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COMPOSITION OF BOARD OF DIRECTORS AND ITS EFFECTS ON SERVICE DELIVERY AND FIRM PERFORMANCE IN THE GHANAIAN BANKING INDUSTRY

BY

BELIEVE QUAQOO DEDZO

THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA, LEGON, IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF PHILOSOPHY HUMAN RESOURCE MANAGEMENT DEGREE

MAY, 2015

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DECLARATION

I, **Believe Quaqoo Dedzo,** the author of this thesis do hereby solemnly declare that, except for the references to other people's work which have been duly acknowledged, the masterpiece presented herein was as a result of my own novel research as a student of Business Administration, University of Ghana, Legon, during the 2014/2015 academic year. This work has never in parts or whole been submitted for any award to any University elsewhere.

……..…… ……..……

BELIEVE QUAQOO DEDZO **DATE**

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CERTIFICATION

This work was submitted in accordance with the guidelines of supervision of thesis laid down by the School of Research and Graduate Studies, University of Ghana, for examination with my approval as supervisor.

…….. ……..

PROFESSOR DANIEL F. OFORI **DATE**

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DEDICATION

To my late mum, family and friends

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ACKNOWLEDGEMENT

This work would not have been successful without contributions from certain army of personalities. The scholar wishes to place on record his extreme and heartfelt gratitude for their tremendous assistance in seeing the thesis to a fruitful end.

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New Life Begins…

May The Good Lord Bless Us All!

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TABLE OF CONTENTS

DECLARATION i
CERTIFICATION ii
DEDICATION iii
ACKNOWLEDGEMENT iv
TABLE OF CONTENTS v
LIST OF TABLES viii
LIST OF FIGURES ix

CHAPTER ONE: INTRODUCTION 1
1.1 BACKGROUND TO THE STUDY 1
1.1.1 Similarities and differences in governance between public and private sector institutions 7
1.1.3 Summary of Governance in Africa 12
1.1.4 Overview of Corporate Governance Framework in Ghana 15
1.2 STATEMENT OF THE PROBLEM 17
1.3 AIMS AND OBJECTIVES OF THE STUDY 22
1.4 RESEARCH QUESTIONS 23
1.5 STATEMENT OF HYPOTHESES 23
1.6 SIGNIFICANCE OF THE STUDY 24
1.7 SUMMARY OF METHODOLOGY 26
1.8 STUDY AND CHAPTER DISPOSITIONS 28

CHAPTER TWO: LITERATURE REVIEW 29
2.1.1 Corporate Governance in Africa 29
2.2 THEORETICAL FRAMEWORK 33
2.2.1 Agency Theory 34
2.2.2 Stewardship Theory 35
2.2.3 Resource Dependence Theory 37
2.3 RELATED EMPERICAL STUDIES 38
2.3.1 Governance Mechanisms and Firm Performance 38
2.3.2 Board Independent Representations and Firm Performance 42
2.3.3 Political Connectedness and Firm Performance 44
2.3.4 The Effect of Board Size on Firm Performance 49
2.3.5 Board Diversity and Firm Performance 53

University of Ghana http://ugspace.ug.edu.gh

2.3.6 Ownership Identity and Firm Performance....56
2.4: CONCEPTUAL FRAMEWORK OF GOVERNANCE AND PERFORMANCE....62

CHAPTER THREE: METHODOLOGY....65
3.1 RESEARCH DESIGN....65
3.2 POPULATION AND SAMPLE SELECTION....66
3.3 RESEARCH INSTRUMENTS/MEASURES....67
3.3.1 Measurement of the control variables....72
3.3.2 Reliability checks....73
3.4 PROCEDURE....75
3.5 SOURCES OF DATA....76
3.6 ETHICAL CONSIDERATIONS....76
3.7 DATA ANALYSES....77
3.8 PROFILE OF THE STUDY AREA....78

CHAPTER FOUR: DATA ANALYSES AND DISCUSSION....81
4.1 DEMOGRAPHIC AND DESCRIPTIVE STATISTICS....81
4.1.1 Descriptive and Profile Characteristics of the Sample....81
4.2 TESTING OF HYPOTHESES AND DISCUSSION OF FINDINGS....84
4.2.1 *Objective 1:* Explore the Degree to which Corporate Governance Affects Firm Performance....84
4.2.2: *Objective 2:* Examine the Effect of Board Composition on the Performance of Banks....91
4.2.2.1: Board Independence and Firm Performance....91
4.2.2.2: Political Connectedness and Firm Performance....96
4.2.2.3: Board Size and Firm Performance....98
4.2.3: *Objective 3:* Examine how Board Diversity Significantly Affects Firm Performance....101
4.2.3.1 Female Presence on the Board and Bank Performance....101
4.2.3.2: Board Member Age and Firm Performance....103
4.2.3.3: Foreign National Presence and Firm Performance....105
4.2.3.4: Board member competence in business and economics fields and firm performance....108
4.2.4: *Objective 4:* Systematically Examine the Extent to which Service Delivery and Firm Performance Differ Across State Owned, Private Indigenous and Foreign Banks 110

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CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS 117
5.1 SUMMARY.....117
5.2 CONCLUSIONS AND IMPLICATIONS.....120
5.3 RECOMMENDATIONS.....121
5.4 LIMITATIONS.....124
5.5 SUGGESTIONS FOR FUTURE RESEARCH.....125

REFERENCES 127

APPENDICES.....144
APPENDIX A: INFORMED CONSENT STATEMENT.....144
APPENDIX B: SAMPLE QUESTIONNAIRE.....146
APPENDIX C: SAMPLE INTERVIEW GUIDE.....150
APPENDIX D: BOARD STRUCTURE OF SAMPLED BANKS 152

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LIST OF TABLES

Table ..... Page

Table 1.1: Alleged incidents of stealing and corporate scandals in history 8

Table 1.1.2 Public sector and private sector differences 13

Table 2.1.1: Catalogue of some National Corporate Governance Codes in Africa 32

Table 3.1: Parameters to be estimated in the regression model…..... 74

Table 4.1.1: Descriptive and profiled characteristics of the sample 82

Table 4.1.2: Correlation Matrix of the Explanatory Variables on ROA 82

Table 4.1.3: Correlation Matrix of the Explanatory Variables on ROE 83

Table 4.1.4: Correlation Matrix of the Explanatory Variables on NIM 83

Table 4.1.5 Descriptive Statistics of the Study Variables 83

Table 4.2.1: Summary of Spearman correlation test showing the relationship between corporate governance and firm performance 84

Table 4.2.2: Random effects and GMM multiple regression of board composition and firm performance (ROA)……...…… 83

Table 4.2.3: Random effects and GMM multiple regression of board composition and firm performance (ROE) 89

Table 4.2.4: Fixed Effects and GMM Multiple Regression of board composition and firm performance (NIM) 90

Table 4.2.5: Summary of ANOVA test showing the Means and SDs of Ownership Identity and firm performance 110

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LIST OF FIGURES

Figure…….……...……..... Page

Figure 2.4.1: Hypothesized Governance and Firm Performance Framework 63

Figure 4.1: Ownership Identity, service delivery and firm performance.....113

Figure 5.1: Observed Governance and Performance Framework.....119

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ABSTRACT

Following the extensive financial crises with its resultant collapse of some world leading businesses, the concept of corporate governance has received considerable attention in both industrial and academic circles. The role of board of directors in the death and survival of corporate entities has become a key component of the corporate governance architecture. The study examines the composition of board of directors and its effects on service delivery and firm performance in the Ghanaian banking industry. It also in addition explores how service delivery and firm performance differ with respect to ownership identities. The cross-sectional panel survey purposively draws a sample of fourteen banking firms over the 2008 and 2013 year period. This period is key for seeing the recent historic oil find in the country requiring some legal and regulatory changes in the financial sector as well as its beginning marking the recent economic down-turn in the world. From four aims, four study hypotheses were formulated and examined. Firm performance and service delivery was measured using Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM) and Fees Operating Income (FEEOP). Spearman findings indicate some validity and support for the relevance of corporate governance to firm performance in the Ghanaian banking industry. Using the GMM, fixed and random effect econometric models, board size and the presence of independent non-executive directors were observed to have significant positive effects, whilst board member political attachment was found to have a profound significant adverse influence on firm performance. The results whilst further suggesting that female members and foreign national presence on one hand promote the effectiveness of firms, proved inconclusive on whether age and business and economics competence other than experience and skill diversity promote performance. Meanwhile, no significant differences were observed between ownership identity and firm performance. The study recommends that governance and board structure, literacy, discipline and social awareness need to be fully strengthened to desired governance echelons since Ghanaian banks have proven not very committed to all spheres of corporate governance. Boards must maintain a strong and independent structures with the call especially on state entities to eschew excessive government appointments onto their boards. To promote trust and boost investor confidence, local firms are encouraged to learn from the MNCs and provide detailed governance reports in their annual reports. In sum, there is the need to formulate a national corporate governance code that requires not only adopting universal principles but governance adaptations more suitable and tailored to the specific socio-economic needs of the country.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The wave of widespread erosion of numerous and massive financial and accounting scandals that disheveled global business and commercial markets (Brick, Palmon & Wald, 2006) over the past few decades, and eventually wiped away some major entities and corporations including the Enron and the WorldCom (Kaplan & Kiron, 2004; Lawrence, 2004; Solomon, 2007), have called for the need to tighten corporate governance practices and codes for best practices so as to enhance corporate performance and survival of organisations both in the public and private spectrum. Governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the top of organizations. The United Nations Economic and Social Commission for Asia and the Pacific defined governance as the process of decision-making and the course by which decisions are either executed or unexecuted (UNESCAP, 2013). Thus 'good governance' is the process that has fulfilled or is in accordance and harmony with some features deemed appropriate or standard, acknowledged, recognized and accepted by the international bodies and organizations (Mahmod, 2013).

The concept of corporate governance has brought about much debate and change in both the public and the private sector over the last couple of decades. In broad terms, corporate governance refers to the processes by which organizations are directed, controlled, and held to be accountable (ANAO, 1999), and is underpinned by the principles of openness, integrity, and accountability (IFAC, 2001). According to Chhikara (2001), corporate governance is the structure by which the shareholders, through its board and management set objectives, outline the processes for attaining such goals and monitor actual performance of the organization. As the corporate world reeled from the scandals that smashed many

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multinational firms such as BCCI and newly the Enron saga, in the early 21st century, officials and regulators in many countries over the world seek to fortify governance in companies by introducing codes and directions of corporate governance reforms (Mahmod, 2013).

Thus, Mahmod (2013) emphasized that as much as public sector governance may learn from corporate governance, public governance has successfully applied several doctrines and principles that the private sector governance may adopt. Chhikara (2001) argued that good public governance is political stability, effectiveness of government, responsibility and accountability of officials and executives, quality of regulatory frameworks and structures, rule of law and control of corruption. Chhikara (2001) added that the Asian financial crisis is fuelled and contributed to, by failure in corporate governance systems hence reforms are necessary to restoring the economic growth of the region.

Whereas the term "corporate" in some jurisdictions is associated with the private sector with "government governance" describing governance in the public sector in other circumstances (IFAC, 2001), the former is used simultaneously in this study. The assertion that there is a strong causal relationship between good governance and better development outcomes such as higher per capita incomes, lower infant mortality and higher literacy (World Bank, 1999, cited in Kaufman, Kraay & ZoidoLobaton, 1999) highlights the importance of not only good governance in nation states but essentially good corporate governance in public and private corporations.

Virtually all over the world the public sector is seen to play a major role in society, encouraging and promoting the efficient and effective utilization of resources, fortifying accountability for the stewardship of those resources, improving management and service

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delivery, building confidence in public sector entities and thereby contribute to improving the lives of the people (IFAC, 2001). Unlike the private sector where the focus of governance dwells on the board of directors, boards in the public sector contexts are sometimes challenging to identify and define, as they operate in different legislative and administrative frameworks. As a result, it becomes quite impossible to develop one single legislative framework and a set of references of governance that would be applicable to all public sector entities. However, similar principles nevertheless apply, whether the controlling body is elected or appointed. Indeed, public sector entities and corporations have to satisfy intricate range of economic, political and social objectives, rendering them to varied and diverse set of external restrictions.

Whereas private sector boards may be accountable to its shareholders, customers, among others, the public boards are subject to forms of accountability to various stakeholders, which are different from those that are in the private sector. The stakeholders in the public sector may include the ministers of states, appointed government officials, the legislature and the electorates, customers and clients, as well as the teaming public, each with a legitimize interest in public sector entities, but with necessarily no ownership rights and privileges (IFAC, 2001). It is therefore imperative to recognize the miscellany of the public sector and the different models of governance that are practiced in different sectors and in different countries across the world each of which has distinct features requiring unique response with different sets of obligations and accountabilities.

Whilst the present study may not prescribe governance practices, such practices need to be fashioned to the needs and conditions of respective public sector bodies and the jurisdictions under which they function. As corporations grow and progress overtime, it becomes absolutely necessary for the governing bodies to review and amend governance practices on

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continual basis. How many public sector firms in Ghana review their governing practices? How often do they conduct such activities? What policies and procedures do they adopt in executing such essential deeds? The role of board of directors in the death and survival of corporate entities is a key component of the corporate governance architecture. Apart from setting the strategic direction for the organization and monitoring management performance and delivery (Akhalumeh, Ohiokha & Ohiokha, 2011), the board reviews and ratifies management proposals, thereby becoming the principal and dominant internal corporate governance mechanism in the organization (Brennan, 2006; Jonsson, 2005). The governance failures of energy giant Enron and the likes raise concern about the composition and impact of such boards.

According to Rashid (2011), the important question is raised as to who observes the observers and who monitors the monitors. Shareholders although monitor the board by exercising their ownership rights in engaging new and dismissing non-performing board members, these powerful individuals may not be aware of the internal occurrences of the firm (Akhalumeh, Ohiokha & Ohiokha, 2011). Whilst this may work in the publicly listed entities, the situation may not hold for the different and wider constituents of stakeholders in the public firms with limited privileges. For these reasons, it is often argued that governing board should be structured to monitor its own activities. The corporate governance literature therefore debates within two streams of board practices exploring whether the board configuration in the form of representation of outer independent and directors and structural dependence of the board influence the firm performance (Rashid, 2011).

Regulatory corporate governance reports and codes including CLERP 9 and the Ramsay Report 2001 in Australia; Sarbanes-Oxley Act 2002 in United States; Cadbury Report 1992,

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Smith Report 2003 and Higgs Report 2003 in the United Kingdom, advocate many boardroom reforms. The Higgs Committee for instance recommended the testing of the independence of outside directors. Although there has been a pervasive reaction to the Higgs Committee recommendations (Kirkbride & Letza, 2005), many nations consequently across the world undertook corporate governance reforms including the hybrid regulations and nomenclature (Rashid, Zoysa, Lodh, & Rudkin, 2010)

The concept of corporate governance addresses matters arising from the interrelationships that exist between boards of directors, such as interactions with senior level management and interfaces with the stakeholders and the vast others concerned with the affairs of the entity, including regulators, creditors, auditors, debt financiers and analysts (Standards Australia, 2003). The purpose of good governance is to promote the organisation, reduce financial, business and operational risks, fortify shareholder confidence in the firm, and contribute to the preclusion of fraudulent, falsified, corrupt and non-ethical conducts within the entity (Armstrong, 2004a). In comparison, Armstrong, Jiab and Totikidis (2005) asserted that while the public sector governance develops along a parallel, if divergent course of publicity of the need for governance standards, the private sector has on the other hand evaded much of the controversies. In this milieu, examples of similarities that are prominently different are the role of agents, the administration and management of funds on behalf of the public by the managers versus the functions of managers in corporations, and the involvement of different stakeholders in both the public and the private sectors.

Several values relevant to governance have been identified by varied organisations. The Standards Australia (2003) in its Good Governance Principles for example outlines such values as accountability, transparency, honesty, dignity, goodwill, balance and fairness. The Victoria University emphasizes set out knowledge and skills, critical creative and

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imaginative inquiry, equivalence of opportunity for staff and students, diversity, co-operation, integrity, and excellence. The Victorian Public Administration Act 2004 on the other hand accentuates responsiveness, accountability, integrity, impartiality, dignity and leadership. Accordingly, principles which enable good governance are governance policies, roles and powers as well as conduct of actions of good governance measures and infrastructure (Armstrong et al, 2005). The latter which complements the mechanisms of good governance refers to board composition involving the selection and method of appointments of members with requisite skills, structure and membership of committees, board operations and procedures. Good governance mechanism according to the scholars refers to the practices that seek solutions to the efficient management of the organisation proven mainly through the assessment of leadership, accountability, stewardship, direction, control and authority. Failures in these have been repeatedly put forward as practices that resulted in typical scandals, warranting corporate governance reforms and the quest for new mechanisms and structures to offset the perceived abuse of supremacy by top executives of corporations.

A review by Uhrig (2003) acknowledges that when considering appropriate governance frameworks for the public sector, there are enormous progresses with many lessons to be applied from the private sector. Notwithstanding the fact that many seldom link the governance of the private sector with that of the public, governance in both segments has been walking closer. Unlike the public sector, the private sector environment creates significant challenges for businesses. Being governed and directed by the Corporations Law (Armstrong et al, 2005), the consequences and experiences of failure, the menace of takeover and acquisitions offer opportunities for firms in the private sector to continually endeavour to improve governance practices thereby gaining considerable experience in applying the core essentials of governance.

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On the contrary, Wettenhall (2004) for example suggests that governance experience in the public sector is longstanding hence many of the benchmarks functional in the private sector are incongruous for business in the public sector. Tomasic (2004) presents a synopsis of the rules governing corporations and in particular the duties and responsibilities of directors and other functional officers, safeguarding of stakeholder welfare, and remedies for breach of corporate governance requirements and provisions. Parallel requirements apply in the public sector, but the form of entity and context within which they operate is amply multifaceted. Public sector organisations with governance implications include diversified departments and agencies, statutory bodies, state owned enterprises, partly owned public companies and other consultative agencies. Joint venture provisions may embrace engagements with other state bodies, private businesses and nonprofitmaking and service providers characterised by many governmental directions and protocols. Thus, there are ample variables that firms in the public and private sectors share in common in as much as there are differences. Table 1.1 overleaf outlines some major antecedents of stealing and corporate governance failures in history.

1.1.1 Similarities and Differences in Governance between Public and Private Sector Institutions

Public and private sector governance in essence share some basic mutual features in as much as the differences are apparent. According to Armstrong et al (2005), the context in which they are rooted drives the difference. In the public sector, the senior public officials do act as representatives of the tax payer thereby managing the public organisation with the need of serving the paramount interest and common good of the general public.

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Table 1.1: ***Alleged incidents of stealing and corporate scandals in history***

Company	Country	Date	Detail
Daewoo	South Korea	1998	Accounting fraud embezzlement by former CEO
Flowtex	Germany	1999	Insolvency after exaggerating sales figures
Enron	USA	2001	Bankruptcy of the seventh largest US company due to accounting fraud
Marconi	UK	2001	Bankruptcy due to overpriced acquisitions and to neglecting of controls
Swissair	Switzerland	2001	Insolvency due to wrong strategy, inefficiencies of the board
HIH	Australia	2001	Stock market manipulation
One Tel	Australia	2001	Overstretching of budget for overambitious acquisitions
Allied Irish Bank(AIB)	Ireland	2002	Loss of $961m in unauthorized trading
Worldcom	USA	2002	Company collapses with $41bn debt due to fraudulent accounting
Tyco	USA	2002	Overstretching of budget for overambitious acquisitions leading to bankruptcy
Vivendi	France	2002	Overstretching of budget for overambitious acquisitions leading to losses of $23.3bn
Royal Ahold	Netherlands	2003	$500m accounting fraud
Parmalat	Italy	2003	Undisclosed debts of €14.3bn
Volkswagen	Germany	2005	Abuse of corporate funds to provide inappropriate benefits
Alleged Incidents of Stealing in the Asian Financial crisis			
Bangkok Bank of Commerce	Thailand	1996-97	Bank managers moved money to offshore companies under their control.
United Engineers (Malaysia) Bhd	Malaysia	1997-98	United Engineers bailed out its financially troubled Parent, Renong Bhd, by acquiring a 33% stake at an artificially high price.
Malaysia Air System Bhd	Malaysia	1998	The chairman used company funds to retire personal debts.
PT Bank Bali	Indonesia	1997-98	Managers diverted funds in order to finance a political Party.
Sinar Mas Group	Indonesia	1997-98	Group managers transferred foreign exchange losses from a manufacturing company to a group-controlled bank, effectively expropriating the bank's creditors and minority shareholders.
Guangdong International Trust & Investment Co	Hong Kong/China	1998-99	Assets that had been pledged as collateral disappeared from the company when it went bankrupt.
Siu-Fung Ceramics Co	Hong Kong/China	1998-99	Assets that had been pledged as collateral disappeared from the company when it went bankrupt.
Tokobank	Russia	1998-99	Creditors who may have been linked to bank managers took control of the bank and its remaining assets following default. Foreign creditors got nothing.
Menatep	Russia	1998	Following Menatep's bankruptcy, managers transferred a large number of regional branches to another bank they controlled.
AO Yukos	Russia	1998-99	Managers transferred Yukos's most valuable petroleum-producing properties to offshore companies they controlled.
Uneximbank	Russia	1999	Following Uneximbank's bankruptcy, managers moved profitable credit-card processing and custodial operations to another bank.
Samsung Electronics Co.	Korea	1997-98	Managers used cash from Samsung Electronics to support other members of the Samsung group (notably Samsung Motors) that were losing money.
Hyundai	Korea	1998-99	Managers of a Hyundai-controlled investment fund channelled money from retail investors to loss-making firms in the Hyundai group.

Sources: Corporate governance scandals (Steger & Amann, 2008, p.6), and for Wall Street Journal, May 7, 1999, p. A1; April 17, 1998, p. A12; September 21, 1999, p. A1; August 25, 1999, p. A14; April 4, 1999, p. A1; April 8, 1999, p. A14. The Economist, March 27, 1999 and September 11, 1999

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In parallel, the private sector, the boards and managers acting as entrusted agents on behalf of shareholders are charged with the day-to-day administration of the listed company. Again, in the case of the public sector, although various levels of governments are normally characterised by different stakeholders, the crucial and ultimate purpose is to serve the good of the public and provide services and facilities on behalf of the government to the people and the community (Uhrig, 2003) whilst simultaneously providing adequate and satisfactory solutions when market failure threatens. Charged with managing the interests of various shareholders, there is a growing consensus among controllers of the publicly listed companies that the business should not only serve the interest of the shareholders, but also consider the needs of other stakeholders including employees, customers, suppliers as well as the local catchment community and the environment where the corporation is functioning (Uhrig, 2003).

Whilst they serve different interest groups and constituents, the public sector boards are opened to much greater and wider scrutiny. In terms of independence which undoubtedly is a major factor, all public sector boards and entities are subject to Ministerial powers, control statutory regulations and diffused responsibilities, whereas those in the private sector are governed by the Corporations Act with legal responsibility and board authority. Often expected to meet performance goals, they are nonetheless constrained by political realism. Besides, the appointment and termination of the chairpersons and chief executives are exercised by the executive e.g. the minister under whose jurisdiction the firm operates. Again, mainly for profit making, should an enterprise in the private domain collapses, liquidates and closes from business, shareholders virtually lose their stocks. Enterprises in the government/public sector are otherwise likely to be salvaged and damages absorbed should the venture close down. Procurement in the public sector is through competitive

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tendering with laid down procedures, and auditing conducted by the Auditor-General (Armstrong et al., 2005).

Despite the adoption of the same principles across the board, the existence of sovereign systems within and across states and federal governments suggest that the concept of corporate governance practices and machineries could come in diverse forms. A governance framework proposed by Victorian Auditor General, Wayne Cameron in 2003 clearly illustrates different elements and the relationships among them. The framework provides a comprehensive picture of how corporate governance should function at the public sector. Cameron (2003) centred leadership, stewardship, and management control and risk management to ensure that they are not discounted by those entrusted with the responsibility of governance. Four pillars of the governance framework, including strategy and direction, structures and relationships, performance monitoring, and compliance and accountability are emphasized to help in ensuring the entire governance structure functions appropriately (Cameron, 2003). Whilst the pillar of strategy and direction outlines corporate plan, annual plan, operational plan, asset, HR and IT and strategic plans, performance monitoring dwells on monthly financial statements, balanced scorecard and performance management. Compliance and accountability are targeted at delegations, policies and procedures, audit committee, internal auditing and annual reportage. Amongst organisational structure, business process, standards of behaviour, communication, roles and responsibilities, board and minister-board-management relationships are two most important elements emphasised in the pillar of structures and relationships (Cameron, 2003).

Whereas Barret (2000) explained an allied kind of governance arrangements and good governance principles, Uhrig (2003) further provided thorough recommendations on direction of governance provisions such as the scope of the board and whether sub and

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auxiliary board committees are necessary. With reference to the relationship among the minister, the board and the management, Cameron (2003) recommends that ministers should be allowed in determining how to perform their responsibilities, with core and essential features being subjected to frequent exchanges and official reporting arrangements with the board against predetermined goals and objectives. Unlike the independent decision making power of private committee boards, board committees in the public sector are to assist in promoting operational efficiency and accountability. Thus, from the full board, the committees should operate with a clear written mandate with their operations agreed including means of reportage to the board and how committees may interact with management and other relevant parties. This will, according to Uhrig (2003) clarify the extent to which a committee has the locus to exercise decisions and approve management proposals or report to and propose recommendations to the board.

Besides the board committees, there are customarily an advisory committee in the public sector that provides counsel and suggestions to the minister regarding all legislative authorities. According to Armstrong et al (2005), in the government sector boards the executive board is often not a representative body but appointed, mainly by legislation, to be in control of the organisation in promoting, overseeing and executing its vision and policies. As noted earlier, the responsibilities include financial accountability and other legal responsibilities. In setting its targets the board consequently acts in freedom with its structure encompassing sub committees and teams responsible for such functions as governance, audit, appointments and selection. It is worthy to note that the auditing is mainly conducted by the Auditor-General with an official report made to the Minister of the sector. In particular, merit principle determines membership into the board with emphasis on the requirements for specific skills and expertise.

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In contrast, in the public sector, an advisory committee is usually a representative committee, appointed by the Minister. Thus, the Minister or senior executive of the relevant public or governmental agency exercises little independence and accountability. In making such selections and appointments the onus is often the extent to which prospective members represent some particular interest, group or constituency. Apart from the general model of minister-board-management, Armstrong et al (2005) mentioned other different governance arrangements such as the partnership model of governance, the community governance, as well as the emerging network governance and engagement in the public sector. The myriad of these interlocking issues presents a unique opportunity for the Ghanaian public and private sector institutions especially the banks to delve into boardroom mechanisms that serve as a link between management and firm performance. Table 1.1.2 overleaf illustrates the differences between the public and private sector governance systems.

1.1.3 Summary of Corporate Governance in Africa

There are many initiatives being undertaken with promising potentials of not only positively affecting the enhancement of corporate governance practices but business ethics in Africa. According to Armstrong (2003), some of these corporate governance reform initiatives are on the national and regional levels, while others are Pan-African in scope. Some of these initiatives have made significant postures on business ethics on the continent. The African Capital Markets Forum (ACMF) in Ghana for instance launched an anticorruption scheme in the private sector targeted at the supply component of corruption. According to Armstrong (2003), the initiative brought attention to the role that the private sector plays in sustaining corruption by offering bribes to officials. The consequence of this development is the much consciousness and responsiveness to the need for adherence to strong and robust ethical norms across both the public and the private sectors. In South Africa, professional

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Table 1.1.2: ***Public sector and private sector differences***

Private Sector		Public Sector
Mandate	Mandate Profit maximization, considering corporate interest only	Welfare maximization, considering community interests, involving trade-offs
Goals	Generally clear	Often deliberately vague to satisfy different stakeholders
Performance metrics	Standardized financial ratios	Financial ratios meaningless. Other performance indicators used
Efficiency	Technical efficiency basic requirement	Economic efficiency is often at cost of technical efficiency. Effectiveness often more important
Costs	Firm's own costs used for decision-making	Community costs, including externalities, deadweight losses
Prices	Generally constrained by market Allocation on ability to pay	Dependent on policy – from free provision through to prohibitive Allocation often on welfare grounds
Revenue	From sales	Mainly from tax, also from some natural monopolies
Investment criteria	Based on firm's interests and cost of capital	Community interests and unclear cost of capital
Financial control	Often through profit centres Cash flow crucial to survival	Because revenue and expenses are separated, most control is through cost centres Cash not an operating constraint, but government has a macro monetary role
Sovereign risk	External	Internal
Product choice	Decided by corporation	Mandated by government – cannot abandon "lossmaking" activities
Products	Goods and services	At Commonwealth level, mainly monetary transfers
Policy	Incidental activity (marketing, product changes)	Core activity
Organizational affiliation	Often defined by core or distinctive competences	Often pieced together from bits and pieces of market failure – departments have to house many disparate activities
Ownership	Often complex with partially owned entities	Usually simple, but relation to assets complex – many assets held in trust rather than outright ownership Unique asset of taxation authority
Power	Related to economic strength, checked by government and the law	Strong coercive power, capacity to change own rules
Stakeholders legally defined	Shareholders, free to own or dispose of shares, with power related to holding	Voters, with limited capacity to opt in or out (Migration)
Other stakeholders	Employees, creditors, suppliers, communities	Same set of stakeholders, but weighting of communities much heavier
System boundaries	Well-defined – corporation and its environment	Poorly defined – public policy reaching into all areas of life – complex systems
Governance	Directors and managers	Agency heads, ministers, executive government, parliament – tensions between loci of authority
Continuity	Occasional takeovers, mergers	Regular hostile takeover bid, sometimes successful
Accountability	Defined by standards, generally for shareholders and creditors, otherwise closed to public	Wide, more open, fluid
Legal constraints	Binding	Can change legislation
Motivation assumption	Instrumental, personal	Public service generally lower pay
Legacy	Protection, highly regulated economy	Job security, many GBEs overstaffed with low productivity

Source: Ian McAuley, University of Canberra

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bodies and tertiary educational institutions are making frantic efforts to introduce programs on corporate governance and business ethics. The Private Sector Corporate Governance Trust (PSCGT) in Kenya is also supporting several organizations in developing codes of ethics (Armstrong, 2003). Again, the Johannesburg Securities Exchange (JSE) in South Africa has introduced a Social Responsibility Investment Index for companies listed on its exchange that rates companies on their triple bottom-line performance including an ethical dimension (Rossouw, 2005).

The remarkable development on the regional bloc is the adoption of the Equator Principles by ten leading banks from seven countries used for managing social and environmental concern associated with financing of development projects. Thus, as a precondition for obtaining funding from these banks, project sponsors would have to satisfy these principles that they adhere to socially responsible, sound and comprehensive environmental business standards (PACFCG, 2001). On the Pan African continental spree, the launch of the New Partnership for Africa's Development (NEPAD) is expected to also have a tremendous impact on promoting corporate governance practices and business ethics as an integral part thereof.

According to Armstrong (2003), the goal of the NEPAD programme is to eliminate poverty and promote socio-economic growth through democracy and good governance. The business workgroup within NEPAD has also adopted a number of key agreements targeting ethical performance of organizations. It includes the Business Covenant on Corporate Governance that accentuates the need for organizational integrity and the institutionalization thereof, not forgetting the charter on the eradication of bribery and corruption. Besides, the Business Declaration on Corporate Social Responsibility emphasizes the call for positive stakeholder engagement built on integrity as the protection of human rights was equally

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adopted. Consequently, business ethics, an integral component of corporate governance is expected to benefit and gain prominence from this rising flow (Rossouw, 2005).

1.1.4 Overview of Corporate Governance Framework in Ghana

The concept of corporate governance has seen a considerable development in Ghana. According to Bokpin (2013b), since the establishment of the Ghana Stock Exchange, Ghana has experienced significant changes in corporate governance practices. Following reforms predominantly championed by the World Bank and IMF, corporate governance has seen a great deal of transformations both at the political governance and firm levels. In Ghana, the concept has gained some considerable attention both at the industry and academic perspectives (Abor, 2007; Bokpin & Nyarko, 2009; Bokpin, 2013a, 2013b; Kyereboah-Coleman & Biekpe, 2006). However, the concept of corporate performance and service delivery especially at the wider industry level has not received much empirical attention.

While there is an empirical evidence on governance and bank performance with varying conclusions, there is dearth of literature on this subject matter in Ghana and Africa in general. According to Adams and Mehran (2005), despite the volume of research in the area of corporate governance, little is surprisingly known about the effectiveness of boards in banking organisations, as most empirical studies exclude financial firms from their sample. In addition, whilst testing the various forms of regulations cited above and the corporate governance practices of the banking industry, earlier studies carried out on the banking industry failed to consider in detail the effect of corporate governance and board composition on performance and service delivery in the larger banking industry.

According to Bokpin et al (2009), the Companies Code, 1963 (Act 179) does not only regulates all limited liability companies in Ghana but also serves as the legal regulatory

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framework for corporate governance. Besides, although not mandatory like the Companies Code, the Securities and Exchange Commission (SEC) provides corporate governance guidelines for the regulation of listed firms on the Ghana Stock Exchange. Other industry-specific regulations according to Bokpin et al (2009) include: "…The Securities Industry Law, 1993 (PNDCL 333) as amended by the Securities Industry (Amendment) Act 2000, (Act 590), which also provides among other things for governance of all stock exchanges, investment advisors, securities dealers, and collective investment schemes licensed under the Securities & Exchange Commission (SEC) for best practices. In addition to the above sources of regulation, there are other voluntary codes of good corporate governance including the Ghana Corporate Manual, Institute of Directors (Ghana) Code of Ethics for Directors and the Ghana Business Code." (p.19).

Accordingly, Bokpin et al (2009) indicated that although the Companies Code specifies at least two directors for each company with no cap on the maximum, it nevertheless permits organisations to determine the maximum board size in their own regulations with the Ghana Stock Exchange (GSE) Listing Regulations being silent on same. In details, the researchers provided that under the Companies Code there are no provisions for the balance of executive and nonexecutive directors, neither are there any requirements for the appointment of independent directors, with only some caveat for the interests of diverse stakeholders to be represented on the board. They noted that, this is however an obligation under the SEC Code for the GSE. With regard to duality, the Companies Code does not prevent the appointment of one single person to the two offices. Again, it provides room for the appointment of executive directors by permitting such directors to concurrently hold with any other office or place of interest in the firm, except the office of auditor. The SEC Code, on the other hand although advocates, does not insist on the two-tier board structure where the role of CEO/MD is separated from the board chairman.

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According to Bokpin et al (2009), at the firm level the responsibility for good corporate governance is placed on the Board of Directors (BOD). Under the Companies Code, 1963, (Act 179), except otherwise provided in the Company's regulations, the business of a company is handled by the BOD. Thus, Bokpin and his colleague noted that in no uncertain terms, the usefulness with which the board undertakes its oversight responsibility is dependent to a great extent on its membership, its independence, and its expertise.

1.2 STATEMENT OF THE PROBLEM

The literature on governance focuses on large America companies and some European organisations, governance in mid-sized corporations although garnering increased attention (Gabrielsson & Huse, 2002; Gabrielsson & Winlund, 2000) has been largely understudied. The focus of this study is however situated in micro developing lower middle income societal context. Whereas several studies in corporate governance literature have investigated the relationship between firm performance and board composition including those of Al-Shammari and Al-Sultan (2009) and Al-Saidi (2010) in some advanced economies, many of these studies excluded banks from their samples due to differences in the regulations and capital structures (Al-Saidi & Al-Shammari, 2013). As a result, if not almost ignored, a little is known about the effectiveness of corporate governance in the banking industry not only in developing societies across the world but poor African societies in particular. According to Guest (2008), earlier research on board composition focused largely on firms in advanced and developed economies. While there is empirical evidence on the effect of ownership structure on bank efficiency with varying extrapolations (Berger, Clarke, Cull, Udell & Klapper, 2005; Micco, Panizza, & Yanez, 2004), there is dearth of literature on this subject matter in Ghana (Bokpin, 2013b). Adams et al (2005) also acknowledged that even though there is a tome of research in the corporate governance

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literature, there is only a startlingly miniature known about the effectiveness of boards in the banking industry, since many study samples exclude financial firms. Similarly, the few studies conducted in the banking industry failed to thoroughly ruminate the influence of corporate governance and ownership structure on the efficiency of banks in Ghana (see Appiah, 2001; Appiah-Sam, 2003; Bawumia, Belyne & Ofori, 2005; Kyereboah-Coleman, 2004).

The banking system is an essential strategic sector built not only on confidence and trust - that which underscores the importance of corporate governance principles, but that which contributes to a country's economic growth as it allocates funds to various sectors of the economy and implements strategic monetary policies (Al-Saidi & Al-Shammari, 2013). While financial markets seem to reward banks with stronger disclosure and corporate governance mechanisms, Akhigbe and Martin (2008) have revealed the need for strengthening accounting quality and corporate governance in the banking sector.

To cope with the global economic down-turn in the last decade or so, many economic giants adopted drastically reduced valuations with banks mandatorily adjusting their financial records downward, which often called their capital reserves into question (Robert, 2012). Following this credit crisis, there was overall reduction in worldwide spending which undeniably affected the global economy. This created a period of high volatility followed by the failure of numerous banks, mortgage companies, and insurance companies all over the world. Many federal governments notably America and United Kingdom including large financial institutions initiated variety of rescue plans to avert a wide scale financial collapse. Accordingly, Robert (2012) asserts that many scholars and business leaders across the world have attributed the 2008 financial crisis to improper oversight by the most senior executives and board members, and the inherent conflicts with remuneration policies. Outwardly, it

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appears that many of these executives received excessive compensation during the preceding bull markets, and many theorize that most of these executives took extreme risks, in order to maximize their personal gains, ultimately at public good. Even though, many developing nations elsewhere and in Africa may not have such huge economic potentials like US and UK, the current financial crises with the government and the Bank of Ghana adopting many strategies - the World Bank bail-out funds amidst the inflow of cash from the infant oil and gas industry, raise the eyebrows on banking governance.

In the The Auditor-General's (2012) report on the Public Accounts of Ghana, irregularities in the forms of cash, payroll, procurement, tax, contracts, debts, etc., were among the many cited to confront the public boards, corporations and other statutory institutions in the country. For instance, whilst loan and recoverable charge irregularities were GH¢1,696,453,352, contract irregularities stood at GH¢153,942,496.22. In all, the report indicates that the monetary irregularities totalled GH¢2,019,188,488.76. It is noted that the absence of a debt collection policy and management apathy towards loan recovery contributed significantly to the anomalies of the former. Also, improper maintenance and lack of documentation of records, absence of debtors aging analysis, and noncompliance with rules and regulations accounted for these irregularities.

The report noted with grave concern that misapplication, over estimation of funds, outstanding impress, absence of authentication of payments occurring as a result of poor supervision, lack of control, management's failure to review approved budgets and improper record keeping, non-monitoring of customers, lack of adherence to the stipulation of the Financial Administration Act and other relevant regulations coupled with failures of management in exercising due diligence, procurement of goods and services without recourse to Procurement Act and a multitude of others contributed to monetary

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irregularities. All these flaws can be linked to management failures and more importantly the structure and composition of the public and statutory board of directors. In fact, if boards are really conducting their governing roles in timely, effective and efficient manner, why these incessant malpractices, eventually leading to huge losses of revenue to the public and the state? The strategic importance of the board of directors in the promotion of corporate governance practices compelled the Auditor General to emphasize that board of directors be essentially focused and responsive in the discharge of their responsibilities. They must be composed, accorded with the greatest degree of autonomy and independence from the management, political and individual interests in ensuring a balance of power with no single individual or group of persons having unfettered powers of decision making.

Furthermore, chief and executive directors and boardroom members of both state-owned and private enterprises are to be appointed with guiding principles as competence, integrity, public accountability and patriotism. In the public sector however, successive governments over the years have tended to use such appointments as reward to political faithfuls, friends, relatives and campaign donors and party financiers, judging political and personal considerations over national and common good. The Ghana Integrity Initiative (2013) considers such moves inappropriate and unfounded on many grounds including the fact that the scheme tends to reward mediocrity and destroys the spirit of public service. It stressed that public servants tend to be apathetic, productivity suffering irreparable damage, political appointees tend to grow horns and destroy the well-established order of the workings of the public service. Again, some do not see themselves as accountable to the board under which they are supposed to work leading to factions and power blocks in the boardroom culminating into unhealthy and unworkable relationships hindering the smooth functioning of the board and suspicion between board technocrats and politicians on the board. In effect, some of the board members bring no added value to the entity apart from cashing huge and

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enormous sitting allowances thereby seeing their appointments as a means of livelihood and creating needless and excessive meetings to get themselves unto several sub-committees so as to earn further allowances.

More often than not, board members are seen to determine salaries and other benefits for CEOs whilst the CEOs in response fix for the board chair and its compositions. Many of these board members are paid outrageous sitting allowances alongside several fringe benefits including official vehicles, free fuel, sponsored overseas trips and birthday bashes. Some of the boardroom members although may not be full time employees of the enterprises but may be treated otherwise whilst serving as full time staffs in other SOEs, thus receiving multiple compensations and using such kicks in building their private entities. Governments of the day seem not to pursue and frown upon how much these severely costs the state in general, SOEs and sub-vented institutions in particular (Ghana Integrity Initiative, 2013).

It is predominantly accepted that foreign ownership plays a crucial role in firm performance, particularly in developing and transitional economies. To this end, researchers including Aydin, Sayim and Yalama (2007) have concluded that multi-national enterprises on average have performed better than their domestically owned counterparts. Nevertheless, foreign banks in Ghana are said to be not only more profitable and recording superior performances but also enjoy better quality loans than the domestic banks (Bokpin, 2013b). Thus, the mode of appointing personnel for both public and private sector boards, the composition of such boards, the nationality of members and especially the gender representations, the age, political and ethnic factors, their obligations and their impact on performance delivery in the banking industry lives much to be desired. In the interim, do our public boards have personnel with the essential requisite skills and experiences? Are they responsive to their roles? Are their variations in the compositions, functions and obligations of the boards

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between the public and private sector banks? Do they pursue self-interest goals at the expense of stakeholder good? Why would some governing boards and chief executives woefully derail and fail in the execution of their duties? Are there disagreements within boards and between boards and managements resulting in squabbles? Are there concentration of powers from combination of positions in one single individual? Why would some stifle effective planning and decision making by stakeholders? It is therefore indispensable to explore answers to these and many other demands in the quest of examining the role of boards in enhancing excellence in service delivery and overall performance in the banking industry. The aim of this study is to extensively contribute to the literature on corporate governance in an emerging and developing country context by examining the relationship between board composition, corporate governance and banking service delivery and overall performance.

1.3 AIMS AND OBJECTIVES OF THE STUDY

Thus far, the concept of corporate governance and firm performance seems to be characterized by many inconsistencies, regarding board composition, control, functions, board size, gender, age, nationality, and other discrepancies. Indeed, there are varying and contra-lateral views on the concept of board of directors and its impact on firm performance. Whereas sections of the players seem to adore various facets of the debates, others appear to be neutral, whilst many others also challenge such propositions. In the light of the foregoing issues, the study is set among others to meet the following aims/objectives:

1. Explore the degree to which corporate governance affects firm performance in Ghana
2. Examine the effects of board composition on performance among Ghanaian banking firms

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3. Investigate how board diversity significantly affects firm performance in Ghana
4. Systematically ascertain the extent to which service delivery and firm performance differ across state owned, private indigenous and foreign banks

1.4 RESEARCH QUESTIONS

From the foregoing aims and objectives, the following research questions were derived:

1. Do corporate governance practices affect performance in Ghanaian banking firms?
2. To what extent does board composition affect the performance of banks in Ghana?
3. Are there some significant effects of boardroom diversity on firm performance?
4. To what extent do service delivery and firm performance differ across state-owned, private indigenous and foreign banks in Ghana?

1.5 STATEMENT OF HYPOTHESES

The study seeks to test the following research hypotheses:

1. There is a significant positive relationship between corporate governance and firm performance in Ghana
2. Board composition will have a significant positive effect on firm performance
3. Board diversity will have a significant positive influence on firm performance
4. There is a significant difference in service delivery and performance amongst Ghanaian state-owned, private and foreign banks

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1.6 SIGNIFICANCE OF THE STUDY

The relevance of the study could be examined along three strands; education and research, policy formulation and industrial and corporate practice. For the players in the educational arena, this study contributes to literature on corporate governance by putting forward not only a comprehensive report that utilizes both quantitative and qualitative assessment in analyzing governance practices on firm performance but essentially such important service delivery component of bank performance mostly ignored in the corporate governance literature. The study further expounds on many other governance mechanisms underlying the understanding of corporate governance with respect to especially how such ostensible yet sacred tool known as 'board of directors' operates in promoting the effectiveness of banks. Furthermore, the study would not only help design educational tools that will maximize public understanding of how corporate governance functions in enhancing performance in both public and private sector organizations but essentially further our understanding on how the boards are composed and function to improve the overall performance of their respective banks.

In some developed nations, several studies in the corporate governance literature have investigated the relationship between firm performance and board composition (Al-Shammari & Al-Sultan, 2009; Al-Saidi, 2010). Nevertheless, due to differences in the regulations and fiscal structures, many of these studies have excluded financial entities from their samples (Al-Saidi & Al-Shammari, 2013) hence literature on the subject is arguably restricted in scope especially in Sub-Saharan Africa. Adams et al (2005) about a decade ago emphasized that although there seems to be volumes of empirical sermon in the corporate governance literature, there is a distressingly miniscule amount known about its impact in the financial markets. In Ghana, Bokpin (2013b) argued that there is lack of literature on the discourse. Against this backdrop, this empirical analysis hopes to expand the literature and

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explore how the presence of the Board works in enhancing the performance of Ghanaian banks.

For practice, the original targets of corporate governance practices and principles hitherto, were designed to protect the interests of the shareholders. The contemporary understanding recognizes a firm's obligations to society and stakeholders. Perhaps it is the new thinking that accounts for the hectic and frenzied manner in which developments have occurred and continue to spring in the corporate governance domains especially in the advanced economies. The study hopes to shed some lights on the need to enhance standard governance practices that take into account board discipline, financial responsibility, literacy, diversity, independence and accountability, etc., not only in Ghana but Africa and the world at large. The regulatory limits on ownership are prescribed only in some countries to prevent banks from being controlled and dominated by a single owner or a group of affiliated owners. For instance, The World Bank survey of 157 countries in 2003, revealed that 112 had no regulations on ownership limits (Cabraal, 2007). To prevent these indirect regulations such as limits on related-party transactions and suitable and appropriate assessments for bank directors and other executive and management officers, it is the overarching interest of this study to project key and relevant discoveries that would encourage nation states to ensure standard practices are upheld in enhancing governance mechanisms in the financial industry of their economies.

Due to the rapid internationalization of the banking system, the work of The Regulator has become more complex hence the need for the boardroom to reflect contemporary trends and plethora of new rules and regulations being churned out at regular intervals. For, weak corporate governance system can contribute to financial instability that may cause an upsurge in risk profile of corporate entities and expose the banks and other financial houses

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to larger threats. In particular, it may reduce their capacity to recognize, monitor and manage business risks that consequently result in extremely poor quality lending and excessive risk-taking by the financial institutions, and depending on their resilience of the financial markets, these hazards have the tendency to wipe across the wider financial system (Cabraal, 2007). By exploring many governance attributes through multi-dimensional spectacles, the relevance of the study dwells on revealing far reaching outcomes that enormously shape discussions and policies amidst heightened media wars in recent times over governance in corporate institutions in the country. The study further hopes to recommend policies that will encourage the enforcement of prudent processes in the banking system especially whether the banks are adopting and effectively implementing sound governance practices in key areas to mitigate risks. Needless to emphasize that incapable and undisciplined corporate governance may result in a poor credit culture, excessive exposure concentration, poor management of interest and exchange risks and inadequacies in the management of connected exposures, consequently resulting in potential insolvency and financial instability.

1.7 SUMMARY OF METHODOLOGY

The panel and descriptive cross-sectional survey design was employed in organizing the subjects for the study. This flexible but perhaps quite thorny variegated mixed design was adopted since solely qualitative methods may present some challenges to varied banking institutions and enterprises with exclusively unique governance structures. It must be noted therefore that the choice of the design is not to do with the ostensibly world views about the best and finest approach but to serve as a canal and in essence the need to engage in profound elucidation of governance and performance issues among both public and non-public sector banking firms. The study's sampling frame consisted of all universal banks operating in the

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county. The results of operations of the companies over the period of 2008 and 2013 fiscal year were used in the study. This period was particularly interesting not only because of its beginning commonly described as the worst financial crisis since the Great Depression of the 1930s (Brunnermeier, 2009) but much essentially the historic oil find in the country requiring some legal and regulatory changes compelling many of these firms to revise and reposition themselves, coupled with stiff competitions emerging from new banking and financial entrants.

Panel data was adopted because it combines time series and cross-sectional data. The sample determination of the study was a compromise between the need for an adequately large sample and the requirement for detailed information which otherwise suggested that the sample should be fairly small. Data was obtained through both primary and archival cross-sectional sources for six fiscal years. Whereas the primary data was collected through the administration of standardized questionnaires and semi-structured interviews, the secondary data was on the other gathered from governance structure and the ex-post factor variables of standard performance indicators including Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), and Fees operating Income (FEEOP). These were extracted from published annual reports, legislative instruments, financial reports as well as other relevant official documents of the respective banks. In all, a total of 23 board members and directors were judgmentally purposively drawn from the collection of fourteen banks selected for the study.

With the aid of Statistical Package for the Social Sciences (SPSS), Microsoft Excel and Stata Software, data was coded and analyzed using descriptive and inferential statistics. The General Method of Moments (GMM) and Fixed Effects and Random Effects multiple

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regression, ANOVA and correlational analyses were conducted with tests of propositions determining the level of statistical significance between variables.

1.8 STUDY AND CHAPTER DISPOSITIONS

The study is structured and organised in five main chapters. Chapter one examines the introduction where thorough background and contextual layout is set for the study. In this chapter, the problem statement is defined, the study aims and objectives outlined with the research questions and hypotheses formulated. Chapter two discusses the literature. Here, the theoretical frameworks on which the work is grounded are explored, the related and empirical scholarly works of the topic domain is thoroughly placed, with diagrammatic view of the research framework specifications adopted for the study depicted. In chapter three, the study captures the methodology where the processes through which the study are conducted is outlined. This chapter describes the population and sample selection, it explains the research design, the instruments used in gathering and measuring data, the procedure employed in the research process as well as profile of the study area and proposed data analyses. The empirical results are presented and discussed in chapter four. The first section consists of the summary of the demographic characteristics of the sample whilst the second component presents the inferential results and discussion of findings. The final chapter concludes with a summary and study limitations with appropriate recommendations and directions for future research highlighted.

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CHAPTER TWO

LITERATURE REVIEW

This chapter reviews literature. It examines corporate governance practices in Africa, theoretical frameworks espoused and formulated to explain corporate governance mechanisms as well as related studies where scholarly works and empirical evidences conducted by earlier researchers in the topic area are explored. The chapter concludes with a pictorial description of the conceptual and hypothesized model advanced to explain the various variables explored in the study.

2.1 CORPORATE GOVERNANCE IN AFRICA

According to Armstrong (2003), there is widespread recognition and understanding that corporate governance contributes to economic fortunes of corporations (listed and non-listed firms as well as state run enterprises) and to their long-term efficiency and sustainability. Accordingly, Rossouw (2005) observed that the drive toward corporate governance in Africa has been fuelled by a number of factors. Rossouw (2005) noted that good corporate governance may enhance not only corporate responsibility but improve the reputation of companies, resulting into attracting both local and foreign investors. Good corporate governance is also seen as a deterrent to unethical business practices and corruption that destroy business image in Africa. Thus, Armstrong remarked that the market discipline and transparency good corporate governance yields further drive the need for good governance in Africa.

According to Rossouw (2005), there are many obstacles in Africa that impede and frustrate the quest for good corporate governance. Notable among these restraining forces are the lack of sound and effective regulatory and institutional frameworks and policies that can ensure the execution of good corporate governance standards. According to him, the

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exceptions here are the Francophone countries, South Africa and Mauritius where a substantial progress has been made in this regard. Thus, the lack of transparency and market discipline in many parts of Africa without a sound regulatory environment is a major deficiency that deters privately owned companies from listing on the stock exchanges. Armstrong (2003) noted that these entities are concerned with the fact that the greater scrutiny of their corporate activities and the disclosure demands that is inextricably linked with being listed can be exploited by the state and rival competitors. Accordingly, there are no satisfactory reasons for SMEs to join the few listed corporations and entering the field where good corporate governance standards are required and upheld.

Furthermore, Rossouw (2005) adduced that public and state-owned enterprises are mostly marked with poor example of good governance practices since their boards do not display either the independence or the significant proficiency and competence required for good governance. Rossouw (2005) stressed that not only boards of state-owned companies are inappropriately structured but that senior management appointments are state made and mainly on pure political grounds. Armstrong (2003) strongly noted that the denationalization and privatization of SOEs is also not the fairy-tale solution as was once alleged to be in the so-called structural adjustment programs of the International Monetary Fund. Thus, merely privatizing a company within the above contextual description will only perpetuate poor governance practices in the private enterprise domain.

Nevertheless, Rossouw (2005) underscored that the solution could rather be linked to the corporate governance reform within SOEs so that a standard can be fashioned of state-run entities where the concept of good corporate governance is being practiced. He further noted that this has precisely started to materialize in Africa with SOEs gradually being incorporated in the scope of corporate governance reforms, hence they can undeniably

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become one of the more promising facilitators of good governance. Rossouw (2005) outlined the banking sector, development finance institutions, and institutional investors as other role players that can and have started playing meaningful roles in corporate governance reforms. With regard to corporate governance in Africa, the Organization for Economic Cooperation and Development (OECD), Commonwealth Association for Corporate Governance (CACG), United Nations Development Program (UNDP), International Monetary Fund, the World Bank, etc., have all had diverse initiatives and contributed enormously in raising awareness and expertise. The Pan-African Consultative Forum on Corporate Governance (PACFCG) is also performing a very key function in harmonizing and stimulating corporate governance reform on the continent.

Rossouw (2005) particularly revealed that among the most promising developments and initiatives to develop national codes of corporate governance, they are often championed by the private sector and professional bodies. Private institutions and organizations such as institutes of directors or professional bodies, outstandingly associations of accountants are often in the fore-front along with other vibrant stakeholder groups of developing standards of good governance that are recommended to the local business community. In developing such codes, recognition is taken of corporate governance practices and advancements elsewhere on the continent and across the globe. Rossouw (2005) outlined The OECD *Principles of Corporate Governance* (1999), the Commonwealth Association for Corporate Governance (CACG) *Principles for Corporate Governance* (1999), and either the first or second *King Report on Corporate Governance for South Africa* (Institute of Directors of South Africa [IoD], 1994, 2002) are the three codes of corporate governance that are essentially cited and explicitly acknowledged as key drivers on the development of such national codes of corporate governance.

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Rossouw (2005) emphasized that these national codes of corporate governance tend to over time spill their way in an evolutionary manner into listing requirements of stock exchanges, rules of professional bodies, and also into legislation—thus effecting corporate governance reform through the bottom up process. To the researcher, an ample of such national codes of corporate governance have already been produced, mainly in the Anglophone bloc in Africa. It is in these codes that business ethics is explicitly addressed. Few among the many African nations that already produced and have published national codes of corporate governance counts include Ghana, Kenya, Malawi, Mauritius, Nigeria, South Africa, Tanzania, Uganda, Zimbabwe and Zambia. In a number of other countries such as Egypt, Morocco, Botswana and Sierra Leone, similar codes are in the process of being developed.

Table 2.1.1: ***Catalogue of some National Corporate Governance Codes in Africa***

Country	**National Codes and corporate governance counts**	**Year**
Kenya	Private Sector Corporate Governance Trust [PSCGT]	1999
Ghana	Manual on Corporate Governance in Ghana	2000
Tanzania	Steering Committee on Corporate Governance in Tanzania	2000
Zambia	Institute of Directors of Zambia	2000
Malawi	Corporate Governance Task Force	2001
South Africa	Institute of Directors of South Africa	1994, 2002
Mauritius	Report on Corporate Governance for Mauritius	2003
Nigeria	Code of Corporate Governance in Nigeria	2003
Uganda	Manual on Corporate Governance and Codes of Conduct	n.d
Zimbabwe	Principles for Corporate Governance in Zimbabwe	n.d

Source: Compiled from Rossouw (2005)

According to Rossouw (2005), whilst all the aforementioned national codes emphasized the ethical nature of good corporate governance, special emphasis is attached to the fact that good governance dwells on a number of cardinal ethical values. Essential among these standards are the values of transparency, accountability, responsibility, and probity. These tenets therefore must pervade all facets of governance and be demonstrated in all choices of the board. The various aspects of governance including board composition and functioning, reporting, disclosure and risk management, are regarded very instrumental in achieving these fundamental tenets of good governance. Besides these underlying values of corporate

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governance, boards are expected to obey some other specific moral obligations. Boards are expected to ensure and esteem high ethical standards that protects and enhances the reputation of the firm as well as respecting the rights of all shareholders, but particularly those of minority shareholders. In tandem with the inclusive model of governance that prevails in Africa, the obligation to protect the human and other rights of all stakeholders enjoys prominence. Cultural or ethnic minorities, women, and children are key stakeholders that are singled out for special protection.

2.2 THEORETICAL FRAMEWORK

Scholars from the disciplines of finance (Fama, 1980), economics (Jensen & Meckling, 1976; Tirole, 2001), law (Richards & Stearn, 1999), sociology (Useem, 1984), strategic management (Boyd, 1995) and organization theory (Johnson, 1997) have all made key contributions to the corporate governance literature. From these diverse disciplines, many dominant theoretical perspectives and theories including the agency theory, stewardship theory, resource dependence theory, institutional theory, social network theory and stakeholder theory, have emerged in the governance literature. Each one of these theories and schools of thought approaches the subject from different lenses. For the purpose of this study, agency, the stewardship and resource dependence theories appear to be the most leading paths hence are reviewed. According to Nicholson and Kiel (2003), the shared goal of many of the theoretical perspectives of corporate governance has been to establish a bond between various characteristic features of the board - board size, proportion of outside independent directors, CEO duality and interlocks and corporate performance.

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2.2.1 Agency Theory

According to Hermalin and Weisbach (2000), the agency theory has been a dominant approach in the economics and finance literature. The agency theory, concerned with aligning the desires and interests of shareholders and managers (Eisenhardt, 1989; Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976) is premised and anchored on the assumption that there is an inherent conflict between the interests of management and the shareholders and owners of a firm (Fama & Jensen, 1983). Thus, the theory is conceptualized on the principle of separating ownership from control. To Fama and Jensen (1983), the clear inference for corporate governance from the orientation of the agency theory is that satisfactory monitoring, efficient and control mechanisms ought to be upheld in guarding and protecting the firm's owners from management's conflict of interest – the so-called agency costs of modern capitalism.

The theory endorses the view that an individual is driven by parochial, self-centred and self-opportunistic and non-altruistic and humane goals. The agents and managers entrusted with the control functions of the organization may not at all times act in the best interest of the principal owners. Rather, they may be driven by the pursuant of self-interests to the detriment of the welfare of their constituents (Akhalumeh, Ohiokha & Ohiokha, 2011). This understanding seems to be endorsed by Cabraal (2007) that "many are the instances where market participants, especially those driven by short term self-interest, look for regulatory loopholes and lacuna to further their interest without being unduly bothered by the underlying prudence of their actions" (p. 2). In principle, the agency theory promotes the normative position that emphasizes that corporate boards should compose of majority of outside independent representatives and that the role and functions of chairman and CEO should be performed by different individuals (Bosch, 1995; Committee on the Financial

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Aspects of Corporate Governance, 1992; OECD, 1999; Toronto Stock Exchange Committee, 1994).

The drive of the theory is that performance is enhanced and the interest of the principals is mainly protected when the compositions of the boards are dominated by non-dependent directors who are not only able to monitor self-interest actions of management (Kaymak & Bektas, 2008; Rashid, 2011) but to ensure that management operates within the scope of entrenched guidelines. In addition, the theory advocates that CEO duality diminishes the monitoring role of the boards over the executive, thereby consequently having a negative impact on corporate performance. Kang and Zardkoohi (2005) and Elsayed (2007) added that CEO dualism reduces firm performance because of CEO entrenchment and a weakening board freedom.

2.2.2 Stewardship Theory

The stewardship theory in contrast adopts a more humanist and optimistic view of humans. Unlike the agency theory, the stewards believe that management may not be self-interested, driven and motivated by individual goals but would be inspired to work in the interest of the shareholder. The proponents of this school contend that inside and dependent boards of directors are the best agents who work to maximize firm performance and profit for shareholders than the outsider independent boards (Akhalumeh, Ohiokha & Ohiokha, 2011). The theory emphasizes that since inside directors understand the dynamics of the business they govern, they are better informed hence can make superior decisions than independent and outside directors (Donaldson, 1990; Donaldson & Davis, 1991).

The theory further argues that firm managers and executives are essentially reliable and trustworthy agents and therefore good custodians of the resources entrusted to them

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(Donaldson,1990; Donaldson & Davis, 1991; 1994) hence the tendency of major agency costs is diminished (Donaldson & Preston, 1995). From the perspective of the stewardship theorists, for dread of endangering their reputes, senior executives and managers will seldom work to the disadvantage and desires of firm owners (Donaldson & Davis, 1994). Apart from arguing for the boards to be composed of a significant majority of inside directors in ensuring timely, a more effective, efficient and quickened decision making, the theory essentially calls for CEO duality (Luan & Tang, 2007; Ong & Lee, 2000; Rashid, 2011) which Donaldson and Davis (1991) observed to be a clear leadership that serves as positive force to promote healthy corporate performance.

While isolated findings can be found to support the predictions and the relationships between both agency theory and stewardship theory, for example, the proportion of outside independent board of directors or CEO dualism and firm performance, a meta-analysis of board composition and board leadership structure and their relationships with corporate performance produced no substantive and functional relationship between board composition and corporate performance (Dalton, Daily, Ellstrand & Johnson, 1998). In a similar meta-analysis from other studies, Rhoades, Rechner and Sundaramurthy (2000) concluded that board composition, or more precisely the proportion of outside directors had a positive but very small and negligible liaison with firm performance. To this end, many researchers including Barnhart, Marr and Rosenstein (1994), Dalton et al (1998), Dalton, Daily, Johnson and Ellstrand (1999) and Johnson, Daily and Ellstrand (1996) concede that, overall there is a common lack and dearth of consistent evidence of any substantial relationship between the composition of boards of directors and corporate performance.

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2.2.3 Resource Dependence Theory

In addition to corporate governance literature and studies of board composition, the sociological perspective focused on the study of interlocking directorates and their implication for institutional and societal power (Pettigrew, 1992). Utilizing the network analysis, researchers dwell on the social webs in which firms and organizations are enmeshed and the prominence of these networks for power within society (Scott, 2007). According to Pfeffer (1972) and Pfeffer and Salancik (1978), such investigations assume the foundation of the resource dependence theory, which stipulates that an indispensable bond between the firm and the external resources that an organization requires to maximize its performance is the board. According to this theory, with reference to knowledge, contact with the business world, source of capital, new markets and rival competitors, the board is a key strategic resource for the firm. Thus, increased diversification on the board is an outright significant strength for firm performance (Eklund, Palmberg & Wiberg, 2009)

Nicholson and Kiel (2003) point that the key criticism leveled against the resource dependence theory is that empirical and scientific results can be interpreted in lieu of the researcher's paradigm. Whether the study is based on the class based theory or resource dependence theory, Pettigrew (1992) remarked that the empirical outcomes may be used to offer two different theoretical interpretations. Additionally, following its exclusive focus on links to the external environment, the resource dependence theory is said to overlook other plausible alternative functions of the board including strategizing (Kesner & Johnson, 1990), offering advice (Lorsch & MacIver, 1989; Westphal, 1999) as well as monitoring the performance of management and the management at large (Bainbridge, 1993; Fama, 1980; Johnson, et al., 1996).

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2.3 RELATED EMPIRICAL STUDIES

Even though, there is an enormous and expansive literature on the impact governance and management structure has on the performance of corporations, the literature continues to beg in establishing consistency with respect to the overall impact on the firm. While empirical governance studies generally begin with the impact of large, institutional shareholders on performance and value among firms (Shleifer & Vishny, 1986), many more recent studies are directly consuming the issue of board composition and delivery. Some empirical studies tend to support the agency theory that find companies with more independent directors restructure the firm more aggressively following poor performance, and therefore promote growth (Perry & Shivdasani, 2005). The question that begs for answer however is that does the firm has to first of all suffer poor delivering goals? The literature therefore lives much to be desired since some firms fluctuate between success and failure, others repeatedly fail to achieve results whilst many others with effective strategies on the contrary continually meet desired goals.

2.3.1 Governance Mechanisms and Firm Performance

A firm with multiple ownership may result in corporate governance problems. The desire of the owners and investors is to ensure that the professional managers run the company in line with best interests of its owners, working with the greatest and ultimate possible proficiency that eventually promotes the added economic cost of the firm and the good of its stockholders (Vitaliy, 2002, cited in Rehman & Hussain, 2013). According to Rehman and et al (2013), a good governance system ensures high turnover rates and high profitability ratio. However, if a firm has a multiple ownership, it may result in corporate governance problems. Rehman et al (2013) noted that the major consequences of poor corporate governance practices, which today persist in transitional economies are low utilization of

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employed resources - due to inappropriate motivation systems, underdeveloped trust, poor control and accountability system, etc. This comes with its attendant consequences of inability of the organisation to woo investment. Implementation and enforcement of proper corporate governance practices, according to Khiari, Karaa, and Omri (2007) is vital for enhancing the development of firms and the long-term prosperity of firms and the economies at large.

Corporate governance has become an important issue in emerging European countries in recent years, but is still widely unknown in many other countries (Ganescu & Gangone, 2012). In many evolving economies, the concept of corporate governance remains a controversial subject in terms of conceptual basis, features, efficiency and prospects (Kuznetsov & Kuznetsova, 2009), highlighting the importance of good corporate governance, which according to McGee (2008) should result in the growth in share price in attracting capital. Bad governance is increasingly being regarded as one of the fundamental causes of all evils in our societies (Shil, 2008). However, good corporate governance in a corporate set up leads to legitimate maximization of shareholder wealth in responsible ethical and sustainable manner, whilst ensuring fairness and transparency to all stakeholders – customers, investors, employees, government, the community, etc., (Murthy, 2006). The adoption of responsible corporate governance practices is considered a voluntary act of organizations (Anand, Milne, & Purda, 2006), aiding them to generate economic, social and environmental feats. According to this notion, to guarantee long-term sustainability best practices in corporate governance demand vision, methods and configurations.

Providing further empirical support for CG, Huang (2010) examined the effects of ownership and board structure on bank performance using a sample of 41 commercial banks in Taiwan. Findings revealed that board size, family owned shares and number of outside

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directors, are positively associated with bank performance, although the number of supervisory directors has a negative influence on performance. Al-Hussein and Johnson (2009) explored the nexus between CG efficiency and Saudi banks' performance. The results, whilst establishing a strong relationship between the efficiency of CG structure and bank performance, which was explained to reflect a positive impact of CG practices on performance, also concluded that the relationships between the efficiency of CG structure and bank performance of government and local ownership groups are not significant. In the same year, Chalhoub (2009) examined the relations between dimensions of CG and corporate performance of Lebanese banks. The results yielded a significant relationships between performance and five dimensions of CG comprising governance as daily practice: governance literacy, accountability, transparency, shareholder participation in governance, and code of ethics. However, the study found insignificant correlation between performance and three dimensions of CG, including: governance training, transparency, and shareholder input in decisions.

In an empirical analysis of the relationship between firm value and total Corporate Governance Index (CGI) and three sub-indices (Shareholdings, Board and Ownership, and Transparency and Disclosures) in Pakistan, the result of Javed and Iqbal (2007) reflects that corporate governance and firm value are interrelated. In the same country, Ibrahim, Rehman, and Raoof (2010) examined the relationship between firm performance and total corporate governance in the chemical and pharmaceutical industry. Findings held that that there is a significant impact of corporate governance on ROE, while having an insignificant influence on ROA. According to the authors, whatever the impact is, the study conclusively reflects a bond between corporate governance and firm performance. However, Toudas and Karathanassis (2007) found that there is a negative correlation between corporate governance index and the market value of the firm.

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Ongore and K'Obonyo (2011) examined the interrelations among ownership, board and manager characteristics and firm performance in a sample of 54 listed firms at the Nairobi Stock Exchange (NSE). Governance characteristics adopted to minimize agency problems between principals and agents were operationalized in terms of ownership concentration, ownership identity, board effectiveness and managerial discretion. The typical ownership identities at the NSE include government, institutional, foreign, manager and diverse ownership forms. Using the PPMC, logistic and stepwise regression analyses, the authors present evidence of significant positive relationship between foreign, insider, institutional and diverse ownership forms, and managerial discretion and firm performance. However, there was a significant negative connection between ownership concentration and government, and firm performance. In particular, the role of boards was found to be of very little value, attributed mainly to non-adherence to board member selection criteria. Performance was measured using Return on Assets (ROA), Return on Equity (ROE) and Dividend Yield (DY). Ongore and K'Obonyo (2011) argued that the Board alone is not a panacea to all the governance problems afflicting modern corporations. To better appreciate the corporate governance issues, the researchers urge firms to take into consideration the risk-taking orientations of their shareholders since they have direct bearings on the type of investment decisions that firm managers desire. They emphasized that managerial discretion is critical and essential for novelty and creativity, which ultimately translates to firm performance.

A more recent study by Hussein and Hassan (2012) investigated the effects of corporate governance on performance and financial distress amongst UAE national banks. The modified CG questionnaire covered disclosure and transparency, executive compensation, relationship with shareholders, governance structure, policies and compliance, relationship with stakeholders, and board of directors. Findings suggest that there is a significant

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positive relationship between CG practices of UAE national banks and disclosure and transparency, shareholders' interests, stakeholders' interests, and the role of the board of directors. Furthermore, findings indicate that there is an insignificant positive relationship between CG practices of UAE national banks and performance level, and that there is a significant positive relationship between financial distress and CG practices of UAE national banks. Finally, the study found that there is no significant difference in the level of CG practices between the UAE's national conventional banks and its Islamic banks. Findings however indicate that UAE banks are aware of the importance of disclosure transparency, executive compensation, the relationship with shareholders and stakeholders, and the role of the board of directors. Also corporate governance practices of UAE national banks were reported to be acceptable.

Hypothesis 1: *There is a significant positive relationship between corporate governance and firm performance in Ghana*

2.3.2 Board Independent Representations and Firm Performance

Following his analysis of five board functions, Petra (2005) concluded that external, independent directors than many others promote the worth of the organization. Helland and Sykuta (2005) on the other hand observed that companies with lesser independent board compositions experience significantly higher rates of shareholder law charges. The researchers therefore concluded that sovereign and independent panels effectively monitor the progress and management of the firm and represent shareholders well. Besides, Bhorjraj and Sengupta (2003) also indicated that compared to robust and external independent directors, firms with weak, internal directors have higher rates on new bond issues and firm risks.

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While the above scholarly works support the impression that independent directors add value, several other studies find little or no pathways between board composition and firm importance. Fich and Shivdasani (2006) produced that independent directors serving on multiple boards decrease the value and growth of the firm. This remarkably is in contrast to the observation of Ferris, Jagannathan and Pritchard (2003) who found that directors on many boards do not shirk and evade responsibilities nor detract from organizational value. Bhagat and Black (2002) along with Hermalin and Weisbach (2003) as well as Finegold, Benson, and Hecht (2007) found little or no relationship between board composition and firm performance.

Bozec (2005), significantly concludes that challenging and competitive business environment helps the board to be more effective, whereas board composition and structure in non-competitive field does not express any relationship to firm performance. It is very significant to note however that, the firm's vision coupled with how it is strategically conducted in response to the internal and external pressures and prospects and especially with regard to how management and the boards are better informed to direct affairs would determine the extent to which targets are met. It is about the quality of the process, exclusively how the board under leadership of the chair critically examines the essence of propositions, acknowledges, builds, and ultimately converges on issues, is what creates the difference.

Yermack's (1996) seminal paper presented evidence of a negative effect of board size on performance, an outcome which has been consequently chronicled by many other scholars. However, Coles, Daniel and Naveen (2008) found a rather U-shaped relationship between board size and performance. Following their explanation, the researchers argued that smaller and simpler firms require a reduced number of directors (and of outsiders) compared to the larger firms, while R&D intensively focused firms were proposed to better make extensive

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use of insider directors. Klein (1998) earlier showed that there was no definite relationship between board composition and corporate performance. Looking at the peculiar role covered by directors in committees (i.e. finance committee, investment committee) however, Menozzi, Urtiaga and Vannoni (2010) observed the emergence of a positive direction between inside directors and performance.

2.3.3 Political Connectedness and Firm Performance

The topic increasingly calling for attention in recent times especially among developing nations relates to the presence of politicians on the governing board of directors. Accordingly, Agrawal and Knoeber (2001) and Faccio (2006) for instance maintained that, explicitly put in relation to firm performance, politically connected directors do not necessarily promote the good of the firm. The authors, particularly Agrawal et al (2001) validate their findings that outsiders have an adverse consequence on firm value. They suggested that boards that are expanded for political reasons often result in too many outsiders on the board. Prevalent in larger firms, where politics were more important, or in companies affected by the political mechanism through government purchases, trade policy, and environmental regulation and where lobbying was normally exerted, were found to be politically matured and experienced directors. Williamson (2007), further provided an observed disparity between the efficacies of boards as it is predicted in theory and actual practice where such boards are always indeed incapacitated in exercising their monitoring and advising roles.

Using a large sample of 20,000 firms in 47 countries, Faccio (2006) on the contrary showed that corporate value was increasing after a top officer including the Chief Executive, director, or a huge shareholder aligns himself to politics. In a similar spree, Goldman, Rocholl and So (2009), who worked on a sample of major US companies observed in the

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period between 1996 and 2000, and hammered support for the fact that political networks do add value to firm performance. Again, Niessen and Ruenzi (2009) assessed a sample of 605 German public companies and concluded that politically aligned firms were recording better accounting in stock market performance outcomes. Besides, Bertrand, Kramarz, Schoar, Thesmar (2004), using a data set of corporations listed on the Paris Stock Exchange covering the period of 1992 and 2003, found that although with pure private sector background, such firms were slightly more profitable than firms ran by politically affiliated individuals (CEOs) although they were not over performing their industries.

According to Menozzi, Urtiaga and Vannoni (2010), although the findings above are not directly comparable, the bulk of the evidence signals a progressive effect of political affinity to firm's value, delivery and overall performance. Faccio (2009), later found that compared to their non-connected counterparts, politically attached firms had higher leverage and were filing lower tax returns as well as exhibiting poor accounting performances. Faccio probably attributed this latter results to the ex-ante low performance of firms prior to connection, i.e. that political connections increased the value of poorly performing firms. In addition, Cingano and Pinotti (2009) investigated the impact of political connections on performance for a sample of 1200 Italian private firms. Measuring political connection by matching information on individuals appointed in local governments as mayors, member of the local councils and of the executive cabinets with data on firms' employees, political connection was found to be associated with a revenue premium, especially for the upstream producers. In a sharp contrast, Fan, Wong and Zhang (2007) analyzed 790 new partially privatized firms in China, revealing that firms with politically connected chief executives (CEOs) were under-performing their unconnected peers. In addition, Boubakri, Cosset and Saffar (2008) on the other hand examined a sample of 245 privatized firms observed in 41 different

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countries over the period 1980-2002, and established an adverse and negative connection across political connectedness and accounting performance.

Moreover, Rashid, De Zoysa, Lodh, and Rudkin (2010) examined the influence of corporate board composition on firm economic performance. The observation of 274 Bangladeshi firm years' examined the relationship among composition of board memberships including independent directors and firm performance. The linear regression analysis discovered that outsider independent directors do not enhance potential value of the firm's fiscal performance. The researchers emphasized that, although the concept of the introduction of such independent non-executive board of directors may enhance superior transparency, becoming fundamental especially to the institutional and cultural variations in an embryonic economy, it still does not yield any economic cost to the firms. The findings offer discernment to the regulators in their pursuit for synchronization of international corporate governance practices.

The corporate governance literature (Hermalin & Weisbach, 2003; Petra, 2005) argues the extent to which board composition in the form of representation of outside independent directors may add any economic gains to the firm. Beasley (1996), for example found a positive impact from assigning outside independent directors onto boards. Fernandes (2005), stated that unlike firms with executive directors, organizations with non-executive boards encounter less agency problems with healthier alignment of shareholders and managers' desires. Nevertheless, Kesner, Victor and Lamont (1986) earlier documented that, whereas independent directors do not involve in unlawful acts, outside independent directors cannot work to diminish a corporation's illegitimate deeds.

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The empirical evidence of outside independent board compositions and firm deliverable produced mixed and conflicting results. For instance, Beasley (1996) found that the presence of independent directors is linked with less likelihood of fraudulent schemes and acts in financial reports. In the same vein, Hermalin and Weisbach (2000) observed that the impact of boards composed of outside directors was quite strong and significant towards business performance. Much more importantly, Kang, Cheng and Gray (2007) emphasized that the presence of independent directors is considered to contribute positively to the supervisory and administrative functions and good organizational delivery.

Additionally, whilst some other studies including Tian and Lau (2001) and Luan and Tang (2007) found that having more outside independent board members improves firm economic performance, many more sources notably Dalton and Daily (1999); Davidson III and Rowe (2004); Fernandes (2005); and Cho and Kim (2007) could not establish any bond between board composition of outside independent directors and firm performance. Baysinger and Butler (1985), in response argued that these differences in findings may be attributed to various factors such as corporate law, internal capital structure, and managerial talents of the firm as well as the capital market conditions. Interestingly, Zahra and Pearce II (1989) ascribed such inconsistencies to the consideration of several contextual elements. These include life cycle, corporate strategy and effective interaction among board members in decision making. Following the high degree of miscellany of findings, Dalton and Daily (1999) described the outcomes of board composition and firm performance as ‘vexing’, ‘contradictory’, ‘mixed’ and ‘inconsistent’.

Yasser, Entebang, and Mansor (2011) asserted that there is a positive and significant relationship between ROE, board composition and audit committee; which evidences the significant connection between board composition and firm performance (ROE). The result

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of the study (Bhagat & Black, 1999) also found linkage between board composition and firm performance, but it shows negative relationship between the constructs. The study revealed that in large public companies with the variety of board compositions, there is no significant evidence that greater board independence leads to grander firm profitability. Furthermore, there is no empirical support for relationship that firms should have a majority of independent boards (with only one or two inside directors) for greater firm performance. In contrast, this study found some evidence and offered some possible explanations that firms having a majority of independent boards are less profitable than other firms. It suggests that firms should have a mix of dependent and independent directors because they would bring different skills and knowledge to the board that will ultimately lead to better corporate performance.

Furthermore, Shah, Butt and Saeed (2011) examined the relationship that exists between ownership structure and performance of the listed companies in an emerging South Asian market and found that a more independent and effective board of directors accelerates or boosts a firm's performance. Their result reflects the linkage between board composition and firm performance and evidences that independent board members are important because companies if adopt independent board, can improve firm performance. Rashid et al (2010), also explored the relationship between independent board composition and firm performance and discovered that independent boards of directors added value to the firm performance of Bangladeshi firms.

Examining the relationship between the composition of the board of trustees of a pension plan and several facets of performance, Harper (2008) tested a sample of US public sponsored pension plans, in particular the impact of outside or independent trustees. Findings indicate that, data from pension plans from fiscal years between 2001 and 2005

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showed no relationship between board composition and its characteristics and investment as measured by the excess fund return. Apart from the fact that board composition was revealed to be an essential determinant in plan funding status and asset allocation decisions, the selection and performance of distinct and individual managers was negatively related to ex-officio trustees and board terms and durations. In particular, investment manager excess returns produced positive relation to the aggregate of assets under management, raising questions of access and favouritism.

2.3.4 The Effect of Board Size on Firm Performance

There are two divergent schools of thoughts that explained the relationship between the size of a board and the performance of a firm. Whilst the first school argues that a smaller board size contributes better to the successes and fortunes of a firm (Jensen, 1993; Lipton & Lorsch, 1992; Yermack, 1996), the second school of thought conversely considers larger board size to enhance a firm's value (Coles, Daniel, & Naveen, 2008; Klein, 1998). From the latter school, Klein (1998), indicates that a large board will support and advise firm management more effectively because of an organizational culture and the complexity of business environment. Besides, a large board size appears to be better for firm performance as a result of being able to gather and possess greater collective information (Dalton et al., 1999, 2005; Lehn, Sukesh & Zhao, 2004).

Many studies examining the connection between board size and the effect on financial performance have asserted that board size and financial performance are negatively correlated. The reason advanced for this, according to Sahin, Basfirinci and Ozsalin (2011) is that the problems of communication and coordination increase as the size of a group increases. The argument, according to Akhalumeh, Ohiokha and Ohiokha (2011) "is that large boards tend to be more diverse, more contentious, and more fragmented than small

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boards." (p.69). The authors therefore suggested that having small boards sizes can help promote firm performance since as has been suggested, as groups increase in size, they become less effective since co-ordination and process problem would outweigh the advantages gained by having people of diverse backgrounds (Siriwardhane, 2003).

Looking at the effects of duality, board size and board composition on corporate governance disclosure in Pakistan, Zaheer (2013) suggested that, there are least chances for the dominancy of the company's management if the board size is large. The findings of the study conducted among 53 listed companies of different sectors on Karachi Stock Exchange from 2007 to 2011 showed that whereas larger board size has positive effects on the level of corporate governance disclosure, CEO duality and board composition were not found to have any significant impact on level of disclosure. In the same vein, Barako, Hancock, and Izan (2006) also advanced that larger board size leads to higher disclosure level and there is positive relationship between size of the board and level of firm's disclosure. Moreover, Laksmana (2008) supports this orientation that larger board size brings diversity of expertise in handling financial and managerial terms in the boardroom. Other researchers (Goodstein, Gautam, & Boeker, 1994) earlier proposed that the inspiration of the board members' strategic decision making, is adversely hampered by larger board size which eventually produces negative association between disclosure and board size.

Moreover, de Andres and Vallelado (2008) examined corporate governance in banking using a sample of large international commercial banks. Using the two step system estimator econometric model to solve the well-known endogeneity problem in corporate governance literature, the study found an inverted U-shaped relationship between bank performance and board size, and between the proportion of non-executive directors and performance. The results, according to the researchers demonstrate that composition of bank boards and size

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are related to the ability of the directors to effectively monitor and advise management, and that larger and not excessively independent boards could prove more efficient in monitoring and advising functions, and create more value for firms. All these relations hold after controlling for the measure of performance, the weight of the banking industry in each country, bank ownership, and regulatory and institutional differences.

The documentation of negative relationship between board size and firm performance from the majority of US empirical studies led Hermalin and Weisbach (2003) to conclude that this relation is one of the prominent empirical regularities in the literature. Other US studies have found very similar results (e.g. Huther, 1997; Coles et al., 2008) with only two meta-analysis of Adams and Mehran (2005) and Dalton et al (1999) reporting a positive effect of board size on performance (Guest, 2009). Findings from other countries are not too different. In UK, Conyon and Peck (1998) studied 481 listed UK firms between 1992 and 1995 and obtained a significantly negative effect of board size on both market to book value and profitability, whilst Lasfer (2004) found a significantly negative impact on Tobin's Q. Beiner, Drobetz, Schmid, and Zimmermann (2006) observed no negative impact, Loderer and Peyer (2002) recorded a significantly negative impact on Tobin's Q in Switzerland. For Malaysian firms, Mak and Kusnadi (2005) and Haniffa and Hudaib (2006) reported a significantly negative impact of board size on Tobin's Q. Across 25 large Canadian firms, Bozec (2005) found that board size has a significantly negative effect on sales margin but not profitability, with Eisenberg, Sundgren, and Wells (1998) recording a negative relationship between board size and firm performance for small private firms in Finland.

Furthermore, a number of somewhat earlier empirical studies (Coles et al., 2008; Guest, 2008; & Linck, Netter, & Yang, 2008) have examined the determinants of board size. All the above studies established that board size is positively related to firm size, with a number

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of proxies used to measure complexity shown to positively influence board size, including financial leverage (Coles et al., 2008; Guest, 2008; & Linck et al., 2008), firm age (Boone, Field, Karpoff, & Raheja, 2007; Coles et al., 2008; Guest, 2008; & Linck et al., 2008), and industrial diversification (Boone et al., 2007; Coles et al., 2008; & Linck et al., 2008). In addition, whilst Al-Shammari and Al-Sultan (2009) also found a positive relationship between BS and firm performance, Al-Saidi (2010) later observed no relationship between BS and firm performance.

In fact, all these studies provide strong evidence that board size is influenced by firm specific variables with the ultimate aim of profit maximization. Coles et al (2008), indeed adduced evidence that larger firms, diversified firms, and many other firms that mainly rely on debt financing derive superior firm value from having larger boards. These findings, according to the Guest (2009) suggest that the impact of board size on performance may differ for different types of firms, with Dalton and Dalton (2005) concluding that larger boards are likelier to be allied with increased attendant of board diversity in terms of experience, skills, gender and nationality.

In banking studies, Adams et al (2003) established a positive relationship between BS and bank performance (Tobin's Q) amongst American bank-holding companies, arguing that larger bank boards increase management supervision and afford banks with more human capital and advice for managers. However, they obtained no significant relationship between bank performance and the proportion of NED, so was Praptiningsih (2010), who found no significant relationship between bank performance and non–executive directors amongst four Asian countries: Indonesia, Thailand, Philippines, and Malaysia. In Ghana, Kyereboah-Coleman and Biekpe (2006), examined 18 banks and found a positive connection between BS and firm performance but negative relationship between bank performance and non-

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executive directors, so was Bino and Tomar (2012) in Jordan. However, Al-Manaseer, Al-Hindawi, Al-Dahiyat, and Sartawi (2012) and Pathan, Skully, and Wickramanayake (2007) found a negative relationship between BS and firm performance but a positive relationship between bank performance and non-executive directors.

In a most recent finding, Al-Saidi and Al-Shammari (2013) examined the relationship between board composition and bank performance, using a sample of nine listed Kuwait banks over the 2006 to 2010 period. The OLS and two-stage-least squares (2SLS) analyses provide some evidence that board composition of banks relates to their performance. According to the OLS regression results, only board size and proportion of NEDs negatively affect bank performance (ROA). However, this relationship becomes insignificant based on market measure (Tobin's Q). Meanwhile, after controlling for endogeneity issues using 2SLS, the proportion of NEDs and BS become insignificantly negative in both measures, with only BS being significant on accounting measure. Whereas role duality positively affected bank performance based on market measure but insignificant on accounting measure, the presence of family directors were found to have no relationship with bank performance.

Hypothesis 2: *Board composition will have a significant positive effect on firm performance*

2.3.5 Board Diversity and Firm Performance

According to Lehman and Dufrene (2008) in Darmadi (2011), the cultural diversity and nationality of the management team and board of directors can escalate interpersonal conflicts (Cox, 1991) and multicultural stocks of communication. Oxelheim and Randoy (2003) on the other hand intimated that the presence of foreign nationals in the board structure is expected to bring competitive advantage for the firm. According to them, it

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breeds the existence of global network, more commitment and obligation to the needs of stakeholders, and streamlining of managerial entrenchment and that, with the increasing trends in globalization of business, foreign investors have the opportunity to buy more shares in the company.

Acknowledging the fact that board diversity is one key issue related to corporate governance, Vania and Supatmi (2014), attempted to examine the effect of board diversity towards the company value of financial institutions. Board diversity was measured by five variables; including women on the board, outside directors, competence in economics and business, nationality and age whereas company value was measured using Tobin's Q ratio. Research results from the financial institutions on the Indonesian Stock Exchange held that the more the outsider directors on board particularly the board of commissioner and his business competence, the higher the company value. On the contrary, when the companies have more young directors and women directors, the company value will be lower.

Vo and Phan (2013) explored the relationship between corporate governance and the performance of 77 listed firms trading over the period from 2006 to 2011 in Vietnam. Using the flexible generalized least squares (FGLS) technique, the findings indicate that elements of corporate governance such as the presence of female board members, the duality of the CEO, the compensation of board members and the working experience of board of the directors have positive effects on the performance of firms, as measured by ROA. However, board size was found to have a negative effect on the performance of firms. The study also presents that ownership of board members has a non-linear relationship with firm performance.

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Moreover, Darmadi (2011) also admitted that the presence of foreign nationals on the board can also globally add network and business relationships. Damardi added that companies with overseas ownerships are likely to have more diverse and heterogeneous boards composed of different nationals. Besides, the presence of foreign nationals on the board of directors can offer a considerable understanding of the market sphere, where it is especially associated with diverse supplier and customer demographics (Robinson & Dechant 1997 cited in Carter, Simkins & Simpson, 2003). Although many of these studies adduced that the presence of foreign nationals yield company value, latter research conducted by Darmadi (2011) in Indonesia found that company performance has no trace to diversity in nationality of board of directors.

According to Herrmann and Datta (2005), age can be considered as an alternative in identifying the level of experience and one's risk taking behaviour. Houle (1990) in Kang, et al (2007) stated that unlike the younger group, directors composed of the older age group do not only have more experience and maturity but usually have economic resources. Houle (1990) observed that whilst the middle age groups have a considerable role and are actively liable to the organization and the community, the younger age groups on the contrary have the oomph and determination to succeed with plans for the future. Levinson and Peskin (1981) in Santrock (1995) noted that the 34-50 years age range is not only the healthiest, the most composed, but can also control themselves, and are most responsible.

Likewise, Barker and Mueller (2002) found that older executives on the other hand tend to be less risk taking, while younger managers tend to have a higher ability to process new ideas (Cheng, Chan & Leung, 2010). The experienced and more wisdom older age boards with characteristically less risk taking attitude, learn from experiences and tend to be more cautious, hence promoting the growth of the firm. In addition, with the courage and the

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desire to succeed, the younger age group often attempts to conduct their duties as decent as possible so as to increase the company value. Besides, young board members who generally do not have enough aptitude and experience may degrade the company performance by their risk taking nature. Again, whereas Darmadi (2011) showed an existence of positive correspondence between board members less than 50 years with market performance, Cheng et al (2010), Kusumastuti, Supatmi, and Sastra (2007) on the other hand earlier argued that age has no effect on company value. One can therefore deduce from the foregoing that not only board member age but experience in the boardroom may serve as a significant factor in driving board performance in organizations. It is however significant to note that maturity or one's calendar age may not necessarily result in absolute experience. A psychologically older board member may ultimately be knowledgeable and more inclined to business acumen than a chronologically older member hence may contribute more to firm performance.

Hypothesis 3: *Board diversity will have a significant positive influence on firm performance*

2.3.6 Ownership Identity and Firm Performance

Cornett, Guo, Khaksari and Tehranian (2010), examined the impact of government ownership and involvement in a country's banking system on bank performance from 1989 through 2004. Findings held prior to 2001 that state-owned banks operated less profitably, held less core capital, and had greater credit risk than privately-owned banks with the differences more significant in those countries with greater government involvement and political corruption in the banking system. In addition, from 1997 to 2000, the 4-year period after the beginning of the Asian financial crisis, the deterioration in the cash flow returns, core capital, and credit quality of state-owned banks was significantly greater than that of

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privately-owned banks, especially for the countries that were hardest hit by the Asian crisis. However, in the post-crisis period of 2001–2004, state-owned banks closed the gap with privately-owned banks on cash flow returns, core capital, and nonperforming loans.

According to Fadzlan (2012), although studies on the potential benefit of foreign bank entry have been extensively explored, much is not known about which types of countries and circumstances under which foreign banks are at advantage to their domestic peers. The study investigated the extent to which the performance of multinational banks' foreign subsidiaries operating in the Indian banking sector is influenced by host country factors and to what extent by home country factors. The study used the whole gamut of multinational banks' foreign subsidiaries operating in the Indian banking sector during the period 2000-2008. Whilst the host country factors include subsidiary-specific characteristics, macroeconomic, and financial market conditions, the home country factors were outlined as parent-specific characteristics, macroeconomic conditions, and financial market conditions. Findings from the least square random effects model (REM) indicate that credit risk, overhead costs, income from nontraditional sources, and loans intensity contribute positively to the profitability of the foreign subsidiaries. The result, according to the author seems to suggest that the parent bank's branch networks exert positive influence on their foreign subsidiaries in India, while the size of the parent bank negatively influences the performance of their Indian subsidiaries.

Moreover, Lensink and Hermes (2004), observed that the entrance of foreign banks inspires domestic ones to improve their proficiency and increase the diversity and quality of financial services in order to preserve their market share. Claessens, Demirguc-Kunt and Huizinga (2001) argued that while foreign banks have higher overhead expenses, profitability and interest margins than domestic banks in developing countries, the reverse is true in

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developed nations. In contrast, they found that the rising presence of foreign banks comes with attendant reductions in profitability, non-interest income and overall expenses of domestic banks and that the pressure of competition from foreign banks leads to a positive efficiency effects on domestic banks. Investigating the impact of partial privatization on performance of state-owned banks using data from the Indian banking industry covering the period 1986-2003, findings of Sarkar and Sensarma (2010) showed that partial privatization results in substantial enhancement in the performance levels of state-owned banks.

To Claessens and van Horen (2012), the recent financial crisis has highlighted the risks associated with cross-border banking and foreign banks presence. With low levels of economic development and growth in developing countries, the financial system is underdeveloped and more inclined toward financial crises, which may have adverse effects on the performance of the subsidiaries of the multinational banks. On the other hand, foreign subsidiaries of the multinational banks from the relatively developed nations may benefit from the underdevelopment of the host country financial system. To help guide regulatory reforms, these developments have led to growing interests among policy makers and academicians for further analyses. Berger, Clarke, Cull, Klapper, and Udell (2005) earlier suggested that foreign-owned banks from developed nations in developing countries may have access to superior technologies for gathering and measuring "hard" quantitative information.

A growing body of empirical evidence has shown the superiority in performance of the foreign-owned banks in developing and transition economies, despite the poor performance of the foreign-owned banks in advanced and developed nations (Fadzlan, 2012). In India for example, foreign-owned banks were found to be relatively efficient compared to the domestically owned banks (Ataullah, Cockerill, & Le, 2004). Similarly, Sathye (2003) and

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Shanmugam and Das (2004) also suggested that the public and foreign-owned banks in India have exhibited higher level of efficiency compared to their private-owned bank peers. In Norway, Goldeng, Grunfeld, and Benito (2008) compared privately-owned and state-owned firms during the 1990s and observed that SOEs have worse performance accounts than POEs. Studying the Nigerian banking system using data on accounting measures of performance from 69 banks, Beck, Cull, and Afeikhena (2005) established that privatization leads to improved performance and fully privatized banks performed better than those banks with continued minority government ownerships. In Indonesia, Astami, Tower, Rusmin, and Neilson (2010) in the same vein considered 157 companies for the year 2006 and disclosed that fully government owned than privately owned enterprises have lower performance echelons.

In like manner, Otchere (2007) studied 56 privatized banks in various advanced nations and reported that denationalization improved the operating and stock market performance of these banks. Furthermore, Kerr, Qiu, and Rose (2008) also investigated the long-term performance of private IPO corporations in Australia and New Zealand and put forward that privatization has a pronounced effect on investment and market liquidity, hence those who ordinarily invest in such entities gain higher yields. In Hungary, Hasan and Marton (2003) observed that, compared to their domestic counterparts, banks with foreign ownerships have been relatively more profit efficient. Likewise in Czech and Poland, Weill (2003) recorded that domestic banks are relatively less profit efficient compared to foreign-owned counterparts. In Turkey, Isik and Hassan (2003) also suggested that foreign banks are significantly more efficient compared to their domestic peers. Employing data from a wide range of transition economies, Grigorian and Manole (2006) found that foreign ownership with controlling power and enterprise restructuring promote bank efficiency. Whilst suggesting that profitability declines with concentration in India, Koeva (2003) also

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discovered that ownership is not the key determinant of efficiency and profitability even though nationalized banks appear to be less profitable than the private and foreign-owned banks.

Furthermore, Sturm and Williams (2004) also observed that due to inferior scale efficiency, domestic banks are less input efficient than foreign banks, even though this does not translate into poorer profitability. Besides, Barth, Caprio, and Levine (2000) also underscored that greater state ownership of banks is associated with lower bank efficiency, lower productivity, less saving and borrowing, and slower and stunted growth. La Porta, Lopez-De-Silanes, and Shleifer (2002) also emphasized that state ownership has a depressing and detrimental impact on overall growth, suggesting a strong inverse relationship between the share of sector assets in state banks and the per capita income level of a country. Thus, Cornett, Guo, Khaksari, and Tehranian (2000) and Lang and So (2002) therefore concluded that privately owned banks have superior performance over the state-owned banks. On the contrary, whereas Berger, DeYoung, Genay, and Udell (2000) discovered that domestic banks have both higher cost efficiency and higher profit efficiency than foreign banks, having compared the performance of privatized firms to a matched set of 54 firms that remained state owned, Omran (2002) noted that the performance of SOEs also improves significantly during the post-privatization period hence privatized firms do not perform any better than SOEs. Bachiller (2009), interestingly affirmed this in a more recent findings during the examination of the effects of ownership on efficiency and discovered that the improvements in efficiency are not related to privatization amongst Spanish firms.

In Ghana, Bokpin (2013b) documented the effect of ownership structure and corporate governance on bank efficiency in the banking industry. Through panel data analysis, the

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study utilized both accounting data and efficiency measures from the period 1999-2007. Findings from the stochastic frontiers and regression analyses indicate that although not necessarily more profit-efficient, foreign banks are more cost-efficient than domestic banks. However, foreign banks than domestic banks are more profitable and enjoy better quality loans. Banks with inside ownership were reported to be overall non-profitable but maintained high loan quality with managerial ownership also linked to cost inefficiency. In addition, whereas larger board size strongly improved profit efficiency but slightly worsened banks' cost efficiency, capital adequacy ratio and bank size were both reported to be significant predictors of bank efficiency in Ghana.

From the review of large number of empirical literature on bank privatization, Megginson (2005) had the conclusion that private banks are usually more efficient than state-owned banks. He added that in the case of partial privatization however, the effects on performance is dependent on institutional, regulatory and governing frameworks. Examining the performance of privatized banks in Argentina during the 1990s, Berger et al (2005) did not only observe that privatized banks greatly outperformed state-owned banks but that moving from state-owned to private also improves the performance of individual banks. Thus, Dinç (2005) indicated that relative to private banks, state-owned banks during the 1990s increased their lending in election years in major emerging markets, and these actions are fuelled by political motivations other than differences between privately-owned banks and government-owned banks in efficiency and objective.

However, after examining 87 research studies, Vining and Boardman (1992) earlier concluded that only 28 articles had reported improvement of performance after privatization, hence privatization does not always lead to profit maximization. Aivazian, Ge, and Qiu (2005) nonetheless argued that even in the absence of privatization, corporate

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governance reform is possibly an effective tool through which the performance of state-owned enterprises can be improved.

> ***Hypothesis 4:*** *There is a significant difference in service delivery and performance amongst Ghanaian state-owned, private and foreign banks*

2.4: CONCEPTUAL FRAMEWORK OF GOVERNANCE AND PERFORMANCE

An Overview of the Key Variables

To understand corporate governance principles and financial performance variables in relation to banks, the major corporate governance pillars i.e. managerial discipline, financial and board transparency, board independence, accountability, responsibility, fairness/protection and social responsibility are dissected. Relating to the banks, service delivery and financial performance is also reviewed based on the performance dimensions of ROA, ROE, NIM and FEEOP. The significance or non-significance of executive duality, board member nationality, board member competence in economics and business fields and political attachments are essentially highlighted. These predictor variables although may one way or the other be essentially influenced by other moderating variables including board size, board member age, gender, they are believed to be driving the outcome variable "service delivery and performance". These are compressed in a conceptual framework shown in Figure 2.4.1 overleaf.

According to Nicholson and Kiel (2003), the shared goal of many of the theoretical perspectives of corporate governance has been to establish a bond between various characteristic features of the board - board size, proportion of outside independent directors, CEO duality and interlocks and corporate performance. Conceptualized on the principle of separating ownership from control, the agency theory emphasizes that corporate boards should be composed of majority of outside independent representatives and that the role and

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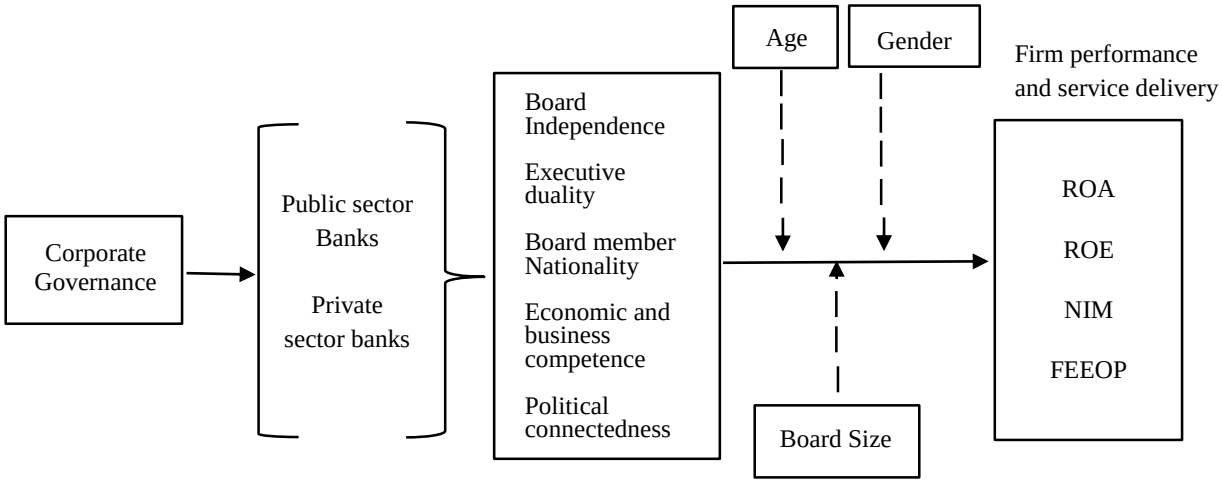
functions of the chairman of the board should be separated from that of the CEO (Bosch, 1995; Committee on the Financial Aspects of Corporate Governance, 1992; OECD, 1999; Toronto Stock Exchange Committee, 1994).

Figure 2.4.1: ***Hypothesized Governance and Firm Performance Framework***



Source: Author's construct

Apart from arguing for the boards to be composed of a significant majority of inside directors, the stewardship theory on the contrary essentially calls for CEO dualism (Luan & Tang, 2007; Ong & Lee, 2000; Rashid, 2011). Thus, Donaldson and Davis (1991) observed a clear leadership that serves as positive force promoting healthy corporate performance of the steward school. In essence, the proponents of this school contend that inside and dependent boards of directors are the best agents who work to maximize profit for shareholders (Akhalumeh, Ohiokha & Ohiokha, 2011). Emerging from these theories, this study as illustrated above, intertwine in its predictors: board dependence, size, diversity, etc., and moderating variables: age, gender and board size; how such key performance indicators are attained through the boards for the growth and survival of banks in Ghana. Driving the course of the study, the conceptual framework underscores that whether

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government or non-government, banks are essentially governed by spectacular diversity hence the need to explore how it affects their financial ratios.

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CHAPTER THREE

METHODOLOGY

This chapter describes the research design, the population and sample selection. It explains the choice and justification of the research design and the study approach, the instruments used in gathering and measuring data, the sources from where data was obtained, the procedure employed in the research process as well as the study area and data analysis.

3.1 RESEARCH DESIGN

The descriptive cross-sectional survey design was employed in organizing the subjects for the study. The results of operations of the companies over the period of 2008 and 2013 fiscal year was used in this study. Although scientific studies are largely influenced by two schools of thought; the post positivism quantitative and the constructive qualitative research methods, there are others who advocate for the mixed and hybrid methods emerging from the combinations of the polarised and diversified thoughts in a manner that the strength of one offsets the flaws and weaknesses of the other (Cameron & Molina-Azorin, 2010). Although corporate governance and performance variables are studied by either method, the literature revealed that most studies conceptualized the concept in a manner premised on qualitative research methodologies. The attempt to make for the lapses and defects inherent in the opposing method is often the reason mainly articulated for using quantitative tools and instruments in measuring the concept of corporate governance.

Addressing this challenge, the research accentuates the need for the QUAN-QUAL approach to assess the comprehensive and in-depth understanding of board members and senior level employees responsible for the growth and survival of the banks. The flexible but perhaps quite thorny, mixed and variegated design was adopted since solely qualitative methods may present some challenges to varied banking institutions and enterprises with

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exclusively unique governance structures. According to Creswell and Plano Clark (2007), the mixed methods research is a variant and triangulated multilevel model that employs different methodologies to address different levels within a system. Thus, it becomes an integral means of probing complex domains without imposing Western views whilst overlooking substantial cultural and contextual factors. It must be noted therefore that the choice of the design is not to do with the ostensible world views about the best and finest approach but to serve as a channel and in essence the need to engage in profound elucidation of governance and performance issues in the banking industry from multi-dimensional perspectives.

3.2 POPULATION AND SAMPLE SELECTION

The study examined the effects of corporate governance on service delivery and banking performance. **S**ince the compositions of most of these boards are known with relevant statistical information available, a homogeneous purposive sample of the boards and their members was developed. The sample determination of the study was a compromise between the need for an adequately large sample and the requirement for detailed information which otherwise suggests the use of a fairly small sample. Thus, the population for the study was restricted and narrowed to the various state owned and private sector boards and senior level management staff of commercial banks in Ghana. The results of operations of the companies over the period of 2008 and 2013 fiscal year was used for the study. This period was particularly interesting not only because of its beginning commonly described as the worst financial crisis since the Great Depression of the 1930s (Brunnermeier, 2009) but more essentially the historic oil find in the country requiring some legal and regulatory changes compelling many of the banking firms to revise and reposition themselves coupled with stiff challenges emerging from new banking and financial entrants.

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The study's sampling frame consisted of all universal banks operating in Ghana. A sample size of 14 banks was selected. Panel data was adopted because it combines time series and cross-sectional data. It is to be noted that the sample included only banks and no other financial companies, insurance firms and investment funds due to significant differences in the capital structures and operational requirements. Noting that the formats of annual reports and financial statements of all the banking firms are not similar, any missing data was not avoidable. Thus, firms missing some required data e.g. not publishing annual reports for more than a year were entirely excluded from the final sample of the study. In all, a total of fourteen banks were drawn through judgmental purposive sampling for the study. The banks selected for the survey included GCB Bank, The Agricultural Development Bank, The National Investment Bank, The Standard Chartered Bank, Ecobank Ghana Ltd, Fidelity Bank, HFC Bank, CAL and UT Bank, GT Bank, Zenith Bank, Prudential Bank, SG-SSB, and Unibank Ghana Ltd.

3.3 RESEARCH INSTRUMENTS/MEASURES

Although Corporate Governance measures, indexes and checklists have been developed by many scholars and organizations, according to Sami, Wang and Zhou (2009), measuring corporate governance is difficult since the construct mainly involves multiple dimensions and cannot be directly observed. Sami et al (2009) underscored that although there is no consensus for measuring corporate governance, literature advocates many diverse ways to proxy for the concept. Whereas Gompers, Ishii and Metrick (2003) for instance, created a 24-factor G-index to measure the concept of corporate governance, Brown and Caylor (2006a; 2006b) used 51 corporate governance provisions to construct a broader measure.

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In his unpublished work of corporate governance and stock market performance in Trinidad and Tobago, Varuna (2012) outlined the index developed by Ananchotikul (2008), the FTSE-ISS Corporate Governance Index (2005), the Gompers, et al (2003) index, the index constructed by Khanna, Kogan, & Krishna (2001), that of Klapper and Love (2002), etc., as indexes used in measuring corporate governance. According to Varuna (2012), whilst most of these are relevant only to the advanced and developed economies, this flaw is quickly being addressed, and that only the index constructed by Ananchotikul (2008) was specifically formulated for developing nations.

Khanna et al (2001) reported on several Corporate Governance Indexes and in particular the Credit Lyonnais Securities Asia (CLSA) Corporate Governance Index. The questionnaire used to formulate the index has seven dimensions including fiscal discipline, accounting transparency/disclosure, board independence, board accountability, responsibility, equitable treatment of shareholders and social awareness. Using the six components of the Worldscope as well as the CLSA questionnaire data, including management discipline, transparency, independence, accountability, responsibility, fairness, Klapper and Love (2002) also developed a 32 Corporate Governance Index.

Black, Hasung, and Woochang (2003a, 2003b) constructed a Corporate Governance Index with six sub-indices: shareholder rights, board of directors, outside directors, audit committee, internal auditor, disclosure to investors and ownership parity. According to Cornelius (2005), the FTSE and ISS have partnered to create a Corporate Governance Index, emphasizing five major aspects of Corporate Governance that firms should prepare for. The components include; compensation systems for executive and non-executive directors, executive and non-executive stock ownership, equity structure, structure and independence of the board and the independence and integrity of the audit process. Ananchotikul (2008)

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used a weighted average of the sub-indexes to create a composite Corporate Governance Index. The major aspects of Corporate Governance with their assigned weights are: board structure – 20%, board responsibility – 20%, conflict of interest – 25%, shareholder rights – 10%, disclosure and transparency – 25%.

However, most of these indexes in one way or the other have some inherent flaws and limitations. The limitation of the index of Khanna et al (2001) is its 30% reliance on analyst's opinion whilst 70% is based on facts. Although very well thought out and relevant, the FTSE ISS index is said to have a major defect for being constructed mainly for developed economies (Varuna, 2012). For Ananchotikul (2008), although her index uses only publicly available information and is favourable for judging firms on the appropriateness of their Corporate Governance structures, it may lead to inaccurate reportage or self-selection where only firms with good Corporate Governance structures are likely to report values (Varuna 2012). With that of Klapper et al (2002), since each of the components has overlapping parts, they are not studied as sub-indexes.

Overall, Varuna (2012) admitted that the Corporate Governance Indexes have some shared and common themes. She noted "shareholder rights" as being important in all cases with almost all the authors (Khanna et al, 2001; Black et al, 2003; Ananchotikul 2008; Gompers et al, 2003) having sub-components devoted to that dimension. Board of directors of a firm is another important focus of the corporate governance architecture. This, according to Varuna (2012) is shown in two ways: the emphasis on the structure of the board (Ananchotikul 2008, Black et al 2003, Cornelius, 2005, Khanna et al, 2001) and the emphasis on responsibilities of the board of directors (Ananchotikul 2008; Black et al, 2003; Cornelius, 2005; Khanna et al, 2001; Klapper & Love, 2002). Since it inspires shareholder

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confidence in the firm, transparency is also very key to a good Corporate Governance system (Ananchotikul, 2008; Black et al, 2003; Khanna et al, 2001; Klapper & Love, 2002).

Following the crash of the Arthur Andersen accounting firm in 2002, the audit process has been under stern and austere scrutiny, hence the audit committee performance is thereby seen to be another major element of Corporate Governance (Varuna, 2012). The Index by Black et al (2003) and the FTSE ISS Index include a sub dimension on the audit committee (Cornelius 2005) whilst Klapper and Love (2002) have a component titled 'accountability'. According to Varuna (2012), the literature points to these aspects of governance as the most important to the proper functioning of a firm hence central and dominant in constructing any Corporate Governance Index for any corporate entity and nation.

Unlike other empirical studies that examined the impact of a single dimension of corporate governance, such as ownership concentration and the separation of the chairman and the CEO of the board, to some extent, this study embraces both approaches in measuring corporate governance. Bai, Liu, Lu, Song and Zhang (2004) for instance used both internal and external dimensions. Whilst the internal dimensions include ownership structure, board of directors, executive compensation and financial disclosure; the external breadth captures such components as external takeover market, legal infrastructure, and product market competition. The study further extends the literature by using two other indicators: performance (NIM) and service delivery (FEEOP) measures which are yet to be used in the corporate governance literature.

According to Heinrich (2006), due to the variety of corporate governance systems around the world making international comparisons difficult, there is no ideal one size-fits-all rating system, hence systems should be tailor-made to meet the specific national requirements of

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the market, industry and company under review. In this study however, 32 of 57 questions in the CLSA questionnaire advanced and used by Klapper and Love (2004) and Dunerv and Kim (2005) whilst developing a Governance Index for emerging economies are adapted. As earlier stated, the instrument is a seven-dimension construct with 32 items. These sub-indexes include: managerial discipline, transparency, independence, accountability, responsibility, fairness/protection and social responsibility. The measure is anchored on a five-point Likert format, ranging from *Not at all Satisfied; Poor (NS) = 1, Slightly Satisfied; Needs improvement (SS) = 2, Satisfied; Meets requirements (S) = 3, Moderately Satisfied; Exceeds requirements (MS) = 4, to Very Satisfied; Outstanding (VS) = 5*. Using the split-half rule, higher scores indicates better corporate governance practices.

Data on all but one of the independent variables were collected from the annual reports of the responding preparer firms. Data on CG was collected directly from the respondents through self-administered questionnaires and interviews. Consistent with the Ghanaian context, nine governance attributes were examined in this study. Thus, we developed hypotheses on the relationship between bank performance and board composition characteristics – particularly, INEDs, BS, PA, and board diversity. Further, a binary scheme was used to denote the existence of CEO duality. All these dummy variables were coded '1" to indicate existence and '0' for otherwise nonexistence. The outcome variable 'service delivery and firm performance' on the other hand is studied and measured by different researchers using different measures. In this study, the construct was measured from the similar financial reporting perspective. In essence, the various indicators measuring financial performance in this study include: ROA, ROE, NIM and FEEOP. These ex-post factor variables were extracted from such sources as published annual reports, legislative instruments, and financial reports as well as other relevant official documents of the selected banks.

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According to Ongore and K'Obonyo (2011), "ROA measures how much profits a firm can achieve using one unit of assets. It helps to evaluate the result of managerial decisions on the use of assets which have been entrusted to them. ROE measures the earnings generated by shareholders' equity of a period of time, usually one year. It encompasses three main levers which management can utilize to ensure health of the firm: profitability; asset management; and financial leverage." (p. 110). According to Bektas (2014), "NIM is a measure of net interest margin and calculated by dividing net interest income to total earning assets. It is the interest income minus interest expenses divided by total earning assets" (p. 84-5). It is a performance metric that examines how successful a firm's investment choices and decisions are compared to its debt situations. A negative value denotes that the firm did not make an optimal decision, because interest expenses were greater than the amount of returns generated by investments. According to Lepetit, Nys, and Tarazi (2008), the FEEOP measures the ratio of net fees and commissions to net operating income.

3.3.1 Measurement of the control variables

To test the hypotheses, three additional variables often used in corporate governance studies were included in the regression model to control for other potential influences of bank performance. The first control variable is bank size (BSIZE) (Al-Shammari & Al-Sultan, 2009; Bhagat & Bolton, 2008; Haniffa & Hudaib, 2006) was measured by taking the natural logarithms i.e. log (base 10) of Total Assets. Short and Keasey (1999) suggested that larger firms can easily breed funds and make investments hence may create entry barriers that lead to improved performance and having a greater variety of capabilities (Majumdar & Chhibber, 1999) and having glitches of harmonization which may have adverse influence on performance (Williamson, 2007).

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The second control variable is leverage (debt ratio) (Aljifri & Moustafa, 2007; Haniffa & Hudaib, 2006). Consistent with the agency theory (Al-Saidi et al., 2013), debt financing may elevate pressure on firm management to perform well since it reduces the moral hazard behavior by reducing free cash flow at the disposal of managers (Al-Saidi et al., 2013; Jensen, 1986) which ultimately can influence firm performance (Rashid et al., 2010). Often considered to identify the impact on firm performance (Agrawal & Knoeber, 1996; Short & Keasey, 1999; Xu & Wang, 1999), it is measured as the ratio of Total Debts to Total Assets. The third and final control variable is firm age. According to Rashid et al (2010), the age of the firm can also influence firm performance, hence older firms are likely to achieve greater efficiency by reducing costs than younger firms (Ang, Cole, & Lin, 2000). The variable 'age' (LOGAGE) is operationalized in this study as the natural logarithm of years the firm was in existence.

Regression equation:

$$ROA_{it} = \beta0_{it} + \beta1_{it}(LSIZE) + \beta2_{it}(INEDs) + \beta3_{it}(PA) + \beta4_{it}(BSIZE) + \beta5_{it}(LAGE) + \beta6_{it}(LDEPT) + \varepsilon_{it} \quad \text{[eqn. 1]}$$

$$ROE_{it} = \beta0_{it} + \beta1_{it}(LSIZE) + \beta2_{it}(INEDs) + \beta3_{it}(PA) + \beta4_{it}(BSIZE) + \beta5_{it}(LAGE) + \beta6_{it}(LDEPT) + \varepsilon_{it} \quad \text{[eqn. 2]}$$

$$NIM_{it} = \beta0_{it} + \beta1_{it}(LSIZE) + \beta2_{it}(INEDs) + \beta3_{it}(PA) + \beta4_{it}(BSIZE) + \beta5_{it}(LAGE) + \beta6_{it}(LDEPT) + \varepsilon_{it} \quad \text{[eqn. 3]}$$

Where:

β = intercept or constant term
ε = random error term/stochastic error term

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Table 3.1: ***Parameters to be estimated in the regression model***

Variable	Interpretation	Measurement (GH₵)	Expected Signs
ROA	Return on assets	Earnings before interest and taxes/total assets for firm	+
ROE	Return on equity	Earnings after interest and taxes/total equity for firm	+
NIM	Net interest margin	Measure of net interest income divided by total earning assets.	+
BSIZE	Size of the board	(log of total board size) for firm	+
INEDS	Independent non-executive directors	Presence of Independent Non-executive directors	+
PA	Political attachment	Board Member Political Attachment	-
BSIZE	Size of the firm	log of total assets	-
LAGE	Age of the firm	(log of firm age)	+
LDEPT	Dept ratio of the firm	Total liability over total assets	-

Source: Survey data, 2015

The results of the analyses are presented and discussed in the next chapter.

3.3.2 Reliability Checks

Finally, the adapted instrument in measuring CG in this study was made up of nine dimensions. In detail, the new scale consists of board structure with six items; board discipline dimension consists of six items; board transparency has eight items; board independence consisting of seven items; board accountability with seven items; board fiscal responsibility having nine items; board responsibility - twenty-four; protection of minority shareholding with eleven items whereas social awareness has six items. In all, it consists 89 questions distributed over five responses. Reliability of the measure was assessed with the use of Cronbach's alpha as proposed by Kelton and Yang (2008). According to Selltiz, Wrightsman and Cook (1976), it consists of the extent/estimates of how much variation in scores of different variables is attributable to chance or random errors. As a common rule, a coefficient of at least 0.7 is considered satisfactory and a good indication of construct reliability (Nunnally, 1978). Cronbach's alpha for the six dimensions/characteristics ranges

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between 0.72 and 0.92 with an overall consistency of 0.97. The items were found therefore to be extremely homogeneous.

3.4 PROCEDURE

To extract the maximum attention and involvement of the respondents for the study, data was collected by administering the questionnaires to the participants at their work and various places of convenience. The procedure involved the following steps. A letter of consent was dispatched to seek for the approval of the study. Participants that were not personally reached were recruited by administering their questionnaires through the board secretaries, CEOs and MDs of such banks. The participants were not only briefed on the purpose of the study with no use of deception but also informed on the academic purpose of the study hence encouraged to provide their candid information on the questions. In all, a total of 35 questionnaires were administered with the extra 5 catering for unforeseen contingencies.

The qualitative data was gathered by tapping the impression through semi-structured open ended questions and interviews that was converted into units and compared with the quantitative data. The institutions from where data was taken included both government and non-governmental leading banks operating in the country. The qualitative primary data was obtained and considered under four key themes of board composition including board member age, female member presence on the board, board member nationality, board member economic and business competence of board members/skill diversity. The questions took into account how the outlined key variables were playing in the boardroom, how the institutions govern their firms, how the corporate governance concepts adopted were affecting the overall performance of the organizations. Some major shareholders were also interviewed to determine their reactions on the extent to which dividends affect their

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further investment readiness and decisions. The findings were triangulated with the various performance indicators: ROA, ROE, NIM and FEEOP that were extracted from the firms' official reports.

3.5 SOURCES OF DATA

The data was obtained from both primary and archived secondary sources. Whereas primary data was collected through the administration of questionnaires and semi-structured in-depth interviews, the secondary data was on the other hand gathered from published consolidated annual statements of accounts, legislative instruments, and comprehensive financial reports as well as other relevant official documents of the banking firms. In principle, the functions of the boards, the composition of the boards, board diversity, board member competence in business and economics fields, key performance measures/indicators: ROA (Return on Assets /Average total Assets or Growth of Assets – in book value), ROE (Return on Equity = net profit / equity - in book value), Return on equity (ROE), Net Interest Margin and Fees Operating Income, among others were extracted/computed from these secondary sources.

3.6 ETHICAL CONSIDERATIONS

The research adhered to all ethical considerations during the process of data collection and the course of the study. Notably, this includes confidentiality and anonymity, disclosure and identity, respect for human rights and beneficence. An introductory letter was first sought from the University of Ghana Business School with permission and approval from selected banks for the study. Further, the researcher obtained participants' informed consent and asked for voluntary participation before enrolment into the study. In terms of human rights, participation was purely voluntary and not under coercion with an obligation to respect the

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dignity, beliefs, attitudes and worth of individual participants. They were provided detailed information on the subject matter including possible costs and benefits associated with their participation. The ethics of anonymity and confidentiality were also upheld during the process. The researcher also adhered to the disclosure policy which requires one to refrain from public disclosure and to keep under lock and key the responses solicited from the participants especially when such data is tied to one's identity. Finally, the ethics of beneficence was also upheld. This principle requires the research to be beneficial and useful to both participants and the larger society. The study was used as an advocacy tool to create wider interest and public awareness on both the good and ills associated with corporate governance and to suggest interventional measures to address such ills, thereby improving the governance systems of the banking industry.

3.7 DATA ANALYSES

The first hypothesis stating that *there is a significant positive relationship between corporate governance and firm performance* was analyzed using the Spearman's correlation test. This is necessitated following the quest to determining the empirical, linear but monotonic relationship between how the two variables: corporate governance and the performance are interrelated. The GMM regression models was employed in testing the second hypothesis *board composition will have a significant positive effect on firm performance.* Running the test on all the performance indicators, the *Hausman* (1978) specification test was conducted to choose from the fixed-effect (FE) and random-effect (RE) models. The third proposition that *board diversity will have a significant positive influence on firm performance* was measured through descriptive and content analysis. Finally, the fourth and final hypothesis stating that *there is a significant difference in service delivery and performance amongst state-owned, private and foreign banks* was assessed

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using ANOVA, where the mean scores of a group of three banks were computed on one continuous composite criterion variable with four levels. Data was entered, coded, screened and analyzed with the aid of the computer software, Statistical Package for the Social Sciences 'SPSS' – 22, Microsoft Excel and Stata Software – 13.

3.8 PROFILE OF THE STUDY AREA

This study is situated in developing economy context with evidence from the banking sector in Ghana. According to Frimpong et al (2013), although Ghana shares some common characteristics with most developing economies, there remain some differences. These features according to Hofstede (1980) and Blankson, Cheng, and Spears (2007) include a societal culture that is largely inclined towards collectivism. Frimpong et al (2013) described it as a dualistic economy: under-developed rural and moderately developed urban centres, with a large informal economy characterised by limited and inadequate job avenues in the formal sector; and a high dependency ratio. In spite of the above harsh and challenging economic features, the country has gained a steady population growth over the last few decades. Following impressive economic overturns during the 1990s, Ghana graduated into a middle income economy at the end of 2011 with a per capita income of $2,000. At the end of 2009, there were 27 banks with 656 bank branches countrywide (Ghana Banking Survey, 2009).

Consequently, Frimpong and Wilson (2013) noted that with the liberalization of the Ghanaian economy in the late 1980s, the banking sector, one of the key sub-sectors in the services industry, has witnessed a substantial growth. Thus, the country has attracted significant recognition of the international community resulting into the inflow of many multinational firms including banks. This enormous expansion, Kuada and Buatsi (2005) noted significantly stimulated a great level of competition and customer service orientation

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in the banking sector. Being the most extremely regulated sector in the economy, the industry has undergone several regulations and transformations, especially with the coming into force of the Financial Sector Adjustment Programme (FINSAP) (Bokpin, 2013b).

At the end of 2014, the banking industry was "fairly saturated comprising 27 universal banks, 137 rural and community banks, and 58 non-banking financial institutions including finance houses, savings and loans, leasing and mortgage firms. During the year the regulator strengthened its supervision of these non-bank financial institutions. This led to the closure of those institutions which did not meet the regulatory requirements." (Ghana Banking Survey, 2014. p.28). According to Bank of Ghana (2015), "the banking industry ended 2014 on a firm note, with industry fundamentals exhibiting a positive outlook. While concentration levels improved with the top 5 banks dropping significant market shares, domestic banks continued to account for the highest number of branches." Total assets of the industry was reported to have increased by 42.2% year-on-year to GH¢51.4 billion in 2014 compared to a growth of 32.8% in 2013.

Financial and capital market intermediation in Ghana began with the arrival of foreign-owned commercial banks in the later parts of the nineteenth and early twentieth centuries. The domestic banks came into operation only after independence with focus mainly on government business (Bokpin, 2013b). Subsequently, their prevalent internal inefficiencies and substantial failures and tragedies were exposed following the macroeconomic depression in the late 1970s and early 1980s (Anin, 2000; Appiah, 2001). According to Bokpin (2013b), all over the world there is the need for stern regulation of the banking industry (Levine, 1997; Khan & Senhadji, 2000) since its significant need for economic growth and development cannot be overemphasized. The banking industry in Ghana plays an essential role in the economy, with over GH₵ 809 million in capital as at 2008 and the

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services industry including the financial and banking sub-sectors contributing 31% of GDP in 2007, 31.8% in 2008, and bank capital representing a proportion of 7% of GDP as at 2007. Furthermore, the services sector is one of the fastest growing segments, accounting for about 50% of GDP (ISSER, 2011).

According to Bokpin (2013b), among the recent regulatory developments is the Universal Banking License, 2003, permitting banks with at least GHC 70 billion in capital to conduct any banking activity. In 2004, The banking Law 1989 (PNDCL225) was replaced by The Banking Act 2004 (Act 673), with the Whistle Blowers Act 2006 (Act 720) and the Foreign Exchange Act 2006 (Act 723) coming into force in 2006. The Banking (Amendment) Act 2007 (Act 738) and the Credit Reporting Act 2007 (Act 726) were enacted in 2007, whilst the Anti-money Laundering Act, 2008 (Act 749), Borrowers and Lenders Act, 2008 (Act 773), the Non-Banking Financial Institutions Act, 2008 (Act 774), the Home Mortgage Finance Act, 2008 (Act 770) were all enacted in 2008, including a stiff directive to all banks to comply with the International Financial Reporting Standards (IFRS). Until recently, bank regulation in Ghana has primarily focused on banks' assets holding, with the regulations being silent on other firm-level features including corporate governance practices. Issues of board size, board independence and CEO duality are matters of bank practice and provisions of the Companies Code, 1963 (Act 179) (Bokpin, 2013b). The details of the board structure of the sampled banks for the period under investigation may be found in Appendix D.

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CHAPTER FOUR

DATA ANALYSES AND DISCUSSION OF FINDINGS

This chapter presents the results and discussions of the findings. The first section deals with the demographic and profile characteristics of the study sample and the descriptive characteristics of the study variables. The final section discusses the inferential results and the discussion of the findings in the context of the literature and relevant theories fundamental to the study. In all, the results of four aims and objectives are discussed with their corresponding hypotheses.

4.1 DEMOGRAPHIC AND DESCRIPTIVE STATISTICS

4.1.1 Descriptive and Profile Characteristics of the Sample

A total of twenty three (23) directors were recruited from the sampled banks for the study. Out of this, 56.5% were male whereas 43.5% were female. The majority of these directors constituting 43.5% belonged to the age group of 51-59yrs, 34.8% comprising 41-50yr group, 13% constituting 31-40yrs whilst the rest 8.7% were at least 60yrs. From the secondary data, 84.8% of the banks had INEDs on the boards whilst the few 15.2% had none. A majority of 86.8% had NEDs on the boards whilst the rest 13.2% had none and/or information was not available. With respect to CEO duality, the available information showed that the role of the CEO was always separated from the chairman of the board. With regard to nationality of board members, 55.7% of the boards had foreign national representation whilst 44.3% had none. Whereas a majority of 68.1% of the boards had female representation, 13.9% had no female representation and/or information was not available. Finally, with political connectedness, the data indicated that a total of 34.6% had political affinity with the majority of 56.4% having no such attachments. The results are presented in Table 4.1.1 overleaf.

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Table 4.1.1: ***Descriptive and profiled characteristics of the sample***

Variable	Frequency	Percentage (%)
Primary data		
Gender		
Male	13	56.5
Female	10	43.5
Age		
30-39yrs	3	13
40-49yrs	8	34.8
50-59yrs	10	43.5
60+yrs	2	8.7
Educational level		
Bachelors	-	-
Masters/Professionals	9	39.1
PhD	6	26.1
Others	8	34.8
Secondary data**: Summary statistics of nominal independent variables**		
Board Independence		
0	12	15.2
1	67	84.8
Non-executives		
0	9	13.2
1	59	86.8
CEO duality		
0	12	14.3
1	72	85.7
Nationality		
0	35	44.3
1	44	55.7
Female Presence		
0	11	13.9
1	68	86.1
Political Attachment		
0	22	56.4
1	17	43.6

Source: Field Survey, 2015

Table 4.1.2: ***Correlation Matrix of the Explanatory Variables on ROA***

Variable	INEDs	Lsize	logdept	banksize	logage	PA
INEDs						
LSIZE	0.024					
Logdept	0.096	-0.021				
Banksize	-0.127	-0.293	-0.444			
Logage	-0.316	0.230	-0.093	-0.470		
PA	-0.267	0.268	-0.091	-0.224	0.338	-

Source: Survey data, 2015

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Table 4.1.3: ***Correlation Matrix of the Explanatory Variables on ROE***

Variable	INEDs	Lsize	logdept	banksize	logage	PA
INEDs						
LSIZE	0.037					
Logdept	0.088	-0.015				
Banksize	-0.159	-0.281	-0.468			
Logage	-0.293	0.212	0.076	-0.439		
PA	-0.244	0.253	-0.077	-0.183	0.286	-

Source: Survey data, 2015

Table 4.1.4: ***Correlation Matrix of the Explanatory Variables on NIM***

Variable	INEDs	LSIZE	logdept	banksize	logage	PA
INEDs						
LSIZE	-0.101					
Logdept	0.109	-0.163				
Banksize	-0.057	-0.049	-0.519			
Logage	-0.358	0.102	-0.102	-0.702		
PA	-0.158	0.252	-0.161	-0.164	0.264	-

Source: Survey data, 2015

Table 4.1.5: ***Descriptive Statistics of the Study Variables***

Model	Obs	Mean	Std. Dev.	Min	Max
ROA	83	.026	.019	0	.116
ROE	84	.202	.154	0	1.124
NIM	81	.021	.040	-.069	.109
FEEOP	70	.091	.397	.006	2.929
LSIZE	83	.804	.309	0	1.079
BANKSIZE	84	8.895	.336	8.067	9.665
LOGAGE	84	1.298	.444	0	2.068
LOGDEPT	84	8.77	.497	6.434	9.609

Source: Survey data, 2015

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4.2 TESTING OF HYPOTHESES AND DISCUSSION OF FINDINGS

Hypothesis 1: There is a significant positive relationship between corporate governance and firm performance in Ghana

Table 4.2.1: ***Summary of Spearman correlation test showing the relationship between corporate governance and firm performance***

Variables	r	*p*
Corporate Governance		
Return on Assets	.052	.430
Return on Equity	.255	.189
Net Interest Margin	.041	.445
Fees Operating Income	-.301	.148

Correlation is not significant at 0.05 level

Results from the Spearman's correlation test presented in Table 4.2.1 above indicates no significant relationship between corporate governance and firm performance. From the results, all the performance indicators: ROA [r_s = .052; .430 > .05, one-tailed), ROE [r_s = .255; .189 > .05, one-tailed), NIM [r_s = .041; .445 > .05, one-tailed) and FEEOP [r_s = -.301; .148 > .05, one tailed] have no significant correlation with Corporate Governance. This suggests that there is no significant relationship between governance and firm performance hence the first hypothesis proposing that corporate governance would have a linear relationship with firm performance was not supported.

4.2.1 *Objective 1:* Explore the Degree to which Corporate Governance Affects Firm Performance

The first study objective as stated above was geared towards understanding how corporate governance mechanisms affect performance of Ghanaian banks. To this end, the study was particularly interested in how nine CG dimensions including board structure, board discipline, board transparency, board independence, board accountability, board fiscal

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discipline, enforcement and managerial accountability, minority shareholder protection as well as social awareness (CSR) jointly influence performance of the firms. Thus, it was hypothesized that *there is a significant positive relationship between corporate governance and firm performance.* Results from the Spearman's correlation displayed in Table 4.2.1 above indicates that at .05 alpha rule, there is no significant relationship between corporate governance and firm performance.

Further interrogation of the findings however shows that Ghanaian banks seem to be abreast with the important role of board of directors, board discipline, board independence, fiscal responsibility, and board accountability. On one hand, this agrees with Hussein and Hassan's (2012) study that UAE banks are aware of the importance of disclosure transparency, executive compensation, the relationship with shareholders and stakeholders, and the role of the board of directors and that of corporate governance practices of UAE national banks are acceptable. On the other hand, this outcome, contrary to a priori expectations discards CG having a significant positive connection with bank performance. These findings, however harmonized the gains of Hussein and Hassan (2012) that there is an insignificant positive relationship between CG practices of banks and performance levels.

Whilst exploring the interrelations among ownership, board and manager characteristics and firm performance, Ongore and K'Obonyo (2011) through regression analysis found a significant positive relationship between diverse ownership forms, and managerial discretion and firm performance. Liking managerial discretion to corporate governance practices, the present study found the role of the board to be of little value to the performance of the banks. This could be attributed to over concentration of shareholder interest in boardroom representation. With diverse ownerships including government, foreign, individual and institutional ownerships, board member selection criteria is likely to suffer

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at the expense of serving shareholder interests. Contending that the Board alone is not a panacea to all the governance problems afflicting modern corporations, Ongore and K'Obonyo (2011) believe that management needs to understand the direct bearing of the risk-taking decisions of their shareholders on the type of investment decisions they prefer so as to better appreciate the corporate governance issues. Whilst managerial discretion is critical for novelty and creativity (Ongore & K'Obonyo (2011), it is equally important for their incentives and discipline to be tied towards value maximization.

Again, the study findings contest the strong relationship between the efficiency of CG structure and bank performance put forward by Al-Hussein and Johnson (2009) whilst exploring the relationship between CG efficiency and Saudi banks' performance. Al-Hussein et al (2009) however did not establish any significant relationships between the efficiency of CG structure and bank performance of government and local ownership groups. Whilst the findings likewise challenge Chalhoub (2009) who examined the link between dimensions of CG and corporate performance and found a significant relationships between performance and five dimensions of CG, it is considerably consistent with his study on three dimensions of CG, including: governance training, transparency, and shareholder input in decisions, where he obtained an insignificant correlation with performance amongst Lebanese banks. It is however important to note that whilst Chalhoub (2009) measured CG with five governance practices including: governance literacy, accountability, transparency, shareholder participation in governance, and code of ethics, our study extends this with four other governance attributes, namely; board structure, board discipline, board independence, fiscal responsibility, and social awareness (CSR).

The findings further opposed the empirical analysis of Javed and Iqbal (2007) who examined the total Corporate Governance Index (CGI) and three sub-indices (shareholdings,

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board and ownership, and transparency and disclosures) and disclosed that corporate governance and firm value are interrelated. Lastly, whilst the study on one hand supports Ibrahim, Rehman, and Raoof (2010) that CG has no significant influence on performance (ROA), it is on the other hand inconsistent with Ibrahim et al (2010) that governance has a significant impact on ROE which also contradicts the assertion of Toudas and Karathanassis (2007) that there is a negative correlation between corporate governance index and the market value of the firm.

To further provide some evidence on whether the banks are in tune with CG mechanisms, at least three of the banks' annual reports seem to be operating according to the Basel Committee Standards on corporate governance. The key guiding principles of the groups' governance practices were quoted "*Good corporate governance enhances shareholder value, the respective roles of shareholders, Board of directors and management in the governance architecture should be clearly defined, the Board of directors should have majority membership of independent directors, defined broadly as directors who are not employed by the Group or company, or who are not affiliated with organizations with significant financial dealings with the Group"* (ADB Annual Report, 2011, p. 15).

According to such banks, these principles which are used by the banks have been articulated in a number of corporate documents, including the banks' regulations, the corporate governance charter, rules of procedures for boards, code of conduct for directors and rules of business ethics for staff. A majority of the banks also in their governance reports echoed their respect for the standards of good corporate governance which they mentioned to include transparency, accountability and rights of stakeholders, the Company's Code, the Banking Act as well as the Securities and Exchange Regulations.

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Since CG and business ethics are undergoing reforms all over the world, Sub-Saharan African countries for that matter Ghana cannot but move along. In as much as there are unified and regional directives being formulated, there are bound to be economic, political and socio-cultural differences regarding the enactment and practice across the various countries. Although countries are expected to conform to these standards on the surface, each nation alters to some degree their governance ethics as a result of their unique cultural, historical and political milieus, hence country context is important in understanding the wider worldwide macro outlook.

Hypothesis 2: Board composition will have a significant positive effect on firm performance

Table 4.2.2: ***Random effects and GMM multiple regression of board composition and firm performance (ROA)***

Variables	Generalized Method of Moments			Random Effects		
	COEF.	Rob. S. E	*p-value*	COEF	Rob S.E	*p-value*
INEDS	.024***	0.006	0.000	-0.000	0.009	0.986
LSIZE	-0.00	0.006	0.939	0.016**	0.00	0.027
LOGDEPT	-.00	0.001	0.749	-0.004***	0.007	0.000
BANKSIZE	0.011	0.022	0.631	0.009	0.011	0.396
LOGAGE	-0.057	0.046	0.209	0.008	0.007	0.285
PA	-0.005	0.003	0.102	0.002	0.004	0.666
Constant	-0.016	0.155	0.916	-0.041	0.09	0.649
P – Value	0.00					0.000
WALD CHI^2(7)	52.66			WALD CHI^2 (6)		316.03

Dependent variable: ROA ***p < .01, **p < .05*
key: *ROA = return on asset, INEDs = board independent, PA= political attachment, LSIZE= log of the board size*

Analysis of the results from the Generalized Method of Moments (GMM) multiple regression shows that Board Independence (INEDs) was significantly positively related to ROA (β = .024, p < .001). In the Random effects model, BOARDSIZE (LSIZE) has a

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significant positive relationship with ROA (β = 0.016, p < .05) whilst LOGDEPT has a significant negative effect on ROA (β = -0.00, p < .001). This means that, whereas a 1% increase in INEDs results in 2. 4% increase in ROA, a 1% increase in LSIZE leads to 1. 6% increase in ROA. In comparing the results and its corresponding hypothesis, it can therefore be concluded that board composition was significantly related to firm performance (ROA) hence the hypothesis stating that board composition will have a significant positive effect on firm performance was supported. In both models the p-values are less than .001 indicating that all the parameters of the predictor variable have an effect on the criterion.

Table 4.2.3: ***Random effects and GMM multiple regression of board composition and firm performance (ROE)***

Variables	Random Effects			Generalized Method of Moments		
	COEF	Rob. Std. Error	*p-value*	COEF	Robust. S.E	*p-value*
INEDS	-0.031	0.55	0.559	.114	.106	0.281
LSIZE	0.123*	.071	0.087	-.033	.023	0.165
LOGDEPT	0.072*	.042	0.092	.099***	.022	0.000
BANKSIZE	0.024	.079	0.765	-.133	.159	0.400
LOGAGE	0.039	.050	0.439	-.073	.129	0.569
PA	0.000	.038	0.992	-.014	.038	0.712
Constant	-0.768	.057	0.175	.467	1.196	0.696
P-Value			0.048			0.000
WALD CHI^2 (6)			12.70	WALDCHI^2 (7)		144.20

Dependent variable: ROE ***p < .01, **p < .05, *p < 0.10*
key: *ROE = return on equity, INEDS = board independent, PA= political attachment, LSIZE= log of the board size*

The results from the Random effects multiple regression analysis presented in Table 4.2.3 shows LSIZE was significantly positively related to ROE (β = 0.123, p < .10). This means that, a percentage increase in LSIZE results in 12.3% increase in ROE. Again, LOGDEPT also proves to be significant with ROE at both the Random effects (β = 0.072, p < .10) and GMM model (β = .099, p < .001). It can therefore be concluded that board composition was

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significantly related to firm performance (ROE), hence the hypothesis stating that board composition will have a significant positive effect on firm performance was statistically supported. The test for the fitness of the models shows the p-values are less than .05 indicating that all the parameters of the predictor variable have effects on the criterion hence the models specify best fit.

Table 4.2.4: ***Fixed Effects and GMM Multiple Regression of board composition and firm performance (NIM)***

Variable	Fixed Effects			Generalized Method of Moments		
	COEF	Rob. Std. Error	*p-value*	COEF	Robust. Std. Error	*p-value*
INEDs	.00	.019	0.976	.030	.025	0.220
LSIZE	-.048	.030	0.129	-.027***	.011	0.010
LOGDEPT	.012	.010	0.206	.616*	.367	0.093
BANKSIZE	.053*	.030	0.085	-.662*	.373	0.076
LOGAGE	-.129*	.059	0.033	.075	.054	0.167
PA	-.018*	.009	0.058	-.007	.009	0.445
Cons	-.348	.183	0.063	.364	.183	0.047
P-value			0.097			0.000
F(6, 56)			1.90	WALDCHI^2(8)		94.38

Dependent variable: NIM ***p < .01, **p < .05, *p <0.1*

key: *NIM = net interest margin, INEDs= board independent, PA= political attachment, LSIZE= log of the board size*

The results from the Fixed effects multiple regression analysis presented in Table 4.2.4 shows that Political Attachment (PA) has a significant negative effect on Net Interest Margin (β = -.018, p > .10). This means that a percentage increase in PA results in 1.8% decrease in NIM. In the same model, BANKSIZE has a significant positive relationship with NIM (β = .053, p < .10) whilst LOGAGE has a significant negative relationship with NIM (β = -.129, p < .10). Just as LSIZE has a significant negative relationship with NIM (β = -.027, p < .01) at the Fixed effect model, LSIZE equally produced a significant negative relationship with NIM (β = -.662, p < .10) at the GMM model. However, LOGDEPT

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recorded a significant positive effect on NIM (β = 616, p < .10) in the GMM model. Thus, the hypothesis stating that board composition will have a significant positive effect on firm performance was supported. The test for the fitness of the models shows the p-values are less than .10 indicating that all the parameters of the predictor variable have effects on the criterion hence the models specify best fit.

4.2.2: *Objective 2:* Examine the Effect of Board Composition on the Performance of Banks

The study in the second objective sought to examine the effect of board composition on the performance of banks. From this objective, it was hypothesized that board composition will have a significant positive effect on firm performance. The results displayed in Tables 4.2.2; 4.2.3, and 4.2.4 show that board composition measured in terms of not necessarily the presence of non-executive directors but independent non-executive directors, the size of the board as well as the political connectedness has a very significant positive effect on firm performance (ROA). The ensuing sections discuss the findings based on each of the three proxies of board composition.

4.2.2.1: Board Independence and Firm Performance

It particularly came to light that bank performance in terms of ROA was significantly enhanced by the presence of independent directors on the board. The findings are consistent with Shah, Butt and Saeed (2011) who examined the relationship between ownership structure and performance of listed companies in an emerging South Asian market and found that a more independent and effective board of directors improves firm performance. According to the authors, the outcome reflects the nexus between board composition and firm performance and evidences that independent board members are essential because companies that adopt independent board, can improve firm performance.

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In the same vein, the result coheres with Rashid et al (2010) who explored the relationship between independent board composition and firm performance and discovered that independent boards of directors added value to the performance of Bangladeshi firms. In line with Petra (2005) who investigated five board functions concluded that external, independent directors more than many others promote the worth of the organization. Similarly, whilst Helland and Sykuta (2005) observed that organisations with fewer independent board compositions experience significantly higher rates of shareholder law charges, Bhorjraj and Sengupta (2003) also avowed that compared to robust and external independent directors, firms with weak, internal directors have higher rates on new bond issues and firm risks. Helland et al (2005) argued that sovereign and independent panels effectively monitor the progress and management of the firm and represent shareholders well.

In a sharp contrast to the findings, Rashid et al (2010) examined the influence of corporate board composition on firm economic performance among 274 Bangladeshi firms. The linear regression analysis discovered that outsider independent directors do not enhance potential value of a firm's fiscal performance. Rashid et al (2010) underscored that, although the concept of the introduction of such independent non-executive directors may enhance greater transparency, becoming essential particularly to the institutional and cultural variations in an emerging economy, it still does not yield any economic cost to the firms. The findings offer discernment to the regulators in their pursuit for synchronization of international corporate governance practices.

It is however argued here that transparency may not only involve ensuring financial and accounting discipline and pellucidity but timely and accurate disclosure of reports as well as overseeing the development and implementation of policies and programs. Since this

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improves a firm's corporate governance principles and structures, it becomes overly imperative to quantify and place economic value on such practices which eventually translate into economic cost and fiscal wealth of the organisation. This argument is further stressed by Kang et al (2007) who emphasized that the presence of independent directors is considered to contribute positively to supervisory and administrative functions and good organizational delivery. Thus, Hermalin and Weisbach (2000) concluded that the impact of boards composed of outside directors was quite strong and significant towards business performance.

The empirical literature of outside independent board compositions and firm performance produced mixed and conflicting results. Several other studies found little or no connection between board composition and firm performance. Fich and Shivdasani (2006) adduced that independent directors serving on multiple boards decrease the value and growth of the firm. In this study, close to 90% of the directors including the external independent directors were reported to be serving on other boards aside that of the selected banks. Whilst this contrasts the claim of Fich and his colleague, it remarkably affirms the observation of Ferris, Jagannathan and Pritchard (2003) that directors on many boards do not shirk responsibilities nor detract from organizational value.

In a similar fashion, Bhagat and Black (2002) along with Hermalin and Weisbach (2003) as well as Finegold, Benson, and Hecht (2007) found no connection between board composition and firm performance. Bozec (2005) significantly concluded that challenging and competitive business environment helps the board to be more effective, whereas board composition and structure in non-competitive field does not express any relationship to firm performance. In an emerging economy like Ghana where the banking industry has witnessed significant growth and expansion in the last decade amidst keen competition between the

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local and foreign banks, the banks are restructuring their boards with regard to tighter regulations from the Central Bank and other regulatory bodies, therefore the need for increasing the number of independent directors on the various boards becomes unnegotiable.

Moreover, the above development appears not to however be the case in some of the Ghanaian banks. In a release from a majority shareholder to one of the banks titled "*HFC Board – Corporate Governance Issues*", it was reported "*Therefore any strategic arrangement for representation on the Board which is not authorized by the Regulations of the Company cannot confer any automatic legal rights under the regulations of the HFC Bank."* (p.5), and that *"it was for this reason that shareholders had to approve such appointments on the Board. However that approval can and must be reversed particularly where it has resulted into Management majority led group against the representatives of the majority shareholders on the board. Clearly this development cannot be a best practice."* (HFC Bank, 2014, p.5) *"…… the HFC Bank board as presently constituted is not an independent and broadly represented Board. It is a skewed management led majority Board. This is not best practice and must be reversed.*" (p.6)

Furthermore, whilst the result affirms other studies including Tian and Lau (2001) and Luan and Tang (2007) who found a positive link between having more INEDs and firm financial performance, it disagrees with many more others markedly Davidson III and Rowe (2004), Fernandes (2005), and Cho and Kim (2007) who produced no connection between board composition of INEDs and firm performance. Baysinger and Butler (1985) in response, argued that these differential findings may be ascribed to various factors such as corporate law, internal capital structure, managerial talents and capital market conditions. Besides, Zahra and Pearce II (1989) assigned such inconsistencies to contextual elements including

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life cycle, corporate strategy and effective interaction among board members in decision making.

To further drive home the importance of INEDs in corporate governance, there still remains huge challenges in the Ghanaian banking industry. The said bank earlier referred in a similar release from a director quoted a World Bank Observance of Standards and Codes (ROSC) Corporate Governance Country Assessment on Ghana (May 2005) saying "*"... Boards tend to be captive to majority shareholders, and the governance process tends to bypass smaller block holders and retail investor."' ""Most boards are dominated by the controlling owner."*" "*"Boards are generally not independent from controlling owners and are not effective in managing corporate governance practices or monitoring conflict of interest."*" This, the release said remains unchanged in 2015 and that two largest shareholders cannot appoint all the non-executive directors on the Board (Anonymous, p.4).

Meanwhile, in the same vein, it appeared the board was not oblivious of the important role the INEDs/NEDs for the performance and development of the bank. This is evident as the release emphasized professionalism and personal integrity of independent directors from the SEC's corporate governance guidelines. "*"Independent or non-executive board members can contribute significantly in the decision-making processes of the board by bringing an objective view to bear on the evaluation of the performance of the board and management in particular. In addition, the can play a key role in areas where the interests of management and shareholders may diverge such as…changes of corporate control…"*" (Anonymous, p.3). Clearly, this unfortunate development is not restricted to the bank in context but to many others who today are in public wars within their ranks.

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From the theoretical perspective, these findings heavily resound in the efficacy of the agency theory that endorses the managerialist notion that corporate boards should be composed of a majority of outside independent representatives and that the role and functions of chairman and CEO should be segregated (Bosch, 1995; Committee on the Financial Aspects of Corporate Governance, 1992; OECD, 1999; Toronto Stock Exchange Committee, 1994). According to Fama and Jensen (1983), the clear inference from the orientation of the agency theory is that adequate monitoring, efficient and control mechanisms must be upheld in safeguarding shareholders from management's conflict of interest as a characteristic of modern corporations. Indeed, all the sampled banks during the period had the roles of the MD and the Board Chairman separated. The findings therefore refute the stewardship theory that argued for the boards to be composed of a significant majority of executive directors as well as CEO duality (Luan & Tang, 2007; Ong & Lee, 2000; Rashid, 2011).

4.2.2.2: Political Connectedness and Firm Performance

Furthermore, findings presented in Table 4.2.4 indicated that board composition with reference to Political Attachment (PA) in particular has a significant negative effect on bank performance with respect to Net Interest Margin but not ROA and ROE. Contrary to a priori expectation, it came to the fore through the fixed effect econometric analysis that a percentage increase in political connection of boardroom members results in about 1.8% decrease in the Net Interest Margin of the banking firms. This outcome reinforces Agrawal and Knoeber (2001) as well as Faccio (2006) who noted that explicitly put in relation to firm performance, politically connected directors do not enhance the fortunes of the firm. Agrawal et al (2001) hold that outsiders have an adverse consequence on firm value. According to them, boards that are expanded for political reasons often result in too many outsiders on the board.

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Besides, this finding affirms Bertrand's et al (2004) study who explored the corporations listed on the Paris Stock Exchange during the period 1992 and 2003. The authors observed that firms with clean private sector backgrounds were slightly more profitable than firms ran by politically affiliated individuals. In a related fashion, the finding echoes Fan, Wong and Zhang (2007) in their analysis of 790 firms in China revealing that firms with politically connected CEOs under-performed their unconnected peers. Likewise, the outcome validates Boubakri, Cosset and Saffar's (2008) examination of 245 privatized firms across 41 different countries over the period 1980-2002, which established a deleterious effect across political connectedness and firm performance.

In the context of our study however, most of the politically aligned are the state owned banks. Many of the directors of these banks over the years are appointed by the government. It therefore suggests that, these banks are recording about 1.8% Net Interest Margin less than their unconnected counterparts. The argument supports Faccio's (2009) interesting observation that compared to their unaffiliated counterparts, politically attached entities had higher leverage and were filing lower tax returns as well as exhibiting poor accounting performances. These fallouts, Faccio ascribed to the ex-ante low performance of the corporations prior to connection, i.e. political connections increased the value of poorly performing firms. However, as the political affinity has been with these banks since their establishment and predates this study, it becomes extremely impossible to ascertain the performance prior to the coming of the political appointees.

Faccio (2006) again and contrary to our findings showed amongst a sample of 20,000 firms in 47 countries that corporate value improved when a top official including the CEO, director, or a huge shareholder aligned with politics. In a similar vein, the findings repudiate Goldman, Rocholl and So (2009) who worked on a sample of major US companies between

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1996 and 2000 and nailed support for the fact that political networks do add value to firm performance. In furtherance, the outcome disagrees with Niessen and Ruenzi (2009) in their examination of 605 German public companies and concluded that politically aligned firms were recording better accounting in stock market performance. In fact, the study outcome might better be illuminated by the assertion of Williamson (2007) who observed a discrepancy between the efficacies of boards as it is foretold in theory and practice where such boards are mainly incapacitated in exercising their monitoring and advising roles. Menozzi, Urtiaga and Vannoni (2010) however cautioned that although the findings are not directly comparable, the substance of the evidence points to a progressive effect of political connection to firm's value, delivery and overall performance.

4.2.2.3: Board Size and Firm Performance

Additional findings revealed in the random effects models in Tables 4.2.2 and 4.2.3 respectively that LSIZE has a significant positive effect on ROA ($\beta = 0.016$, $p < .05$) as well as ROE ($\beta = 0.123$, $p < .10$). In Table 4.2.4 however, LSIZE has a significant negative relationship with NIM at both the GMM ($\beta = -.027$, $p < .01$) and random effects models ($\beta = -.662$, $p < .10$). It therefore emerged that whilst there is a corresponding increase in ROA and ROE with an increase in BOARD SIZE (BS), an increase in board size obstinately causes a significant reduction in the Net Income of banks. These findings largely echoes the panel data analysis of Bokpin (2013b) when he documented the effect of ownership structure and corporate governance on bank efficiency in Ghana. Utilizing the accounting data and efficiency measures from 1999-2007, findings from the stochastic frontiers and regression indicated that whereas larger board size strongly improves profit efficiency but slightly worsens banks' cost efficiency, capital adequacy ratio and bank size are both significant predictors of bank efficiency in Ghana.

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Again, this revelation is in consonance with Adams and Mehran (2003) who found a positive relationship between BS and bank performance amongst American bank-holding companies, arguing that larger bank boards increase management supervision and afford banks with more human capital and advice for managers. In the same spirit, Kyereboah-Coleman and Biekpe (2006) examined 18 banks in Ghana and found a positive connection between BS and firm performance. Likewise, the finding resonates earlier works (Coles et al., 2008; Guest, 2008; & Linck, Netter, & Yang, 2008) that observed that board size is positively related to firm performance. In addition, Al-Shammari and Al-Sultan (2009) also found a positive relationship between BS and firm performance. In like manner, Zaheer (2013) observed amongst 53 listed companies on the Karachi Stock Exchange from 2007 to 2011 that larger BS has positive effects on the level of corporate governance disclosure. Likewise, Laksmana (2008) supports this orientation that larger board size brings diversity of expertise in handling financial and managerial terms in the boardroom.

However, the results provide a mix outcome with certain recent findings from Al-Saidi and Al-Shammari (2013) on board composition and bank performance whilst studying nine listed Kuwait banks over the period of 2006 to 2010. Their OLS and 2SLS regression analyses provide evidence that not only board composition of banks relates to their performance but that board size particularly, negatively affects bank performance (ROA) but insignificant on the market measure (Tobin's Q). Meanwhile, according to Al-Saidi and Al-Shammari (2013), after controlling for endogeneity effects using 2SLS, BS becomes insignificantly negative in both measures, but significant on the accounting measure. On the contrary, whilst our results provide insignificant negative effects on both accounting and market measures at GMM, after controlling the endogeneity effect using the *Hausman test*, it rather provides a significant positive effect between BS and performance on both accounting measure ROA ($\beta = 0.016$, $p < .05$) and the market measure ROE ($\beta = 0.123$, $p <$

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.10). Interestingly on NIM, another accounting measure, BS has a significant negative relationship both before and after controlling endogeineity. Similarly, the findings disagree with Vo and Phan (2013) as well as Al-Manaseer et al (2012) who observed a negative relationship between BS and firm performance.

Hermalin and Weisbach (2003) advanced that the negative relation between BS and firm performance (Huther, 1997; Coles et al., 2008) recorded in many US studies is one of the prominent and conspicuous empirical regularities in the literature. Whilst our findings partly agree with the insignificant negative relationships posture, it substantially conforms with the meta-analysis of Adams and Mehran (2005) and Dalton et al (1999) that there is a positive effect of BS on performance. However, the study is at variance with Conyon and Peck (1998) who noted a significantly negative effect of board size on both market to book value and profitability whilst studying 481 listed UK firms between 1992 and 1995.

In the same way, the outcome contradicts Lasfer (2004) who also found a significantly negative impact on Tobin's Q. Again, whilst the findings disagree with Beiner et al (2004 & 2006) who found no negative impact, it partly agrees with Loderer and Peyer (2002) who observed a significant negative impact of BS on performance in Switzerland, Mak and Kusnadi (2005) and Haniffa and Hudaib (2006) in Malaysia, as well as Eisenberg, Sundgren, and Wells (1998) in Finland. However, the variation in findings could be attributed to the varied weights of banking across countries, bank ownership as well as different regulatory frameworks in each country, not forgetting the predating of most of these studies to the governance reforms of banking in Ghana.

Moreover, just as the finding largely affirms Coles, Daniel and Naveen (2008) who observed a rather U-shaped relationship between board size and performance, it is in the same spirit

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with de Andres and Vallelado (2008) who also documented an inverted U-shaped relationship among some international commercial banks through the two step system estimator econometric model. However, it completely challenges Al-Saidi (2010) who observed that there is no relationship between BS and firm performance. The present scholars whilst partly agreeing with de Andres and Vallelado (2008) who underscored that the composition of bank boards and size are related to the ability of the directors to effectively monitor and advise management, they starkly differ on the fact that larger and not excessively independent boards could prove more efficient in monitoring and advising functions, and create more value for firms.

4.2.3:*Objective3:* Examine how Board Diversity Significantly Affects Firm Performance

Board diversity was measured by four main governance variables including female presence on the board, board member age, and presence of foreign nationals as well as board member skill diversity/competence in business and economics fields. From the aim, the proposition was set as board member diversity will significantly have a positive influence on firm performance. This proposition was achieved through qualitative assessment. A total of nine interviews were conducted, transcribed and organized into four main themes. The following sections sequentially discuss each of these themes in the context of the empirical literature.

4.2.3.1 Female Presence on the Board and Bank Performance

With respect to female presence, we learnt that, between the period of 2008 and 2013, only 21.4% of the governing boards have had a single female director with 7.1% having none at all. It becomes even worrying when some of them have had a female director only in 2013, with some having only one female director throughout the period covered in this study. It is not surprising to note that whilst most can boast of having women on the boards, they mainly have between only 10% and 30% ratio. Although some of the banks are making frantic

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efforts to improve the female ratio on the boards, some do not see the need for such practice. For instance, whilst an indigenous bank with no female director until one out of ten directors in 2013 emphasized the need for at least one more female to be added to the board, another director avowed:

> *"Our board is diversified because we have women on the board and we really want to be gender balanced and diversified in terms of skills…"*

A director of a foreign bank with a single female board member being the chairman over the years conversely disclosed:

> *"Our chairman is a woman but we don't believe that you have to necessarily appoint people for gender purposes. We look at capable people at a time and people who are available. You may want to fill in but if the people are not available why would you not pick anybody because you are looking for a woman or a man… we pick capable people."*

These findings and declarations are coherent with a recent revelation of Vo and Phan (2013) who explored the relationship between corporate governance and the performance of 77 listed firms trading over the period from 2006 to 2011 in Vietnam. The results held that corporate governance elements including female board member presence, have positive effects on the performance of firms, as measured by return on asset (ROA). Almost all the respondents appreciated the efforts of women in the boardroom but however remained neutral on their performance viz-a-viz the males, with the reason that they do not compare gender differences in boardroom discussions. However, about 28.5% of the respondents suggested an increament in female representation on the board. These findings contradict Vania and Supatmi (2014) who investigated the effect of board diversity towards the company value of financial institutions amongst 57 financial institutions listed on the Indonesian Stock Exchange in 2011. According to Vania et al (2014), the value of the

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company measure is lowered when there are women directors on the board. Meanwhile, Dalton and Dalton (2005) uphold the importance of board diversity in terms of experience, skills, gender and nationality which apparently provides support for this remark:

> *"… who is a woman…and she's an astute insurance executive …very very sharp lady who brings that women perspective…so we have quite a good mix of diversity."*

4.2.3.2: Board Member Age and Firm Performance

In terms of age, the boards are mainly composed of middle and older age directors. From the nine interviews, a total of five belonged to the middle age group of between 51 and 60yrs, two belonged to the older age group of at least 61+yrs, with another two directors being below 50yrs. Whilst scores of directors assumed the normative understanding that the older members are much more experienced hence contribute more to boardroom discussions, many also see it as a complement with a few on the contrary, favouring the younger ones. For the purpose of this study, the age is regrouped into younger (at most 50yrs) and older directors (at least 51yrs). In a response to age differences in contribution to boardroom discussions, a young female director noted:

> *"Definitely younger people have more energy, new ideas, they are more dynamic, they are more into current trends so it's like a balance. You need the experience for someone to tell you 'no this is…as well..,' the youngest on the board is not yet 50..and he's been on the board for about 6yrs so he's been on the board in his early 40s so he definitely brings a lot of exuberance…"*

Clearly, this response suggests that the younger directors come into the boardroom with lots of oomph and dynamism. However, it does not discount the fact that, the working and the business experience likely to be associated with the older ones obviously matters. Whilst this narrative affirms Levinson and Peskin (1981) cited in Santrock's (1995) study that the 34-50 years age range are not only the healthiest, the most composed, but can also control

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themselves, and are most responsible, it similarly concurs with Houle (1990) in Kang, Cheng and Gray (2007) who noted that unlike the younger group, directors composed of the older age group have much more experience and maturity and usually possess economic resources. Houle (1990) further expounded that whilst the younger age groups have the energy and fortitude to succeed with plans for the future, the middle age groups have a considerable role and are actively liable to the organization and the community.

According to Herrmann and Datta (2005), age can be understood as an alternative in ascertaining the level of experience and one's risk taking behaviour. From this assertion, one can deduce that, a younger person might have much more business experience and cognitive resources than an older director or vice versa. In the same vein, it is generally accepted that there is a negative relationship between age and one's risk taking behaviour. In essence, although age comes with experience, the study can conclude that, the working experience at the board pays rather than one's chronological age. This is in congruence with Vo and Phan (2013) who in exploring the relationship between corporate governance and performance observed that the working experience of board of directors have positive effects on firm performance.

Another female director however assumed a firm normative posture. According to her:

> *"The older you are, the wiser you are on the board because age comes with so much experience. Although the search and appointment of a member does not necessarily look at age factor, the board is always composed of both young and old…"*

According to one older director:

> *"Although, the older directors come with much more experience by virtue of being on the board for longer period, the younger ones also come with much more exuberance, skills and energy,… thereby producing a mix of governance*

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elements…hence we see ourselves working as a team rather than competitors…."

These declarations resonate with Barker and Mueller (2002) that older executives tend to be less risk taking, while younger managers tend to have a higher ability to process new ideas (Cheng, Chan & Leung, 2010). According to Barker et al (2002), the experienced and wiser older directors are less risk taking, learn from experiences and tend to be more cautious, hence promote the growth of the firm. With courage, the younger age group although attempts to conduct their duties with caution, they largely do not have the skill and experience hence could devalue the company performance through their excessive risk taking nature.

Nevertheless, these findings contrast with Darmadi (2011) who espoused that there is a positive link between board members less than 50 years and market performance. Again, the findings are mutually exclusive of Kusumastuti, Supatmi, and Sastra (2007) as well as Cheng et al (2010) who rather proclaimed that firm value has no trace to board member age. It must however be noted that, since age is generally revered in Africa and Ghana in particular, it is likely this might be a cultural factor influencing the responses that the so called "inexperienced younger directors" may not outperform their older counterparts. From the foregoing, the study concludes that experience and business shrewdness which comes with one's stay in the boardroom may rather serve as a significant determining governance factor in driving performance in organizations.

4.2.3.3: Foreign National Presence and Firm Performance

With respect to nationality of board members, apart from the state banks, it is only 22% of the domestic private banks that have no foreign representations on their boards. Another 22% reported to have at least a foreign national although none was cited to ever be on any

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board committee. Meanwhile, the foreign banks as expected largely have a balance of nationals and foreign national representations. According to Lehman and Dufrene (2008) cited in Darmadi (2011), the cultural diversity and nationality of the management team and board of directors can escalate interpersonal conflicts (Cox, 1991) and multicultural stocks of communication. The findings however revealed that, whilst almost 78% of the respondents agreed that it was natural to experience boardroom squabbles, 22% outrightly rejected the fact that such occurrences ever showcase themselves. With respect to the importance of the mix of nationals to the board, a director with a foreign bank remarked:

> *"It's a normal thing. Our bank is a Nigerian bank. It has parent's interest, so the parent would always nominate people to serve its interest on the board and shareholders as well so the people that come are actually Nigerian and then were are Ghanaians on the board here, so it's a mixture of it…"*

As to whether that presents any cultural difficulty to the board, he opined:

> "*Ghana and Nigeria are not very much different. We are sister nations in West Africa so the culture is not very much different. And in any case, this is not a cultural meeting it's a business meeting and once the people are confident… they all went to the same international schools and so on and so forth… but it brings variety of experience and you are able to compare various jurisdictions, how things are done and its makes the board richer and nicer."*

According to Oxelheim and Randoy (2003), the presence of foreign nationals in the board structure brings competitive advantage for the firm and breeds the existence of global network, more commitment and obligation to the needs of stakeholders. The authors added that, with the increasing trends in globalization of business, foreign investors have the opportunity to buy more shares in the company. In relation to this, a director asserted:

> *"… The reason why that gentleman you speak of…he's a German…he represents one of our majority shareholders so…. 'I mean he could have been a Ghanaian' so it wasn't like a deliberate attempt but he did bring some*

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> *diversity onto the board… Coupled with professionals of different fields - economics, accounting, banking, law, etc.; boardroom diversity do enhance our performance…"*

It must again be noted that, a few of the indigenous private banks with foreign nationals on their boards do not mainly deliberately attempt to bring in foreign nationals onto their boards but are compelled by virtue of their foreign shareholders who nominate such individuals to represent their interests. Nonetheless, these banks do agree that, such diversity brings some advantages to them in terms of human resource, training, networking, etc. Evidence to support this is:

> *If you really compare us to other banks, I think we are one of the banks that are really following the tenets of corporate governance, because it's really a big thing for us especially because we have IFC (International Finance Corporation) as one of our shareholders and IFC is considered like the guru of corporate governance in the world so we've had good tutorship from them".*

In further affirmation to this assertion, Darmadi (2011) espoused that the presence of foreign nationals on the board promotes global networking and business relationships. He further emphasized that firms with overseas ownerships mainly have more diverse and heterogeneous boards composed of different nationals. This, Robinson and Dechant 1997 cited in Carter, Simkins and Simpson (2003) emphasized can offer substantial outlook of the market sphere, where it is especially associated with diverse supplier and customer demographics. In stark contrast, although many of these studies including Dalton and Dalton (2005) professed that the presence of foreign nationals promotes business value, other findings in Indonesia by Darmadi (2011) averred that firm performance has no trace to diversity in nationality of board of directors.

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4.2.3.4: Board Member Competence in Business and Economics Fields and Firm Performance

On average, between 66.7% and 78.7% of the annual reports of the selected banks profiled the directors of the boards. The review brought to the fore that most of these directors are people of enviable academic, business and corporate prowess. Indeed, whilst a good number of them especially the non-executives have international careers with well-known global organisations, some moved or retired from one bank to the other as directors whilst others were CEOs and entrepreneurs of reputable business entities. In fact, whilst one report noted "*the board is comprised of persons of mixed skills with experience in diverse fields of human endeavor*," another remarked that "*the board members have wide experience and in-depth knowledge in management, industry and the financial and capital markets, enabling them to make informed and valuable contributions to the progress of the bank.*"

Through the interrogations, all the respondents underscored the need to have people of diverse backgrounds on the board. Just as elsewhere, the banking industry in Ghana is very competitive hence leadership takes into account not only directors of business and economics competence, but people with management, legal, and excellent academic backgrounds. With respect to how competence in business and economics fields play against other disciplines in advancing the performance of the banks, two directors distinctly recounted:

> *"We have a combination. We have lawyers on the board, we have accountants on the board, we have auditors on the board, and we have economists on the board and finance people on the board. So you need etcetera of various sort of disciplines… I don't think that one particular discipline does better. I think that when you have all of them you have a rich array of experience"*
>
> *"…experience because most of our board members have been people who have held high level positions in very successful companies so they come with*

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> *that experience… you know we used to do this like this and it works so you should look at doing that…"*

The above statements are in clear disagreement with the empirical findings of Vania and Supatmi (2014) who held that the sturdier the business competence of the board commissioner, the higher the company value. The researchers made this assertion during an investigation of the effect of board diversity on the company value of financial entities on the Indonesian Stock Exchange. Whereas the emphasis of Vania and the colleague was on the board commissioner, this study focused on the entire board of the firm. Although, the chairmen of the boards over the years remained people with high calibre of business expertise, there were academics and other board members with probably much more multi-faceted professional experience. As one director indicated:

> *"Despite the age differences, the board is always composed of persons with varied experience and expertise and all contribute effectively to debates at board meetings…"*

In parts, this outcome coheres with Coles et al (2008) whose study supported the notion of superior value for diversified firms. In the same way, the narration reveres Laksmana (2008) who supports the fact that board diversity brings expertise in handling financial and managerial terms in the boardroom, with Dalton and Dalton (2005) also emphasizing that diversified boards come with much skills and experiences. In principle, the outcome further provides support for the resource dependence theory that sees the board and its diversity to be of key strategic tool (Eklund, Palmberg & Wiberg, 2009) and an indispensable bond between the firm and the external resources that organization require to maximize its performance (Pfeffer, 1972; Pfeffer & Salancik, 1978).

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Hypothesis 4: *There is a significant difference in service delivery and performance amongst Ghanaian state-owned, private and foreign banks*

Table 4.2.5: ***Summary of ANOVA test showing the Means and SDs of Ownership Identity and firm performance***

Variables	N	Mean	SD	*df*	F	Sig.
State banks	3	0.144	.095	2	0.434	0.66
Private banks	6	0.132	0.122	6		
Foreign banks	5	0.222	0.160			

p>.05

The Analysis of Variance results presented in Table 4.2.5 above shows there is no significant difference in performance and service delivery amongst state-owned banks (M = 0.144, SD = .095), domestic indigenous (M = 0.132, SD = 0.122), and foreign banks (M = 0.222, SD = 0.160), [$F_{(6, 2)} = 0.434$, $p > .05$, two-tailed]. In essence, with reference to service delivery and performance, all categories of banks regardless of identity seemed to perform relatively uniformly. Thus, the hypothesis that there is a significant difference in service delivery and performance amongst state-owned, private and foreign banks was not supported.

4.2.4: *Objective 4:* Systematically Examine the Extent to which Service Delivery and Firm Performance Differ Across State Owned, Private Indigenous and Foreign Banks

Although, the mean scores in Table 4.2.5 largely favoured the foreign banks, the differences are woefully insignificant. These findings, arguably challenge the contemporary and long-standing evidence that service delivery and performance of foreign banks is much better than their domestic counterparts. Interestingly, this study provides support for Bokpin (2013b) who documented the effect of ownership structure and corporate governance on efficiency in the Ghanaian banking industry. Covering 1999 and 2007 period, findings from the stochastic frontiers and regression analyses indicated that although not necessarily more profit-efficient, foreign banks are not only more cost-efficient, they are somewhat more

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profitable and enjoy better quality loans than domestic banks. He further maintained that banks with inside ownership were overall non-profitable but with high loan quality whilst managerial ownership was linked to cost inefficiency. The outcome is again consistent with the study of Sturm and Williams (2004) in which they noted that although foreign banks are more input efficient than the domestic banks due to superior scale efficiency, it does not lead to superior profitability. Again, the findings correspond with the revelation of Omran (2002) in which he noted that the performance of state-owned banks (SOEs) also improves significantly during the post-privatization period hence privatized firms do not perform any better than SOEs.

Further exploration of the finding suggests that whereas foreign banks recorded higher profits in terms of ROA, NIM and FEEOP, than both state-owned and indigenous private banks, state-owned banks on the other hand interestingly produced slightly better on the market measure ROE than the foreign banks. Perhaps, this supports the growing empirical evidence that despite the poor performance of foreign-owned banks in advanced and developed nations, there is performance dominance of foreign-owned banks in developing and transition economies (Fadzlan, 2012). On all but service delivery indicator (FEEOP), the state-owned banks were insignificantly more efficient than their indigenous domestic private counterparts (see Figure 4.2.1). In this regard, the findings variously support Ataullah, Cockerill and Le (2004) that foreign-owned banks are relatively efficient compared to the domestically owned banks and Sathye (2003) and Shanmugam and Das (2004) that the public and foreign-owned banks have exhibited higher levels of efficiency compared to their private-owned peers.

However, the findings contrast the Norwegian study of Goldeng, Grunfeld and Benito (2008) and that of Indonesian's Astami, Tower, Rusmin, and Neilson (2010) in comparison

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of privately-owned and state-owned enterprises that POEs have better performance levels and accounts than fully government-owned (SOEs) peers. Similarly, it dispels Beck's et al (2005) study which in exploring the Nigerian banking system with data on accounting measures of performance discovered that privatization leads to superior value-added performance hence fully privatized banks performed better than those with continual marginal government ownerships. Besides, the findings challenge Berger, DeYoung, Genay, and Udell (2000) who rather on the reverse discovered that domestic banks have both higher cost efficiency and higher profit efficiency than foreign banks, having compared the performance of privatized firms to a matched set of state owned. The study fairly shares the opinion of Koeva (2003) that although profitability declines with concentration, ownership is not the key determinant of efficiency and profitability even though nationalized banks appear to be less profitable than the private and foreign-owned banks.

Not forgetting the fact that one of the state-owned banks in this study is privatized with some individuals and institutions having shares, although with lots of governmental control, the study is not oblivious of the impact that might have on the results. With its average score being the highest (see Figure 4.2.1), it could be true although difficult to ascertain, whether privatization have remarkable effect on investment and market liquidity and improves the operating and stock market performance of such state-owned firms. This is heavily reported by many researchers including: Sarkar and Sensarma (2010), after investigating the impact of partial privatization on performance of state-owned banks; Kerr, Qiu, and Rose (2008), after investigating the long-term performance of private IPO corporations in Australia and New Zealand; Otchere (2007), after studying privatized banks in various advanced nations; and Berger et al (2005), after examining the performance of privatized banks in Argentina, etc. Although Bachiller (2009) interestingly disagreed and rather articulated that the

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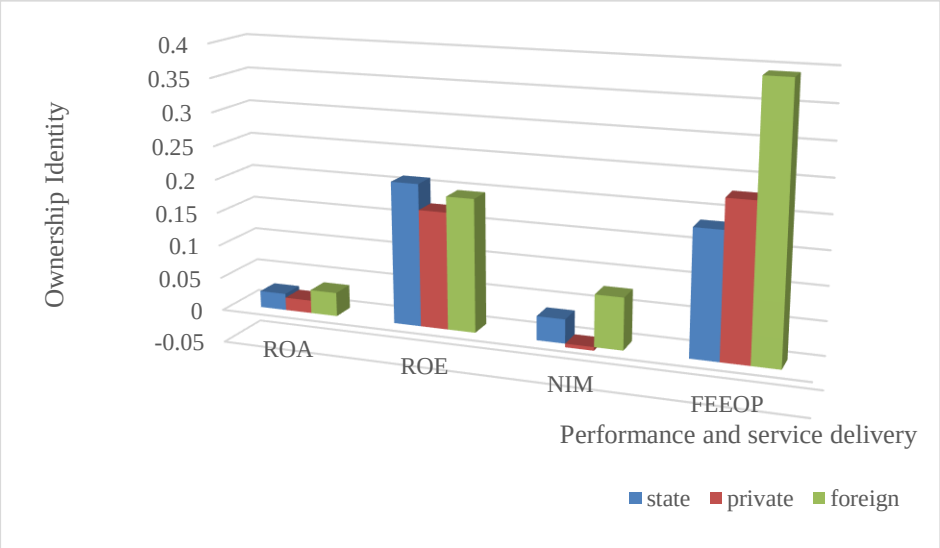
improvements in efficiency are not related to privatization, the study strongly recommends future scholars to explore this area.

Knowing that privatization does not always lead to profit maximization, Megginson (2005) argued that in the case of partial privatization, the effects on performance is dependent on institutional and regulatory frameworks. Nevertheless, Aivazian, Ge, and Qiu (2005) expressed that even in the absence of privatization, corporate governance reform is possibly an effective tool through which the performance of state-owned enterprises can be improved.

Figure 4.1: ***Ownership Identity, service delivery and firm performance***



Source: Survey data, 2015

Relative to private banks, state-owned banks according to Dinç (2005) increase their lending in election years in major emerging markets, and these actions are inspired by political motivations other than differences in performance between privately-owned banks and government-owned banks. However, although our study covered two major election years in the history of the country, it was not interested in exploring how state-banks inject capital

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into the market during such periods. It is therefore highlighted for future exploration. Meanwhile, it must be noted that since the NIM measures how successful a firm's investment decisions are compared to its debt situations, the negative value in NIM recorded by the domestic private banks in the diagram above therefore suggests that such firms during the period understudy did not make optimal decisions, because interest expenses were greater than the amount of returns generated by investments.

Furthermore, the findings contradict that of Cornett, Guo, Khaksari and Tehranian (2010) in their investigation of the impact of government ownership and involvement in a country's banking system on bank performance between the periods of 1989 through 2004. Findings revealed from 1997 to 2000, the 4-year period after the beginning of the Asian financial crisis, the worsening in the cash flow returns, core capital, and credit quality of state-owned banks was significantly greater than that of privately-owned banks, especially for the countries that were hardest smashed by the crisis. Besides, it was also reported that prior to 2001, privately-owned banks operated more profitably, had more core capital, and lower credit risk than state-owned banks with the differences more significant and pronounced in countries with greater government involvement and political corruption in the banking system. In the post-crisis period of 2001–2004 however, state-owned banks were reported to have closed the gap with the privately-owned banks on cash flow returns, core capital, and nonperforming loans.

Apart from not much being reported about government and political sleaze and venality in the banking system in Ghana, it is generally believed that countries in Sub-Saharan Africa especially West Africa were not directly affected by the financial meltdown. ISSER (2014) however reported that whilst the direct effects may not be immediately observed in a significant way, "the world financial crunches is estimated to reduce external inflows into

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African market economies. Foreign direct investments (FDI), aid from donor agencies, export earnings, private foreign capital investment, remittances, etc., are largely anticipated to be affected by the economic crises, eventually resulting to a decrease in productive capabilities of African economies (p.19), and that the effect is mainly expected through indirect channels or not through the first-round effects." (p. 39). Thus, the lean performance advantage gained by the government-owned banking firms over their private contemporaries could be explained in terms of their larger market share, access to more core capital, improved proficiency, and perceived customer understanding of government intervention and bailouts during watersheds. In the case of the ostensibly insignificant domineering of the foreign and multinational banks over their domestic peers, the findings agree with Fadzlan (2012) that the parent and home bank's branch networks of the foreign banks exert positive influence on their foreign subsidiaries, and that credit risk, income from nontraditional sources, loan intensity and overhead expenses contribute positively to the profitability of their foreign subsidiaries in developing nations.

Could the somewhat low performance of the state and private banks against the foreign counterparts be attributed to lower productivity, less saving and borrowing, lower bank efficiency, etc., suggested earlier by Barth, Caprio, and Levine (2000)?, or rather the converse relationship between the share of sector assets in state-owned banks and the per capita income level of a country put forward by La Porta, Lopez-De-Silanes, and Shleifer (2002)? Notwithstanding the above, the opening of the capital market with its resultant and consequential entry of new banking and financial firms in the last few decades has largely stirred the domestic banks especially the state-owned not only to restructure themselves and withstand the competition post by these larger-based-capital multinational counterparts but to essentially improve their efficiency, technology and quality of service. This resounds with Lensink and Hermes (2004) who observed that the entrance of foreign banks instigates

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domestic ones to improve their proficiency and increase the diversity and quality of financial services in order to preserve their market share. Whilst sharing in this opinion, Claessens, Demirguc-Kunt and Huizinga (2001) interestingly argued that, in contrast the rising presence of foreign banks comes with associated reductions in profitability, non-interest income and overall expenses of domestic banks and that the pressure of competition from foreign banks leads to a positive efficiency effects on domestic banks.

Although this study falls short of comparing the multinationals from developed to developing nations, the outcome could be held to challenge Claessens and van Horen (2012). Founding their claim on the recent financial crisis highlighting the risks associated with cross-border banking and foreign banks presence, Claessens et al (2012) argued that, with low levels of economic development and growth in developing countries, the financial system is unfledged and infantile, hence more prone and susceptible toward financial crises. This, according to them may adversely affect the performance of the subsidiaries of the multinational banks, whilst foreign subsidiaries of the multinational banks from the relatively developed nations may benefit from the underdevelopment of the host country financial system. In a nutshell, it must be noted that although most of the foreign banks in this study were not from advanced nations, many of them seemed to have had access to better technologies (Berger, Clarke, Cull, Klapper, & Udell, 2005) contributing to their meagre and delicate dominance in the industry.

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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter completes the study with a summary of the findings. In this chapter, the study limitations are delineated and valid conclusions drawn with appropriate recommendations and directions for future research highlighted.

5.1 SUMMARY

The study examined the composition of board of directors and its effects on service delivery and firm performance in the Ghanaian banking industry. It also explored how service delivery and firm performance differ with respect to ownership identities. The cross-sectional panel survey employed the QUAN-QUAL approach to purposively draw a sample of fourteen banking firms for the study. The results of operations of the firms over 2008 and 2013 year period were used for the study. This period was key for the study as it marked the beginning of the recent worldwide economic crunches as well as the historic oil find in Ghana which required certain legal and regulatory changes in order to reposition the financial market and the banking sector in particular.

Four aims and four study hypotheses were formulated and assessed. The Spearman, ANOVA and GMM, fixed and random effect econometric models were employed in analyzing the data. Although not significant, findings indicate some support for the relevance of corporate governance to firm performance in the Ghanaian banking industry. Board composition proxied as board size, the presence of INEDs on the board were observed to have significant positive impacts whereas board member political attachment was reported to have a significant adverse effect on performance. Board diversity measured by four variables including female member and foreign national presence were adduced to remarkably promote the effectiveness of the organisations whereas other attributes: board

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member age and competence in business and economics fields were inconclusively pronounced to be of much concern. However, experience in the boardroom rather than age and skill diversity including legal, academic, etc., were of prominence.

Furthermore, although no significant differences were observed between ownership identity and performance and service delivery, the results partly endorses the age-old credence, that on average banks with foreign ownership identities portray better service delivery and performance than their locally dominant private and state ownership counterparts. This is attributed largely to excessive bureaucracy, poor human resource practices, political expediency and disrespect to laws and regulations of the country. Challenging the stewardship theory, the study offers some discernments for policy makers interested in promoting the efficacy of corporate governance systems across the world but for the unique and distinctive path in the cultural, historical and socio-economic contexts of each country.

5.1.1 Observed Governance and Performance Framework

From the literature review, it was amongst others proposed that CEO duality, board member nationality and competence in business and economics fields would distinctively influence firm performance. However, since all the boards of the sampled firms were observed to be skill diverse and separated the roles of CEO/MD from the board chair, the duality and member competence concepts were not captured in the model. Member nationality was multicolinear and could not produce desirable outcomes hence was also excluded from the model. Besides, the relationship between corporate governance and firm performance and service delivery was also expected to be moderated by board member age, gender and board size. Since there were inadequate questionnaires retrieved, the data violated many assumptions underlying quantitative and use of parametric tests, hence the age and gender variables were not captured in the model. Thus, except CEO duality, since the study was

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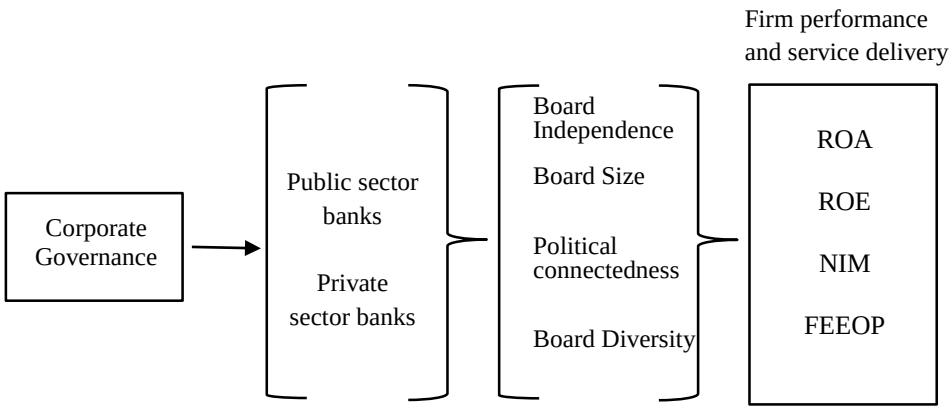
very interested in all these variables, they were assessed under board diversity through qualitative analysis.

A revisit to the hypothesized framework illustrated in Figure 2.4.1 may be understood in the light of the revised framework in Figure 5.1 as follows: From the findings, the presence of INEDs has a positive relationship with ROA. BOARDSIZE has a positive relationship with ROA and ROE but negative a relation with NIM. Political Attachment has a negative effect on NIM. In each model, the test for the fitness was significant indicating that all the parameters of Board Composition have effects on performance and service delivery. Furthermore, whereas two dimensions of board diversity: female member and foreign national presence have positive relationships, the other two attributes: board member age and competence in business and economics fields produced no conclusive evidence on performance.

Figure 5.1: Observed Governance and Performance Framework



Source: *Author's construct*

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5.2 CONCLUSIONS AND IMPLICATIONS

The focal objective of this study was to examine the relative importance of board composition on service delivery and overall performance within a developing country context. Overall, the broad findings from the study indicate some support for the relevance of corporate governance to firm performance in a growing economy, characterized by relatively challenging socio-economic conditions. Whereas key board composition indicators including board size and the presence of INEDs were found to be significantly helpful, board member political connection was particularly found to be significantly detrimental to the progress and performance of the banks. Board diversity was found to have inconclusive evidence on firm performance. Whereas two dimensions of board diversity: female member presence and foreign national representations were found to be worthwhile in promoting firm performance, the other two components: board member age and competence in business and economics fields were observed not to produce a conclusive evidence on performance. Perhaps experience rather than age matters in the boardroom. Directors with legal, pure academic, etc., backgrounds were found to be valuable to firms just as those with business and economics competence.

Due to excessive bureaucracy, tribalism, nepotism, poor human resource policies, political expediency in appointments and lack of respect for laws and regulations of the country, government ownership has been utterly carped for contributing to the commonly poor performance of firms (Ongore & K'Obonyo, 2011). Partly confirming this long-held assertion, banks with state ownerships and identities although reported fairly higher performance effects than locally private-owned, they both insignificantly portrayed poorer outcomes than their counterparts with foreign identities. The call is made for government and other regulatory bodies to strengthen corporate governance mechanisms of institutions and infuse the somewhat MNCs governance systems and progress the divestiture program

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to extend further opportunities to attract more foreigners to co-own some of the domestic private and state corporations.

However, some findings whilst challenging the validity of the stewardship theory, provides support for the agency theory, that ownership is separated from control and that the boards should be composed of largely INEDs (Bosch, 1995; OECD, 1992; Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976). The study further provides support for the resource dependence theory that sees the board and its diversity to be of significant strategic resource (Eklund, Palmberg & Wiberg, 2009) and an indispensable link between the firm and the external resources that firms need to promote their performance (Pfeffer, 1972; Pfeffer & Salancik, 1978). The study calls for an increase in female representations on boards whilst urging the state not only to relinquish ownership control of firms but acquit and absolve them of political appointees in order to improve efficiency and financial performance. The results indicate that these mechanisms can mitigate agency problems in a country characterized by excessive officialdom and poor human resource practices in the national banking system. Nonetheless, given the shrinking nature of the global economy, and the rising interest of MNCs in growing markets and developing nations including Ghana, the study offers some discernments for broader conceptual and empirical outlook in promoting the efficacy of corporate governance systems.

5.3 RECOMMENDATIONS

From the findings, the following recommendations are offered. The study suggests that banks in Ghana are not very committed to all spheres of corporate governance or the enforcement machinery seems to be superficial especially amongst the domestic banks. The Bank of Ghana and the regulatory bodies should adopt high standards of CG and continue promoting such guidelines to the fullest extent possible, amongst not only listed but all

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corporations and conglomerates in the country. Governance and board structure, literacy, discipline and social awareness particularly the need to strengthen the boards so the institutions have the preferred and desired echelons of governance mechanisms. To maintain a strong and independent element on the board, firms should be interested in high calibre of INEDs appointed through formal processes rather than NEDs. State enterprises especially must eschew excessive government appointments onto their boards, with stiffer regulations thoroughly and meticulously ensuring candidates are absolved of any political will. Regulations should include encouraging directors to attend seminars and training courses that will equip them not only in executing their obligations and responsibilities but essentially on regulatory, legal, economic and business matters germane to the business and operations of the company.

Local firms are highly encouraged to learn from MNCs and provide accounts about standard best practices of corporate governance in their annual reports. This should go beyond the surface of the number of directors, who belongs to which committee(s), to the number of meetings held in a year and who was absent and who was in attendance whether via conference calls or physical presence, the remuneration packages of each director to reflect time spent on the board, and reporting on the effectiveness of internal control measures, etc. This promotes trust and engagement between firms and their stakeholders thereby helping to boost investor confidence. For proper governance principles, there is the need for regulators to formulate a cohesive national corporate governance code, common in many European and Asian nations. This requires not only adopting universal principles but governance adaptations more suitable and tailored to the specific needs of the country.

In spite of an extensive exploration of literature, there were very few discourses available on governance in Ghana and Africa in general. Whilst it does not hope to serve as a

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benchmark, the study hopes to generate much wider interest amidst heightened media wars in recent times over governance in corporate institutions in the country. Potential scholars may focus on assembling much more comprehensive and expanded firm and industry-level data not only in banking but other key sectors of the economy. The finding overall suggests that banks with better governance disclosures perform better hence investors are encouraged to learn more of corporate governance whilst making investment choices and decisions particularly in the less developed, emerging and transition economies. Needless to say, our own economies will be the ordinary heirs of such desirable efforts.

In multi-regulatory and multi-supervisory systems prevalent in modern business functioning, it is vital to ensure the regulatory and supervisory weights are shared by all who are responsible for regulating and supervising banking and financial institutions. This, nonetheless will not only serve the need to mitigate concentration of regulatory risks, but particularly relevant in multi-regulatory regimes to ensure appropriate laid down governance principles, so that all regulatory players are conscious of the principles driving the governance procedures for the interest and stability of the wider financial system (Cabraal, 2007). In essence, the Central Bank with other regulatory bodies must mandate the universal banks and other financial institutions to adhere to full disclosures of their operations. This, indeed may not only call for the markets, investors, creditors, etc., to develop a keen interest in the financial institutions, but mainly provide an avenue for other regulators to meticulously involve in overseeing and supervising such firms. Let us all therefore together and en masse dedicate ourselves to promote and apply sound Corporate Governance principles and practices in our banking and financial sectors and other corporate institutions: state or private, domestic or foreign, sole or partnership, listed or non-listed, owner or steward-managed, etc. The scholar remains very optimistic that, the banking and financial community in Africa and Ghana in particular will continue to stimulate and adopt

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the desirable practices and the disclosures so as to provide the atmosphere for smooth functioning of our complicated financial systems in an ever-changing corporate regimes.

5.4 LIMITATIONS

Notwithstanding the gains, there were also some obstacles and challenges which need not be glossed over. Because of the difficulty associated with accessing the annual reports of some of the companies, the sample was restricted to only 14 banking firms whereas there are about 30 banks in Ghana. Thus, the variables are not proportionally distributed. Lack of complete data on some of the variables markedly reduced our pooled and panel data analyses since a thorough balanced and rich data could not be obtained. Future scholars need to devote extensive time and resources to cover the entire industry. Besides, the study focused on governance and bank performance but not other financial institutions, insurance companies and investment funds due to significant differences in their capital structure hence future explorations may consider such. Future research can consider other aspects such as efficiency and productivity, public welfare improvement, stock return, accountability, etc., in the public corporations.

Whilst future studies are encouraged to explore performance determinants on governance trends, mainly whether smaller boards with more outsiders are appropriate following periods of performance decline, institutions are encouraged to consider the study's implications for governance practices. The study could not go beyond the surface level governance conformity due to an extremely difficult data gathering process on corporate governance. Although efforts were made to consign and situate the work in the African and Ghanaian context in particular, the non-availability of local literature in the topic area necessitated the study drawing largely on sources from the West. With resource and time available, the study would have done cross-cultural and comparative governance across

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some selected banks in the Western Africa enclave. Nonetheless, the insights gleaned from this study could serve useful bases for scholars to further advance the governance debate across different socio-cultural environments.

5.5 SUGGESTIONS FOR FUTURE RESEARCH

The following are some significant suggestions put forward for future studies. Future scholars may explore the exclusive characteristics of governance metrics of ownership identity, structure, disclosure, transparency, discipline, literacy, CSR, etc., in developing contexts such as Ghana and Africa at large since they each in their unique ways variously affect the performance of firms. Future scholars may also consider the different governance styles and policies adopted by different firms. Moreover, since firm performance is affected by several other factors beyond the scope of Corporate Governance, it is useful in future to explore such external and internal variables exclusive of governance dynamics.

Future scholars may consider other ownership structures and identities e.g. family, institutional and insider ownership on performance. External governance attributes such as external takeover market, legal infrastructure, and product market competition and their impacts on performance may also be explored. Further directions need to consider a composite measure that integrates all the proxies and metrics of performance in measuring the overall market or sector performance. A casual observation has been of board changes and fluctuations hence would be interesting to consider how performance indices affect the structure and governance of the boards. For comparative studies, subsample level analysis may be useful for all industrial sectors in the economy. The issue of culture remains unexplored in the corporate governance literature. For fuller empirical understanding, future directions may in detail explore this area. Finally, meta-analysis of some regional and bloc studies in developing context Africa may prove worthwhile in understanding governance

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practices on continental level. This, perhaps may provide ways for improvements in governance models not only across diverse regions such as Africa and elsewhere but for the cultural, historical and socio-economic routes of each country.

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Further reading

Annual reports and comprehensive financial statements of selected banks

Annual reports of Bank of Ghana

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APPENDICES

APPENDIX A: INFORMED CONSENT STATEMENT

UNIVERSITY OF GHANA BUSINESS SCHOOL
UNIVERSITY OF GHANA, LEGON
{+233} 244 056 132; {+233} 507 041 786
hotsuitor@gmail.com

COMPOSITION OF BOARD OF DIRECTORS AND ITS EFECTS ON SERVICE DELIVERY AND FIRM PERFORMANCE IN THE GHANAIAN BANKING INDUSTRY

INFORMED CONSENT STATEMENT

1. Invitation to Participate and Description of the Project. You are being asked to participate in our study of *Composition of Board of Directors and its Effects on Service Delivery and Firm Performance in the Ghanaian Banking Industry*. We are investigating this topic in order to further our understanding of how public and private sector boards are composed and how they function to improve the overall performance of their respective banks. Your participation in the research study is voluntary and very extremely appreciated. Before agreeing to be part of this study, please read and/or listen to the following information carefully. Feel free to ask questions if you do not understand something.

2. Description of Procedure. If you participate in this study, you will (may) be asked to:

a. Participate in a brief exercise including questions about personal history.
b. Perform brief cognitive tests, consisting of pencil and paper tests designed to assess composition of boards and its effect on firm performance.
c. The entire exercise will be approximately 30 minutes.

3. Risks and Inconveniences. The following risks, actual or potential, may occur as part of my participation in this research: Some of the tests and the exercises may be easy, while others may be difficult. No one is expected to be able to answer all the questions correctly or to perform all the tasks without error. I understand that I may experience fatigue during testing. Ample time will be given for completing the form/questions/ to prevent fatigue.

4. Benefits. This study was not designed to benefit you directly. However, participation in the study will enhance our understanding of the composition of board of directors and its effects on service delivery and firm performance. Hopefully, these results can be used to design educational tools that will maximize public understanding of how corporate governance functions in enhancing performance in both public and private sector organizations.

5. Confidentiality. Any and all information obtained from you during the study will be confidential. Your privacy will be protected at all times. You will not be identified individually in any way as a result of your participation in this research. The data collected however, may be used as part of publications and papers related to corporate governance and performance in the banking industry.

6. Voluntary Participation. Your participation in this study is entirely voluntary. You may refuse to participate in this research. Such refusal will not have any negative consequences for you. If you begin to participate in the research, you may at any time, for any reason, discontinue your participation without any negative consequences.

7. Other considerations and questions. Please feel free to ask any questions about anything that seems unclear to you and to consider this research and consent form carefully before you sign.

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Authorization: I have read or listened to the above information and I have decided that I will participate in the project described above. The researcher has explained the study to me and answered my questions. I know what will be asked of me. I understand that the purpose of the study is to examine the composition of board of directors and its effects on service delivery and firm performance in the Ghanaian banking industry. If I don't participate, there will be no penalty or loss of rights. I can stop participating at any time, even after I have started.

I agree to participate in the study. My signature below also indicates that I have received a copy of this consent form.

Participant's Name _____ Phone _____

Email address_____Date_____Signature _____

If you have further questions about this research project, please contact the principal investigator, [Mr. Believe Quarcoo Dedzo], at {+233} 244 056 132, e-mail: hotsuitor@gmail.com. If you have questions about your rights as a research participant or if you have a research related complaint please contact the project supervisor, Prof. Daniel Ofori, Head, Department of Organization and Human Resource Management, University of Ghana Business School, Legon, at dofori@ug.edu.gh

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APPENDIX B: SAMPLE QUESTIONNAIRE

UNIVERSITY OF GHANA BUSINESS SCHOOL
UNIVERSITY OF GHANA
LEGON

INTRODUCTION

I am an Mphil student University of Ghana Business School. I am conducting a research on ***"composition of board of directors and its effects on service delivery and firm performance in the Ghanaian banking industry",*** tailored to meet the partial fulfillment of the award of Mphil degree in Business Administration. The research is entirely for academic purposes hence any information provided would be considered valuable for the research. It is hoped that you would be candid as possible because all the responses would be treated as confidential. I would be very grateful if you could assist in completing the following questionnaire for the study.
Thank you for your understanding and co-operation.

SECTION A

PERSONAL PROFILE

1. Gender Male { } Female { }
2. Age 20-29 { } 30-39 { } 40-49 { } 50-59 { } 60+ { }
3. Level of education Bachelors { } Masters/Professional-ACCA, etc. { } PhD { }
   Others……
4. Position ……
5. Name of bank ……

SECTION B

This section contains series of statements that reflect different understandings and functions of board of directors in enhancing the performance of their companies. Please read each sentence carefully and check (√) the option that mostly describes your choice on the following anchor rating scale: Not at all Satisfied; Poor (NS) =1, Slightly Satisfied; Needs improvement (SS) =2, Satisfied; Meets requirements (S) =3, Moderately Satisfied; Exceeds requirements (MS) =4 and Very Satisfied/Outstanding (VS) = 5.

	ITEMS	NS	SS	S	MS	VS
		1	2	3	4	5
BOARD STRUCTURE						
6	The bank has a proper mix of directors with the appropriate skills, knowledge and experience to enable them to effectively participate in board deliberations.					
7	The board has a process of selection that ensures an optimum mix of directors and officers who can perform competently and professionally and add value to the company					
8	The powers, roles, responsibilities and accountabilities between the board and management are clearly defined, segregated and understood.					
9	The board of the bank has the necessary committees in place to assist the board in the performance of its duties and responsibilities.					
10	The board formulates and reviews, as well as updates, the company's corporate vision and mission, values and purpose, strategic objectives, policies and procedures that serves as a guide to the company's activities					
11	The board size is lesser than or equal 12					
DSCIPLINE – Managerial incentives and discipline towards value-maximizing actions		1	2	3	4	5
12	The bank has a mission statement that explicitly places priority on good governance					

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13	The expected remuneration of top is managers tied to the value of firm shares					
14	The management sticks to clearly defined core businesses					
15	The management built up cash level over the past five years					
16	The company's annual report devotes a section to company's performance in governance implementation					
17	The governing body adopts a formal code of conduct defining the standards of behavior to which individual governing body members and all employees of the bank are required to subscribe and also periodically reviews adherence to such code of conduct					
TRANSPARENCY – Timely and accurate disclosure		1	2	3	4	5
18	The bank publishes an objective, balanced and understandable annual reports within four months of the end of the financial year					
19	The company publishes results and announcements in English (or another major) language within one working day					
20	The board of the bank schedules and holds regular meetings and convenes special meetings when required by business exigencies					
21	There is active solicitation of views and opinions of the members of the board in the process of arriving at a decision					
22	The duties, terms of office, remuneration and the review thereof, of non-executive governing body members are clearly defined					
23	The bank and the board conduct an annual review of the charters of all board committees and recommends the needed changes including committee assignments and chairmanships as well as overseeing the development and implementation of policies and programs that will improve the bank's corporate governance principles and structures					
24	The non-executive board members are free from any other relationships that may materially interfere with exercising an independent judgment on issues of strategy, performance, resources and standards of conduct					
25	The management disclosed 3- or 5- year ROA or ROE targets					
INDEPENDNCE - Board Independence		1	2	3	4	5
26	The chairman is an independent non-executive director					
27	The bank has a management board that has more than twice its representation on the board of directors and not dominated by major stakeholders					
28	The bank has an audit committee and it is chaired by an independent director					
29	The company has a remuneration committee and is it chaired by an independent director					
30	The company has a nominating committee and is it chaired by an independent director					
31	The external auditors are unrelated to the bank					
32	The company has representatives of banks or other large creditors of the company					
ACCOUNTABILITY – Board Accountability		1	2	3	4	5
33	The company has independent directors on the board					
34	The independent directors are more than half of the total board size					
35	There are foreign nationals on the board					
36	Full board meetings are held at least four times in a year					
37	The Chief Executive/MD is accountable to the governing body for the ultimate performance of the bank and implementation of the governing body's policies					
38	At least one independent director is always in attendance in all board meetings					
39	The audit committee supervises internal audit and accounting procedures					
AUDIT AND FINANCE – Fiscal Responsibility		1	2	3	4	5
40	The governing body established an audit and finance committee, comprising non-executive members, with responsibility for the independent review of the framework of control and of the external audit process					
41	The governing body ensures procedures are in place to ensure effective and efficient budgeting and financial management, and reviewing financial matters involving the management and operation of the company					
42	The committee advises the board on all major financing transactions, principal agreements and capitalization requiring board approval and makes appropriate recommendations for their consideration					

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43	The finance and audit committee assists the board in performing oversight responsibilities in the selection and appointment process and performance of the internal and/or external auditors					
44	The committee assists the board in fulfilling its oversight function through the review and evaluation of the financial reporting process and adequacy and effectiveness of the system of internal controls, including financial reporting control and information technology security					
45	It assists the board in performing oversight responsibility over management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation					
46	The committee elevates to monitoring and compliance with applicable laws, rules, and regulations as well as international standards the accounting processes, practices and methodologies					
47	The governing body established appropriate arrangements to ensure that public funds and resources are properly safeguarded, used economically, efficiently, effectively, appropriately, and with due propriety as well as in accordance with the statutory or other authorities that govern their use					
48	The governing body includes in its annual report a statement on the effectiveness of the body's framework of internal control					
DUTIES AND RESPONSIBILITIES – Enforcement and management accountability		1	2	3	4	5
49	The board sets sound strategic objectives and business plans aimed at sustaining the company's long-term viability					
50	Members of the governing body receive induction training on the first occasion of appointment to the governing body, and subsequently as necessary					
51	There is a clearly defined division of responsibilities at the head of the body to ensure a balance of power and responsibility					
52	The governing body established appropriate arrangements to ensure that it has access to all such relevant information, advice and resources as are necessary to enable it to carry out its role effectively					
53	The board oversees management's implementation of sound strategic policies and guidelines on major capital expenditures, business strategies, operational budgets, plans and policies					
54	The board regularly and periodically monitors the company's corporate performance against such strategic objectives and business plans					
55	The board regularly and periodically monitors the management's compliance with policies set by the board and its performance based on approved targets and objectives					
56	The board oversees the implementation of the company's human resource and personnel development programs and provides for a succession plan for senior management					
57	The board oversees the implementation of policies for the performance evaluation and compensation of the officers of the company					
58	The board ensures that the company complies with all relevant laws and regulations and endeavors to adopt accepted best business practices					
59	The board ensures the establishment of appropriate corporate governance policies and procedures					
60	The board provides oversight with regard to enterprise risk management and identifies key risk areas and key performance indicators and monitor these factors with due diligence					
61	The board adopts a system of check and balance within the board and regularly reviews its system of checks and balances for effectiveness					
62	The board has adopted a code of ethics which governs the conduct of the board, the officers and employees of the company					
63	It reviews and monitors the structure, size and composition of the board and recommends improvements to ensure its compliance with the applicable laws, regulations, listing rules and company policies					
64	The board ensures the continuing soundness, effectiveness and adequacy of the company's control environment					
65	There are mechanisms to punish the management board in the event of mismanagement					
66	The management/directors' boards took decisions in recent times to benefit them at the expense of shareholders					
67	The appointment committee screens, identifies and recommends qualified individuals for nomination and election as directors as well as those nominated for election and replacement to other positions requiring appointment by the board					
68	The board members act in a manner characterized by transparency, accountability, integrity and fairness fully aware that the office of a director is one of trust and confidence					
69	I devote sufficient time and attention necessary to properly discharge and effectively perform my duties and responsibilities as a member of the board					

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70	We are kept updated on developments in the company, including its financial and operational performance					
71	There are established and appropriate mechanisms to ensure that members of the governing body exercise independent judgment and are not influenced by prejudice, bias or conflicts of interest					
72	The board members observe confidentiality of non-public information acquired by reason of their positions as directors					
FAIRNESS/PROTECTION – Minority shareholder protection		1	2	3	4	5
73	The necessary information are made available to shareholders before General Meetings					
74	All shareholders have the right to call a general meeting					
75	The governing board reports publicly the processes for making appointments to the governing body and makes publicly available the names of all governing body members, together with their relevant other interests					
76	The bank and governing body established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual members of the governing body					
77	The annual reports of the governing body contain a statement on the remuneration policy and details of the remuneration of the members of the governing body					
78	Proxy voting is allowed on the governing board of the bank					
79	The majority shareholder owns less than 40% of the company					
80	The head of Investor Relations reports to the CEO or a board member					
81	The governing body established procedures to ensure that no member of the governing body is involved in determining his or her own remuneration					
82	The total director's remuneration over the past five-years increased faster than net profit after exceptionals					
83	The governing body made an explicit commitment to openness and transparency in all the activities of the entity					
SOCIAL AWARENESS – Social responsibility		1	2	3	4	5
84	The bank has public policy statements that emphasizes strict ethical behavior					
85	The bank adheres to specified industry guidelines on sourcing of materials					
86	The company is environmentally conscious					
87	The company is actively involved in projects within the local and outlet communities					
88	The firm ensures health, safety and work/life balance among employees					
89	The governing body established training programs to ensure that staffs are competent to perform the tasks at hand					

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APPENDIX C: SAMPLE INTERVIEW GUIDE

UNIVERSITY OF GHANA BUSINESS SCHOOL
UNIVERSITY OF GHANA
LEGON

INTRODUCTION

I am an Mphil student University of Ghana Business School. I am conducting a research on ***"Composition of board of directors and its effects on service delivery and firm performance in the Ghanaian banking industry",*** tailored to meet the partial fulfillment of the award of Mphil degree in Business Administration. The research is entirely for academic purposes hence any information provided would be considered valuable for the research. It is hoped that you would be candid as possible because all the responses would be treated as confidential. I would be very grateful if you could assist in completing the following questionnaire for the study.
Thank you for your understanding and co-operation.

SECTION A

PERSONAL PROFILE

1.	Gender	Male { }	Female { }		
2.	Age	30-39 { }	40-49 { }	50-59 { }	60+ { }
3.	Level of education	Bachelors { }	Masters/Professional-ACCA, CIM, etc.{ }		
		PhD { }	Others……		
4.	Name of bank	…….....			
5.	Portfolio on the board	……..			
6.	Board member status	Executive { }	Non-executive { }	Government appointee { }	
		Combinations of i, ii, and iii { }		Others { }	

SECTION B: INTERVIEW SCHEDULE

This section seeks to elicit written information that explains your understandings and functions of board of directors in enhancing the performance of their companies. Kindly read each question carefully and provide your answers in the various spaces. Please note that there are no right or wrong answers.

1. How satisfied or dissatisfied are you with the board's governing scope?
2. Apart from your duties and responsibilities, what other tasks do you perform on the governing board?
3. How is the composition of the board of directors determined?
4. What is understood as the role of the board of directors vis-à-vis management, particularly with respect to setting strategy and vision and enhancing the overall performance of the company?
5. Have any member of the board ever been sanctioned for violating any of his/her duties? Yes/No. If yes, what are some of those penalties?
6. How often is the board of directors elected? Is there a maximum term a director can serve?
7. What is the required educational qualification for a board member?
8. Do they have varied educational qualifications? Yes/No. If yes, what are some of the qualifications of the board members?
9. What are the quorum requirements for the board……. and board committees.....?
10. What type of board information can be disclosed to the public in pursuant to the information disclosure policy?
11. Are minutes of previous meetings approved at the following meeting? Yes/No
12. How is the performance of the board/subcommittees and management reviewed?
13. Are there performance indicators? Yes/No. What are they?

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14. Who makes recommendations for the appointment of board of directors?
15. Are there formal process for application to the board? Yes/No. How does the nomination committee ensure that potential members are suitable to serve on the board?
16. How is it ensured that only individuals with the right skills and attitudes are selected?
17. Do any of your board members serve on any other boards? How does that affect their inputs on your governing board?
18. What factors do you personally regard as being the key drivers that impact service delivery and overall performance of the bank?
19. Do you or any of your board executives have some political affiliations with the ruling or the main opposition party? Yes/No. If yes how does that attachment affect the performance of the bank?
20. Do you think directors with business and economics competence contribute more to discussions hence enhance performance than their peers with no such backgrounds?
21. How do you think the board can better be structured so as to enhance performance of the firm?
22. What are some of the issues often leading to disagreements between the governing board and management of the bank?
23. To what extent do you think the diverse customers and shareholders are satisfied with the overall service delivery and performance of the bank?
24. Are there concentration of powers from the combination of positions in one person? Yes/No. Explain your choice
25. Do you believe the presence of the governing board is having significant impact on the overall performance and service delivery of the bank? Explain your choice.
26. **Please state below your additional comments or suggestions to further improve the effectiveness of the board, service delivery and overall performance of the bank**

THANK YOU SO VERY MUCH FOR YOUR CO-OPERATION

BEST REGARDS

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APPENDIX D: BOARD STRUCTURE OF SAMPLED BANKS

GCB BANK LIMITED

The GCB board in 2008 was composed of ten (10) directors including seven non-executive and three executive directors that was responsible for ensuring that the highest standards of Corporate Governance were achieved in directing and controlling the business of the bank. With the exception of the audit and finance-5 members, the bank had renumeration-5 members, legal and public relations committee-3 members composed of only non-executive directors. At the end of 2009, the bank was made up of twelve (12) members consisting of three executive, seven non-executive and two independent non-executive directors. The annual report stated that the bank was dedicated to ensuring good CG hence aimed at complying with best practices on same. Each made up of three non-executive directors, the bank had three committees including the executive committee, audit and compliance as well as remuneration and human resource committees. As a means of determining the direction and performance of the bank, the Board of GCB was reported not only committed to ensuring good corporate governance but aimed at complying with its best practices. At the end of 2010, the GCB Board consisted of twelve members, made up of three (3) executive and nine (9) non-executive directors. There were three women on the board. The board members were mentioned to have broad experience and expertise in banking, industry and commerce, finance, Information Technology, management and law, enabling them to make not only informed decisions but to also assist them in setting the strategic drive and development of the bank.

In 2011, Ghana Commercial Bank Limited was reported to be committed to a continuous process of improving its corporate governance practices. It was in that year that the bank reported to be updating its corporate governance framework to align such structures with international standards and leading practices. The role of the board was therefore captured to include guiding and monitoring the business affairs of the bank in order to ensure that the interests of shareholders were safeguarded and upheld. At the end of the year, the board had ten (10) members, made up of a non - executive chairman, seven (7) other non - executive directors, and two (2) executive directors. With their terms of reference, the board had three (3) committees namely; executive committee, audit and compliance committee and Human Resource & Remuneration Committee, each composed of three non-executive directors since 2009.

In a manner that enhances shareholder value, the bank from 2012 was reported to commit to strong corporate governance practices that allocate rights and responsibilities among its shareholders, the board was reported to provide for the effective oversight of management. The board oversaw the conduct of the bank's business and was predominantly responsible for providing effective governance over the bank's key affairs, including the appointment of executive management, approval of business strategies, and evaluation of performance and assessment of major risks facing the bank. In discharging its obligations, the board reported to exercise judgment in the best interests of the bank and relies on the bank's executive management to implement approved business strategies, resolve day-to-day operational issues, keep the board informed, and maintain and promote high ethical standards. The board delegates authority in management matters to the bank's executive management subject to clear instructions in relation to such delegation of authority and the circumstances in which the latter shall be required to obtain approval of the former prior to taking a decision on behalf of the bank.

In 2012 and 2013, the bank was said have a unitary board made up of a majority of non-executive directors. At the end of 2012, the board had eight (8) members, made up of the non-executive chairman, five (5) other non-executive directors and two (2) executive directors. The board was re-structured into Audit and Compliance, Large Credit Exposures, Human Resource and Remuneration, Nominations and Risk and Capital Management committees. Board committee members were said to be appointed by the board with each committee having its own written terms of reference, duties and authorities. In 2012, a newly established sub-committee of the board known as the Nominations Committee was put up. According to the report of the year, the committee was made up of at least

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three (3) non-executive directors with its responsibilities among others including: reviewing the structure, size and composition; including the skills, knowledge, experience and diversity of the board compared to its current position and make recommendations to the board. In 2013 particular, the board was made up of 11 members, majority being non-executive directors. It included the nonexecutive chairman, seven (7) other non-executive directors, and three (3) executive directors. Just as in the previous year, the number of committees remained the same with almost all composed of three nonexecutive members.

Since 2008, the bank was said to acknowledge the significance of good Corporate Governance and was committed to the implementation of its principles. The bank believed in transparency and full disclosure in its operations therefore adopted standard accounting measures and ensuring thorough internal controls in expediting the reliability of financial statements. The bank's corporate governance principles were mentioned to be contained in a number of corporate documents, including the bank's regulations, staff service rules and other policies occasionally issued. The bank was largely reported to have had systems of internal control through which risks were identified, managed and monitored.

AGRICULTURAL DEVELOPMENT BANK

In 2009, the board of ADB was composed of eight members including an independent non-executive chairman, five other non-executive directors and two executive directors with only one female director. The board had audit and compliance, governance and risk management, loans and advances as well as human resources committees. Whilst most committees had four directors, only the loan and advancement committee was composed of five. Each committee was chaired by a non-executive director. In 2010, the composition of the board and its committees did not significantly change in terms of size and personnel, only that one non-executive director was replaced by a female non-executive director following resignation. It was still made of eight members including a non-executive chairman, five other non-executive directors and two executive directors. The board had audit and compliance, governance and risk management, loans and advances as well as human resources committees. Whilst the first two and last two respectively were made of four and five directors, each committee was chaired by non-executive directors.

Although the board and its committee members remained the same from the previous year, the bank for the first time captured in its report, elements of corporate governance in 2011. The bank was reported to be operating according to the Basel Committee standards on corporate governance. The key guiding principles of the group's governance practices included; "Good corporate governance enhances shareholder value, the respective roles of shareholders, Board of directors and management in the governance architecture should be clearly defined, the Board of directors should have majority membership of independent directors, defined broadly as directors who are not employed by the Group or company, or who are not affiliated with organizations with significant financial dealings with the Group." (p. 15).

According to the report, these principles have been articulated in a number of corporate documents, including the regulations of the bank, rules of procedures for boards, a code of conduct for directors and rules of business ethics for staff. The board was said to be responsible for setting the strategic direction of the bank, leading and controlling the bank as well as and monitoring the activities of executive management of the institution. At the end of 2011, the board of directors of ADB consisted of eight (8) members made up of an independent non-executive chairman, 6 (six) non-executive directors, and two (2) executive directors. In earnest, the report emphasized that the board adopted standard evaluation tools that helped assess the performance of the board, its committees and individual members on an annual basis.

In 2012, the board of the bank reduced to seven (7) members following the resignation of a male executive director, female non-executive director and an appointment of a female non-executive director. The board was made up of an independent non-executive chairman, 5 (five) non-executive directors, and one (1) executive director. The business and economic competence was captured to

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include a wide experience and in-depth knowledge in management, industry and the financial and capital markets which enable them make informed decisions and valuable contributions to the group's progress. Again, all the board committees were composed of four members each with only the human resource committee comprising five. At the end of 2013, the board of directors rose again to eight (8) members made up of a non-executive chairman, 5 (five) non-executive directors, and two (2) executive directors. An entirely new chairman was appointed following the resignation of the former. Two new appointments were made including an executive and a non-executive director. Likewise, the board committees were restructured and reduced to three. These included Audit and Compliance, Governance and Risk Management, and Remunerations Committees all composed of four members each.

CAL BANK LIMITED

The bank was composed of 8 board members including a female non-executive member with at least two foreign nationals in 2008. Following the retirement of the earlier chairman, a new board chair was appointed to steer the affairs of the bank. The board was composed of at least two executive directors with mostly other directors (7) being shareholders of the bank. In strengthening its corporate governance practices, the board was reported to have had two committees including audit and compensation with three and four members respectively. The board reported to have safeguarded the maintenance of good internal control measures, strict adherence to rules and regulations as well as conformance to legal requirements hence the board was satisfied that the systems in place were satisfactory to managing the threats inherent in the bank's operations.

In 2009, the board was reduced to 7 members including a female non-executive member with at least two foreign nationals. The board was composed of at least two executive directors with most other directors being shareholders of the bank. In compliance with good corporate governance practices, the board reported to have ensured the maintenance of control, adherence to rules and regulations, and conformity with legal requirements. In its own report, the bank also constituted a risk management sub-committee in accordance with the Base II directive of the Central bank, hence training sessions on the new paradigm in risk management was initiated for the directors so as to promote their appreciation of risk management tasks. The board was streamlined into audit committee-3 members, compensation-3 members and risk and management committee with four non-executive directors.

The composition of the board in 2010 was not significantly different from 2009. The only changes were; the appointment of a dependent non-executive director and the acting chairman made the substantive chairman of the board. The board was composed of at least two executive directors with six of the directors holding a number of shares in the bank. In strengthening the governance process, the bank reported to have engaged the services of consultants of international repute to conduct its first annual evaluation of the board. The recommendations; including the adoption of a Board Charter which provided a clear framework for directors in realizing their duties and serving as a benchmark for evaluating their performance were being implemented. The board was structured into audit committee-3members, compensation-3 members and risk and management committee with five non-executive directors.

The composition of the board in 2011 rose to eight members following two new appointments and one demise. The board was structured into audit committee-4 members, compensation-4 members and risk and management committee with five non-executive directors. In its governance reports, the bank mentioned that the board has adopted a Board Charter that provides a clear framework for directors to execute their duties and to also serve as a benchmark in appraising performance in harmony with best practice. According to the report, with the growth of the bank, there was the need to expand the board hence amendment was done to the Regulation 73 of the company's regulations to recognize the revision of the membership of the board to ten. It was proposed that the said regulation be amended to read as "The number of Directors, not being less than six (6) and not exceeding ten (10), shall be appointed in accordance with an ordinary resolution of the members and until so determined shall be ten (10)." (p.64).

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Following the resolution, the board rose to 10 members including a female non-executive member with at least three foreign nationals in 2012. With the demise of one member, an independent member was appointed to join the board. The board was composed of at least two executive directors with mostly other directors (5) being shareholders of the bank. In its corporate governance reports, the bank adduced that effective corporate governance was part of its identity. Thus, the CAL Board Charter continued to provide a clear framework for directors to execute their duties and also serve as a benchmark in evaluating performance in accordance with best practice. In strengthening its corporate governance, the board had the Audit-5 members, Compensation-4 and Risk Management Committees with 5 members. It is important to note that the report contained the total remuneration of directors and other key management personnel of the bank.

In 2013, the bank was made up of 9 members including a female non-executive member with at least three foreign nationals. The board was composed of at least two executive directors with mostly five directors being shareholders of the bank. In its corporate governance reports, the bank cited that strong governance was important to its long-term success. "To this end, the CAL Board Charter continues to provide a clear framework for directors to execute our duties and also serve as a benchmark in evaluating our performance in accordance with best practice. Your Board is committed to ensuring enforcement of the highest levels of compliance standards within the group in line with global best practices." (p.7). In consolidating its corporate governance, the board had the audit-4 members, compensation-5 and risk management committees with 7 members.

HFC BANK LIMITED

In 2008 and 2009, the board of HFC Bank consisted of the nonexecutive chairman, seven nonexecutive directors and two executive directors. The board was composed of the audit committee with three non-executive directors and other executive directors ordinarily in attendance, finance and credit committee with three nonexecutive and two executive directors, and remuneration committee with five non-executive members. However, whilst the board was made up of at least two foreign nationals in both years, it was made up of a non- executive female director in 2008 and two non-executive female directors in 2009.

The board of the bank reduced in 2010 to nine members consisting of a nonexecutive chairman, six nonexecutive directors and two executive directors. It consisted of at least a foreign national and two non-executive female directors. The bank was reported to have complied with the Securities and Exchange Commission's Corporate Governance Guidelines as well as its own code of conduct. HFC Bank was of the view that full disclosure and transparency in its operations were in the interest of good governance. Three nonexecutive directors were mentioned to have attended a seminar on "Liabilities of Bank Directors under Ghana's Universal Banking model". It was to enhance their performance and protect the interest of shareholders and customers of the bank.

Whereas the board in 2011 consisted of a non-executive chairman, six (6) non-executive directors and two (2) executive directors, it rose again to 10 members consisting of a non-executive chairman, six (6) non-executive directors and three (3) executive directors in 2012. The Board continued to maintain its three (3) standing committees entrusted with oversight responsibilities in specific areas. With about three retirements, the board saw the appointment of two new executive and two non-executive directors.

Since 2009, the board was made up of at least a foreign national and two non- executive female directors. It is however startling to note that, although at least a foreign national was always a member of the board, he was never reported to be part of any of the standing committees. The bank recorded the board to have remained focused and committed to ensuring adequate levels of stakeholder protection and participation. The bank over the years has maintained that the non-executive directors were independent and sovereign of management hence were free from any restrictions which could essentially interfere with exercising their sovereign judgment. Although, The Managing Director was always maintained to be a member of the board, he was always a separate individual from the chairman. He was responsible for the day to day management of the

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bank and operations of the Group and was supported by the executive management team of the bank. They bank mainly reported to have had experienced board members with knowledge of the industry and financial markets, and other business information to make valuable contribution to the bank's progress.

UT BANK LIMITED

The then UT Financial holdings was composed of six directors including three each of executive and non-executive dependent directors in 2008. Although the executive chairman was different from the chief executive officer, all the directors constituted shareholders of the organization. In its corporate governance report, the organisation disclosed that the past year was marked by events in the corporate sector that led investors to intensely examine the oversight and governance of companies hence endeavoring to be a leader in corporate governance and will continue to strive for the highest principles. The governance report mentioned to have invested significant resources to ensure compliance and internal audit standards, policies and procedures representing best practices. The report credited the listing on the Ghana Stock Exchange as the confidence the Exchange had in the governance structure of the organization.

The number of directors increased from six to seven consisting of a non-executive chairman, four (4) non-executive directors and two (2) executive directors in 2009. It was observed that although the executive chairman was different from the chief executive officer, all the directors constituted ordinary shareholders of the organization. In 2010, the composition of the board of the new UT Bank remained the same consisting of a Non-Executive Chairman, four (4) Non-Executive Directors and two (2) Executive Directors. The board was made up of four committees including; the audit, finance, credit and the governance and strategy committees. All the committees were made up of three members with only the governance and strategy committee consisting of four. Apart from effectively setting the strategic direction for leading and controlling the bank and monitoring the activities of executive management, the board was also reported to effectively represent and promote the interests of stakeholders. The board since 2008 included a female executive director and no foreign nationals.

The board consisted of a non-executive chairman, three (3) non-executive directors one of whom was an independent director and two (2) executive directors in 2011. Whilst reducing its number following two resignations, the board increased the female number to two with five of the directors being shareholders. The non-executive directors were said to be independent of management and free from any business or other relationships with the bank which could materially interfere with the exercise of their independent judgment. The board was made of four committees including the reconstitution and renaming of the audit committee as the audit, risk and compliance committee and The HR, performance and remuneration committee.

The board again rose to a total of seven members; consisting of a non-executive chairman, five (5) non-executive directors two of whom were independent directors in 2012. The board was reported to have the appropriate blend of skills, knowledge and experience essential to meeting its obligations. They were said to have brought varied combination of attributes e.g. local and international experience, banking, financial, entrepreneurial, operations and legal skills. Ensuring gender balance and diversity, the report mentioned to have had two females representing 30% on the board. The bank reported to have continued its compliance with relevant regulations, codes and standards of best practice. Believing that good corporate governance promotes long term prosperity, the board supported the highest standard of CG and the development of best practice. Apart from setting high ethical standards, the bank adopted CG code as well as code of conduct. The bank also reported to have complied with the Securities and Exchange Commission's Corporate Governance regulations.

Although the board structure remained the same in 2013, the two independent directors were reported to have no significant shareholding interest or any special business relationship with the bank. It is important to note that the board maintained its female ratio and proposed for the

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endorsement of a foreign director at the next AGM by the shareholders. The Managing Director was always reported to be a separate individual from the Chairman and implemented the management strategies and policies adopted by the board. Unique Trust Bank Limited since 2010 reported to be operating in a highly regulated industry and therefore recognizes the importance of complying with legislation, regulation and codes of best practice. The bank reported to be committed to business integrity and professionalism in all its activities. As part of this commitment the board was recorded to support the highest standards of corporate governance and the development of best practice. UT Bank Limited has adopted its own internal corporate governance code, which is embodied in the bank's governance practices. These practices were said to be constantly being monitored to ensure that they were best fit for the bank and serve to enhance business and community objectives.

ZENITH BANK GHANA LIMITED

The board was composed of the chairman, an executive director and five non-executive directors in 2008. Whilst the executive directors have responsibility for making and implementing operational decisions and running the businesses, the non-executive directors were narrated to be supporting the skills and experience of the executive directors through approval of strategies and policies based on their knowledge and experience of other businesses and industries.

Whilst the board rose to eight following the addition of one executive director in 2009, the board size was reduced to six including the non-executive chairman, four (4) non-executive directors and one (1) executive director in 2010. Responsible for the strategic direction of the bank, the board for the first time in 2010 published detailed committee reports with its members and their attendance. It included the board credit committee, board risk management committee, board audit committee, and board nomination committee. According to the report, these committees have been set up in accordance with statutory requirements and global best practices with each having a defined terms of reference.

In 2011 however, the board of directors was made up of a non-executive chairman, six (6) non-executive directors and one (1) executive director. In 2012, the board structure changed and comprised of the non-executive chairman, five (5) non-executive directors and three (3) executive director. In 2013 however, the executive directors reduced to two. The board did not only maintain the four standing committees but mostly kept the number of members to each committee between three and six. It was noted that the board in its governance report always gave an elaborate definition of corporate governance as "Corporate governance relates to the systems, rules, processes and laws by which businesses are operated, regulated, directed and controlled with the view of achieving the long term goals of the organization while maintaining the right balance with stakeholders' interests." (P.16). The board was said to have comprised of persons of mixed skills with experience in diverse fields of human endeavor. The directors were always mentioned to be mindful of their statutory responsibilities as well as their responsibilities to shareholders and other stakeholders. Whilst the board was responsible for the strategic direction of the bank, the MD/CEO was reported to be responsible for the day to day running of the bank assisted by the executive committee, with the roles of Chairman and MD/CEO always detached with a clear division of functional responsibilities between them. The board was always a mix between nationals and other foreign nationals with the only female being the chairperson of the board.

STANDARD CHARTERED BANK GHANA LTD

Whereas the board of directors was composed of three non-executive directors including the chairman and four executive directors made of at least three foreign nationals with no female member on the board in 2008, the board of directors was composed of 9 members including four executive directors and five non-executive directors including the chairman in 2009. In 2010, the board of directors was reduced to 8 members including four executive directors and four non-executive directors with whom two were independent directors. In both 2009 and 2010, the board was made of at least three foreign nationals with only one female member. In 2011, the board was again reduced to seven following the resignation of a foreign non-executive director, thereby reducing the non-executives to three, two of whom were independent directors.

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Following the appointment of a non-executive foreign national in 2012, the board of directors again rose to its place as 2010 with 8 members; including four executive directors and four non-executive directors. The year 2013 witnessed three executive resignations of two foreign and an indigenous national, with three new appointments made - two executives and one independent non-executive foreign national. This structural change although retained the number at eight, increased the female number to two whilst reducing the foreign nationals to two. The board over the years maintained that it was accountable for ensuring that it had the appropriate skills, knowledge and experience to effectively discharge its functions. Its quest was to provide leadership through oversight, review and guidance whilst formulating the strategic direction of the bank.

ECOBANK GHANA LIMITED

The board of Ecobank Ghana in 2008 and 2009 consisted of seven members made up of an Independent Non-Executive Chairman, four (4) Non-Executive Directors, three (3) of whom were independent, and two (2) Executive Directors. In addition, there was a substitute director for one of the non-executive directors. The board was also composed of two females and at least three foreign nationals. Although, there were structural changes following the resignation of the board chairman, the substitute director and one other member, four new appointments were made in 2010. At the end of the year, eight members including an independent Non-Executive Chairman, four (4) Non-Executive Directors, three (3) of whom were independent, and three (3) Executive Directors constituted the board. The board now saw an increase to three females with at least three foreign nationals.

Following the demise of a foreign national, two new appointments were made and the board increased to nine (9) members in 2011. It included an Independent Non-executive Chairman, four (4) Non-executive Directors, three (3) of whom were independent and four (4) Executive Directors. The board maintained its female and foreign national components of three each. In 2012, the board of directors of Ecobank Ghana consisted of eleven (11) members, made up of an independent non-executive chairman, five (5) non-executive directors, four (4) of whom were independent, and five (5) executive directors. In 2013 however, the board size reduced to ten (10) members made up of an independent nonexecutive chairman, five (5) non-executive directors, four (4) of whom were independent and four (4) executive directors - one of whom retired.

These board members were adjudged to have wide experience and in-depth knowledge in management, industry and the financial and capital markets, enabling them to make informed and valuable contributions to the progress of the bank. The board over the years has delegated the components of its work to the governance, audit and compliance, risk management and credit risk committee and an ad-hoc building committee. The bank thoroughly and consistently published the duties and responsibilities of the board as well as individual committees. According to the reports, the board from 2009 adopted standard evaluation tools that helped to annually assess the performance of the board, its committees and individual members. In its governance reports, Ecobank Ghana and its subsidiaries operated according to the Ecobank Trans-National Incorporated (ETI) Group principles and practices on corporate governance. These doctrines and practices were said to be guided by the Basel Committee standards on corporate governance, which constituted the best of international practice in that area. According to the reports, these principles have been articulated in a number of corporate documents, including the bank's regulations, the corporate governance charter, rules of procedures for boards, code of conduct for directors and rules of business ethics for staff.

FIDELITY BANK LIMITED

The bank was made up of six board members including three executive and three non-executive directors in 2008 with no female and foreign nationals. Following the resignation of two non-executive directors "by operation of law", the board saw the appointment of two other non-executive directors in 2009 of whom one was a female foreign national, who virtually remained the only female on the board. In 2010 and 2011, the bank maintained the full complement of the board's membership.

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Again in 2012, the full complement of board was maintained with an addition of a non-executive director. At the end of 2013, the board of directors of Fidelity Bank Ghana Limited consisted of eight members made up of an independent Non-Executive Chairman, four (4) Non-Executive Directors, all of whom were independent and three (3) Executive Directors. The board members were pronounced to have wide experience and in-depth knowledge in management, industry and financial and capital markets that facilitated their contributions to the Group's progress.

Until now, the bank never published detailed committee reports with their compositions, duties and responsibilities. In order to strengthen its corporate governance and bring it in line with international best practice, the board reported to have delegated various parts of its task to its Audit, Credit and Human Resources Committees. The board was said to be responsible for setting the strategic direction, leading and directing the institution and monitoring activities of the executive management. The bank also reported to be operating in accordance with the Fidelity Group principles and practices on corporate governance. According to the report, these principles and practices were guided by the Basel Committee standards on corporate governance which constituted the best of international practice. The principles according to the board have been articulated in a number of corporate documents including the company regulations, corporate governance charter, rules of procedures for boards, code of conduct for directors and rules of business ethics for staff.

PRUDENTIAL BANK LIMITED

The board of the bank maintained its full complement of nine members including three females from 2008 to 2010. Although the board welcomed two new faces in 2012, the usual number of nine was retained. However, to serve the interest of the new and increased number of shareholders of the bank, the board increased to ten in the following year with the full retention of the past year's complement. From the reports, although the managing director was always different from the chairman, it was not disclosed who was an executive and who was also a non-executive director. It appeared one foreign national who was also shareholder was always present at the board.

Although, the bank until now never published detailed governance reports, the reports maintained that sound and effective corporate governance was a vital element in creating and sustaining the value of shareholders. The governance report was said to have over the years performed the supervisory obligations effectively through the Board and its Audit and Risk Management Sub-Committee. Apart from the regular review of the bank's risk exposure to inform its risk related decisions, the work of the board recorded to have focused on key operational issues, including quarterly management reports, internal control and Bank of Ghana reports which upheld effective control and direction of the bank.

SOCIETE GENERALE GHANA LIMITED

The board was composed of ten members including two executive directors and eight non-executive directors in 2009. The year saw the resignation of an executive director whose position was filled with same. In 2010, the board had 11 members including a dependent non-executive chairman, three executive and 7 other non-executive directors. The year saw the resignation of one person and two substitutions. In 2011, the board had a total of 11 members. Although not too clear, there were about three executive directors and eight non-executive directors, a good number of whom were dependent. In 2012 and 2013, the board had 11 members including the chairman, 3 executive directors and 7 nonexecutive directors. In 2012 however, the chairman of the board resigned as a director upon retiring from the services of the Société Générale Group. In his stead, a non-executive national was appointed. Again in 2013, there were some changes within the board, one replacement was made with one new appointment as a result of resignation of a member.

The board moved from two standing committees - Audit and Accounts Committee and Nomination and Compensation Committee in 2009 to three in the subsequent years as a result of the creation of the Credit Risk Committee. The composition of the committees ranged between three and seven members. It is regrettable however to note that whilst the bank largely maintained a total of 7 foreign

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nationals and 4 nationals, there was only one female national on the entire board. The bank in its governance reports predominantly echoed to have respected the standards of good corporate governance which it mentioned to include transparency, accountability and rights of stakeholders, with the Company's Code, the Banking Act, Securities and Exchange Regulations as well as the continuing listing requirements of the Ghana Stock Exchange providing them with the guiding framework for ensuring effective corporate governance, anti-money laundering and fighting financing of terrorism. The year 2013 was described as the year of change for the bank as it celebrated 10 years of its presence in Ghana. The report recounted the passing of a resolution in 2012 for changing the name of the bank from SG-SSB Limited to Societe Generale Ghana Limited. It was reported that the resolution was accordingly approved by the Bank of Ghana was consequently followed by the rebranding of the bank.

UNIBANK

In 2009, nine members including a non-executive chairman, six other non-executive directors and two executive directors held office at the board. However, two non-executive directors resigned during the year leaving the number at seven. There were neither foreign nationals nor female directors on the board. The board had the stable complement retained in 2010. Following the resignation of the CEO and his deputy who were executive members of the board, two new appointments were made including a new CEO and a non-executive member, retaining the number at 7 in 2011. This increased the non-executives to five excluding the chairman. Following two new executive appointments, the structure of the board changed in 2012. There were three executive directors including the CEO and six nonexecutive directors including the chairman. The full complement of the board was however retained in 2013 with addition of a non-executive female director.

Although, the bank in its governance reports of 2011 indicated "Your Bank continues to exhibit exemplary corporate governance culture consistent with the mandatory legal provisions. The Board through its committees worked tirelessly to ensure sound business practices and good internal processes to maintain compliance with regulatory requirements and provisions." (p.7), not more than this was observed. There were no committees mentioned, neither were their responsibilities of the committees outlined. The governance report of 2012 mentioned that "Our Board of Directors remains committed to the success and the growth of the Bank. The Board continued to function effectively through its Committees by ensuring strict adherence to good internal processes and sound business practices. We complied with regulatory requirements and also ensured that our strategic management function was well executed." (p.7)

GT BANK

The board in 2009 was composed of seven directors including five foreign nationals and two nationals. Whilst the MD was different from the chairman, there were no females reported to be on the board. The 7 member board complement was reserved in 2010 with a nonexecutive chairman, one executive director and 5 nonexecutive directors. In 2011, although there was one resignation and one new appointment, there appeared one other substitution retaining the number at seven with one executive member and six non-executive members. It appeared there was one new appointment owing to resignation in 2012, the seven-member board of GT Bank Ghana Ltd composed of a non-executive chairman, an executive director and 5 non-executive directors ran through 2013. All through, until 2013, it appeared there were no females on the board. The directors were each reported to bring from their various fields of endeavor diverse worth of experience and desirable accounts of accomplishments. For good governance of the bank, they were further reported to possess the requisite skills and experience, integrity and business acumen to bring independent judgment to board deliberations. The roles of the chairman and MD/CEO were always reported to be separate with the chairman of the board never allowed to serve simultaneously as chairman/member of any of the board committees. According to the reports, no two individuals of the same extended family were at a time allowed to serve as the chairman and that of MD/ED of the bank.

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In its governance report, the GT Bank board reported that adherence to strict good corporate governance and international best practices remained absolute hence the bank was governed by a framework that facilitated checks and balances in order to maximize stakeholder value. Whilst the board mentioned to repeatedly discharge its functions through Board Audit Committee with three non-executive members excluding the Head of Systems and Control, it spectacularly failed to mention the compositions of the other two committees - Board Credit Committee and the Board Credit Examiners' Committee, although with detailed reportage on their operations. The Board in the 2013 report, was said to be "responsible for determining strategic objectives and policies of the Bank to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. It ensures that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. The Board is also responsible for ensuring that management maintains a system of internal control, which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulations." (p.5)

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