

UNIVERSITY OF GHANA

**THE EFFECT OF CORPORATE GOVERNANCE AND FINANCING
DECISIONS ON GHANAIAN LISTED COMPANIES**

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**THIS LONG ESSAY IS SUMMITTED TO UNIVERSITY OF GHANA,
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FINANCE.**

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DECLARATION

I do hereby declare that this work is the result of my own research and has not been presented by any one for any academic award in this or any other university. All references used in the work have been fully acknowledged.

I bear the responsibility of any short comings.

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DATE

CERTIFICATION

I hereby certify that this thesis was supervised in accordance with procedures laid down by the University.

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DR. CHARLES ANDOH

DATE

(SUPERVISOR)

DEDICATION

This work is dedicated to my mother; Madam Agnes Annordjoe for all the love and sacrifices she's made for me. And to anyone who has contributed and supported me to successfully complete this programme.

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I ascribe very glory and honour to the Lord God for His love, mercy and grace; it is indeed in Him I move and have my being.

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ABSTRACT

This study examines the characteristics of board composition and the influence of corporate governance on financing decisions. It also looks at the relationship between corporate governance and performance of listed companies in Ghana.

Fourteen (14) companies listed on the Ghana Stock Exchange representing the leading sectors in the Ghanaian economy are selected based on stratified random sampling for the period under study, 2010-2018. Secondary data were obtained from these selected companies and the Ghana Stock Exchange. Panel regression analysis was employed in analysing the collected data. Also, qualitative analysis and descriptive statistics were necessary for a complete well-done research.

The results indicate that Ghanaian listed companies pursue higher percentage of non-executive directors, male dominated board of directors and separation between the CEO and chairman of the board of directors. Also the corporate governance variables had a positive correlation with EPS as found in this study. Practicing of good corporate governance result in better performance as there is improved access to financing and lower cost of capital. The debt structure was found to relate positively with the corporate governance variables.

This work seeks to understand how the concept of corporate governance and financing decisions reforms work in the Ghanaian corporate environment.

Keywords: Capital structure, Corporate governance, Financing decision, Performance of firms and Return on asset

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LIST OF ACRONYMS AND ABBREVIATIONS

BCI: Board Composition

BSI: Board Size

CEO: Chief Executive Officer

CDI: CEO Duality

CSI: Debt Ratio

CTI: CEO Tenure

EPS: Earning per Share

GAX: Ghana Alternative Market

GSE: Ghana Stock Exchange

MOI: Managerial Ownership

ROA: Return on Asset

SEC: Securities and Exchange Commission

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Good corporate governance is gradually gaining notoriety as an important tool for the survival of long-term investment opportunities in all sectors of the economy, as it is necessary for optimizing its performance. Major decisions for the survival of a company including employees' motivations, performance goals and establishing internal control policies are made by the board of directors; subsequently, corporate governance is said to be a dynamic tool in appreciating organisational efficiency and outmost output. In the past, management of the daily running of business activities was solely done by the owners.

With the introduction of modernity, advancement, and development in the way of life in regard to scope and technological knowledge, it is difficult and almost impossible for owners of business to solely manage such businesses without seeking help. Selection of competent people to manage businesses has become imperative as business owners want their enterprise to continue to survive hence such an appointment is to ensure continuity and management to be done on their behalf. Corporate governance is explained as the legal and factual regulation context for the collaboration of the players of a company (Bassen & Zollner, 2007).

The financing decision is a critical challenge faced by all corporations. The Financing Decision is a fundamental resolution made by the financial manager involving finding the right financing-mix of a company. It looks at borrowing and allocation of funds needed for the investment and operative decisions. Financial decision is essential because it includes decisions such as; when, source and how to use funds. The firm stands to profit most when the market price of their share

rises and this shows the development of the firm as well as boosting investor's wealth. The firm's financing strategy is to generate more wealth and ensure firm sustainability, thus the executives are obliged to find sources of capital for new businesses (Abor & Biekpe, 2005). These financing policies are classified as internal and external. It might include alternative sources such as the company's own money i.e. share capital and retained earnings; issuing debt instruments as a means of borrowing, and or issuing of new shares. This is aimed at maintaining an optimum capital structure; i.e. a proper blend of debt and equity, to ensure the trade-off between the risk and return on shareholders' investment.

Corporate governance involves the processes used in managing large companies for best returns whereas financing decision looks at the sources and distribution of funding. Detailed principles are the foundation for the integrity of the company and the composure of investors thereby increasing the trustworthiness corporations. The best combination of debt and equity financing decisions is very critical to the success of the companies (Graham & Harvey, 2001; Bancel & Mitto, 2004). Corporate governance failure brings serious repercussions to the company which causes financial loss, bad publicity, and even the closures of such companies. The improved corporate framework is beneficial to the company through greater access to financing, lower cost of capital, better performance, and further satisfactory handling of all stakeholders. Also, feeble corporate governance leads to poor company performance and hazardous financial trend more so advantageous to macroeconomic crises as it happened in East Asia crisis 1997 (Classens, Djankov, Fan & Lang, 2002)

The cognizance of practicing good corporate governance in Ghana is seen to be in its initial stage with satisfactory regulations on information disclosure however its enforcement with respect to related-party transactions, is non-existent (World Bank, 2005).

There are no universally acceptable philosophies of corporate governance that can be useful to board structures since they are subject to the best corporate practices and business atmosphere of the countries. Comparatively, most African countries like Ghana have limited methods of corporate governance to the western countries as in Britain. Therefore it is crucial for such countries to grow their own corporate governance system taking into accounts the socio-cultural, economic, political, and technological progression (Mulili & Wong, 2011). To Cooremans (2009) capital budgeting decision is a major determinant of a company's economic capacity and financial worth which is similarly more significant than the financing methods a company chooses to operate. The governance environment places a burden on financial administrators of companies who are constantly challenged with the decision of how to distribute limited corporate resources in an efficient manner (Waddock & Graves, 1997).

The desire to offer solutions to issues that bothers on the progression of the performance of companies in Ghana is still a continuing development meanwhile a bulk of literature has been recorded around the subject (Fiador, 2016). In their study, Abor and Adjasi (2007) demonstrated a positive relationship between the composition of the board and the performance of the company. They proved that corporate governance structures impact company performance in Ghana; essentially 2- tier board structure is very operational than a 1- tier system. Available literature exposes that empirical work is mostly fixated on the influence of corporate governance on a firm's performance or observe the effect of ownership structure on the company's worth (Claessens, 2002).

Matters about corporate governance are a global phenomenon and its role in institutions must not be underrated. Certainly, good corporate governance in firms is a catalyst for ensuring better performance in today's competitive world as best practices are adopted to boost efficiency in

their operations. Many countries; both developed and developing alike, are ensuring that corporate failure becomes a thing of the past by implementing and enforcing laws for companies operating within their jurisdiction to comply with their corporate governance codes and conducts.

There is increased consciousness of corporate governance, its influence on the companies' competitive advantage, and its achievement in Ghana now. This study brings to bear the consequence of corporate governance and financing decisions in Ghana, specifically listed companies. It seeks to illustrate how effective and efficient corporate governance and financing decisions contribute to the success or failure of Ghanaian listed companies for a nine-year period that is, from 2010 to 2018. The inspiration for this study is to find evidence of such in Ghana. This is what this researcher set out to establish in the course of time of this study.

1.2 Problem Statement

Corporate governance and its impact on Sub-Saharan Africa is mainly not a known empirical topic. Extensive research on the relationship between corporate governance and the capital structure has been done in the developed world but only a few studies have done in emerging countries including Ghana; which are now increasingly embracing the concept of good corporate governance, knowing it leads to sustainable growth. As our system is evolving, there is a need for efficient regulation to secure investors' funds hence the establishment of acts and code of conduct for improved continues economic growth and opportunities. Corporate governance involves ways in which suppliers of funds are assured of receiving rewards on their investment to the corporation. Investors are now more interested in the corporate governance practices of potential companies they plan to commit their funds in, therefore companies on their part exhibit

good corporate governance practices since they are in dire need of funds. Their actions show transparency, fairness, integrity, separation of powers, financial discipline, and accountability. The board of directors ensures these traits through prudent roadmaps which are supervised by the Security and Exchange Commission.

The main regulatory agency that oversees the operations of the board in Ghana is the Security and Exchange Commission. There are other complementing regulations such as the Companies Act, Securities and Exchange Commission Regulation, and Ghana Stock Exchange Regulations. To exercise the powers conferred on by the securities industry act, the corporate governance code for listed companies has been issued and it applies to all companies whose securities are admitted to trade on the Ghana stock exchange with exception as follows:

- Where the company was incorporated outside Ghana;
- The company's securities are also admitted to trade on a stock exchange outside Ghana and
- The company is subject to corporate governance requirements in the country where the company is incorporated or where the securities are traded (Corporate Governance Code for Listed Companies, 2017).

These entire mandates are done to ensure best practices in the world of corporate governance to foster a high level of investor confidence in our Ghanaian business environment. Where there are no mechanisms existing or not functioning properly, potential investors would not engage in business with companies. Corporations would be forced to rely solely on their own generated financial resources to fund their operations which will cause poor economic performance because of the loss of profitable business investment opportunities as a result of inadequate

funds. Financing constraints can also result in increased economic volatility since it inhibits the ability of firms to plan with any level of certainty. The problem of mass financial mismanagement evident in the Ghanaian banking sector continues to plague the industry resulting in the collapse of some banks (Almond, 2013).

In taking financing decisions, a company must use proficiency financial criteria, such as the financing interval and the independence provided by certain supporting sources. This consists of either choosing between equity or borrowed funds. Moreover the most important factor to consider when determining the right financing decision and structure is the cost involved in providing these resources. The management of companies look forward to choosing financial decision at the lowest cost associated with it.

In Ghana, Corporate governance and financing decision has recently gained much public exposure. Over the period, Ghana has experienced the closure of Atobease Rural Bank, DKB Finance, Merchant Bank, Noble Dream Microfinance, Capital Bank, UT Bank and the downgrading of GN Bank to GN saving and loans and eventually its closure; including many others commonly known cases as a result of failed corporate governance and financing decision as stipulated by Bank of Ghana. The Bank of Ghana cited corporate governance and financing decision malpractices as the underlying factor for the collapse of seven commercial banks in Ghana between 2016 and 2018. Some of the board members of the said banks are currently facing criminal charges in Ghana. It is observed that feeble corporate governance is the principal cause, coupled with weak internal mechanisms, extreme risky ventures, disregard to limits of authority, neglect for prudent lending, poor risk management, plus other fraudulent activities (Soludo, 2004).

Following these scandals, the regulator has come out with stringent laws to be followed to prevent such failures. Companies with strong shareholders' rights yielded annual returns that were 8% greater than those with feeble shareholders' rights (Gompers Ishii & Metrick, 2003). In Ghana, the idea of having a vibrant steady sector which is able to assemble and allocate resources in a wholly incorporated universal fiscal scheme; assisted by a strong governing and administrative system such as Ghana Stock Exchange (GSE) and Securities & Exchange Commission (SEC) that encourages a high degree of investor's confidence (Quansah , 2012).

Firms with poor governance procedures have a higher tendency of expropriating outside supporters hence have trouble obtaining outside funding and consequently constrained in terms of their capital structure choice. Good corporate governance encourages viable expansion and progress in an economy as it can regulate the inflow of foreign direct investment and the cost of doing business (Sheikh, & Wang, 2012). The latest financial disaster has served as a wake-up call because it has adversely affected the employment rate, consumer spending, pensions, the finances of local governments, and the national economy as a whole. Companies with weak corporate governance structures are quoted as reasons for extreme risk-taking, unqualified reward for most executives, and the incidence of a short-term gains board culture over sustained, long-term performance. These predicaments are the manifestations of the importance of corporate governance for economic development and a substantial procedure matter in countless nations. Better corporate governance improves the performance of firm through more competent management, efficient resource allocation, proficient labour guidelines, and general enhancements. Lastly to ensure that there are improvement in the efficiency of corporate governance mechanisms, quite a lot number of inventiveness have been embraced to boost up the transparency and quality of financial and non-financial information disclosure, to raise the

commitment of shareholders, to grow the usefulness and responsibility of boards, and to adopt an enduring investment theories.

The questions bothering the researcher to which answers are being sought for in this research are outlined here. “Can corporate governance influence financing decision of listed companies”; “To what extent have governance impacted on financing decision” and does the quality of governance have any positive relationship with the performance of the companies. This work seeks to understand the concept of corporate governance and financing decisions reforms in the Ghanaian corporate environment. It is in line with this assertion that this study is going to be conducted.

1.3 Purpose of the Study

This study is aimed at validating earlier research findings on the contribution of good corporate governance and financial decision systems to the sustainability of Ghanaian listed companies.

1.4 Objectives of the Study

The principal aim of this study is to examine how corporate governance and financing decisions affect Ghanaian listed companies; hence the study intends to achieve the following objectives:

- To examine the composition and characteristics of board of directors.
- To determine the influence of corporate governance on financing decision of companies.
- To examine the relation between corporate governance mechanisms and the performance of companies.

1.5 Research Questions

- What are the composition and characteristics of the board of directors of listed companies?
- What is the influence of corporate governance on financing decision of listed companies?
- Is there any relationship between corporate governance mechanisms and the performance of listed companies?

1.6 Significance of the Study

This study which is an academic requirement will enable the researcher to fully understand and appreciate the practice of corporate governance and financing decision taken by Ghanaian companies. It will also serve as a guide and contribute to the on-going debate in literature to other related research studies.

1.7 Scope and Limitations of the Study

This study will consider listed companies between the years 2010 to 2018 time period. This study will use secondary data from companies own annual reports, corporate governance code, Securities and Exchange Commission regulations and the various regulations of Ghana Stock Exchange.

The only anticipated challenge with this study is associated with the availability of data from the companies.

1.8 Organisation of the Study

In this study, there will be five main chapters which are organized as:

Chapter one is basically an introduction of the background of study, statement of problem, purpose of the research objectives and questions.

Chapter two reviews literature by other similar research studies involving definitions, theories, concepts and observed findings.

Chapter three outlines the study methods, design, an overview of Ghana stock exchange, and population and data collection techniques of the study.

Chapter four looks at the data analysis, presentation and discussion of findings in the research.

Chapter five includes summary, conclusions and appropriate recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

A financing decision for a company is defined as the approach of picking a funding resource, i.e. selecting the available resource and its mix in order to maximize shareholders' wealth whereas corporate governance is also termed as safeguarding of firms in a controlled way that ensures society's possessions are managed well as seen in Allen (2005). Corporate governance is therefore a tool through which corporations are directed and controlled (Cadbury, 2002) and financing decision looks at how the volume of funding is to be raised from many long term bases of funds like equity shares, preference stocks, debentures, bank credits, etc. In reality, it is a decision on the 'capital structure' of the company. Financing decisions is all about allotting of funds and economising. Corporate governance then, would comprise 'the complete pack of legal, cultural and institutional provisions which define the activities of well advance organizations, their regulatory body, method of supervision, and risk management allocation' (Blair, 1995). Corporate Governance seeks to create a transparent governance system with integrity which is accountable, responsible, operate efficiently, and effectively.

The appropriate corporate governance mechanism provides a suitable contractual basis for attracting investors whiles weak corporate governance is a breeding ground for corruption. It is vital for the government to encourage economic and commercial activities for progress through the creation of the enabling environment. Corporate governance regulation is intended to safeguard an operative context that occurs to support the link between an organisation and those who hold forthcoming financial claims against that organisation. In Ghana, there has been the

introduction of new procedures which have already been implemented to reorganise, reform, and modify corporate governance to minimize issues of poor corporate governance practices. Some of the key changes comprise selling of shares for public institutions to ensure accountability and introduction of the code of conduct targeted at repackaging of corporate governance practices among companies (Kyereboah-Coleman & Biekpe, 2008).

2.2 Conceptual Review

2.2.1 Proxies of Corporate Governance

2.2.1.1 Board Size

The limited size of boards improves the efficiency of companies, as the importance of larger boards is overshadowed by poor communication and decision making by a large part of the group (Lipton & Lorsch, 1992). A large board of directors is likely to be less effective in substantive discussion of important issues and to have problems with hitchhiking among board members in overseeing their leadership (Hermalin & Weisbach, 2002). From a sociological perspective, it has been said that a larger board of directors is useful and will increase the collection of knowledge and resources available to the company. In Ghana, small board sizes have been recognized as improving the performance of microfinance institutions (Kyereboah-Coleman & Nicholas-Biekpe, 2006). In a study from Nigeria, Sanda, Mukailu and Garba (2005) found that company performance was positively associated with small boards rather than large ones. Jensen (1993); Karamanu and Vafeas (2005) suggest that councils should be small enough to allow real discussion and debate among members, and large enough to include members with a mix of business judgment and experience. The King Report (2009) only recommends that the board size allows for effective monitoring of different specialties and experiences. However,

advice on board size generally varies by industry. The Ghanaian corporate governance code for listed companies (2017) says the size of the Board should not be smaller than five [5] members or larger than thirteen [13]. The size of the Board should not be too large to impede interactive discussion during Board meetings, or too small to jeopardize the inclusion of broader knowledge and skills to enhance the Board's effectiveness.

2.2.1.2 Board Composition

A corporation's financial performance is subjective by a bulk of internal and external causes outside the composition of its board. The core function of every board is monitoring and control instruments. The board includes the chairperson, CEO, executive and non-executive directors and they must be committed to the organization. The structure of the board of directors is extremely essential for them to work effectively deprived of every form of intimidation. The board usually is made of individuals with noble private behaviour and capability to accomplish their assigned responsibilities; such traits are truthfulness, having a sense of responsibility, tactical, a track record of great achievement, a level of expertise and management qualities. Under the Company Act 2019, Act 992; before a proposed director is accepted, a statutory declaration is issued by the proposed director of the company, indicating that in the previous five years this proposed director was not:

- Accused or found guilty of a crime of fraud or bad faith;
- Have been accused or found guilty of the crime of promoting, forming or managing a company; or
- Declaration of insolvency or, if the proposed director was insolvent, the date of insolvency and details of that company.

Generally, boards of directors with a significant number of non-executive directors have more influence and make better decisions than boards of directors, which are dominated by executive directors, because they can increase control over self-serving managers and give the board an outside perspective. Fama and Jensen (1983) suggested that non-executive directors can play an important role in effectively solving agency problems, and their presence on the board of directors can lead to more effective decision-making. There are indications that non-executive directors effectively monitor managers and protect the interests of shareholders, providing a positive impact on operating results, stock returns, credit ratings and audits. A good board at least comprises a financial expert, legal expertise, and high intellectual capabilities of the members to achieve the objective of the company. Although the board of directors is appointed by shareholders to protect the interests of shareholders, they do not always perform their duties effectively. A well-organized board is more likely to act in the interests of shareholders.

In Ghana, the corporate governance code for listed companies (2017) stipulates that every board should comprise a balance of executive directors, non-executive directors and independent non-executive directors, all of whom shall be natural persons and:

- A maximum of non-executive directors;
- A maximum of independent non-executive directors; and
- A least of two directors shall be independent non-executive directors.

Employees and directors must reveal conflicts of interest in any negotiations with the company that identify abuses of official functions and privileged information. An independent management audit committee ensures the integrity of the financial statements without impeding execution. Effective corporate governance requires not only establishing an adequate structure

and operating in accordance with the requirements of the law, but likewise for the advantage of all stakeholders in the company.

2.2.1.3 CEO Duality & Tenure

CEO duality ensues once the dual highest authoritative positions (the chairman of the board and the CEO) in a company are joined together and held by an individual. This brings about the deliberation of too much control in the hands of an individual which might end in abuse of power and not promoting the interest of shareholders.

The tenure of a CEO is also an important determinant of the firm's performance because they are hired on short-term a contract which makes them more concerned about the performance of the firm during their own tenure causing an overlaid emphasis on short and medium-term goals. All other things being equal, the longer a CEO stays in office the better the firm performance, as the CEOs have the assurance of their job security to be able to make decisions that would enhance the performance of the firm. Nonetheless, proper measures are to be taken to monitor the CEOs to prevent any likelihood that they would become complacent and engage in activities outside their control and influence C.E.Os.' investment decisions because they stand the chance to witness the result and benefit from their decision. In this instance, the CEOs tend to be more proactive and high-minded in their decision making because of the psychological influence (Kyereboah-Coleman, 2007).

CEO duality plays an important role in affecting the value of a firm as the agency costs between the two roles are eliminated (Alexander, Fennell & Halpern, 1993). It helps speed up the decision-making process and removes unnecessary bureaucracy and hence stronger financial performance. On the other hand, CEO duality can lead to worse performance of the firm as an

underperforming CEO cannot be changed easily. Agency costs can be created if the CEO pursues his own interest at the cost of the shareholders (White & Ingrassia, 1992). Best practices suggest separation of the roles as companies where this duality was present has been associated with scandals of frauds and poor financial decisions hence it is considered as a factor of weak corporate governance. It is highly expected that different individual occupies the positions of CEO and board chairperson as this promotes independence of the board, reduces the concentration of power on one individual and thus greatly reduces the undue influence of management and board members.

2.2.2 Performance Indicators of a Firm

2.2.2.1 Earnings per Share

Earnings per share are the monetary value of the profits on outstanding share of common company's stock. It can be explained as turnover divided by the number of common stock shares it has outstanding of a company. It displays the proceeds each share of stock a company earns. A company with a higher EPS is considered more profitable as investors will pay more for it. The metric for this is the utmost significant variables in defining the price of a share and used to picking stocks. An investor can see the value of a stock in terms of how much the market is willing to pay for each of the earnings by dividing a company's share price by its earnings per share. Though EPS is widely used as a performance tracking tool, shareholders cannot have direct access to the profit of the company. A quota of it is circulated as dividends, with remaining of the earning retained by the company. Through the representatives of the board, shareholders will need to alter the percentage of EPS circulated using dividends to access much of the earnings. The real speculative value of EPS similarly appears to have a fairly indirect

relationship to stock prices. Profits can raise share prices and investors earn revenue when it goes up. Companies that have high EPS depict that they have more resources available to reinvest in its operations or to give their shareholders by way of dividends payment which is good news to the investors. (Chen, 2019)

2.2.2.2 Return on Equity

In commercial finance, return on equity (ROE), also termed as net assets or liabilities minus assets, is a measure of the profitability of equity employed. This is a measure of how much a company generate growth in profit by the use its own investment. Return on equity is the determination of the fiscal performance and is deprived by dividing net income over equity, as equity equals the company's assets less its debt. ROE is an index that gives investors an idea of how the company's management effectively processes the funds contributed by shareholders. It is considered to be a measure of how well the management uses company assets to make a profit. In other words, it measures the profit of the organization in terms of the equity of shareholders. It is a good place to start speculation about future improvements in the growth rate of share price and the rate of yield to dividend. High levels of equity returns will not always represent positivity. A large ROE indicates a number of problems such as unpredictable profit or high debt. Meanwhile the negativity in ROE may be as a result of the fact that the company has a net loss or negative shareholder capital that cannot be used to analyse the company, or can it be used to compare with companies with a ROE which is positive. The higher the ROE, the more effective it is for the company's management to generate income and growth from its own financing. ROE is frequently used to compare between a company and their competitors and the overall sector industry (Hargrave, 2019a).

2.2.2.3 The Return on Assets

The rate of return on assets is the profitability of using the assets of a company in generating income. It gives managers, shareholders or experts knowledge of the effectiveness of the company's management in using the assets to earn income and is expressed as a percentage. ROA is a measure of how well a company uses its assets and determines how profitable a company compares to total assets. It considers corporate debt, not a return on equity. Assets' return indicates what profit is made from invested capital (asset). The value of ROA gives shareholders an insight into the effectiveness of the company in turning the money spent into net yield. ROA and ROE both show how a company uses its resources. The more leverage and debt a company receives, the greater the rate of return relative to ROA. The ROA formula is an essential factor in the analysis of a company's productivity. This ratio is classically used while comparing the performance of companies between periods or when comparing two different companies of the same size and industry (Hargrave, 2019b).

2.3 Theoretical Literature

Corporate finance and its governance are closely related almost by explanation. Corporate governance explains the ways in which investors of companies convince themselves of the security of their investments and its complemented return on it (Shleifer & Vishny, 1997). Corporate governance is usually termed as the way of interactions among a company's management, the governing body, investors and all interested parties in whom control is implemented in the management of fiscal and social resources for superior performance and justifiable improvement (Corporate Governance Manual for Governing Boards/Councils of the Ghana Public Services). Numerous principles have been put forward to explaining corporate

governance. These corporate governance concepts developed and practiced over years are as follows:

2.3.1 The Agency Theory

Jensen and Meckling, (1976) in their study, found that shareholders pay much attention on their own value and growth in their wealth but executives focus more on the performance of companies that increases the company's assets and eventually their own personal benefits.

Subsequently, conflicts and tensions caused by different interests can lead to agency costs. Managers' excessive focus on interim gains is a major source of agency problems in companies. In order to reconcile the interests of the executives (agents) with that of the investors (principal), the investors have to observe the actions of the executive and incur agency costs as a result (Jensen & Meckling, 1976). Therefore, Abor (2008) in his explanation said the agency theory identifies that the split-up of proprietorship and governorship in companies generates conflict of interest among the investors and executives This transfer of the majority decision-making responsibility from the shareholder to the executives can lead to conflicts of interest between the principals and their agents (Cohen, Krishnamurty & Wright, 2002).

Agency costs can be described as depreciation in value resulting from shareholders who have no direct control over the company, which consist of the cost of primary oversight of principal such as auditing, budgeting, control, and compensation systems, and the cost of agent detention including residual loss due to different interests between the principal and agent (Eisenhardt, 1989). The Jensen-Meckling concept shows that borrowing can decrease agency costs.

Conferring to the agency's theory, the financing decision will help resolve conflicts of interest between investors and executives. The decision-makers of a corporation need to consider that the

conflicts will emanate from the convergence of multiple interests. Thus such conflicts if are not recognized and handled properly, they can compromise efficiency and this will lead to a drop in the market value of the business. To tackle and lessen these conflicts of interest, shareholders have introduced recommended guidelines to diminish, curtail and align the principal / agent's interests (Guilding, Warnken, Ardill & Fredline, 2005). With the agency theory, better corporate governance system ought to lead to a rise in share prices or healthier long-standing performance, as better supervision of managers reduces agency costs (Albanese, Dacin & Harris, 1997). In order to increase the value of the business, agency cost must therefore be reduced. This can be one of the ways through which the relationship between corporate governance and corporate performance is considered.

2.3.2 Stakeholder Theory

The promoters; Ping, Cheng and Wing (2011) states the stakeholder theory recommends the inclusion of the different stakeholders of a company on the board of directors who effectively meet the requirements. The weaknesses in the agency theory caused the development of the stakeholder theory (Hill & Jones, 1992). To make stakeholder governance sustainable, companies must also enable stakeholders to address issues that are important to them. A stakeholder in a business is any group or individual who can influence or be affected by the realisation of the establishment's goals. From a business perspective, certain stakeholders such as employees and customers are essential to the continued existence of the company (Lozano, 2005) because they provide indispensable resources to the company (Pfeffer & Salancik, 1978). There are two other perspectives in the theory of stakeholders: a descriptive perspective and a normative perspective. The stakeholder descriptive approach detects and categorises the various components of a company without making any statements of value about the legality of its

claims or its powers (Lozano, 2005). The normative theory of stakeholders goes further and attributes an intrinsic value to stakeholders based on the moral rights of all those affected by the behaviours of companies (Donaldson & Preston, 1995; Ulrich, 2008).

The results of Hansen, Große-Dunker and Reichwald (2009) similarly displayed an incorporation of stakeholders in a revolutionary management leads to fresh and more sustainability-oriented production and operation. An idea concerning stakeholder theory is, though, to blend much comprehensive stakeholder groups than merely clients. The underlying philosophy of the stakeholder model is much broader and externally focused because the interests of all stakeholders that connect with the firms are considered. Even though it could be difficult to please entirely every stakeholders to the level of their anticipations, executives need to trade-off their selections so that possible dissatisfactions from any stakeholder would be minimized.

2.3.3 The Stewardship Theory

As seen in Davis and Donaldson (1994), executives are worthy overseers of a company who perform their tasks assiduously to achieve great heights of company earnings and worth. Stewards don't look for monetary interests since the stewards see themselves as overseer of the company hence they are motivated by the success of the company. Executives are furthermore enthused by the need to do a good job in order to be recognized. The foundations of this theory are based on social psychology, which emphasizes on managerial behaviour. A steward's activities is pro-organizational and collectivist and more helpful usefulness than selfish individualistic behaviour. The steward's behaviour will not deviate from the company's best interests as it seeks to achieve corporation goals (Davis, Schoorman & Donaldson, 1997). Consequently, stewardship theory focuses on the structures that facilitate and allow, rather than

monitoring and controlling (Davis, Schoorman & Donaldson, 1997). As a result, stewardship theory takes a more unperturbed outlook of the separation of the roles of President and CEO and supports the selection of a sole person to the positions of President, CEO with a majority of specialized directors, instead of non-executive directors (Clarke, 2004). Stewards present true and fair report to the investors as well as act in the paramount interest of the company and its shareholders.

2.3.4 The Resource Dependency Theory

This theory promotes, among other things, participation of non-executive directors in order to take full advantage of the provision of the required resources, thereby breaking the information asymmetry amongst companies and the investors. To act freely of the executives and investors by use of familiarity and know-how; non-executive directors are equipped to decrease investors' insecurity concerning the corporation plus assist in getting the funds needed to grow the company and safeguarding against outside powers (Abor & Biekpe, 2007). By maintaining the role of resource dependence, directors provide resources such as information, skills, key elements (suppliers, buyers, policy makers, social groups) and legality that decrease ambiguity (Gales & Kesner, 1994). The study conducted by Hillman, Cannella and Paetzold (2000), they saw the probable effects of associating the business to external environmental elements and decreasing insecurity, such as dropping transaction costs related with the external link. This theory supports the appointment of directors to various boards, as they provide opportunities to gather information and establish contacts in various ways. Resources of the firms are generated from the environment; firms should however be responsible for the preservation and renewal of these resources to benefit the future generations. The concern however is whether these future generations should be captured within the scope of stakeholders. Whether they are captured or

not, fair and equitable utilization of resources is fundamental.

2.3.5 Capital Structure Theory

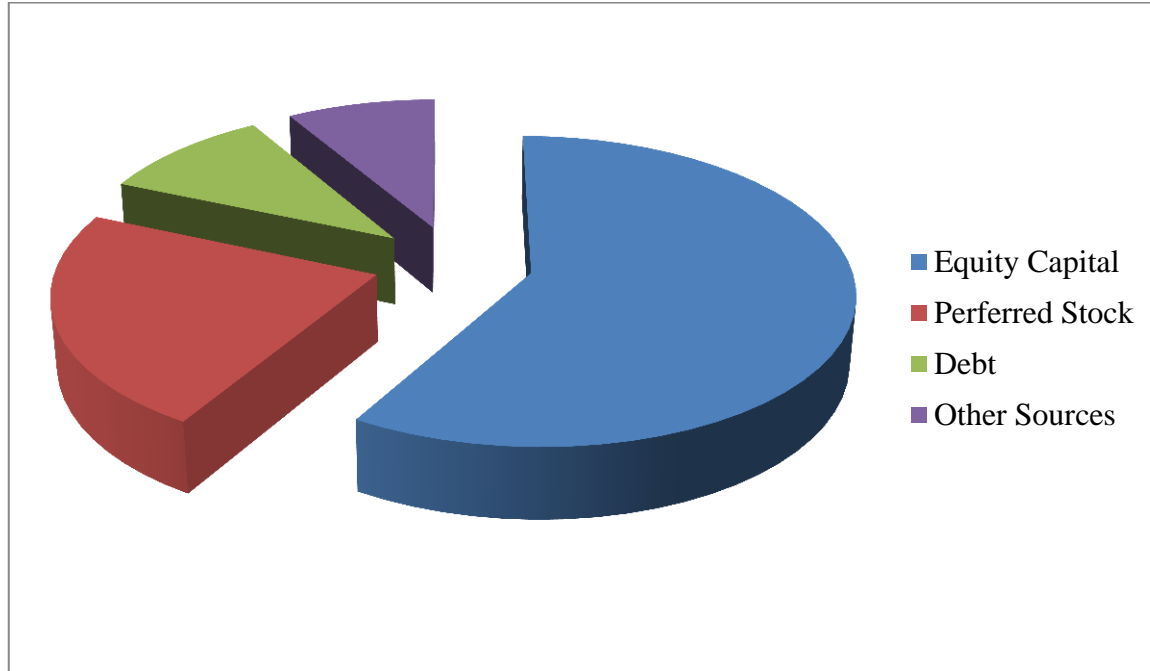


Figure 2.1: Capital Structure

The capital structure is the specific arrangement of a company's debt and equity that is used to finance general business operations and progress. We have debt in the form of securities or loan issues, while equity can be in the form of common stocks, preferred stocks, or retained earnings. Short-term debts as well as the need for working capital are also considered part of the capital structure. Capital structure affects the company's risk profile, ease of raising finance, the cost of that financing, the rate of return expected by its investors and creditors, and the degree of its insulation by microeconomic business decisions and macroeconomic crises. The capital structure is therefore described as a mix of long-term debt, short-term debt, common stock, and preferred stock of a company as seen in Figure 1. The funding choices of companies are fundamental for the reason that optimum capital arrangement takes full advantage of the returns made by the

company and effects on its association with the competitive atmosphere (Abor & Biekpe, 2007). Leverage Ratio (D / E) is useful in determining the risk of a company's lending practices. Debt and equity are used to fund a company's operations, investments, acquisitions, and other investments. Companies will have to make concessions if they choose to increase debt or equity, and executives will balance both of them to find the ideal capital structure that result in the lowest weighted average cost of capital (WACC) for the company. The careful handling of debt and equity by a company is a key indicator of a solid balance sheet. A healthy capital structure that reflects low debt and high equity value is a positive sign of the quality of investments.

2.3.6 Pecking-Order Framework

Companies in emerging markets must also follow the same pecking order pattern seen in companies in advanced countries. In the pecking order, a company prefers internal to external funding and debt to equity when issuing securities (Donaldson, 1961; Myers, 1984). The logic of pecking order assumptions states that, usually the financing decision of a company interpolate with the working capital decision. To Donaldson, we generally assume that a company's financing decision follows a well-defined sequence, with internal funds (profits not distributed) first, then external securities and then the issuing new shares as a last resort. This would certainly place the company in a dispute over its available internal resources, possibly to invest in funding long-term investment projects or to optimize the composition of its working capital.

This has been the blockage for companies seeking to accomplish the anticipated compromise position between liquidity and profitability (Raheman & Nasr, 2007). Domestic funding is the cheapest and most convenient source of finance compared to external finance such as debt and equity finance, which requires the company to pay a fee for issuing external finance. In terms of

sources of funding, the cheapest comes from retained earnings, the second from debt and the third from equity. The pecking order theory is related to the capital structure of a company in that it explains why companies prefer to finance investment projects first with domestic financing, then with loans and finally with ne equity. While pecking order predictions are to be made in deciding which source of funding to choose, care must be taken not to strangle the liquidity position of companies, which only puts them at higher risk.

2.3.7 Free Cash Flow Theory

Free cash flow (FCF) symbolizes the cash flow that a company makes after taking into account the outflow of funds in order to continue operations and to sustain its capital assets. As opposed to gains or losses, free cash flow is a measure of viability that excludes non-monetary expenses from the income statement and interprets for equipment and asset expenses and changes in working capital on the balance sheet. Free cash flow (FCF) is the monies that a company's creditors and investors receive after taking into account all operating costs and capital investments. The cash flows generated after business activity including taxes, working capital and interest are recognized besides deducting all cash expenses related to investments in property, plant and equipment and depreciation. It is basically a measure of how profitable a business is after all expenses and reinvestments. This is one of the many criteria used to compare and analyse the financial health of a business. Free cash flow is arguably the most important financial indicator of the value of a company's stocks. The value of a share is viewed as the sum of the company's expected future cash flows. This can be useful for parties such as shareholders, creditors, preferred stockholders, and convertible bond holders when they want to see how much money can be squeezed out of a business without creating problems for their business activities. In corporate finance, free cash flow (FCF) or free cash flow for business (FCFF) is a method of

finding a company's cash flow and determining what is available to distribute for everyone holding a securities of the corporation.

According to Jensen's free cash flow theory (1986), debt can play an important role in decreasing agency costs. Increased reliance on debt increases vulnerability to rate hikes (events beyond management's control). Excessive leverage can increase the risk of the projects the company embark on and discourage investments that will bring long-term returns. An implication of this free cash flow theory is that companies with high free cash flow are more likely to initiate acquisitions and investments that are losing its value. Executives of companies with excess cash flow are forced to pay the excess to investors rather than reinvesting money in less profitable business opportunities. Regarding the increase in payment to shareholders, the share price will be high. If the company keeps excess cash, the diminishing marginal utility of the investment available leads to deterioration in returns and stock prices. The weakening in stock prices in business with the free cash flow makes the company an attractive takeover destination. In fact, there are more profitable uses of money (company-generated) outside of the company; the money needs to be returned to shareholders to invest in these more profitable opportunities. As firms mature, their need for external finance for investment decreases, as they can rely more on internally generated finance (Jensen, 1986). Excessive "free" cash flow causes banks to lose their disciplinary control over companies, and these companies invest inefficiently and over-diversify.

2.3.8 Trade-off Theory

The trade-off theory occurs when a company chooses the level of debt to be used and the amount of equity financing to be used, weighing the costs and benefits; i.e. a balance between the burden cost of insolvency and the benefits from tax saving of debt. From the perspective of Kraus and

Litzenberger (1973), this theory of arbitrage takes into account the incomplete conditions of the capital market and assumes that companies would have a target debt and would choose an optimal debt level taking into account the costs and benefits of leverage. Optimal leverage can be considered as the balance between the benefits and costs of debt settlement. Companies resort to debt when the debt tax shield saving outweighs the costs of excessive debt and financial difficulties. The financial crisis leads to the theory of trade-off, since the optimal financial structure requires a balance between the benefits and the cost of debt (Kraus & Litzenberger, 1973).

The trade-off theory was underlined by the fact that mature companies of strong debt repayment reputation don't use this opportunity of excise protection though there is the likelihood of monetary hardship is very minor (Myers, 2001). The trade-off theory holds that the optimal capital structure is a give and take between the tax shield interest and the cost of financial complications. The theory explains that businesses are funded by debt, equity, or a combination.

2.4 Empirical Literature

The journey of corporate governance in Ghana began in 1963 with the passage of the Act 179. The law obliges registered corporations to retain a minimum two directors. The GSE and the SEC were then created to regulate corporate governance activities and protect investors from the misuse of funds by these corporations. These GSE listing rules require that at least half of the board members be non-executive directors and that at least a quarter of the total be independent, while the SEC guidelines on best corporate governance practices company recommend a board size of between 8 and 16 members, separation between CEO and chairman. The SEC wants companies to disclose accurate and timely information when submitting their statements to the

Commission. For a stock and financial market to function efficiently, it is important that companies listed on those markets disclose information appropriately and in a timely manner to increase the confidence of shareholders and investors (Healy & Palepu, 2001). Corporate governance disclosure is viewed as a strategic tool that diminishes the information asymmetry that leads to moral hazard or adverse selection in terms of risk management, board diversity, internal controls, and director compensation (Cooke, 1989; Cheng & Courtenay, 2006). The issuing companies must also provide the Commission with details of the board's working group and composition, since the power and veracity of the board of directors reveal the company's solvency. SEC regulations and guidelines on compliance requirements demand, among other things, corporation that issue securities should separate their private resources and financials away as of that of customers and make no turnover from the customer's monies. There are international reporting standards which are strictly adhered to by the market participants in releasing their financial statements, Commission ensures that they comply.

The detailed analysis advocates that corporate finance in developing countries is identical to that in developed countries. Factors to consider before making a financing decision include the riskiness of the industry in which the business is operating, the years in that industry, the application of the legal framework, the level of financial development and other macroeconomic factors in the country linked to business funding agreements. This helps to understand the relationships between general corporate governance factors and the company's control policies including financial controls and risk management. Research shows that worthy governance are not just about board procedures and auditor oversight. All factors of governance need to be built into internal organizational techniques and guidelines which should be a continuous practice requiring an appropriate model of functional links and information flow. The influence of

corporate governance mechanisms between companies differs from country to country as the social, economic and regulatory conditions differ in different countries (Rouf, 2011). Efficient corporate governance supports a rise in stock prices and increases the accessibility to capital (McGee, 2009). Generally, corporate governance aims to improve accounting information, demonstrate management efficiency, and reduce management manipulation of returns through the application of appropriate and accepted standards (de Almeida, de Lima & Lima, 2009).

One of the most discussed areas of corporate finance theory is decision making in the finance of a corporation. The theoretical models on which it is created are constantly improving and the application of financing theories at the business level is restricted. The operational challenges within companies clearly show that the principles and practices of a proper corporate governance system has not been adequately recognized and followed. Promoting good corporate governance must be the responsibility of everyone involved. Reforms to combat weak corporate governance practices in developing countries should not be limited to international best practices or it will likely fail, but should incorporate cultural norms plus the belief systems to determine direction and the quality of corporate governance (Adegbite & Nakajima, 2012).

Sanusi (2010) in this study concluded that the financial industry was aware that some banks had been involved in unethical and potentially fraudulent business practices since consolidation. Poor conduct of corporate governance in consolidated banks has therefore become a way of life in a large part of the industry which enriches some selected few to the detriment of many depositors and investors. Two types of corporate governance tools exist in the financial markets which are the external and internal corporate governance tools (Nam & Nam, 2004; Bebchuk, Cohen & Ferrell, 2004). External corporate governance tools in the market include the roles of the regulator, the judiciary and of majority shareholders. These authorities have a disciplinary role

over the companies in market (Black, 2001). The financial market has internal corporate governance instruments such as board size, CEO, CEO duality, chairman, majority shareholders, and an independent auditor (Bebchuk, Cohen & Ferrell, 2004). Corporate governance aims to maintain a balance between economic and social goals or between individual and collective goals.

Corporate governance is fundamental to understanding institutional efficiency and productivity to ensure the permanence and sustainability of a company. Corporate governance systems and corporate performance are complex to allow for accurate recommendations for future reforms. Researches carried out in developing nations over the years have confirmed the strong relationship between good corporate governance and business performance using institutional investments as a means (Berle & Means, 2014). The main driver of corporate governance is strong nationwide advancement. It is currently believed that the private sector is the engine of growth; efficient corporate governance is an important control for progress and social justice. Corporate governance entails creating the right legal, economic and environmental environment that lets corporations to thrive as establishments are aware of their other responsibilities to every stakeholders and to the general public, in order to secure shareholder value in the long term and maximum promotion of the development human focus. Governance systems ensure, among other things, that all shareholder i.e. minority and majority be given the same trustworthy information concerning the value of a company and that the company executives are encouraged to maximize the value of the company rather than chasing their own goals (Bushman & Smith, 2003).

Perfect corporate governance is often strong in creating value necessary for the organization. This is associated with lesser price of capital, greater yield on equity, better effectiveness and more constructive treatment for all parties involved although the causal path is not always perfect

(Claessens, 2006) Corporate governance practices have a straight impact on investment and access to capital. It is known fact that inadequate corporate governance systems can result in inability to access bank credit, raise capital from investors or issue securities with low market share. Chen, Patten and Roberts (2008) found corporate governance to have a substantial adverse bearing on the cost of equity in developing markets and that the effect of corporate governance was stronger in nations with organisations that offer comparatively lowly lawful defence. Corporate governance can be improved through disclosure, transparency, and law enforcement. According to the study by Aghaee and Chalaki (2009), there are different countries with different social, economic and legal settings, which leads to diverse and inconsistent corporate governance structures and funding decision-making processes. Abor (2007) also look at the connection amongst corporate governance and capital structure decisions in his study for a six year period (1998-2003) using a 22 sample of companies on the Ghana Stock Exchange (GSE). Abor noted that the capital structure is positively related to the size of the board, the composition of the board and the duality of the CEO but inversely with the tenure of the CEO.

Likewise, Rehman, Rehman and Raouf (2010) examined the connection concerning corporate governance and capital structure of 19 casually chosen banks in Pakistan beginning 2005 to 2006 and they found a positive link between size of the board and the structure of Capital. Although corporate governance affects businesses, its effectiveness has social implications. This means probing the efficiency of the drivers of corporate governance in a holistic approach taking into consideration the costs of corporate governance, the different organizational eventualities in the application of corporate governance in not the same settings and the exchange between the different corporate governance drivers considered. Chen and his co-authors (2008) found that US companies which have better governance have lower overheads of equity capital after governing

risk and other factors. In general, weak corporate governance affects the operations of a country and the size of international funding of a country such that weaker corporate governance can increase financial unpredictability. Vakilifard, Gerayli, Yanesari and Maatoofi (2011) established a positive bond between the duality of the CEO as well as the leverage effect based on data from the Tehran Stock Exchange (TSE) for the period 2005-2010. Bebchuk and Weisbach (2010) argue that a greater proportion of non-executive directors increase the independence of the board of directors and that this independence has a positive impact on the company's performance. They also noted that there is a negative correlation between board size and leverage. In Nigeria, Ehikioya (2009) found that companies with a strong corporate governance structure have healthier performance, higher valuation and less risk of bankruptcy. The study also found that when the CEO also served as chairman and where more family members sat on the board, the company's performance was badly affected.

From a study by Thomson and Berau (2009), there is a higher level of trust in companies associated with a good corporate governance system. Having an active group of independent non-executive directors on the Board of Directors goes a long way in ensuring the market's confidence in the application of their expertise. Corporate governance has been recognised as the criterion that foreign institutional investors consider before making their investment decision thus as a positive impact on the company's share price. It is established that the ratio of women on board has an important positive connection with the performance of companies. Corporate governance mechanisms play a 34% control on the capital structure on manufacturing companies listed in Sri Lanka. Board committee, a corporate governance variable; is the most substantial influence on the capital structure of companies (Achchuthan, Kajanathan & Sivathanan, 2013). Wellalage and Lock (2012) came out that the duality of CEOs and board composition

considerably impact on capital structure. In addition, the size of the board of directors and the type of owner do not have a significant influence on the capital structure. In many developing economies, corporate governance is hampered by widespread political intervention and government ownership is a common phenomenon (Arun & Turner, 2004). Corruption is one of the main problems of Ghana so the government ought to enhance the institutional capacity of regulators and develop the administrative and judicial system, while restructuring the legal context. Awareness and importance of corporate governance should be disseminated as the Code of Good Practice is updated to reflect current realities and improve the quality of information expected from listed and unlisted companies needs to be improved (Adegbite, 2012).

The study continued to mention African economies to be unable to practice the type of corporate governance found in advanced economies owing to the features of our economic and political systems that include public ownership of companies, feeble legal and judicial systems and restricted human resource competencies. Emerging nations face problems such as unfledged illiquid stock markets, economic reservations, weak legal controls and investor security, and recurrent governmental involvements (Tsamenyi, Enninful - Adu & Onumah, 2007). Referring to Ehikioya (2009), a distinct and practical corporate governance system assists companies to attract investments; raise resources then build up the fundamentals of the company's performance. Furthermore, effective corporate governance protects a company from being vulnerable in imminent financial difficulties. Melyoki (2005) claims that a company's ability to invite investors into their operations is based on the efficacy of their governance systems, as it assures that their investments would be adequately secured and compensated. The results submit that businesses working in emerging economies would be advantage most from the adoption of good corporate governance practices.

In the United States, Brown and Caylor (2004) measured corporate governance using 51 factors and 8 subcategories for 2327 companies with the Institutional Shareholder Service (ISS) dataset. Their results show that better directed companies are reasonably extra lucrative more valued and increase in dividend payment to their shareholders. In their study, Attiya and Iqbal (2010) identified the strong point of corporate governance practices, which are influenced by concentration of ownership, firms' external funding needs, volume and investment prospects. Ultimately, it is the financial market that rewards good governance and punishes bad governance when there are good standards of corporate governance working. Their study indicate that large, high-growth companies need external financing so as a result, these companies adopt better transparent governance practices. They again largely confirmed the theory's prediction that law enforcement does not play a role in the growth of investment and ownership structure in countries with weak legal systems. Legal protection is therefore critical to an active governance as it reinforces a key link with explaining the impact of the feeble legitimate environment on financial market improvement, debt financing, corporate valuation plus corporate governance.

Attiya and Iqbal (2007) sampled annual reports from 2003 to 2006 using panel data to measure corporate governance factors concluded that better governance practices add value to the company. The mechanisms of corporate governance are interconnected to the selection of a corporation's funding resources. The functioning of corporate governance mechanisms are linked to the financing decision insofar as it guarantees a framework for relationships (between interest groups) that is favourable for the generation of financial capital. In contrast, the funding decision will affect performance and help resolve conflicts of interest (Stănculescu, Ivănescu & Brezeanu, 2010). This study found that the two strategic financial decisions of working capital and financing must be linked and pursued simultaneously for companies to heighten its lucrativeness.

For business executives, it means that company's funding decisions ought not to be taken individualistically, devoid of taking the necessary account of the composition of functioning resources (Ajibolade & Sankay, 2013).

Afolabi (2016) established an important positive link amid the regulatory framework and the application of corporate governance in Ghana and South Africa.

The result confirmed Ghana and Nigeria Enterprise Report of ROSC Group's 2010, which concluded governance procedures in these countries generally need to improve. Additionally, the research found corruption to discourage the regulations which uphold strong corporate governance, predominantly in South Africa, due to institutionalized exploitation in African states. Therefore, the rules and laws can easily be changed or poorly implemented by the inspection and corporate governance agencies. It was also found that the quality of the accounting systems are considered by owners, possible financiers and every participant of companies can obtain financial information about their companies (Afolabi, 2016).

Now Ghana, Agyei-Mensah (2012) evaluated the level of exposure of in-house control policies for companies listed in Ghana. The results show that disclosure by Ghanaian companies is low, it is projected that 35% imply that the majority of publicly traded companies do not release satisfactory in-house control policies in their yearly position documents. On the affirmative side, however, the liberation of the directors is an important variable to explain the disclosure of internal controls. Compliance with reporting on international financial standards and the enforcement of corporate governance codes of conduct in Ghana can be considered to be a union of practices that improves corporate governance revelation in emerging economies. Emerging economies benefit tremendously from high-tech podiums including the Internet that allows

automated copies of any information to be downloaded online. Even though these findings are below adequate, it is a good effort as developments can be made in deliberately releasing of information (Isukul & Chizea, 2017).

In the African context, strengthening corporate governance practices can increase the market value of companies, leading to invite more external investment opportunities and hence stimulate financial progression. Practical proof has shown that foreign investors do not invest in emerging economies due to feeble practices of corporate governance (Bokpin, 2013). The results suggest this fixed size; debts and investment prospects are the central determinants of the quality of corporate governance. Additionally, the significant affirmative correlation amid debt and board size suggests that creditors in developing countries would make loans to establishments with a greater level of corporate governance more convenient. This is as a result of feeble laws and enforcement agency in most in emerging economies (Okeahalam, 2004).

CHAPTER THREE

METHODOLOGY

3.1 Introduction

For a satisfactory exploration into the accurate influence of corporate governance, this session of the research examines the methods used in the study. These are categorized into a description of study design that contains the study variables and population sample. This is followed by the data collection method and a plan of the data analysis method to be used for this study.

3.2 Study Design of the Study

A research design defines how, when and where data is to be composed and examined. It can also be compared with the architectural design of a building that needs to fulfil the intended purpose (Hakim, 2000). This is an exploratory study which uses administrative records and documents as the principal source of data to evaluate the relationship amongst corporate governance and the performance of a company as measured by its value, operating performance or stock returns.

The data collection tools are designed in a way that makes it possible for the research objectives to be achieved. The study uses qualitative and quantitative methods to analyse the data for the intended purpose of this study. The desired and essential type of data by the researcher for the study is through secondary data.

3.3 Study Variables

A variable is an individual element on which data can be collected (Saunders, Lewis & Thornil, 2007). There are three sources of fund available to every company which include the company's

own earnings, acquire debt or issue new equity for its business operations. The debt ratio is chosen as the dependent variable because of its high riskiness. The independent variables in this study are measured as the straight representations of corporate governance through the composition of the board (number of directors who executives and non-executive), the board size, CEO duality, and CEO's duality as the dummy variable (1 if board chair is same as CEO, 0 if otherwise). Correspondingly the firm size, return on asset and growth will serve as control variables in research. In this direction, the important strategic performance indicator of the firms will be evaluated by considering the EPS.

3.4 Population Sample of the Study

Presently Thirty-nine (39) companies are trading on the Ghana Stock Exchange and this represents all major division of Ghana's economy. They comprise financial, manufacturing, mining, oil, ICT, trading and insurance (GSE website, 2019). Fourteen (14) companies representing a third of listed companies in Ghana are expediently picked based on the sector industry and obtainability of its yearly business reports during the period of this work, 2010-2018. In this research, the listed companies for the study population sample are selected based on random stratification of the sectors of the economy to give a general overview. Stratified random sampling allows researchers to adopt samples that possess the required characteristics to the study objectives. These understudied companies in their various sectors of the economy are stratified as follows; two financial companies, four manufacturing companies, one mining company, two oil companies, one ICT company, two trading companies and two insurance companies.

3.5 Outline of the Ghana Stock Exchange

The Ghana Stock Exchange (GSE) is a private company limited by guarantee which was established under the Companies Code of 1963 in July 1989 as an accredited Stock Exchange under the Stock Exchange Act of 1971 (Act 384) in October 1990. It became a public company limited by guarantee in April 1994. Services that are being rendered are the marketing of bonds, stocks, shares, and other securities investments; quotations of prices of all securities investments of an entity and regulating the operations between their members and the clients of their members. Therefore GSE through its actions ensures the growth of companies by giving out long term funding, raising the number of securities market participants, providing substitutes to people who want to save money, and encouraging public ownership.

The Exchange uses the GSE Automated Trading System (GATS), an electronic trading platform with its membership including the Licensed Dealing Members (LDMs), Associate Members, and Government Securities Dealers (PDs). The LDM is a group organisation certified by SEC to transact in every security. An Associate member can be a person or group organisation that has met the membership necessities of Exchange but has not been approved to transact in security business. PD is a group organisation registered by the Exchange to deal only in state-owned securities which must be accepted by the central bank of Ghana. There are two classifications of listing: Official list and the Ghana Alternative Market (GAX) which is fundamentally intended at small and medium-sized enterprises (SMEs). Securities which are traded are preferred or equity shares; liability such as of corporate bonds (and notes), municipal bonds (and notes), & government bonds (and notes); and close-end unit trusts or mutual funds. A governing council instituted as the board of directors is responsible for regulation and supervision. The Council of the Exchange was inaugurated on November 12, 1990 which consists of nine members including

three independent members, two representatives of accredited dealing members, two trading company representatives, and two executives; nominated by the Ministry of Finance and Economic Planning. The council has a safeguarding obligation in order to prevent the occurrence of scam, mismanagements, maintenance of orderliness among members, and the direction of the business of the Exchange as well as the granting of listing and circulating prices on the market (Ghana Stock Exchange, 2019).

3.6 Data Collection Method Used in the Study

Secondary data which might be published or raw data is the main source of data for this study. These are obtained from the company's own policy document of governance and its annual reports concerning corporate governance as such as the board size, board composition, CEO tenure, and other vital data from their websites. The numerical data to calculate the variables are derived from the financial statements presented in the annual reports. Also, data is extracted from corporate governance code; Company's Act 1963 & 2019, Securities & Exchange Commission regulation and the Ghana Stock Exchange to enable the researcher answer the study questions and meet the objectives of the work.

1.7 Data Analysis Method Used in the Study

The data analysis tool for this study used to interpret the collected data is panel regression technique with fixed effect. This type controls for the effects of constant and time variation variables. This type of regression combines time series and cross-sectional data as in this study. It considers cross-sectional unit of a longer duration as it tries to establish neutral and constant estimates. This takes into account the heterogeneity of the study as it allows the researcher to manage the different behaviour associated with the various companies.

Findings are presented by the use of graphical representation via tables and charts. Also, qualitative analysis and descriptive statistics are necessary for complete well-done research work.

3.8 The Model of the Study

This study employs panel regression data analysis method that combines the interpretations on a cross-section of units over a longer period thus providing results that are not easily detected. Yearly accounting data of 14 Ghanaian listed companies for the period 2010-2018 extracted from the annual reports are used for this study. The study uses panel data that have both spatial and temporal proportions employing econometric regression methods to guess the detailed linear connection among every variable. The cross-section regression has a double subscript involved with all variables. The econometric model follows Miyajima, Omi and Saito (2003) which is empirically specified as:

$$Y_{it} = \alpha X_{it} + \beta G_{it} + \lambda_t + \eta_i + v_{it} \quad (1)$$

In this case Y_{it} denotes firm performance of company (EPS). G_{it} is a trajectory of corporate governance variables; v_{it} is the residual term η_{it} are separate explicit effects and λ_t time explicit effects.

Following the model used by Wen, Rwegasira and Bilderbeek (2002) which was modified by Abor (2007) and it takes this next formula:

$$CSI_{i,t} = \beta_0 + \beta_1 BSI_{i,t} + \beta_2 BCI_{i,t} + \beta_3 CDI_{i,t} + \beta_4 CTI_{i,t} + \beta_5 SIZE_{i,t} + \beta_6 ROA_{i,t} + \beta_7 GROWTH_{i,t} + \ddot{e}_{it} \quad (2)$$

where:

$CSI_{i,t}$ = total debt/(total equity + total debt) for firm i in time t;

$BSI_{i,t}$ =sum of board members for firm i in time t;

$BCI_{i,t}$ =sum of non-executive directors/ total sum of directors for firm i in time t;

$CDI_{i,t}$ = 1 if CEO is same as chairman, 0 if otherwise for firm i in time t;

$CTI_{i,t}$ = sum of years as CEO for firm i in time t;

$SIZE_{i,t}$ = log of total assets for i in time t;

$ROA_{i,t}$ = earnings before interest & taxes/ total assets for firm i in time t;

$GROWTH_{i,t}$ = changes in sales for firm i in time t; and

$$\ddot{\epsilon}_{it} = W_t + V_i + E_{it}$$

CHAPTER FOUR

PRESENTATION OF ANALYSIS AND DISCUSSION

4.1 Introduction

In probing the effect of corporate governance and financing decisions on listed companies in Ghana; this chapter concentrates on presenting, analysing, and discussing the findings from the secondary data collected. This is outlined by the use of tables. This study surveys the relationship among corporate governance variables and performance indicator variable found on the yearly released statements from chosen companies. The study moreover seeks to find the interrelation of corporate governance and the financing decision of these establishments.

The type of data analysis used in the study is panel regression analysis which estimates the bearing of corporate governance proxies over financing decisions. The debt ratio i.e. the proportion of overall liability divided by the company's assets is the dependent variable. Therefore in this work, we have straight substitutes for corporate governance being independent variables which are the size of the board, board composition, tenure of CEO, and CEO duality while the size of the company, profitability (ROA), and growth are the control variables following the pecking order theory as seen in the research of Abor and Biekpe (2009). The study further determines the relationship existing between the corporate governance variables with regards to the performance indicator i.e. the EPS. The statistical analysis helps to describe the general relevant aspects of each variable. Finally the characteristics and composition of board of directors is analysed qualitatively.

4.2 Presentation and Discussion of Qualitative Analysis

The Board of directors has a responsibility of ensuring that the provision of the yearly fiscal accounts is in consensus using International Financial Reporting Standards (IFRS) while the external auditors ascertain the truth in these financial statements. The Board ensures the preservation of acceptable accounting records including an efficient internal control policies and risk management system.

The GSE requires all listed companies to publish their financial information within a stipulated time i.e. to release apt truthful evidence by giving out what was earned to the Exchange, failure to do so attract a punishment of the company being delisted as seen in PBC Ltd 2018. There are many regulations under the Companies Act 992 and Companies Act 179 which restrict operational activities and managerial decisions of companies in Ghana, this tends to prevent any fraudulent activities thus looks out for the interest of all stakeholders. The Securities and Exchange Commission has regulations that streamline the activities of the listed companies which include the establishment of an audit committee, a risk committee, a remuneration committee internal audit, a nominating committee, appointment of independent external auditors, adoption of an internal organisational structure, policies and procedures, shareholders' rights of full participation with an appropriate whistle blowing. All these laws complement each other to regulate the business environment in Ghana to attract more investors thus contributing meaningfully to the financing of listed companies.

It was observed that only one company from the understudied companies had one person occupying both the chairman and the CEO positions, thus with dual responsibility i.e. Clydestone Ghana Limited, an Information and Communication Technology services provider to

financial institutions; had one person to be both the CEO and the chairman. Meanwhile the duties of the Chairman of the Board of directors are diverse and separate from that of the CEO of the company, as such there are reserved powers of decision making by occupying these two positions at an equal time. The separation of board chairman and CEO curtails the stiffness amid management and directors thus improving the performance of the company. Therefore, CEO duality has a significant relationship with of board composition and function.

It seen that majority of the board of directors are non-executive members and men. Boards of listed companies are male dominated with the introduction of just one woman on each board and even the absence of women on some boards. Companies like Aluwork, Mechanic Lloyd and Clydestone Ghana had no woman to be part of the board whiles one woman boards are in the majority including Calbank, Fan milk, GCB, PBC and SIC Insurance. The only time within the understudied period where women held the two most important positions are seen in 2012-2014 where two women were the CEO and chairperson for SIC Insurance and Total Ghana had a woman to be chair of its board for the period 2015-2017. Moreover, almost all women present on boards are non-executive directors under this study period.

From the understudied companies, it is observed that foreign oriented companies have their CEOs also being foreigners from the country of origin with Ghanaians or other Africans being the chairmen of the boards. As this is seen in the case of Fan milk, a Danish oriented company; golden star resources, a Canadian oriented company and many other companies.

In the government owned listed institutions, the nomination of directors unto the board can be seen to be politically influenced. A particular individual with a publicly known political party affiliation is seen to be included in numerous companies' board during their party's tenure in

power but you find them exiting all the boards when there is a change in government in power.

The regulatory authorities in Ghana, i.e. the Ghana Stock Exchange and the Securities & Exchange Commission doesn't specify the membership composition of board; differentiate among the duties of executive and non-executive directors, or even the appointment of either an executive and non-executive director. These actions are the sole entitlement of the company however there ought to be a strict and transparent technique for the selection of directors to the Board.

4.3 Presentation and Discussion of Statistical Descriptive Analysis

Statistical Description						
Variables	Mean	Standard Error	Median	Standard Deviation	Minimum	Maximum
CS	0.651	0.030	0.691	0.332	0.022	1.549
BSI	8.504	0.188	9.000	2.097	3.000	15.000
BCI	0.723	0.009	0.714	0.104	0.286	0.889
CDI	0.072	0.023	0.000	0.260	0.000	1.000
CTI	2.864	0.216	2.000	2.417	0.000	9.000
SIZE	7.881	0.088	8.085	0.987	5.650	10.432
ROA	-5084459.8	14903663.1	64506.0	166628019.2	-1632835317.0	552335703.0
GROWTH	0.054	0.017	0.064	0.189	-0.954	0.867

Table 4.1

Table 4.1 is the analysis which is a demonstration of what the descriptive data shows in terms of mean, standard error, median, standard deviation, minimum and maximum figures for every variable used in this study. The mean values of the variables represent the average indicators while the median shows middle value of the distribution.

The debt ratio (CSI) of the study has a minimum of 0.022 and a maximum of 1.549 meanwhile the debt ratio has a mean value record of 0.651 revealing that most listed firms use loans fund their operations. The size of board is measured as a regular logarithm of the overall sum of the

directors having a mean value of 8.504 but the composition of the board is the fraction of non-executive directors over the total sum of directors which has a mean value of 0.723. This shows that in Ghana, there are more non-executive directors compared to executive directors in listed companies.

The mean value for CEO tenure is 2.864 years with a standard deviation value of 2.417, a minimum of 0, and a maximum of 9. With this limited average years enjoyed by the CEO, they may apply decisions that yield results quickly so that they enjoy the benefits of their hard work as seen in Table 4.1. The size of the company is usually obtained by finding the usual logarithm of total assets and in this instant, it is represented by a mean value of 7.881. The size of a firm and profitability are vital elements of the financing policy approved by the studied companies. This can be as a result of, companies growing in diverse operations thus, having lesser difference in incomes. This makes the firms more acceptable to high debt ratios as it is able to opt for debt financing since there are long term interactions and better guarantee offerings. Investors are more ready to give to such growing companies because these firms seem to have lower risk levels than unprofitable companies. This brings about an inverse relationship between profitability and leverage, suggesting greater profits increase the amount of internal financing.

Growth is seen from the changes in the annual sales with a mean of 0.054 while Return on asset which is the profitability is represented by a ratio of EBIT to a total asset is of -5084459.8, suggesting an average decrease during the period under investigation. High growing firms are more dependent on their retained earnings than borrowing. Profit making firms are able to obtain superior chance on debt finance, to which these the companies might not necessary need the debt finance. The findings of the study support Free Cash Hypothesis which envisages a positive link between a company's capital structure and profitability. Jensen (1986) demonstrated in his study

that profitable firms are inclined to use more debt financing to pay out interest to debt holders by using excess reserves to avoid conflicts between management and shareholders.

Consequently, it can be summed up that corporate governance has an impact on the debt ratio of Ghanaian listed companies. Therefore, there are strong links between corporate governance and corporate financing of Ghanaian listed companies.

4.4 Regression Analysis for Corporate Governance and Financing Decisions

SUMMARY OUTPUT 1						
<i>Regression Statistics 1</i>						
Multiple R	0.753					
R Square	0.567					
Adjusted R Square	0.541					
Standard Error	0.225					
Observations	125					
ANOVA						
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>	
Regression	7	7.754	1.108	21.854	0.000	
Residual	117	5.930	0.051			
Total	124	13.683				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	-1.064	0.298	-3.575	0.001	-1.653	-0.475
BSI	0.099	0.013	7.446	0.000	0.072	0.125
BCI	0.562	0.205	2.740	0.007	0.156	0.967
CDI	0.907	0.122	7.434	0.000	0.665	1.148
CTI	0.005	0.009	0.584	0.560	-0.012	0.022
SIZE	0.054	0.025	2.135	0.035	0.004	0.104
GROWTH	0.000	0.000	-0.853	0.395	0.000	0.000
ROA	-0.614	0.114	-5.372	0.000	-0.841	-0.388

Table 4.2

Correlation Matrix 1								
	<i>BSI</i>	<i>BCI</i>	<i>CDI</i>	<i>CTI</i>	<i>SIZE</i>	<i>GROWTH</i>	<i>ROA</i>	<i>CSI</i>
BSI	1							
BCI	0.266453	1						
CDI	-0.63032	-0.1856	1					
CTI	-0.19159	0.02434	0.2471	1				
SIZE	0.106132	0.01764	-0.43515	-0.11962	1			
GROWTH	-0.02451	-0.0337	0.009236	-0.09475	0.28245	1		
ROA	0.007431	-0.1538	-0.18672	-0.12893	-0.0146	0.055591	1	
CSI	0.230857	0.26976	0.288012	0.12849	-0.0944	-0.04783	-0.51371	1

Table 4.3

Table 4.2 presents the summary of the regression analysis for the coefficients, standard errors, t Stat, P-value, lower and upper values for all the variables including the intercept. The control variables applied in this model are constant with theories of capital structure. In the regression, the R^2 is 0.567 signifying that the model is fit since the R^2 of 56.7% is greater than 50%. From the results it is seen that the independent variables of the understudied companies explain of 54.1% of the variability of the dependent variable which is the adjusted R^2 . The variables that have real effect on the dependent variable are BSI, BCI, CDI, ROA and the Size because their P-values are less than 0.05 making them significant variables. The coefficient indicate the extent of the relationship, thus for variable BCI if one new non-executive director is added, with all other independent variables being held constant, the dependent variable will increase by 0.562.

The working capital and financing decisions which are strategic decisions of a company are interconnected hence it must be pursued alongside each other so that the firms would raise their profitability. In other words, corporate financing decisions should not be independently taken driven out of proper consideration of the working capital composition. The key variables in this regression model are the debt ratio which is seen to have an opposite link with the performance by means of ROA in this case, thus an increased debt in the capital structure leads to decreased

performance of the company. There is a high degree of debt and a low quantity of equity representing low quality of investment, consequently a weaker balance sheet. Meanwhile the composition of board also has a positive relationship with the debt ratio. A company whose board has more non-executive directors are inclined to follow high debt strategy thus supporting the findings of Jensen (1986). Companies with more non-executive directors lean towards minimum financial leverage with a greater market equity value. Companies with greater leverage have a greater number of non-executive directors because there is varied external experience on the board. The non-executive directors of the companies are adequately knowledgeable in the operation processes. They have more motivation to act in the maximum interest of the company since they are directly affected by the performance of the company and consequently the interests of the shareholders are safeguarded in the long run. It is also discovered that high debt plan are applied by larger board size to raise the value of the company as there is a significantly positive link between board size and debt structure.

The positive relationship amid the board size and debt ratio which displays the firms' capability to appeal for credit while practicing good corporate governance. This fund gives the companies the capacity to grow its production abilities and employ new effective operational strategies. The pecking order theory is established here to determine the choice of sources of finance hence it is prudent to ensure due precaution and assessment in order to avert disrupting the liquidity position of the company, which might lead to unplanned threats. Likewise, profitability is adversely related to the liability to equity ratio which is associated with the pecking order theory.

The result of this analysis shows CEO separation and the tenure of the CEO has a positive relationship with debt. Thus it can be said that listed companies on the Ghanaian market that ensure their CEOs are different from the chair of board are inclined to rely on great debt

proportion. The CEOs are responsible for implementing major management decisions thus their tenure also has an impact on the firm's productivity by way of influencing the choice of financing.

The analysis likewise shows a positive but irrelevant link with debt and growth. Meanwhile Table 4.3 shows the strength of relationship between the variables in a correlation matrix. In this analysis, the debt ratio has a positive relationship with the independent variables but a negative relationship with the control variables. It is also observed that the least correlated pairs of variables are board size & ROA and growth & CEO duality whiles the most correlated pairs of variables are CEO duality & board size and ROA & debt ratio. The practice of proper corporate governance leads to better administrative judgements and supports in securing better resources, as there is sufficient knowledge and valuable facts on financing facilities.

There is a strong link between financing decision and the corporate governance of a company. It is established from this study that the corporate governance practiced by a company are interconnected to its financing decision. It is seen that the financing decision affect corporate performance whiles corporate governance practices provide the needed basis for inviting funding means. So in effect, the choice of financing is determined by corporate governance structures to influence the performance of Ghanaian listed companies.

4.5 Regression Analysis for Corporate Governance and Performance

Correlation Matrix 2						
	<i>BSI</i>	<i>BCI</i>	<i>CDI</i>	<i>MOI</i>	<i>CTI</i>	<i>EPS</i>
BSI	1					
BCI	0.266	1				
CDI	-0.630	-0.186	1			
MOI	-0.462	-0.063	0.531	1		
CTI	-0.192	0.024	0.247	0.215	1	
EPS	0.001	-0.189	-0.104	0.516	0.013	1

Table 4.4

SUMMARY OUTPUT 2						
<i>Regression Statistics 2</i>						
Multiple R	0.730					
R Square	0.532					
Adjusted R Square	0.513					
Standard Error	2.457					
Observations	125					
ANOVA						
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>	
Regression	5	817.997	163.599	27.091	0.000	
Residual	119	718.629	6.039			
Total	124	1536.625				
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	4.984	1.851	2.693	0.008	1.319	8.649
BSI	0.227	0.141	1.602	0.112	-0.053	0.507
BCI	-9.014	2.210	-4.079	0.000	-13.390	-4.639
CDI	-6.887	1.180	-5.839	0.000	-9.223	-4.551
MOI	7.091	0.647	10.958	0.000	5.810	8.372
CTI	-0.012	0.095	-0.121	0.904	-0.200	0.177

Table 4.5

This next analysis shows the relationship existing among the corporate governance variables and the performance indicator variable as shown in Table 4.4. It is clearly observed that the least correlated pair of variables is EPS and the size of the board while the most correlated pair of variables is the CEO duality & board size, CEO duality & managerial ownership (MOI, a dummy variable) and EPS & managerial ownership. It is seen that the board size has a positive correlation with EPS, and board composition while board size has negative correlation with CEO tenure, CEO duality and managerial ownership. An effective board of directors must lead into improvement in the firm's production, strategy, resources, competitiveness and inevitably performance. There will be free-rider problem when a board has many people to be part of it, as a maximum number of the board members might play an inactive role in monitoring the firm.

The board composition has a negative correlation with EPS including managerial ownership and CEO duality but has a positive correlation with tenure of CEO and the size of the board. In this regard, the independence and external experience of non-executive directors which is very important vis-à-vis prudent financial and legitimate foundation, thus the qualities an individual as non-executive board director brings on board positively affect the performance of the company. A company which has more quotas of non-executive directors is likely to have a better monitoring ability. It demonstrates the importance of non-executive directors' liberation and rich experience concerning comprehensive financial and lawful process. The duality of the CEO has a negative correlation with EPS, board size and composition while assuming a positive correlation with managerial ownership and the tenure of CEO. Separating the board chairman from the CEO minimizes the tension that can be created between managers and board of directors thus improves growth by influencing firm performance in Ghana.

The tenure of CEO has a positive correlation with all the variables except board size. The

managerial ownership has positive correlation with EPS, tenure of CEO and CEO duality. This shows that a company performs better when its managers have a share interest or invests in the company.

The quality of the type of accounting system is very essential as it empowers the stockholders, prospective financiers and other stakeholders of the company to obtain financial information as a result of good corporate governance practices thereby increasing the companies' access to funds which affects their performance in the long run.

The final regression table is found as Table 4.5 where the dependent variable is represented EPS and the proxies of corporate governance are the independent variables. The EPS has a positive relationship with BSI and MOI while it assumes a negative link with CTI, CDI and BCI. The goodness of fit test of the model is established as the R^2 is 53.2%. In effect, the value of the dependent variable can be explained by about 51.3% as the adjusted R^2 of the independent variables. All the independent variables except CDI with a P-value less than 0.05 are the significant variables and have real effect on the dependent variable. This shows that corporate governance promotes proper monitoring, accounting systems, strict control, efficient regulatory policy and efficient usage of resources to improve performance. The result for this study suggests that firms perform better when they adopt and implement appropriate corporate governance mechanisms.

At this point, there is correlation among the corporate governance variables and EPS as seen in this study. It is clear that corporate governance has a relationship with the performance of listed companies in Ghana.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The type of data used in this work is secondary data. It was used in analysing the composition, the relationship between corporate governance and financial decisions including its effects on the performance of the 14 companies traded on the GSE based on stratified random sampling technique. This was gotten mainly from issued reports that are available yearly on websites of the reviewed companies and GSE. This paper empirically examined the agreed objectives for Ghanaian listed companies for the period 2009-2018 by using quantitative and qualitative analysis techniques.

5.2 Summary

This study examines the characteristics of board composition; the relationship between corporate governance and financing decisions including roles played by corporate governance on performance of listed companies in Ghana. The corporate governance variable chosen for this work encompasses board size, board composition, CEO tenure plus their duality. There is an important and positive link among debt ratio and board size, company size, board composition, CEO duality and CEO tenure, although there is a negative link with the ROA. The findings show that listed companies in Ghana are targeting a greater proportion of non-executive directors, CEO separation and male-dominated boards. In fact, the investigation displays the board arrangement of companies listed on the Ghana Stock Exchange mainly comprises of 72% non-executive directors compared to the entire number of directors during the reporting period. The GSE registration requires a minimum 50% of the board need to be non-executive directors, so

the understudied companies conform to this rule. However, the minimum number of directors that a company should have is given by the Companies Acts. Companies in this study unveil a mean board size of approximately of 9 people which falls in line with the board size regulation. There are a few representations of women on boards and they are mostly non-executive directors which is not an encouraging situation at all. Directorship of state-own companies is politically motivated. Concerning the duality of CEO, the Securities & Exchange Commission endorses separate personnel for the CEO and the chairman of the board so as to limit the tension between executives and members of the board, consequently prompting the company's performance positively in Ghana. The findings point out to the fact that majority of the companies have separate individuals being the chairman of board and CEO of the company consequently these interpretations shows traded companies are in better submission to guidelines during this study period.

The debt structure was found to relate negatively to the ROA of companies which increase the liability in the capital structure thus reducing the performance of the company by means of weak balance sheet. Similarly it was identified that high debt policy are employed by larger board size to grow the value of the company and there is a significantly optimistic bond between the board size and capital structure. The corporate governance machineries are correlated to the selection of a company's financing resources. The study finds support the pecking order theory and free cash flow holds for long-term debt decisions across all companies. The debt ratio has a positive relationship with the independent variables, depicting that debt ratio increases concurrently with the corporate governance variables in this study but a negative relationship with the control variables, depicting that an increase in the control variables will result in a decrease in debt.

In this work, we found managerial ownership, board size and CEO tenure to have a positive link

with EPS meaning all variables increase simultaneously. The correlation that exists depict that companies perform better when investors are involved in running the affairs of the business and qualified individual are included as board members. The negative link of board composition and CEO duality with EPS depicts that an increase in non-executive director will result in a decrease in such variable (EPS). Also the negative correlation brings to light the competence and expertise of the board members and CEO separation. More non-executive directors in a particular company do not contribute directly to the performance but what they bring to bear in growing the company is what is very important. Well-established companies with corporate governance structures have greater capacity to easily obtain debt financing at a lesser charge ultimately leading to improved company performance because this could be expressed to a large extent that the market predicts the position of the company by its corporate governance system since there is a sense of security attached. In effect correlations, strong exist among corporate governance variables and indicators of company as seen in the study.

5.3 Conclusion

Corporate governance and financing decision involves all stakeholders and series of activities in the performance of companies. The most fundamental issue of companies is financing decision but capital structure decisions are influenced by several issues such as corporate governance. The elements of governance plays a role on the financing pattern of a company adopts. Board independence signifies good administration practices through proper boards monitoring & evaluation, wider access to opportunities and strong auditing procedures. There is a relationship amongst board size and company performance however a restricted size of boards ensures active participation. The quality of people on the board is also of great importance. The appointment of competent non-executive members on the board certainly contributes to the company's

performance as they bring on board their knowledge and skills to play.

Appropriately skilled and well-diversified board members have the competency to give the tactical direction of the companies as they are able to effectively monitor management and internal controls to ensure that it's properly followed and functioning effectively. The release of yearly reports and financial information are the focal ways of communication amongst the companies and their stakeholders. Although the issue of corruption is not only peculiar to Ghana, full disclosure of information is encouraged by way of preventing corruption and attracting foreign direct investments. Politicians interfere through their ministries or heads of agencies responsible for monitoring, enforcing corporate governance, particularly in public enterprises.

In Ghana after the financial shake-up, corporate governance has become a major topic of policy development in the world of business, politics, and academia including the world-wide which has implications on the business environment, the wider economy and society at large. It has been discovered that good corporate governance is a reagent for safeguarding good performance because of the adoption of best practices to ensure efficiency in their actions. Strong legitimate security of investors' funds and obligation to rule of law is a non-compromising plan that should be encouraged.

Results expose that Board Composition are significantly positively correlated with debt to equity ratio. The size has a positive link showing the bigger companies are able to organise debt financing owing to their long term relationships and superior warranty offerings. The implementation of strong corporate governance practices develops clearness of the company's activities in ensuring responsibility, and increases the company's lucrativeness. This again boosts the security of the concern of investors by looking out for the interest of the executives too. By

effectively practicing corporate governance, such corporations will have the ability to produce additional incomes with the right financing decision to create economic opportunities. Refining the context for corporate governance and funding is time consuming which call for attitudinal transformation. The result indicates that companies with efficient governance system assist the economic progression and improvement of our country. Matters of the law, societal, fiscal, and political environment are just as extremely imperative as well as corporate governance. The overall conclusion of the study is that corporate governance and financing decision has a significant effect on the financial performance of listed companies. This situation is evident that corporate governance arrangements impact performance of companies in Ghana.

5.4 Recommendations

The board must be more dynamic in nature, such as the use of technological platforms to make electronic version of the yearly reports and other corporate information readily available online. This is actual a good innovation as to ensure improvements in involuntary disclosure and efficiency to provide the climate conducive for orderly development to attract investors and ensure accountability. It is necessary to make the board dynamic rich, positive, focused, and efficient to maximize the quality of contributions of the directors.

The board must be competent with people who properly understand the inherent risks of the business and are be prepared to take calculated risks as it is an integral component of the strategy, culture, and business operations whiles being effective in protecting and satisfying the interest of stakeholders. The directors must be aware and engage actively with all their stakeholders as they are directly related to both future operating performance and higher probability of disciplined management turnover of companies. There should be improved

policies that can increase the probabilities of success and reduce the possibility of failure in the companies.

High level of education is very important for board directors, so there should be annual training programmes for directors to be abreast with changes on various ranges of topics focusing on strategy, finance, and governance. The directors themselves should be seasoned personalities with qualities evolving and adapting to the changing business environment thereby increasing innovations, diversity, and great value-adding practices.

To develop the framework for corporate financing and corporate governance which will allow healthier results of whole system over the years, it is urgent now to change the incentives. There should be a speedy legitimate reform strategy to include lawful insolvency and foreclosure. For my country Ghana to excel in the corporate world, I suggest we adopt these recommendations to help improve corporate governance practices and indirectly increase the performances of companies. I believe that any company that adopt these recommendations appropriately would appreciate the expected benefits that will result from its implementation, all other things being equal.

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