semi-structured interviews.

In response to question one participant 1 suggested that: *"corporate governance regulation affects the financial performance of corporations through the set of processes, customs, policies, laws and institutions own codes. It can equally affect the sound approaches by which corporations are directed and controlled (both internally and externally)"*.

While responding to question two, participant 2 suggested that the rationale for the introduction of corporate governance regulation in the financial sector in The Gambia is: *"to regulate the way banks are directed and administered. Corporate governance regulation was also introduced in The Gambia to increase the accountability of directors and reduce or eliminate the principal agent problem"*.

In addition, a senior bank manager (participant 3) also argued that the rationale for the introduction of corporate governance regulation is to provide: *"appropriate ethical approaches, effective decision making, proper accountability and transparency"*.

In response to question three, participant 4 commented that: *"services provided to stakeholders can be affected by mitigating procedures, policies, and laws which enhances economic efficiency, accountability of people in the business and the welfare of the shareholders"*.

While responding to question eight in relation to the key contribution/factors of good governance participant 4 argued that: *"leadership, constant monitoring, discipline and transparency are the key contributions of good governance"*.

In summary, using the grounded theory approach of constant comparison, 49 distinct concepts emerged from the analysis of responses. These concepts are shown in Table A1, which outlines the full list of initial open-coding outcomes. Tables A1 – A12, all relating to the open coding process, are presented in Appendix 4.

Analysis of focus group data – open coding

In line with information presented in Table1, two focus group discussions were conducted. Applying the grounded theory approach, specifically the method of constant comparison, led to the identification of 58 distinct concepts from the analysis of responses. These concepts are organized in Table A2. The process of continuous comparison integrating insights from both the semi-structured interviews (49 concepts) and the focus group discussions (58 concepts) ultimately produced 86 unique concepts. Table A3 presents the combined list of concepts, showing how the two datasets were integrated during open coding.

Sample responses from focus group participants include the view of Participant 1 who said that*: "in respect of financial sector in The Gambia, the body in charge of corporate governance is the central bank which is enacted by the act of parliament called the Central Bank Act. The operations of banks in The Gambia are regulated and controlled by directors, ethics, and design, monitored and controlled by the central bank that affects all the operations of the banks"*.

In response to question two, participant three argued that *"corporate governance essentially reconciles conflicting interest and safeguarding stakeholders with strong rules and regulations that are observed effectively. So, I think corporate governance does play a critical role in the quality and manner of services banks offer to their stakeholders"*.

For corporate governance to provide accountability by management to stakeholders, participant four suggested that, "t*he structures must be observed, and they must be effective and monitored. We have organizations in this country where on paper there are rules and regulations but in practice there are no rules and regulations. Issues are decided depending on who is involved"*.

Participant 3 argued that*: "management are accountable to some extent, but the central bank needs to play an active role because they have the resources, manpower, expertise and other tools to hold management accountable for their actions as regulators".*

Following the identification of 86 concepts, these were subjected to further analysis through the method of continuous comparison. This process led to the development of nine open codes, along with their respective properties and dimensions, which represent overarching thematic categories: *institutional factors, benchmarks, implementation of standards, regulatory oversight, ethics, accountability, confidence, structure,* and *regulation*. These categories are discussed in the section on Interpretive Narrative of Findings. Table A4 summarizes the first of these categories 'Institutional Factors' by listing the specific terms that contributed to its development.

The second open category identified through the comparative analysis was 'Benchmarks'. Table A5 lists the terms that contributed to the development of this category, illustrating how benchmark-related concepts emerged from the data.

The third open category identified was 'Implementation of Standards'. Table A6 outlines the terms associated with this category, showing how compliance, structure, and regulatory expectations were interpreted and operationalized in the data.

The fourth open category to emerge was 'Regulatory Oversight'. Table A7 lists the terms associated with this category, illustrating how participants described the role of regulatory authority and supervisory power within the Gambian banking sector.

The fifth open category identified was 'Ethics'. Table A8 summarizes the terms that contributed to this category, highlighting how ethical considerations emerged as a critical dimension of corporate governance in The Gambia.

The sixth open category developed was 'Accountability'. Table A9 lists the terms that informed this category, demonstrating how participants associated accountability with governance structures and operational oversight.

The seventh open category that emerged from the data was 'Confidence'. Table A10 summarizes the terms contributing to this category, illustrating how perceptions of confidence influence stakeholder trust in the Gambian banking sector.

The eighth open category to emerge from the analysis was 'Structure'. Table A11 lists the terms associated with this category, showing how participants linked structural features such as supervision, transparency, and leadership to the functioning of corporate governance in the banking sector.

The ninth open category identified through the coding process was 'Regulation'. Table A12 summarizes the terms that informed this category, demonstrating how regulatory expectations such as laws, standards, and monitoring practices shape governance behavior in the Gambian banking sector.

Building on the nine open categories generated through constant comparison, the axial coding phase consolidated these into six overarching categories that form the foundation of the emerging theoretical model. Table 2 provides a structured overview of how the nine initial categories were integrated into the six axial categories, illustrating the analytical connections established during this stage of the coding process.

Table 2. Main categories and overarching categories

Nine main categories (Axial coding)	*Six main overarching categories*
(1) Institutional factors	(1) Obstacles
(2) Regulation + (3) regulatory oversight	(2) Supervision
(4) Benchmark + (5) implementation of standards	(3) Compliance
(6) Ethics	(4) Ethics
(7) Lack of accountability	(5) Lack of accountability
(8) Structure + (9) confidence	(6) Lack of trust

The results of the axial coding process are summarized in Table 3, which links each of the six overarching categories to the specific open codes from which they were developed. This table provides a structured view of how the initial concepts were grouped and integrated, supporting the analytical progression from open coding to axial coding.

Table 3. Axial coding detailing six main categories

Main categories (Axial coding)	Open categories (Open coding)
1 **Obstacles**	• Culture • Environment • Government policies
2 **Supervision**	• Direct • Enforcement • Rule • Control • Power
3 **Compliance**	• Code • Guide • Standard • Discipline • Responsibility
4 **Ethics**	• Procedures • Direct • Monitor
5 **Lack of accountability**	• Action • Control • Monitor
6 **Lack of trust**	• Monitor • System • Act • Control • Processes

Interpretive narrative of findings

This section focuses on discussing the results of the axial coding process, demonstrating how open categories are linked and subsumed into six core constructs. The relational statements connecting these categories are provided in Appendix 3, illustrating the application of the paradigm model (see Figure 2).

Institutional factors

Institutional factors capture the formal and informal arrangements shaping how corporate governance is enacted. Participants emphasized laws, enforcement mechanisms, governance frameworks, and stakeholder protections as foundational conditions. Weak or inconsistently enforced institutions create room for discretion and selective rule application, undermining fair governance outcomes.

Benchmarks

Benchmarks represent the standards used to evaluate governance practices. References to directives, capital requirements, and regulatory guidelines indicate reliance on both internal and external standards. These benchmarks translate abstract governance principles into measurable expectations, guiding managerial decisions and regulatory assessments.

Implementation of standards

While benchmarks define expected conduct, implementation reflects actual practice. Participants highlighted persistent gaps between formal rules and their application, pointing to challenges in compliance, monitoring, and power dynamics. These gaps reveal how inconsistent enforcement fosters uncertainty, opportunism, and uneven outcomes.

Regulatory oversight

Regulatory oversight refers to the role of supervisory authorities, particularly the Central Bank, in directing and monitoring banking activities. Strong oversight was associated with stability and confidence, whereas weak oversight was linked to governance failures and financial scandals. This category underscores the importance of external mechanisms in correcting internal weaknesses.

Ethics

Participants referred to culture, responsibility, and procedural integrity, suggesting that governance is not solely rule-based but value-driven. Ethical judgement shapes how rules are interpreted and applied, influencing perceptions of fairness and legitimacy.

Accountability

Accountability was consistently linked to issues such as selective enforcement, favouritism, and arbitrary decision-making. It serves as the central analytical category, connecting individual behavior to institutional outcomes and organizing the overall governance process.

Confidence

Confidence reflects stakeholders' trust in banking institutions and governance processes. It is closely associated with transparency, profitability, and adherence to governance principles. Confidence functions both as an outcome of effective governance and as a reinforcing mechanism.

Structure

Structure refers to organizational arrangements, including boards, leadership, and monitoring systems. Participants stressed that unclear structures blur governance roles and responsibilities. Effective structures are therefore essential for operationalizing accountability and ethical conduct.

Regulation

Regulation encompasses the formal legal frameworks governing banking operations. While participants viewed regulation as necessary, they emphasized its limitations when not supported by ethical commitment, effective oversight, and accountability.

Axial integration and core category

To summarize, open coding generated nine categories: institutional factors, benchmarks, implementation of standards, regulatory oversight, ethics, accountability, confidence, structure, and regulation. Through axial coding, these were integrated into six higher-order constructs: obstacles, supervision, compliance, ethics (Kantian duty), lack of accountability, and lack of trust.

The core category, lack of accountability, emerged as the central phenomenon organizing how governance processes operate. Where accountability is weak, discretion and favouritism increase, ethics becomes optional, and trust deteriorates. Conversely, strong accountability aligns supervision and compliance with predictable processes, while reinforcing Kantian principles of honesty, non-deception, and respect, thereby constraining opportunistic behavior.

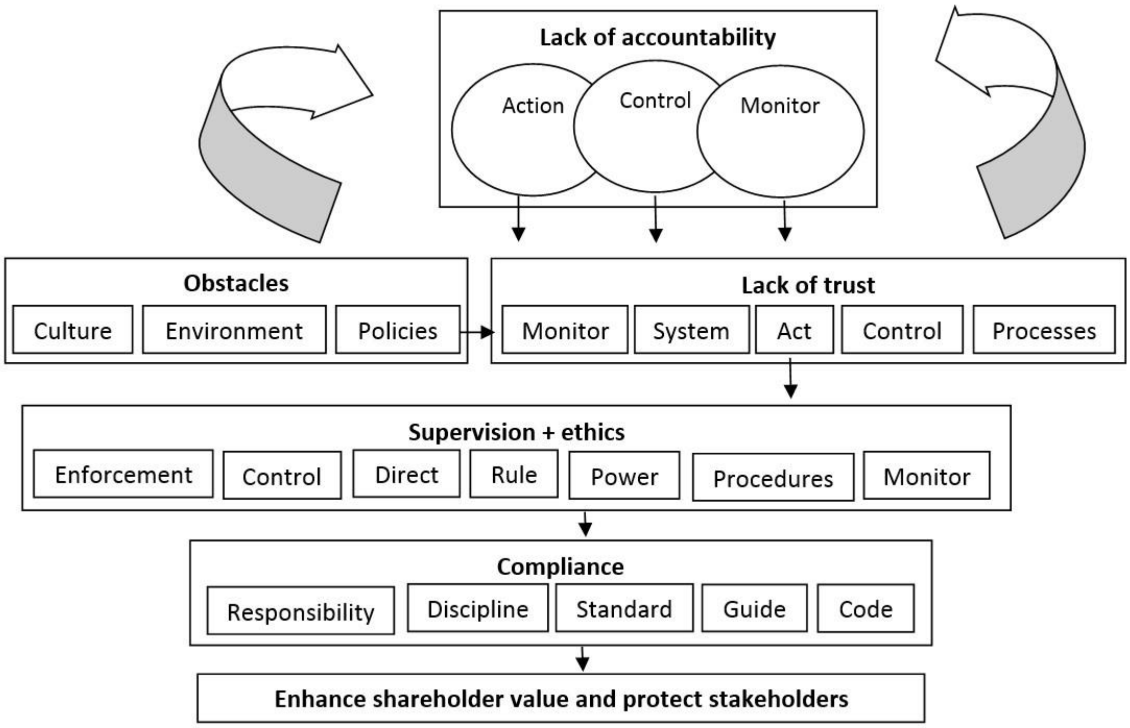

Figure 2. Application of the paradigm model of corporate governance
Source: Author's own work

The central phenomenon "lack of accountability" guided the development of other categories and informed the selection of data for revalidation and verification. This enabled the identification of the properties of the core category 'human factors'.

Finally, the analytical progression leads to selective coding, where a core category is identified and integrated with the other categories to form a coherent and grounded substantive theory. This theory will encapsulate the central phenomenon under investigation, offering a comprehensive understanding of corporate governance dynamics within The Gambia's financial sector.

To visualise these relationships, Figure 3 presents a cyclical model showing how human factors and obstacles reinforce each other, necessitating compliance mechanisms. Compliance, in turn, fosters ethical practices, which help mitigate both obstacles and human factor issues. This interdependent cycle underscores the need for a holistic governance reform strategy that integrates ethical standards, enforces compliance, and addresses systemic behavioral challenges.

As Strauss and Corbin (1998) suggest, diagramming supports conceptual clarity and coherence, offering a visual representation of the theory's structure and enhancing its explanatory power.

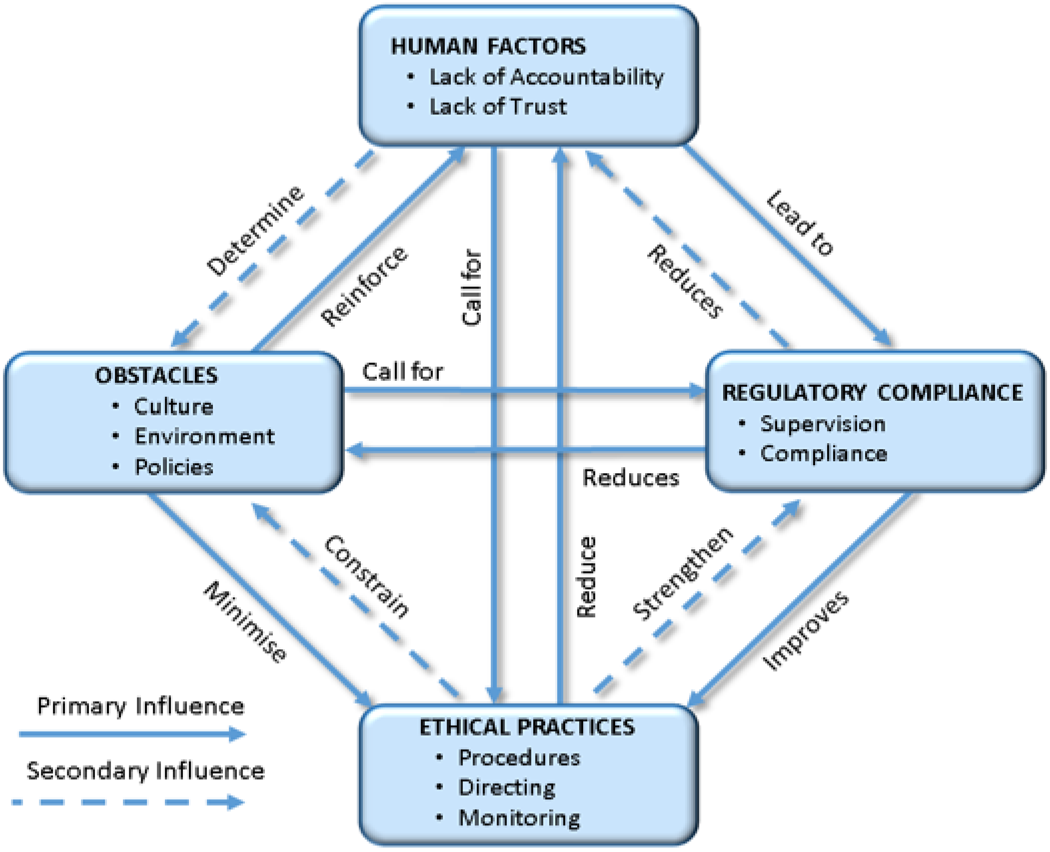

Figure 3. Human factor model of corporate governance

Source: Author's own work

This study develops a substantive theory of corporate governance in The Gambia's banking sector using grounded theory and stakeholder insights. It identifies human factors accountability, trust, and ethics as central to governance effectiveness, yet constrained by cultural norms and fragmented policies. Regulatory compliance under the Banking Act (2009) is vital but insufficient without embedding ethical principles. The proposed holistic governance model integrates ethics, compliance, and institutional reform to restore trust and transparency. As shown in Table 4, these reforms directly impact SME finance by reducing discretionary lending, improving credit access, and fostering fair conditions, thereby strengthening financial stability and inclusive economic development (Brady, 1999; 2009).

Table 4. Linking the strategic human factor model to bank practices and SME outcomes

Axial categories	**Associated bank behaviors and SME outcomes**
1. **Obstacles**	Rigorous documentation requirements, prolonged approval timelines, and strict eligibility criteria collectively impose significant burdens on SMEs. These practices translate into higher transaction costs, delayed access to credit, and higher dropout rates among smaller firms.

2. **Supervision**	Thorough credit file audits, repeated risk committee evaluations, and rigorous disclosure obligations collectively enhance loan quality. However, these practices also extend processing times and systematically exclude SMEs with weak documentation or limited records.
3. **Ethics**	Transparent pricing, fair treatment of applicants, and the elimination of insider favoritism collectively foster greater trust in financial institutions. These practices encourage broader SME participation and reduce reliance on informal borrowing channels.
4. **Compliance**	Stricter adherence to prudential norms, comprehensive anti-money laundering checks, and enforcement of Basel-style capital adequacy standards strengthen banking system resilience. However, these measures also tighten credit conditions, resulting in higher collateral requirements for SMEs.
5. **Lack of Accountability**	Unrestricted lending, opaque decision-making, and weak internal controls distort credit allocation, favoring connected firms while crowding out genuine SMEs.
6. **Lack of Trust**	Higher collateral haircuts, shortened loan tenors, and wider interest spreads intensify financial pressures on SMEs. These conditions create liquidity constraints, heighten cash-flow volatility, and limit growth prospects and market participation.

Propositions for future empirical work –

Based on the findings of the research the following propositions are provided for future research:

(a) Enhance supervisory rigor in credit processes improves loan quality but disproportionately excludes SMEs lacking formal records.

(b) Ethical governance practices enhance SME access to finance by reducing informal barriers and favoritism.

(c) Weak accountability and trust deficits in banks lead to risk-averse behaviors (e.g., higher collateral, shorter tenors), which increase SME cash-flow volatility and limit growth.

(d) Compliance-driven tightening of credit standards improves systemic stability but raises entry barriers for SMEs, affecting survival and market participation.

Implications and Limitations of the Study

Theoretical implications

This study extends corporate governance and SME finance literature by moving beyond compliance-based accounts of governance. It foregrounds accountability as a behavioural and institutional mechanism shaping credit outcomes. While prior research emphasizes formal governance structures, regulatory frameworks, and prudential controls, the findings show that governance effectiveness in The Gambia's banking sector depends on how rules are interpreted and enacted by decision-makers. The emergence of ‘lack of accountability’ as the core category refines governance theory by demonstrating that the mere presence of regulation does not ensure disciplined or equitable outcomes where accountability mechanisms are weak or selectively enforced.

The results challenge dominant assumptions in the SME finance literature that credit exclusion is primarily driven by informational asymmetries or firm-level deficiencies. Instead, the study shows that discretionary rule application, opaque decision-making, and weak sanctioning mechanisms systematically disadvantage SMEs. While this aligns with stakeholder theory, it also extends it by demonstrating how ethical obligations to non-shareholder stakeholders are undermined when accountability is absent. The Human-Factor Governance Model (HFGM) contributes by integrating Kantian duty ethics into grounded empirical analysis, reframing good governance as consistent and duty-bound rule application rather than procedural compliance alone.

The study also advances regulatory governance scholarship by highlighting the dual effects of supervisory rigor. Strong supervision improves asset quality and systemic stability but can also intensify exclusionary pressures on SMEs lacking formal documentation. This finding complicates prevailing regulatory narratives and suggests that prudential governance has important distributive consequences that remain underexplored in emerging economy banking systems.

Practical implications

The practical implications of this study are grounded in its empirical findings. First, regulators should strengthen accountability mechanisms by linking supervisory oversight to enforceable sanctions for discretionary or preferential lending. The findings show that without credible accountability, regulatory frameworks remain largely symbolic and allow selective enforcement and favouritism.

Second, ethics training and codes need to be operationalized rather than treated as normative statements. Embedding ethical accountability into performance evaluation and promotion criteria would translate Kantian duty principles into measurable governance practices. This responds directly to participants’ observations that ethical rules often exist “on paper” but are rarely enforced in practice.

Bank managers should standardize credit processes, incorporate audit trails, and link ethical conduct to performance systems to reduce discretion and favouritism. At the same time, SME-sensitive lending approaches should be introduced to mitigate exclusion. These actions directly address the observed relationship between weak accountability and restricted SME access to finance.

Regulators should complement these efforts by strengthening enforcement through sanctions and random audits, mandating greater transparency in lending practices, and adopting proportional regulatory frameworks that balance financial stability with inclusion. Collectively, these measures operationalize ethical governance, enhance trust, and improve equitable access to finance within the banking sector.

Limitations and future research

This study has several limitations that should be acknowledged. The predominantly qualitative, single-country design limits the generalizability of the findings beyond The Gambia's banking sector. While grounded theory is well-suited for theory generation, it does not allow for causal inference or statistical generalization.

Additionally, the study relies on the perspectives of senior banking professionals, which may underrepresent the experiences of SMEs themselves or frontline credit officers. Future research should incorporate borrower-level data and mixed-method approaches to test the Human-Factor Governance Model quantitatively across different institutional settings.

Despite these limitations, the study provides a theoretically grounded and empirically informed framework that can guide comparative research on governance, ethics, and SME finance in emerging economies.

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Appendices:

Appendix 1 – Survey questionnaire

Position: Please tick one: Bank Customer □ Bank Employee □

Please rate how much you agree or disagree with the following statements by ticking one answer only:
(1) Strongly-agree (2) Agree (3) Don't know (4) Disagree (5) Strongly-disagree

1)Corporate governance regulation strengthens the financial performance of financial sector organizations in The Gambia.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

2) The governance of financial sector organizations has a positive effect on the services they provide to their stakeholders.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

3) Corporate governance regulation is designed to protect and enhance shareholder Value.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

4) The current corporate governance system within the financial sector organizations in The Gambia is effective.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

5) The current corporate governance system within the financial sector organizations in The Gambia is ineffective.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

6) Corporate governance in the financial sector organizations provides accountability of management to stakeholders.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

7) An effective corporate governance system in the financial sector organization is necessary in order to meet the needs of its stakeholders.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

8) Good governance makes corporate organizations more socially responsible and Ethical.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

9) The bank management always considers the ethical consequences of their decisions on stakeholders before making decisions.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

10) There is conflict of interest between shareholders and stakeholders in relation to corporate social responsibility policies.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

11) Corporate social responsibility and ethics are aimed at providing accountability, responsibility, transparency and trust.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

12) Your bank is accountable to all its stakeholders.

Ans. 1 □ 2 □ 3 □ 4 □ 5 □

Appendix 2 – Sample focus group questionnaire

1. How do corporate governance regulations affect financial sector organizations?

2. How does the governance of financial sector organizations affect the services they provide to their stakeholders?
3. How effective is the corporate governance system within the financial sector in The Gambia?
4. Can corporate governance in financial sector organizations provide accountability by management to stakeholders?
5. How does being a public organization (Central Bank) affect the governance mechanism, the institutional ethics and the code of conduct of such an organization?
6. How does the current governance structure affect the regulation of financial sector organizations?

Appendix 3 – Six experts (B1–B6): The statements used in the second semi-structured interview.

. *1. Culture, environment etc. has been a major obstacle affecting the realization of corporate governance regulation for banks in The Gambia.*

2. *A trusting relationship would influence corporate governance control, monitoring etc. in The Gambian banking sector.*
3. *Considering ethical factors/path is essential in addressing current corporate governance issues within the banking sector in The Gambia.*
4. *The enforcement of rules, power and the ability of the regulator (Central Bank of The Gambia) to direct and control banks in The Gambia will enhance supervision and the development of corporate governance framework with the banking sector; thereby minimising the potential control of interest between depositors, shareholders and the regulator.*
5. *Compliance is a strategy in response to lack of accountability and trust in the governance of banks in The Gambia partly driven by the Banking Act 2009, discipline, taking responsibility and upholding corporate governance standards.*
6. *The lack of accountability is still a major problem in achieving the desired corporate governance framework in The Gambian banking system due to ineffective monitoring, control and action.*

Appendix 4 – Tables A1 to A12 relating to the open coding process

Table A1. Open coding based on the semi-structured interview (49 concepts)

- ethics
- accountability
- processes
- customs
- policies
- laws
- codes
- direct
- control
- transparency
- standards
- procedures
- regulation
- monitor
- compliance
- action
- structures
- CSR
- risk
- mitigate
- legitimate
- conform
- uniformity
- culture
- best practice
- guidelines
- structure
- consistency
- board of directors
- supervision
- leadership
- monitoring
- discipline
- responsibility
- environment
- law
- role
- interest
- power
- actions
- legal
- code
- guide
- corporate governance
- trust
- confidence
- profitability
- guidance
- principles

Table A2. Open coding - from the focus group (58 concepts)

- act
- control
- ethics
- monitor
- framework
- rules
- good corporate governance
- enforcement
- observations
- protect
- stakeholders
- direct
- administer
- shareholder
- wealth
- safeguard
- systems
- discipline
- directives
- acts
- restrict
- capital
- responsibility
- guidelines
- regulation
- reconcile
- conflict
- explicit
- implicit
- processes
- compliance
- precedent
- code
- standards
- mandatory
- structures
- power
- policies
- system
- observe
- resources
- expertise
- scandals
- prosecution
- structure
- supervision
- confidence
- truth
- philosophy
- environment
- culture
- regulatory
- procedure
- traditions
- policy
- accountability
- instructions
- requirements

Table A3. Open coding from both semi-structured interviews and focus group combined (86 concepts)

- CSR
- accountability
- act
- action
- actions
- acts
- administer
- best practice
- board of directors
- capital
- code
- codes
- compliance
- confidence
- conflict
- conform
- consistency
- control
- corporate governance
- culture
- customs
- direct
- directives
- discipline
- enforcement
- environment
- ethics
- expertise
- explicit
- framework
- good corporate governance
- guidance
- guide
- guidelines
- implicit
- instructions
- interest
- law
- laws
- leadership
- legal
- legitimate
- mandatory
- mitigate
- monitor
- monitoring
- observations
- observe
- philosophy
- policies
- policy
- power
- precedent
- principles
- procedure
- procedures
- processes
- profitability
- prosecution
- protect
- reconcile
- regulation
- regulatory
- requirements
- resources
- Responsibility
- restrict
- risk
- role
- rules
- safeguard
- scandals
- shareholder
- stakeholders
- standards
- structure
- structures
- supervision
- system
- systems
- traditions
- transparency
- trust
- truth
- uniformity
- wealth

Table A4. Specific terms from which the thematic category ‘Institutional Factors’ was derived

- act
- framework
- rules
- good corporate governance
- enforcement
- observations
- protect
- stakeholders
- direct
- administer
- shareholder
- wealth
- safeguard
- systems
- discipline

Table A5. Specific terms from which the thematic category ‘Benchmarks’ was derived

• directives	• capital	• regulation
• acts	• responsibility	• reconcile
• safeguard	• rules	• conflict
• restrict	• guidelines	
	•	

Table A6. Specific terms from which the thematic category ‘Implementation of Standards’ was derived

• explicit	• precedent	• monitor
• implicit	• code	• control
• regulation	• standards	• power
• act	• mandatory	• good corporate governance
• processes	• structures	• policies
• compliance	• rules	

Table A7. Specific terms from which the thematic category ‘Regulatory Oversight’ was derived

• system	• resources	• structure
• structures	• expertise	• control
• observe	• scandals	• supervision
• monitor	• power	• confidence
• rules	• prosecution	
• regulation	• acts	

Table A8. Specific terms from which the thematic category 'Ethics' was derived

• structure	• culture	• traditions
• truth	• regulatory	• responsibility
• philosophy	• framework	• policy
• environment	• procedure	• act

Table A9. Specific terms from which the thematic category 'Accountability' was derived

• accountability	• guidelines	• system
• rules	• instructions	• enforcement
• act	• framework	• requirements

Table A10. Specific terms from which the thematic category 'Confidence' was derived

• trust	• profitability	• principles
• confidence	• guidance	

Table A11. Specific terms from which the thematic category 'Structure' was derived

• structure	• supervision	• discipline
• consistency	• leadership	• transparency
• board of directors	• monitoring	

Table A12. Specific terms from which the thematic category 'Regulation' was derived

• regulation	• control	• compliance
• laws	• monitor	
• direct	• standards	