UNIVERSITY OF GHANA, LEGON

ASSESSING THE EFFECT OF CORPORATE GOVERNANCE ON THE FINANCIAL PERFORMANCE AND MARKET VALUE OF FIRMS LISTED ON THE GHANA STOCK EXCHANGE

BY

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A RESEARCH THESIS IN PARTIAL FULFILMENT OF THE AWARD OF DEGREE OF MASTER OF SCIENCE – DEVELOPMENT FINANCE OPTION

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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 anyone for any academic award in this or any other university. All references and other sources used in the work have been fully acknowledged.

Signature: ……………………………………… Date: ……………………………

Quincy Edem Amedorlase

Supervisor's certification

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

Signature: ……………………………………… Date: ……………………………

Dr. Agyapomaa Gyeke-Dako (Supervisor)

Dedication

This thesis is dedicated to my family, especially Mr. Henry Amedolase and Madam Janet Atitsogbui.

Acknowledgment

I am indebted to the Lord Almighty for His grace and mercy that sustained me in the pursuit of my studies. I also express my profound gratitude to my supervisor, Dr. Agyapomaa Gyeke-Dako for her support and guidance in my research work. I appreciate the faculty of the department of finance, University of Ghana Business School for their support. Apostle David Khorbs, I am grateful for your unflinching support. I also thank my family, church and friends for their prayers and encouragement. May God be gracious to you and bless you all.

Abstract

The main aim of the current study is to investigate the effect of corporate governance on the financial performance and market value of firms listed on the Ghana Stock Exchange. Based on the aim of the study, the study specifically seeks to examine the relationship between board size and financial performance, to investigate the relationship between board composition and financial performance as well as to assess the influence of board committee structures on financial performance of listed companies. In line with these objectives, secondary data was collected from the Ghana Stock Exchange, the Bank of Ghana and from the website of listed companies. The study span from 2008 to 2018. The Dynamic Ordinary Least Squares (DOLS) was used to establish the relationship between the variables under study. The coefficient of Board Composition was -.0716. This shows that Board Composition is negatively correlated with ROE. The coefficient of Board Size was 1.429 indicating a positive relationship between board size and ROE. In terms of CEO duality, the relationship is positive with a factor of 0.374. The coefficient of the adjusted R^2 is 0.137 which is equivalent to 13.7 percent. The findings of the study were discussed and recommendations made for policy makers.

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CHAPTER ONE

1.0 Introduction

It is commonly argued that companies with good governance systems perform better than other companies. Interest in corporate governance has increased enormously within the last twenty years. The renewed shareholder awareness and public awareness in management were all influenced by high degree of scandals in the corporate environment, major environmental problems, globalization as well as the global financial crisis. The growing need for robustness and transparency in corporate governance has been shown by international disasters such as the WorldCom scandal in the USA, in Italy, Parmalat, the UK's Maxwell Saga, in Korea Daewoo in Macmed, Regal Treasury Bank, in Saambou and Leisureenet in South Africa, Sentula Mining and Fidentia. Such occurrences have contributed a great deal to interest for global governance reforms.

Indeed, virtually every major developed country has tried to reconsider how businesses need to be organized through the development of good governance codes (Macey & O'Hara 2003).

Observance of the suitable corporate governance rules should theoretically decrease the expenses of organizations and improve financial efficiency (Garanina & Kaikova, 2016). Researchers such as Durnev and Kim (2005), Giannetti and Simonov (2006), Klapper and Love (2004) and Shank et al. (2013) have postulated a positive correlation between excellent corporate governance and development. It is not surprising, therefore, that most countries have made corporate governance a priority in their policy development. Institutions that view corporate management as one of the main factors in the choice of investment shares have mounted enough pressure on companies who need their investment to be up to date on their corporate governance practices. Good corporate governance is essential to industrial growth, especially in transitional and developing economies. The effective corporate governance structure of a company has a significant impact on its performance (Fooladi et al., 2015). Aboagye, Agyemang and Ahali (2013) stated that corporate governance supports an efficiency of resources allocation, helps businesses to attract low-cost capital and maximize profit for their shareholders.

An in-depth evaluation of the Ghana Corporate Governance Framework against OECD corporate governance principles (2010) showed Ghana scored the following: shareholder rights are 75%; shareholders' equal treatment is 61%; disclosure is 62%; board responsibility 43%; regulatory framework 61%; and equitable treatment of shareholders 68%. Regular monitoring and evaluation as well as effective supervision is needed to improve the corporate governance structure of the country. Even though Ghana is yet to record a major corporate governance scandal, prevention they say is always better than cure. (CIMA, 2008).

Research has argued that best practice of corporate governance is improving corporate performance through careful allocation of corporate resources, competence in management, high productivity, increasing profitability and so on (Apakli, 2010; Deku II, Kankpang & Okonkwo, 2012; Tornyeva, 2012.

In developing economies such as Ghana, corporate governance is particularly important as it helps in attracting investors into the economy (Vaughn & Ryan, 2006). Foreign investors are willing to invest in companies that value and promote good corporate governance especially in economies with weak governance structure Chen, Chen and Wei (2009). Corporate governance is therefore increasingly contributing to every country's economy. In order for the government to attract investment, Ghana must take charge of its corporate governance culture, because corporate governance has an effect on stability of businesses which has a ripple effect on the development of the country (Malherbe & Segal, 2001).

1.1 Problem Statement

According Mensah (2018) reported on myjoyonline.com (2018) the state of corporate reporting and governance of listed firms on the GSE shows a worrying trend as at least 20 out of the 34 companies listed on the Ghana Stock Exchange have failed to comply with the International Financing Reporting Standards (IFRS) as required by law.

The corporate reporting and management situation in the GSE listed companies shows a worrying trend, according to Mensah (2018), companies provide inconsistent data on their financial statements or do not provide any information at all, which clearly violate the IFRS. By 31 March 2018, "the study concluded after reviewing annual reports of companies listed for 2017, just 15 percent of the 34 companies complied with the SEC Regulation in a satisfactory way." A study by Mensah (2018) demonstrates a worrying trend as companies are providing inconclusive data on their financial statements which is clearly in breach of IFRS. A successful corporate governance mechanism for a country dealing with bribery and corruption is necessary to ensure that financial information is adequately disclosed and accountable and transparent in order to fight against this canker. Ghana ranked 12th, with 82 points behind top five countries, South Africa (145), Kenya (128), Mauritius (126), Nigeria (114), and Uganda (125) in a 2017 KPMG and ACCA corporate governance study published in 15 African countries.

1.2 Aim and Objectives of the Study

The main aim of the current study is to investigate the effect of corporate governance on the financial performance and market value of firms listed on the Ghana Stock Exchange. Based on the above aim, the following are the specific objectives of the study

1. To examine the relationship between board size and financial performance.

2. To investigate the relationship between board composition and financial performance.

3. To assess the influence of board committee structures on financial performance.

1.3 Research Question

1. To what extent does board size influence the financial performance of listed companies on the GSE?

2. What is the relationship between board composition and financial performance?

3. What is the effect of board committee structures on the financial performance and market value of listed firms?

1.4 Significance of the Study

This thesis aims to make several contributions and extend the existing corporate management literature, addressing questions relating to research. First, the results of this study would help improve or understand corporate governance practices in the Ghanaian companies listed under the GSE and ways in which companies can take these practices to improve their financial performance.

The results of the study will also provide policymakers with a guideline for regulating Ghana stock exchange companies.

Lastly, Ghana is a developing country, and so many of the developing nations with similar political, cultural, environmental, and economic conditions, especially in Sub-Saharan Africa, should benefit from this study.

1.5 Limitation of the study

The current study does not include financial and banking institutions listed on the Ghana Stock Exchange

1.6 Structure of the Study

This thesis is organized into six chapters. Chapter one entails the background to the study, the statement of the problem, objectives of the study, significance of the study, limitations of the study and how the study was organized. Chapter two provides a review of related and relevant literatures on corporate governance, financial performance and the nexus between corporate governance and financial performance. Chapter three spells out the methodology of the study. It includes: the research design, data and data sources, model specification, justification of the model, estimation techniques, and pre-estimation diagnostics, among others. Chapter four deals with the interpretation and discussion of the results of the study and Chapter five presents the summary, main contributions of the study, conclusions, recommendations of the study and direction for future research

CHAPTER TWO

LITERATURE REVIEW

2.0 Overview

Recent theories and related studies were reviewed in this chapter. Some of the items reviewed include the emergence and trend of corporate governance in Ghana, the history and performance of the Ghana Stock Exchange, theories on corporate governance which includes the Agency Theory, the Stewardship theory and financial performance measures such as the Net profit margins, ROA, ROE interest rates and inflation rates. The nexus between corporate governance and financial performance was also reviewed.

2.1 Legal and Regulatory Framework of Corporate Governance in Ghana

The companies code 1963 (Act 179), the securities Industry Law 1993 (PNDCL 333) as revised by the securities Industry (Amendment) Act, 2000 (Act 590) and the listing regulations, 1990 (L.I. 1509) of the Ghana Stock Exchange have spelt out the regulatory framework for an effective corporate governance. The regulatory framework has been divided into 6 major sections.

1. The mission, responsibilities and accountability of the board;

2. Committees of the board;

3. Relationship to shareholders and stakeholders, and the rights of shareholders;

4. Financial affairs and auditing;

5. Disclosures in annual reports; and

6. Code of ethics.

The corporate governance principles of Ghana reflect the perspective of shareholders of the Anglo-American corporate governance model. The principle reflects shareholders ' sovereign rights, as a principal mechanism for ensuring the effective governance of the company shall be held accountable to shareholding members by the Board of Directors (Aboagye, Agyemang & Ahali, 2013). The principles further emphasize the traditional view that the Board is regarded as a shareholder representative. Finally, the framework clearly states the components or factors which determine the Board's efficiency as a corporate control mechanism. These elements include the membership of the board, the board's independence, the management structure (CEO- Separation), the board committees such as a retirement and audit committee and the access by directors to timely and regular information.

Corporate governance for all kinds of companies is exercised in Ghana under the Company Code of 1963 Act 179. However, some companies report certain corporate governance practices which comply with certain conventions and codes of other jurisdictions in their annual reports. Complying with this behavior and processes of corporate governance can have some positive effects on your performance (Akpakli, 2010).

An evaluation of the legal and regulatory framework of Ghana in respect for standards and Codes was conducted by the World Bank in 2010. The initiative aimed at enhancing the strength of the code to combat any adverse effect on the economy. The assessment benchmarks the legal and regulatory framework of the country, its practices and its compliance with the OECD principles and its enforcement capacity.

A comparative analysis with the Sub-Saharan average was also carried out. The report of the assessment shows that Ghana lags behind other countries in the Sub region in some key areas (World Bank 2010). For example, Ghana did well in terms of: enforceability and the institutional framework in terms of its shareholder rights and ownership; the fair treatment of stakeholders and transparency and disclosure of shareholders and especially of the Board's responsibilities, compared with some countries in sub-Saharan Africa with the listed companies (World Bank 2010).

Studies by Mensah (2018), as reported by myjoyonline.com (2018), show that 20 of the 34 GSE listed companies have failed, as required by law, to meet the International Financial Reporting Standards (IFRS). The study, in part, assessed the effectiveness of the Company Act of 1963 in addressing modern challenges in corporate governance as well as compared with current business laws of different Commonwealth countries the company bill 2018, which regulate business activities when enacted. Countries like the US and the United Kingdom whose citizens and companies have strong corporate governance regulations regulating their activities domestically and abroad may decline to invest in a country whose laws on corporate governance are weak.

The outcome of that research indicates that, as at the 31st of March, 2018, only 15 percent of the 34 companies listed on the stock exchange satisfactorily complied with the SEC regulation in filing their annual 2017 report. What is still more worrying is whilst the financial industry was facing a lot of challenges such as takeovers caused by liquidity challenges, five major banks could not or did not comply with the Annual Report.

An effective corporate governance mechanism is needed in a country struggling with bribery and corruption to ensure that financial information is disclosed, accountable and transparent to combat this canker. Ghana adopted International Financial Reporting Standards (IFRS) in January 2007 in the framework of international efforts to develop common accounting standards as part of efforts to combat bad corporate governance.

Mensah (2018) said despite this new reporting standards objective is far from being realized. While the draft Companies Act 2018 is similar in many significant ways to Kenya at least on the issue of accounting records and financial statements, the study also reports of a significant omission. "Another important feature in the Companies Act 2015 (Kenya) that has been omitted in the 2018 Bill (Ghana) is the requirement for companies to keep their accounting records for seven years. The 2018 Bill should include a provision requiring accounting records to be kept for six (6) as required by Nigeria and also to align with Ghanaian laws on taxation," the report said.

2.1.1 Gift giving

On the issue of gift giving and the role of company directors, the study found that the 2018 Bill (Ghana) is silent on whether or not Directors of companies can accept gift but the Companies Act 2015 of Kenya is unequivocal about the need for Directors to stay away from accepting gifts. This clause is particularly important in fighting bribery and corruption especially in the wake of the #Number 12 investigative scandal which had Ghana's GFA boss accepting gifts from a supposed business partner, who unknown to him was an undercover journalist. As part of its recommendations the study among other things, proposed that the filing of annual reports with the GSE must be rigorously enforced.

2.1.2 The global corporate governance reform

The word corporate management implied little to everyone but a few scholars three decades earlier. It's a major problem nowadays. Several events accounts for the high interest in corporate governance. There were well-publicized instances in several advanced countries in the 1980s, particularly the United Kingdom and the US, that were preceded by international efforts on corporate management reforms (Barrier, 2003; Mallin, 2007). The common belief was that the root cause of these corporate mistakes was bad management (Cadbury Report, 1992; Jones & Pollitt, 2004). Britain is a forerunner in the regulation of corporate governance. The UK was the first to take action through the institution of the Cadbury Committee to circumvent corporate controversies such as Enron Corp., WorldCom Inc. and Global Crossing Ltd. The United Kingdom's responsive response to the mistakes of corporate leadership in the 1980s, such as Maxwell Communications, Polly peck and the BCI, was not regulatory and statutory as was the case under the Sarbanes-Oxley Act, and led to a fresh type of legislation recognized as the "obey or clarify" strategy that was subsequently introduced by King II in 2002 in south Africa. The strategy of "obey or clarify," first implemented in 1992 by the Cadbury report, is an evolution of corporate governance regulations. The key element of this strategy was the establishment of a voluntary code of good practice characterized by pressure on the shareholders to adopt it. Since 1992, periodic additions have been made to the guidelines laid down in the Cadbury report. In 1995, a distinct study laid down suggestions for managers ' remuneration. Both accounts were added to a single section in 1998.

The code was originally regarded as the United Kingdom's Combined Corporate Governance Code but now known as the United Kingdom CG Code. The UK CG Code has been updated regularly on a Financial Reporting Board (FRC). The UK CG Code was considerably amended in 2010, while in 2012, following government consultations in 2011 and 2012, a fresh version of the UK CG Code reflecting modifications related to inspection boards and the variety of boards was released. The FRC released its Stewardship Code in July 2010, following a public petition. The roots of the Stewardship Code can be traced back to the Statement of Principles, which was released in 2005 by the Institutional Shareholders Committee (ISC) and was turned into a code in 2009. The Stewardship Code seeks to improve quality of involvement among institutional investors and firms in order to contribute to improving shareholders long-term profits and the effective management of their obligations. Since 2011, the UK Corporate Governance and Stewardship Codes and associated trends have been released in the FRC's annual implementation report. In comparison, the UK Code is aimed at improving business behavior through better exercise, as opposed to statutory legislation, which imposes minimum requirements. Companies are required to state, in specific, whether complying with the code in their annual reports and to recognize and justify any areas of non-compliance in view of their own conditions. Since this portion of the declaration does not prescribe its type or material, businesses can clarify their policy on governance with regard to the values. This portion of the business declaration is anticipated to be evaluated by the investors. Since then, the code has been altered several times but the initial "compete or clarify" principle has been maintained. In the OECD Corporate Governance Principles, this notion of rules, deriving from the Cadbury Code in UK in 1992, was globally advocated. The OECD Principles were agreed in 1999 and revised in 2004, providing the foundation for both OECD and non- OECD corporate governance initiatives. The OECD Principles do not support a one-size-fit strategy to governance just as the Cadbury code. Except for the United States, most OECD nations, and a large amount of non-OECD nations have embraced codes of corporate governance which operate on the concept of "conform or clarify.

In 2002, the US government launched SOX to enhance corporate management procedures in the aftermath of serious financial and accounting controversies affecting significant US corp., like Enron Corp., Tyco, WorldCom Inc., Adelphia, and Peregrine Systems. The 2002 SOX Act directed specifically at government accounting firms involved in audits of corporate businesses to try to reduce the spate of controversies.

2.1.3 Historical Background of the Ghana Stock Exchange

The idea of a bourse in Ghana dates back to the colonial era. Kwame Nkrumah's transitional government at the time in 1954 issued the very first Treasury bill at a tenor of 3/8 of a 1% in three months for a total amount of 500,000 pounds. The sole aim at the time was to create a local securities market. The plan for the creation of a local securities market was however cut short due to the overthrow of the then government of Nkrumah. However, after several attempts in the 1960s, the then Head of State, Dr. Busia enacted and passed laws for the creation of the Ghana Stock Exchange. The overthrown of the government of Busia in 1972 curtailed the establishment of the GSE for some 18 years. In 1989, an adhoc committee led by the then Governor of the Bank of Ghana which was made up of 9 members was tasked to review and establish the road map for the establishment of the Ghana stock exchange. On July, 25 1989, the Ghana stock exchange was opened, the first trading took place on November 12 1990. The beginning of the stock exchange in 1990 was part of a wave of stock exchange development which was given an impetus through financing by the Breton Wood institutions. The "Washington Consensus" framework included financial liberalization, competitive exchange rates, liberalization of inward foreign exchange, privatization of state enterprises, and abolition of regulations that impeded market entry or restricted competition and legal security for property rights. Many donors taking cues from the International Monetary Fund, provided funds as well as technical support for the legalization and creation of bourse in line with the structural adjustment policies in establishing capital markets.

The following are the objectives of the GSE at inception

- Provide facilities and context for buying and selling bonds, stocks and other assets

- To monitor the allotment of stocks, and other assets on the stock exchange for any business, company, state, municipalities and local authorities
- Regulate members ' relations with their customers and others
- Coordinating members ' stock transaction operations and facilitating data exchange, including securities rates, for their shared benefits and the advantage of their customers
- To collaborate and provide Members with data and equipment that are probable to be of benefit to them and its customers, with organizations of stockbrokers and stock exchanges in another country.

2.1.4 Membership

Ghana Stock Exchange, as a publicly owned business, has either personal or corporate employees, not any owners or investors.

The three major shareholders in the exchanges are Licensed Dealing Members, Associate Members, a company that is not authorized in the securities trade, but has complied with the criteria laid down by the Securities Dealers and Government Dealers (approved by the Banks of Ghana or duly recorded by the GSE in public securities).

2.1.5 Regulatory Framework

There's a rule book on the Ghana Security Exchange. The laws cover affiliation, registration and trade.

2.1.6 Membership Rules

The Ghana Stock Exchange affiliation law has a requirement for its listed members.

2.1.7 Listing Rules

These include securities (local and external), ongoing equity of the listed companies and acceptance and merger processes. There are 21 certified inventory brokers with schemes to serve non-residents.

2.1.8 GSE Automated Trading (GATS) Rules

They control e-commerce conducted by brokers on the ground, by dealers and via the secure Internet.

2.1.9 Trading Method

GSE utilizes the GSE Automated Trading System (GATS) a digital trading system.

2.1.9.1 Trading Days

Trading takes place every working day.

2.1.9.2 Trading Hours

- Pre-opening period: 9:30 to 10:00 hrs. (GMT)
- Market opens for continuous trading: 10.00 hrs. To 15.00 hrs. (GMT).

2.1.9.3 Clearing & Settlement

Trade resolution is carried out by web-based application electronically. Settlements usually occur three days after the trading. The central depository limited, a subsidiary of the central bank of Ghana currently handles the settlement of trade and the depository of share services. The central depository allows for mutual resolution and closure of trade on close of business or plus a day after close of business.

2.1.10 GSE Securities Depository (GSD)

GSE has established a wholly-owned subsidiary, the GSE Securities Depository company Limited. The main aim is to supplement electronic trading, clearing and payment schemes on Exchange with depository facilities. As a result, Exchange investors have to open their stockbrokers ' securities account with their depository. Under the automated trade and settlement system, if an investor does not have a securities account, they cannot sell or purchase securities on the market.

2.1.11 Performance of the stock exchange

The Ghana Stock Exchange, (GSE) was the best performing stock market among seven African stock markets in local currency term at the end of the first quarter of 2018.

The GSE returned 30.51 percent in cedi term for investors to end the first quarter of 2018 on a blissful note. Egypt CASE 30 followed suite with a return of 13.2 percent and the Nigerian ASI with a year-to-date return of 9.3 percent for investors. Kenya NASI gave investors 6.8 percent return, whilst Morocco's MASI and Mauritius SEMDEX recorded 6.7 and 4.8 percent respectively

South Africa's Johannesburg Stock Exchange however registered a negative 0.88 percent. The GSE Financial Stock Index which measures the performance of financial stocks also gained 32.10 percent in value between January 1, 2018 and March 29, 2018. The market capitalization inched up by 9.48 percent to GHc64.35 billion at the end of March 2018. It began the year 2018 with GHc58.80 billion market capitalization. The GSE composite index was flat in 2018 as it recorded a negative growth of -0.29 per cent while the GSE financial index lost 6.79 per cent, compared to the 52.73 per cent and 49.51 per cent respectively which was recorded in 2017. The Market, however, witnessed strong interest from corporate for the issuance of fixed income securities and also witnessed a flurry of corporate actions, including rights and bonus issues by listed banks towards meeting the new GHS400 million capital requirements. The year 2018 also saw a representation of the telecom industry on the local bourse following the listing of telecom giants, MTN.

On the down side, three non-performing equity securities were de-listed. The composite index and the financial index underperformed due to high interest rates, weak foreign exchange, focus on recapitalizations and the BOG's cleaning of the banking sector and mixed results of the key securities that drive the GSE composite index.

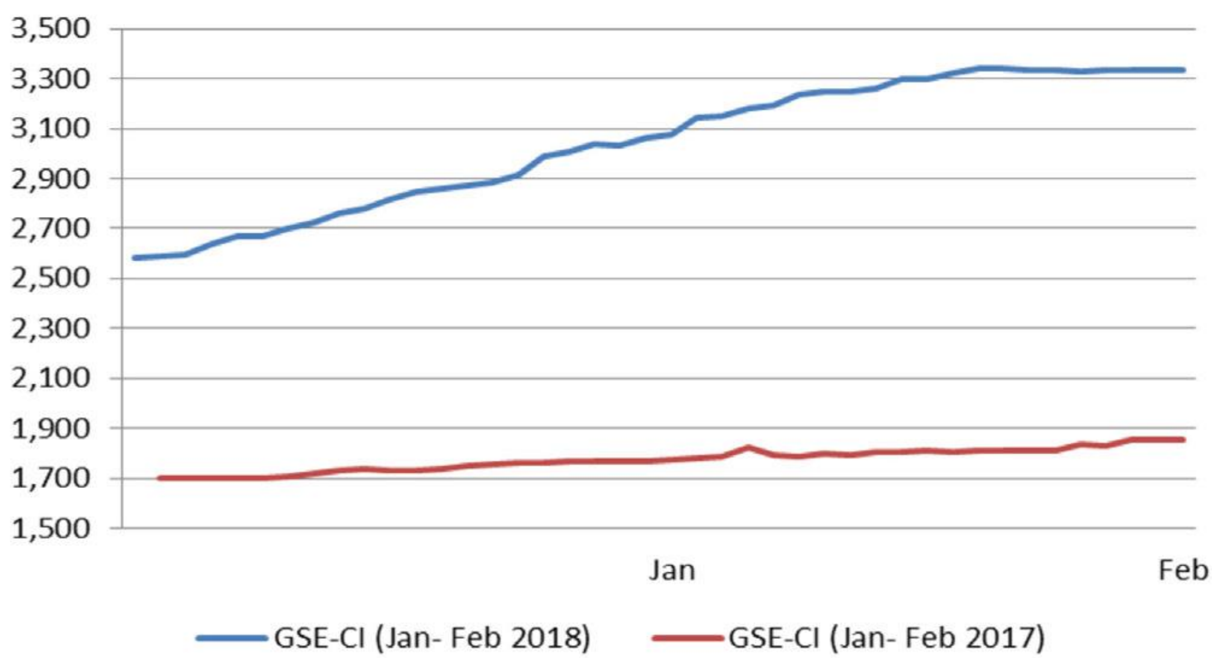

Figure 1: GSE composite index. Source: GSE (2019)

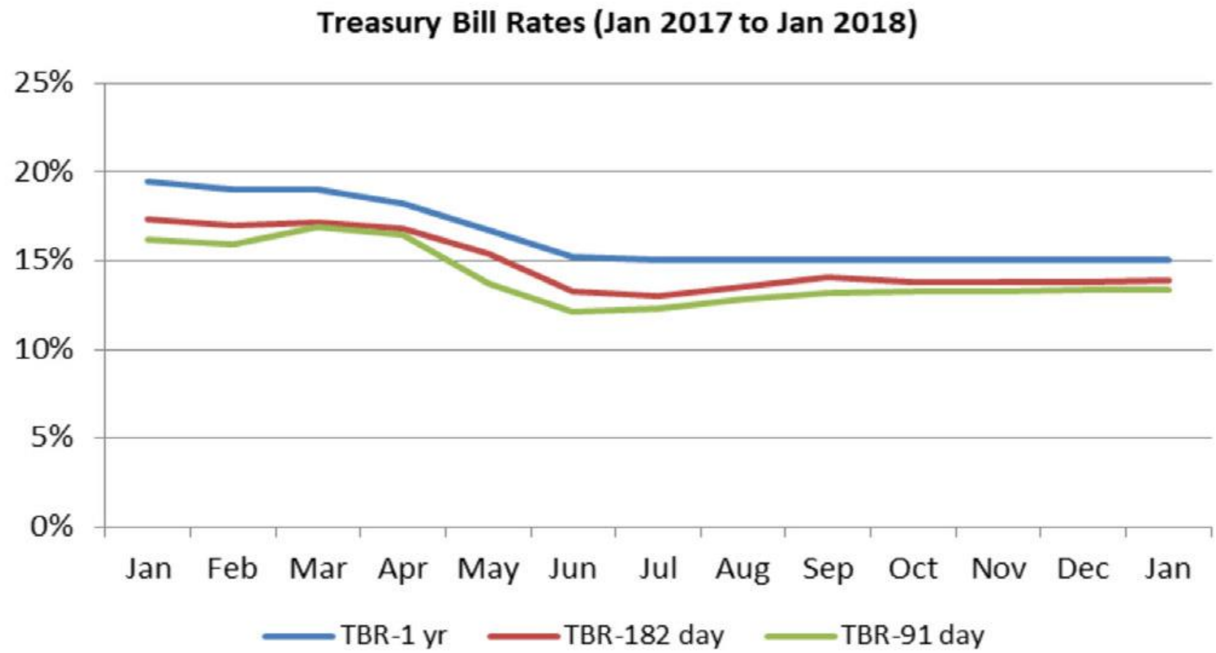

Figure 2: Treasury bill rates from Jan 2017 to Jan 2018. Source: GSE (2019)

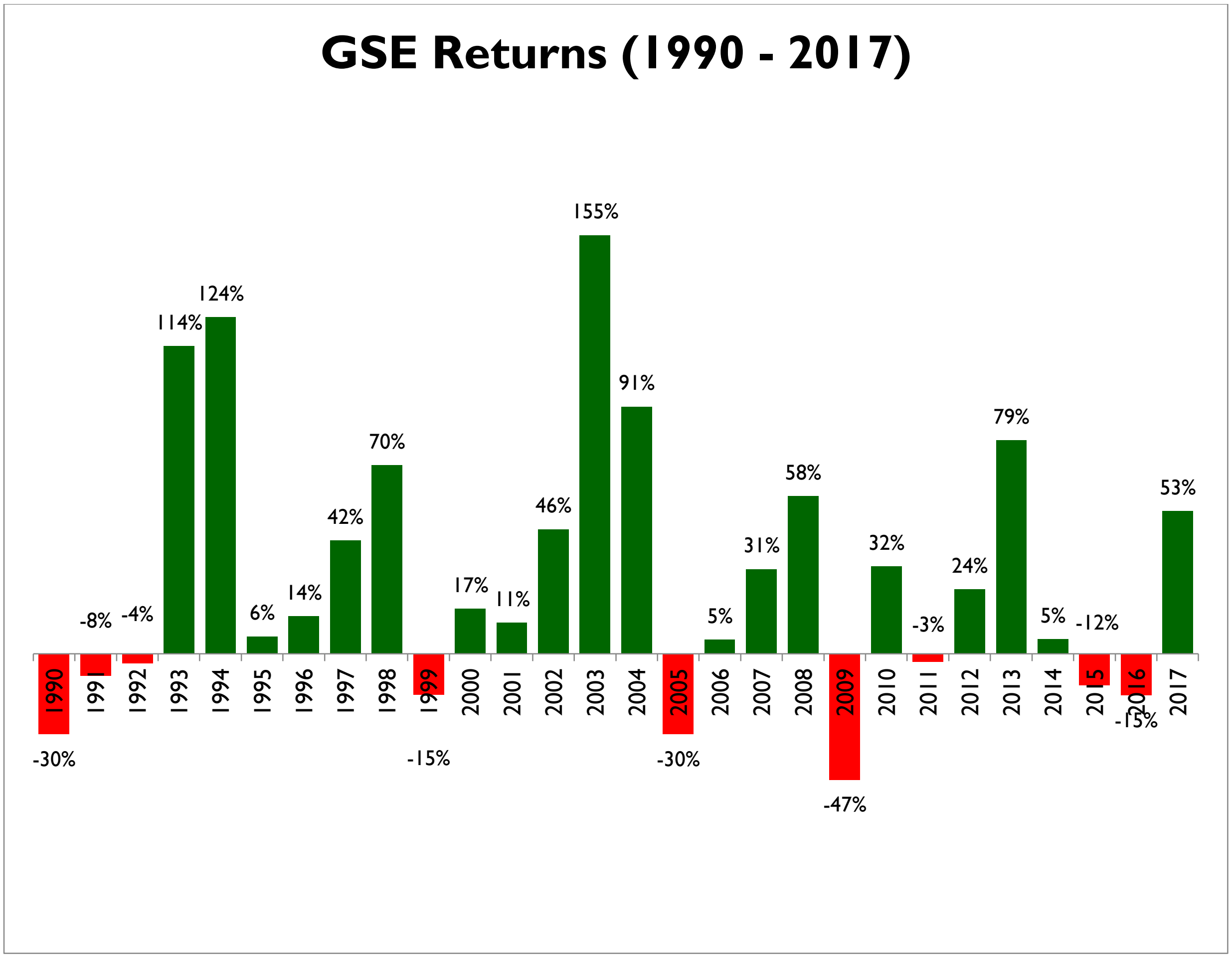

Figure 3: Ghana Stock Exchange Returns 1990-2017

2.2 Theoretical Review

2.2.1 Theories on Corporate Governance

2.2.1. 1 Agency Theory of corporate governance

The agency theory dominates theories in management in relation to corporate governance (Arthurs & Busenitz, 2003; Daily, Dalton and Rajagopalan, 2003; Wasserman, 2006). The agency theory is normally about the relationship between the owner of the business and the agent who is the manager and this relationship is examined carefully on the behavioral and structural basis. The theory postulates that agents are more likely to behave in a self-interested manner, a behavior that is in total conflict with the owners' interest (Chrisman et al., 2004; Wiseman, Cuevas-Rodríguez, & Gómez-Mejía, 2012). To this effect, the owners will put in place structural mechanisms to regulate the agent in order to control the opportunistic behavior and to correctly align the interests of both parties (Cruz et al., 2010).

From the perspective of the agency theory, the performance of the firm through effective cost minimization and profit maximization is the desired outcome of that both parties should work to achieve. The problem of agency is created when the management team is separated from the owners and shareholders of the business, this problem is alleviated through costs incurred by the agency (Tracey, and Phillips, 2006; Lee and O'Neill, 2003; Wasserman, 2006). The key component of the agency theory is the separation of powers between the owners and the manager, the owners hires the manager to work in their best interest to achieve a common goal (Wiseman et al., 2012). Agency problems arise when interests of both parties are misaligned and the owners lack the needed information to better assess the intent and behavior of the agent (Karra et al., 2006; Lee and O'Neill, 2003). Agency problems are usually in two folds; moral hazard and adverse selection (Karra et al., 2006). Moral efforts arise in the situation where the agent has gross disregard for the rules and rather adopt a more opportunistic behavior to the detriment of the owners. Adverse selection is the situation where the agent lacks the needed qualifications, skills and ability to execute his mandate (Schulze et al., 2001). The principal is well positioned to curb the opportunistic behavior of the agent through an effective monitoring and evaluation mechanisms by creating the governance structure. This structure can take various forms such as well laid down reporting procedures, putting in place a board of directors and extra management teams (Anderson & Reeb, 2004; Chrisman et al., 2007). Another way of controlling the opportunistic behavior of the agent is to put in place compensatory mechanisms in place, the compensations should commiserate with the level of achievements and experience of the agent (Chrisman et al., 2007). In so doing, risk is shifted to the agent to perform, this will put the agent under checks and balance, and this however comes with an extra cost to the shareholders.

The agency theory is modelled on the economic theory of man. This model assumes that individuals are selfish and will try to maximize their own gains. The principal hires the agent to work in his favor and maximize profit for the business, but this is not often the case as the agent opportunistically works to enhance his gains. It is in the interest of the principal to enact actions and put in place stringent mechanisms to curb this behavior.

2.2.1.2 Agency theory and corporate governance

The Agency-based theory is largely focused on the interconnection between the management structure, management behavior control and strategic decision-making (Hafsi & Turgut, 2013). The theorists of the Agency model employ the term ' corporate governance ' as the basis for questioning the role of agents (managers) in fulfilling their obligation to the shareholders. The rudimentary opinion of the proponents of the agency theory is that executives have self-interest and cannot work in a manner which will maximize shareholder profits at any specified moment unless stringent rules and inspections are put in place to hold to check and accountable the behavior of agents in safeguarding the interest of the shareholders (Jensen & Meckling, 2018). The framework of the agency theory posits that corporate governance aims to establish and supervise processes implemented by investors to maximize shareholder assets through the reduction of agency failure (Adegbite, Amaeshi & Amao, 2012; Bonazzi & Islam, 2007). Without a resilient corporate governance structure, executives can use extra influence for their own private assets, position and objectives rather than for long-term profitability of the firm (Gartenberg & Pierce, 2017). The monitoring processes are described as internal management systems (Rébeiz, 2015).

Sternberg (2018) maintains that the only function of corporate governance is to ensure that the economic and human capital resources and assets of the corporation are geared toward fulfilling the corporate mission and the objective of satisfying employees. This simply means that theorists of the agency model of corporate governance consider corporate governance to be a mechanism for reducing losses to companies. One such system will be to put in place board of directors to act as a check on the management.

The agency cost has gained prominence in the corporate governance literature as a result of the shortcomings of the stewardship theory (Rebeiz, 2015).

2.2.2 Stewardship Theory of corporate governance

The stewardship theory like the agency theory involves a relationship between the principal and the agent. Stewards according to this theory behaves in a pro-social way, this behavior is aimed to build a strong relationship with the principal and to enhance the fortunes of the company (Zahra et al., 2009). This behavior is premises on the sought of relationship between the shareholders and the management team in relation to the objectives of the organization.

Maximization of the firms profit and reducing overhead cost is the preferred outcome of a steward principal relationship. The theory postulates that this is achievable on the condition that the manager and the owner both choose to behave as stewards, the principal steward relationship is based on a choice, when both parties place the objectives of the organization first, and it leads to a positive performance outcome (Kellermanns, 2007)

According to Vallejo (2009), the relationship between the steward and the principal is one based on psychological and situational factors. The psychological factors that motivate the stewards to perform better on their assigned roles include intrinsic motivation and personal power. The intrinsic motivation is within the individual and provides some sense of satisfaction and the desire to do more. Managers in the stewardship relationship usually have a strong connection and identification with their organizations (Zahra et al., 2008). They feel a strong sense of belongings and membership and they develop strong interpersonal relationships that last for long time, these factors serve as a source of motivation to perform better and achieve remarkable results which leads to better financial and overall performance of the organization.

Within the steward and principal relationship, situational factors usually depict the organizations structure as well as the philosophy and the culture of management. Employees are trusted with various tasks and challenges, they are giving the power to grow, make mistakes and learn from it to the benefit of the organization. The individuals tend to display some sense of belongings and loyalty due to the tight-knit social framework present in the organization (Nicholson, 2008).

The humanistic model of man has largely influenced the stewardship theory. The model postulates that individuals are motivated by higher order needs fulfillment, in the stewardship theory, the stewards prioritize the needs and interest of the principal and do not exhibit his own parochial interest (Davis et al., 2010).The principal on the other hand tends to create a more conducive atmosphere for such work ethics to be exhibited, in this vein, the stewardship theory of corporate governance is seen as collective system which inure to the overall benefit of the company.

2.2.2.1 Stewardship theory and corporate governance

Under the stewardship system, corporate governance is based on the logical approach that executives are working hard to maximize yields for investors by being excellent corporate asset stewards (Donaldson, 2010). This perspective is therefore based on the premise that the efficiency of leadership is not simply dependent on self-interest, but is most probable to be affected by organizational governance impediments which prevent effectiveness (Davis et al., 2007). It might thus be argued that corporate governance is linked to "structure" and hierarchy under the banner of stewardship theory. Whittred (2003) confirmed that corporate leadership should provide executives with systems that facilitate and empower them to produce superior yields to investors. Therefore, the concept of management tries to highlight the significance of the combination of CEO and Chairman role to achieve the company's economic efficiency. Stakeholder theories of corporate governance rationalize that businesses should not divide the dual roles of CEO and Chief Executive Officer to decrease agency expenses (Abels & Martelli, 2013).

2.2.3 Summary

In summary, both theories are based on the relationship between shareholders or owners of the business and the managers managing the affairs of the company. Both theories are geared towards enhancing the performance of the organization. However, both theories differ in their approach of enhancing performance and maximizing profit for shareholders. For instance, whilst the agency theory recommends implementation of governance structures by the owners of the business to curb the opportunistic motive of the managers, the stewardship theory recommends encouraging a governance structure that propels the manager and his team to achieve with minimal supervision. The agency theory assumes the economic theory of man whilst the stewardship theory is based on the humanistic theory. In the end, both theories seek to enhance the performance of the organization.

2.2.4 Financial Performance

According to Murthy and Sree (2003), financial performance is usually an evaluation of the financials of a company over a given period of time in comparison with other companies within the same industry. It is the ability of a company to achieve some level of financial stability by through sound business decisions. The financial performance is used to measure the financial goals of a company Vis-a Vis its financial objectives which is benchmarked against the industry best. The main objective of any business is to make maximize profit and create wealth for its investors. Indicators for measuring the financial performance and profitability of a firm include;

2.2.4.1 Profit margin (Net profit after tax / Sales)

It shows the total profit generated from a given activity. It is desirable to have profit margins which are high as it corresponds to low sales expense ratios. For instance, reducing the selling price increases the quantity that can be sold even though the rate of profit will decrease. As volume increases, total profit may still increase. (Ross, Westerfield, Jordan & Firer, 2016).

2.2.4.2 Return on assets (ROA) (Net profit / Total assets)

Relating Net profit to total asset on the balance sheet is an easiest way to measure the profitability of a firm. The Net Assets which is measured as the total assets less the current liabilities is equated to the balance sheets overall long-term sources which can also be used on the grounds that operating liabilities are basically available for supporting part of the current assuages without any cost.

The Return on Net Assets (RONA) is one of the most frequently used formula on calculating the returns on an investment (Bandrowski, 2012). The Return on Net Assets measures the profit per the assets invested by a firm in a business, this is an indicator of how the business is performing (Ross et al; 2016).

One reason for low Return on Assets is lower productivity of the assets employed. This problem can be resolved through mechanisms such as effective preventive maintenance and proper change management. Of equal importance is the amount of waste in the system, when there is a lot of waste in the operating system, this can lead to a lower Return on Assets. It is imperative for managers and supervisors to plan properly effective use of resources at their disposal and ensure no resource is over used or under employed.

It is always advisable to compare return on assets of companies within the same industry.

2.2.4.3 Return on Equity (ROE) (Net profit after tax / Total equity)

Return on Equity measures the returns that the shareholders received in a given fiscal year. According to Ross et al (2016) return on equity is the true measure of performance since it is the goal of every business to maximize profit and increase the wealth of its shareholders.

2.2.4.4 Earnings per share (EPS) (Net profit after tax / Number of shares in issue)

Earnings per Share is used mostly in the evaluation of common stocks. It is the basis for formulating measurable and attainable objectives of a business. Both management and shareholders pay much attention to the EPS as it affects the business in so many ways (Ross et al, 2016).

2.2.4.5 Price/Earnings ratio (P/E ratio) (Market price per share / EPS)

Both management and owners often quote the simple relationship between current or expected EPS and the current market price of the stock. The ratio is also called the "earnings multiple", and it is used to indicate how the stock market is judging the company's earnings performance and prospects. (Helfert, 2011)

2.2.4.6 Interest rates

There is a high correlation between interest rates, inflation and exchange rates. By manipulating interest rates, both inflation and exchange rates are influenced by central banks and inflation and currency values are affected by changing interest rates. In an economy, higher interest rates give creditors a higher return compared to other countries. Higher interest rates are therefore attracting foreign capital and increasing the exchange rate.

However, if inflation is much higher in the country, or other factors serve to reduce the currency, the effects of higher rates of interest will be mitigated. In other words, lower interest rates tend to lower exchange rates (Bergen, 2010). The opposite relationship exists for lower interest rates. Using Australian currency data from 1995. Karfakis and Kim (2010) found that the unexpected current - account deficit was linked to depreciation in exchange rates and interest rates increase.

There is evidence that current account deficits reduce domestic wealth and can lead to exchange - rate over - shootings. Sudden capital outflow is another major concern as it can have a drastic impact on exchange rates as witnessed in several financial crises in Brazil, East Asia and Mexico. These outflows of capital influence domestic output, actual exchange rates and balance sheets of capital and current account for years following the crisis.

2.2.4.7 Inflation Rates

As a rule, a nation with a lower rate of inflation shows an increased currency, as its buying power rises in relation to other currencies. The low - inflation countries included Japan, Germany, and Switzerland in the last half of the twentieth century, while the U.S. and Canada achieved low inflation only later. Typically, those countries with higher inflation see their currency depreciation in relation to their trading partners ' currencies. This is usually also accompanied by higher interest rates (Bergen, 2010).

2.3 Empirical Study

2.3.1 The nexus between corporate governance and financial performance and market value of a firm

The OECD defines corporate governance as an arrangement or system by which enterprises and organizations are directed and controlled. (OECD,2004). The OECD indicates that it is possible to build and restore shareholder confidence and economic efficiency and growth through good business practices (OECD, 2004). The concept of corporate governance is premised on the accountability of directors to the shareholders in their wealth maximization role (Sheikh & Rees, 2005). Corporate management is a set of mechanisms aimed at directing management decisions and helping to improve the performance of companies (Jarboui, Guetat, & Boujelbene, 2015). Vintila and Gherghina (2012) highlighted the ability of corporate governance mechanisms to mitigate the agency's problems by harmonizing the interest of managers and shareholders. A number of studies (Aydin, Sayim, & Yalama, 2007) have investigated the nexus between corporate governance variables and financial performance of firms. The findings however are inconclusive.

2.3.2 Board of Directors

The Board of Directors plays a key role in monitoring management decisions. The Cadbury report (1992) identifies the responsibilities of the board of directors as setting strategic objectives, providing leadership, overseeing business administration and reporting on its management to shareholders. Typically, boards of directors are measured by two features: board composition and board size with either feature, there is a trade-off between more information and more efficient decision-making. Previous studies have established a correlation between firm profitability and board composition. The higher the independent directors on the board, the higher the profit level of the company (Abor & Biekpe, 2007). An independent board is able to put management in line and it helps in curbing financial misappropriation and fraudulent activities (Chen et al., 2006; Lo et al., 2010). Findings by (Wang & Hussainey, 2013) also indicate there is a positive correlation between high number of non-executive directors and firm performance. It was postulated that the non-executive directors with their level of knowledge and expertise as well as contacts are able to position the company for better prospects. Kiel and Nicholson (2003); Dalton and Dalton, (2005); Adam and Mehran, (2005) also postulated that a bigger board size influences positively the financial performance of firms as more opportunities arise for these firms due to the diversity such as gender and level of experience and expertise and nationality represented on the board. However, findings by Lipton and Lorsch (1992), Jensen (1993) support a smaller board in favor of larger ones as their findings indicates that smaller boards are more efficient. Findings by Yermack (2006) indicates a strong negative correlation between board size and financial performance using the Tobin Q. His findings have been corroborated by the findings of Eisenberg et al., (2007). According to Jensen (2012), smaller boards are more efficient because when board members gets beyond seven or eight, they are likely to function effectively.

Studies by Adams and Mehran (2005) shows that a statistically significant and a negative correlation exist between firm performance and the size of board.

Puni (2015) conducted a study using a sample size of 31 listed companies on the GSE from 2006 to 2010. His findings indicate a negative correlation between board committees and financial performance. It was argued that the establishment of board committees is by itself adding extra cost to the expenses of the company as these board members will have to be well remunerated. It was also argued that excessive supervision and policing of managers stifle initiatives.

2.3.3 Diversity

According to Van der Walt and Ingley (2003), diversity within the context of corporate governance refers to the combination of the various expertise and characteristics of the board members which is brought to bear on decision within the board. Chapple and Humphrey (2014) and Davies (2011) has made good business sense for inclusion of women on boards. Research on women on various boards indicates that boards with adequate female representation performs better than boards with few or no women representation (Adams et al. 2009; Campbell & Mínguez-Vera 2008; Farrell and Hersch 2005; Carter et al. 2003; Erhardt et al. 2003). It is believed that adequate female representation on boards helps to increase financially the performance of the board.

2.3.4 Ownership Structure

Zhuang (2009) postulated that ownership structure plays a major role in shaping the corporate governance system of a country. Shareholders with the majority of shares between the block holder and state ownership have the power to substantially influence decision taking on boards (Kuznetsov & Muravyev, 2001). Companies with concentrated ownership according to Zhuang (Alnajjar & Abed, 2014) do not have much agency problems. There are mixed results however, on block holder ownership and how it affects the profitability of a business (Heugens et al., 2009). Their studies indicated the importance of majority shareholders and how the market value is positively correlated to increasing the total values of shares held by majority shareholders. However, findings by Sha et al. (2012) contradicts these findings. Their findings indicate that concentrating power in the hands of ownership structure leads to a poor performance in good financial practices by companies.

In most companies, the task of the Audit Committee is to monitor the integrity of its financial statements and the announcements of their financial performance. Okeahalam (2004) said that it was the audit committee's duty to bring all issues which need special attention to the Board of Directors 'notice. The audit committee's size is considered relevant for effective fulfillment of its functions (Cadbury Committee, 1992). Several corporate governance reports require a minimum of four directors to be composed of Audit Committees, (New York Stock Exchange, 2002; CMA, 2006.).

Bozec (2005) in his study using a sample size of 25 Canadian firms between the periods of 1976 and 2000 indicate that audit committees are negatively correlated to the performance of a firm.

Effectiveness of audit meetings and its relationship with the frequency of the meeting was carried out in previous research. Inactive audit committees are not likely to monitor effectively the activities of management. It has also been established that smaller audit committee meetings do not auger well for effective monitoring and evaluation (Saleh et al., (2007; Abbott et al. (2004). There is a positive correlation between the frequency of audit committee meetings and performance of a firm (Raghunandan & Rama, 2007; Sharma et al., 2009). However, Rebeiz and Salameh (2006) found no correlation between audit committee meeting frequency and firm performance. This was equally supported by Sharma et al., (2009).

2.3.5 CEO duality

Kajola (2008) noted that several studies examining the separation of the CEO and Chairman of the Board indicated that when the same person is in both positions, a lot of agency problems arise. In addition, Tornyeva and Wereko (2012) indicated that these positions are the two strongest positions in the company, which means that concentrating them in one person will frequently result in decisions that will not promote shareholders ' interests. In a landmark study carried out by Yermack (2006), which includes 452 companies in the annual rankings of Forbes Magazine of 500 biggest U.S. public firms from 1984 to 1991, companies were more valuable and were performing well when different people were appointed CEO and chairman of the board of directors. Liang and Li (2009) however disagreed to their findings. Their findings found no positive correlation between separation of the positions between the CEO and the board chair and financial performance of the firms.

In a study to find out how CEO duality and other factors such as board size and composition affect financial performance of listed companies on the Nairobi stock exchange, Kyereboah-Coleman and Biekpe (2006) established that it is inefficient to deploy a larger number of board members as it is very expensive and there is a negative correlation between an independent board and financial performance in the short term. It was equally established that the amount of debt accrues when the CEO acts as the chairman of the board is very minimal.

Studies by Brown and Caylor (2004) on corporate governance and performance sought to understand the nexus between corporate governance and firm financial performance. They adopted the Tobin's Q as a measurement of performance for 2327 firms. In their study, they had the following variables under corporate governance; board of directors, accounting, teaching directors, remunerating directors, developing operations and the tendency for partnership. The results of the study indicate a well-structured and well thought of corporate governance structure affects positively the financial performance of the firm in relation to remunerating directors of the business.

Studies by Abdullah (2004) on the relationship between board of directors, duality and firm performance did not establish any significant relationship. Cheng et al (2005) established a negative correlation between CEO duality and Tobin Q. Their study was carried out on companies operating in Hong Kong. The results of the study however did not establish any relationship between CEO duality and Return on Assets or Return on Equity. Faleye (2007) also concluded from his research that there is no significant relationship between the performance of a firm and CEO duality. In their studies Peng et al. (2007) confirmed a positive effect on the performance of a company and CEO duality. Their studies were carried out on companies in China. No significant correlation was found on the empirical findings by Chen et al. (2008) on duality and firm financial performance. A study by Yu (2008) on the effect of duality on the financial performance of firms operating in China found no statistically significant relationship between both variables. Ehikioya (2009) carried out an empirical research on corporate governance and the financial performance of firms in developing economies using Nigeria as a case study. Per their findings, a negative correlation exists between CEO duality and performance indicators such as Return of assets, return on equity, price earnings, and Tobin's Q. These findings were however not statistically significant, on the other hand, Ramdani and Witteloostuijn (2010) found a negative relationship between CEO duality and firm performance for companies operating in Indonesia, Malaysia, south Korea and Thailand. Aygün and İç (2010) found a negative relationship between duality and firm performance using the agency theory. Baptista et al. (2011) used data for 2008 in Brazil to predict the correlation between the performance of a company and CEO duality. Per their findings, there is a positive correlation between CEO duality and return on equities, return on assets, return on capital, market to book value though these correlations were not statistically significant.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The research methodology used in the study is focused in this section and how it refers to the research aims as set out in section 1. The research methodology is defined by Leedy and Ormrod (2001) as the overall attitude to the research project.

3.1 Data

The data on corporate governance practice and performance of companies listed on the Ghana Stock Exchange were mainly obtained from secondary sources. The sources of the data include the website of the Ghana Stock Exchange, the Bank of Ghana and websites of the companies listed on the Ghana Stock Exchange. The study modelled the study of Abor and Biekpe (2007). They used a cross-section of units which was adopted over several periods.

3.2 Controlling for sampling Bias

According to Peck et al., (2009), sample selection bias leads to systematic exclusion of the population. Sample bias was controlled in the current study through inclusion of the listed companies whether small or a multinational in the current study. This approach was adopted as size of the company according to Huse (2007) influences corporate governance.

3.3 Criteria for final sample selection

The current study set certain criteria, based on which the final samples were selected for the study.

1. The company should be listed on the GSE

2. The company should have its audited annual report from 2008-2018 listed on the GSE
3. The primary listing of the company should be the GSE

The above criteria were necessitated to assess the compliance levels of the listed companies on the GSE. Only 7 listed companies met the criteria hence only those companies were used in the analysis.

3.4 Research Model

The multiple linear regression model was used to examine the relationship between the performance of selected insurance companies in DSE and Board size, board composition, board meeting and audit committee. The result of regression analysis is an equation that represents the best prediction of a dependent variable from several independent variables. This method formulates when the independent variables are correlated with one another and with the dependent variable.

The following regression equation is estimated as follow:

$$ROE = \alpha 0 + \beta 1 \text{ BOD SIZE} + \beta 2 \text{ BOD COMP} + \beta 3 \text{ BOD MEET} + \beta 4 \text{ DUAL} + \beta 5\text{AUD} + \varepsilon$$

Where

Particulars	variable	Description
ROE	DV	Net profit tax / shareholder equity *100
BOD SIZE	IV	Total No. of directors on Board
BOD COMP	IV	No. of independent directors sitting on board
BOD MEET	IV	No. of meetings held
DUAL	IV	Same person as CEO and Board Chair
AUD	DV	Composition of audit team

CHAPTER FOUR

PRESENTATION OF RESULTS

4.1 Overview

The study presents the analysis on the effect of corporate governance on performance of selected companies listed on the Ghana Stock Exchange. The findings of the data analysis were further discussed.

Table 2: Descriptive Statistics

Item	Mean	Median	Std. Deviation	Skewness	Kurtosis	Minimum	Maximum
ROE	-32.277	17.732	141.916	-3.221	12.207	-785.273	154.665
SIZE	9.05	9.00	2.786	0.586	-0.089	5	16
COMP	7.77	8.00	2.795	0.436	-0.072	3	15
MEETING	3.71	4.00	0.704	-2.082	2.396	2	4
AUD	3.71	4.00	0.704	-2.082	2.396	2	4
DUALITY	1.14	1.00	0.352	2.082	2.396	1	2

Source: Field Data

From the table 2 above, the results indicate that the mean of the ROE indicates that the mean is -32.277 with a minimum value of -785.273 and the maximum value of 154.666 with a standard deviation of 141.916. Regarding the Size of the board, the average was 9.05, with a standard deviation of 2.786, a minimum value of 5 and a maximum value of 16. The board composition of the selected companies on the GSE over the period under review had a mean value of 7.77, a standard deviation of 2.795, a minimum value of 3 and maximum value of 15. The table equally indicates that the companies averagely hold meetings 3.71 times, with the maximum meeting time of 4 times and minimum meeting time of 2 times, the deviation from the mean was 0.704. The composition of the audit team averaged 3.71 with the highest number of audit members to be 4 and the least number of 2. The standard deviation was 0.704. In terms of CEO duality, the mean was 1.14 with a standard deviation of 0.352.

The table 3 below indicates the correlation variables regarding the impact of corporate governance on performance of selected companies listed on the GSE. The results indicate that Board size is positively correlated with ROE with a correlation factor of 0.060, the board composition was equally positively correlated with a correlation factor of 0.022, the number of meeting held was negatively correlated with -0.148, the same result for audit committee members. CEO duality was also positively correlated with a correlation factor of 0.148. Furthermore, the table equally represents the correlation between the various independent variables. Board size and Board composition are positively correlated with 0.975, Board meeting and Audit meetings were all positively correlated with board size with a correlation factor of 0.236 whilst CEO duality was negatively correlated with a correlation factor of -0.236.

Board composition was strongly positively correlated with board size with coefficient of 0.975, board meeting and audit committee meetings were both positively correlated with a factor of 0.380 whilst CEO duality was negatively correlated with a factor of -0.380.

Board meeting and board composition were both positively correlated with a factor of 0.236 and 0.380 respectively whilst board meeting, audit composition had a perfect correlation factor of 1 and CEO duality negatively correlated with a factor of -1.

Table 3: Pearson Correlation Coefficient

	ROE	SIZE	COMP	MEETING	AUD	DUALITY

	Pearson Correlation	Pearson Correlation	Pearson Correlation	Pearson Correlation	Pearson Correlation	Pearson Correlation
ROE	1	0.060	0.022	-0.148	-0.148	0.148
SIZE	0.060	1	0.975	0.236	0.236	-0.236
COMP	0.022	0.975	1	0.380	0.380	-0.380
MEETING	-0.148	0.236	0.380	1	1.000	-1.000
AUD	-0.148	0.236	0.380	1.000	1	-1.000
DUALITY	0.148	-0.236	-0.380	-1.000	-1.000	1

4.2 Regression Analysis

The first difference of the variables was taken and the Dynamic Least Squares Model (DOLS) was run to determine the relationship between the variables under study.

Table 4: Regression Model using DOLS

Variable	Coefficient	Std. Error	t-statistics	Prob
logComp	-0.0716	3.162	-0.226	0.982
logSize	1.429	3.63	-0.394	0.696
LogDuality	0.374	1.099	0.339	0.736
C	-0.137	1.826	-0.075	0.941

Source: Field Data

The coefficient of Board Composition was -.0716. This shows that Board Composition is negatively correlated with ROE, when board composition increases, the ROE decreases. The coefficient of Board Size was 1.429 indicating a positive relationship between board size and ROE. In terms of CEO duality, the relationship is positive with a factor of 0.374. The coefficient of the adjusted R^2 is 0.137 which is equivalent to 13.7 percent. This indicates that 13.7 percent of the total systematic variations in the model is explained jointly by the independent variables and the remaining 86.3 percent could not be attributed to the stochastic error term in the model.

4.3Discussion of Results

The findings indicate that the correlation variables regarding the impact of corporate governance on performance of selected companies listed on the GSE. The results indicate that Board size is positively correlated with ROE with a correlation factor of 1.429. The findings is supported by the findings of Alhassan, Bajaher& Alsherhri (2015) investigated the relationship between Board size and performance of Banks (ROA) in Saudi listed banks during 2007-2012 using a sample of 10 listed banks and found that Board size had a positive association with the firm performance but not significant. The result indicated that larger boards were ineffective in enhancing financial performance in the context of Saudi banks. Zakaria et al. (2014), which used return on assets (ROA) as criterion for business results, examined a sample of 73 businesses over six years from 2005-2010. They showed that the board size affected the company's efficiency positively. Their research has notably recorded three financial phases: pre-crisis (2005-2006), recession (2007-2008) and financial recession (2009-2010). Similarly, in their research of 300 Malaysian publicly-listed firms, Shukeri, Shin andShaari (2012:123) discovered that committee size reacted strongly to the return on equity (ROE). This was reinforced by Arora and Sharma (2016) which found that the bigger boards were connected with a higher degree of intellectuals from a sample of 1922 Indian businesses for the period 2001 to 2010, which in addition contributed to an increased decision making and to better results. These results show that businesses should focus on a bigger board size to improve surveillance, boost board independence and prevent management consolidation, thereby improving corporate efficiency (Fauzi & Locke, 2012; Johl et al., 2015; Moscow, 2013). Samuel (2013) contested the beneficial relation between the magnitude of the board and the efficiency of the business. Samuel discovered that the larger board had a negative influence on the worth of a business, which continued to be detrimental to the economic results and corporate governance, using a sample of 50 businesses listed on a Nigerian stock exchange for 2001 and 2010 with total tax after profit (NPAT) as the dependent variable. Kumar and Singh (2013) discovered a negative correlation between committee size and firm value in their research of 176 stock firms in India during the economic years 2008 to 2009.

The board composition was negatively correlated with a correlation factor of -0.0716, Some studies found positive links between increased board diversity and company performance (Ayadi et al., 2015; Julizaerma & Sori, 2012; Kim et al., 2013; Lückerath-Rovers, 2013; Nielsen & Nielsen, 2013; Taljaard et al., 2015; Zhang, 2012), while others found no relationship (Jhunjhunwala & Mishra, 2012; Mahadeo, Soobaroyen & Hanuman, 2012) and still others indicated that increased levels of diversity could be detrimental to company performance (Akpan & Amran, 2014; Carter et al., 2010).

CEO duality was also positively correlated with a correlation factor of 0.374. The results of the present research are backed by a study that included all Nigerian businesses (for proprietary-dispersed undertakings) from 1992 to 2009, as well as (for property-dispersed firms), Ujunwa, Salami and Umar (2013), which reveals that duality of the CEOs has had a significant impact on the economic results of the Nigerian companies irrespective of the ownership structure. The research by Mesut, Leyli, Veysel and Serdar (2014) is compatible with the current findings as the findings indicate that duality of CEOs negatively influences business efficiency. This suggests that the Board's supervision increases when CEO and President Positions are divided. Another series of empirical studies reveals a positive influence of CEO duality on financial performance. Gill and Mathur (2011) demonstrated that the duality of CEO had a positive impact on profitability with a sample of 75 Canadian utility businesses mentioned on the Toronto stock exchange from 2008 to

2010. Al-Matari, Al-Swidi, Bt-Fadzil and Al-Matari (136 Kuwaiti businesses for 2009) also proved that CEO duality had a beneficial effect on business results.

The results of the research were however rejected by Moscu (2013). Moscu (2013) researched the connection between position duality and CEO duality and two Financial Performance Accounting Measures (ROE and ROA) of 64 Romanian businesses which were listed on the Bucharest Stock Exchange. His findings indicate that the duality of CEO has no impact on ROA or ROE. Amba (2013) disclosed, similarly, that the Duality of CEOs has no important impact on ROA, ROE and property sales, using a sample of 39 registered Bahrain stock exchange firms from 2010 to 2012.

Furthermore, the analysis equally represents the correlation between the various independent variables. Board size and Board composition are positively correlated with 0.975, Board meeting and Audit meetings were all positively correlated with board size with a correlation factor of 0.236 whilst CEO duality was negatively correlated with a correlation factor of -0.236.

Board composition was strongly positively correlated with board size with coefficient of 0.975, board meeting and audit committee meetings were both positively correlated with a factor of 0.380 whilst CEO duality was negatively correlated with a factor of -0.380.

Board meeting and board composition were both positively correlated with a factor of 0.236 and 0.380 respectively whilst board meeting, audit composition had a perfect correlation factor of 1 and CEO duality negatively correlated with a factor of -1.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.0 Summary

It is commonly argued that companies with good governance systems perform better than other companies. Interest in corporate governance has increased enormous within the last twenty years. The renewed shareholder awareness and public awareness in management were all influenced by high degree of scandals in the corporate environment, major environmental problems, globalization as well as the global financial crisis. The growing need for robustness and transparency in corporate governance has been shown by international disasters such as the WorldCom scandal in the USA, in Italy, Parmalat, the UK's Maxwell Saga, in Korea Daewoo in Macmed, Regal Treasury Bank, in Saambou and Leisureenet in South Africa, Sentula Mining and Fidentia. Such occurrences have contributed a great deal to the public demand for global governance reforms.

The main aim of the current study is to investigate the effect of corporate governance on the financial performance and market value of firms listed on the Ghana Stock Exchange. Based on the above aim, the following are the specific objectives of the study

1. To examine the relationship between board size and financial performance.

2. To investigate the relationship between board composition and financial performance.

3. To assess the influence of board committee structures on financial performance.

Secondary data were collected for the period 2008 to 2018. This duration was selected to evaluate the corporate governance structure of companies and performance as it reflects the introduction of corporate governance by the Exchange and Security commission on practicing good corporate governance and ethics. The Security and Exchange commission requires every business to conform or explain any lapses in its corporate governance regulations. This variables in the study are explained by the various internal governance structures that are consistent with previous studies (Arora & Sharma 2016; Pamburai et al. 2015; Rodriguez-Fernandez et al. 2014). The corporate governance used for the purpose of this study were Board Size, CEO duality, the number of Audit committee members, number of board meetings held in a year and the composition of the board. Return on Equity was used to measure the financial performance of the listed companies.

The Dynamic Ordinary Least Square model (DOLS) was used to examine the relationship between the dependent and independent variables in the study.

The results indicate the correlation variables regarding the impact of corporate governance on performance of selected companies listed on the GSE. The results indicate that Board size is positively correlated with ROE with a correlation factor of 1.429, the board composition was negatively correlated with a correlation factor of -0.0716, CEO duality was also positively correlated with a correlation factor of 0.374. Furthermore, the analysis equally represents the correlation between the various independent variables. Board size and Board composition are positively correlated with 0.975, Board meeting and Audit meetings were all positively correlated with board size with a correlation factor of 0.236 whilst CEO duality was negatively correlated with a correlation factor of -0.236. The results on the multiple regression indicates that the independent variables determine 3.6 percent of the ROE variance. The findings also indicate that ROE is affected by other factors only at 19 percent. The results of the adjusted R2 indicates that the variations in the dependent variables of the selected companies on the GSE are not explained by the independent variables. Thus, the independent variables do not have any influence or relationship with firm profitability.

5.1 **Recommendations**

There are some pressing corporate governance issues that may be better addressed by future research or via a qualitative methodology. For instance, the importance of corporate governance in corporate decision making and performance can be explored by future research by observing boardroom interactions or by conducting interviews (i.e. structured, semi- structured and unstructured) with key company stakeholders such as executive and non- executive directors, company secretaries, senior management teams, customers, depositors and investors. Furthermore, future research can focus on the motivation and central drivers of corporate governance practices in the Ghanaian banking context. This could be done by conducting face to face interviews with major players in the industry. Securities and Exchange Commission, Ghana Stock Exchange, President of Institute of Directors and the major external audit firms in Ghana. This may help to enhance the current understanding of how corporate governance structure impacts on financial performance in a developing country.

Finally, future research can also investigate the relationship between private domestic ownership, listed companies, board ownership, board diversity, board meetings, board remuneration and financial performance that can also include other control variables to the study such as, debt financing, capital intensity, company risks, company age to ensure the robustness of the results. Other performance measures also can be used as a proxy for financial performance such as economic value added (EVA), Tobin's Q, non-performing loans (NPL), Profit margin (PM), earnings per share (EPS), and return on investment (ROI).

5.2 Conclusion

Although the problem of corporate governance compliance in emerging nations such as Ghana has been susceptible, it does indeed differ in procedures and implementation, which indicate improved legal and legislative structures. Corruption is one of the biggest issues in Ghana. Although not just one nation, as recorded in Europe and North America, is concerned with the question of corruption, it is onerous for the state and the people to combat this lethal carcass. Government should be prepared to tighten the corruption aspect, particularly those who aim to attract overseas direct investment to their nations. Political readiness and willingness should also be provided by the state to combat corruption. In fact, while reforming the legal framework, the state should improve regulatory organizational ability and improve administrative and legal systems. Sensitivity and meaning of the corporate administration should be published by updating the best practice manual to present the reality as well as the compliance of companies listed on the stock exchange. Non-listed firms should be urged to make their disclosures sincerely.

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APPENDICES

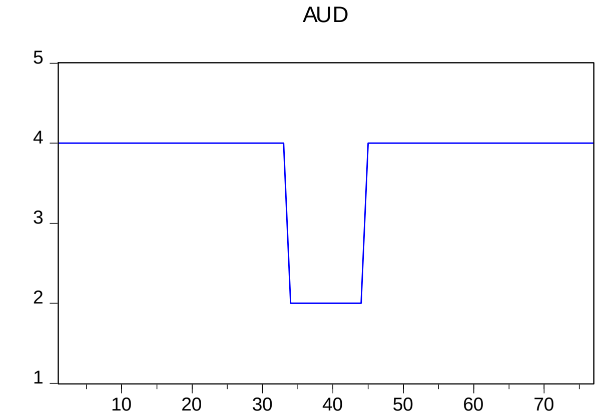
Appendix 1: Raw Data

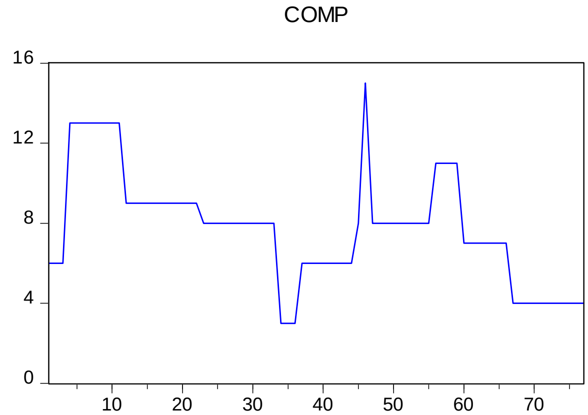
YEAR	ROE	SIZE	COMP	MEETING	AUD	DUALITY
2008	11.19087	7	6	4	4	1
2009	21.79477	7	6	4	4	1
2010	28.98659	7	6	4	4	1
2011	29.29469	14	13	4	4	1
2012	28.22	14	13	4	4	1
2013	29.99315	14	13	4	4	1
2014	37.29149	14	13	4	4	1
2015	31.74401	14	13	4	4	1
2016	63.56496	14	13	4	4	1
2017	49.53129	14	13	4	4	1
2018	43.8418	14	13	4	4	1

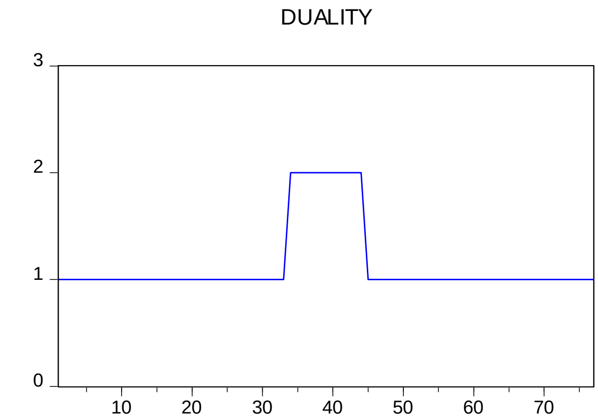
2008	26.39283	10	9	4	4	1
2009	16.39268	10	9	4	4	1
2010	33.58946	10	9	4	4	1
2011	16.07265	10	9	4	4	1
2012	19.75622	10	9	4	4	1
2013	23.19048	10	9	4	4	1
2014	-106.461	10	9	4	4	1
2015	17.91261	10	9	4	4	1
2016	8.092469	10	9	4	4	1
2017	25.04611	10	9	4	4	1
2018	154.6658	10	9	4	4	1
2008	-128.681	9	8	4	4	1
2009	-534.308	9	8	4	4	1
2010	-277.935	9	8	4	4	1
2011	-151.543	9	8	4	4	1
2012	-121.402	9	8	4	4	1
2013	-227.809	9	8	4	4	1
2014	-231.545	9	8	4	4	1
2015	-312.731	9	8	4	4	1
2016	-255.344	9	8	4	4	1
2017	-461.284	9	8	4	4	1
2018	-785.273	9	8	4	4	1
2008	24.66885	6	3	2	2	2
2009	89.46662	6	3	2	2	2
2010	44.50138	6	3	2	2	2
2011	33.81461	8	6	2	2	2
2012	19.63418	8	6	2	2	2
2013	-93.8208	8	6	2	2	2
2014	27.21778	8	6	2	2	2
2015	8.816537	8	6	2	2	2
2016	9.367096	8	6	2	2	2
2017	10.86303	8	6	2	2	2
2018	33.00866	8	6	2	2	2
2008	16.61178	9	8	4	4	1
2009	18.26896	16	15	4	4	1
2010	18.89475	9	8	4	4	1
2011	19.67625	9	8	4	4	1
2012	20.01067	9	8	4	4	1
2013	23.19034	9	8	4	4	1
2014	26.23228	9	8	4	4	1
2015	35.64255	9	8	4	4	1

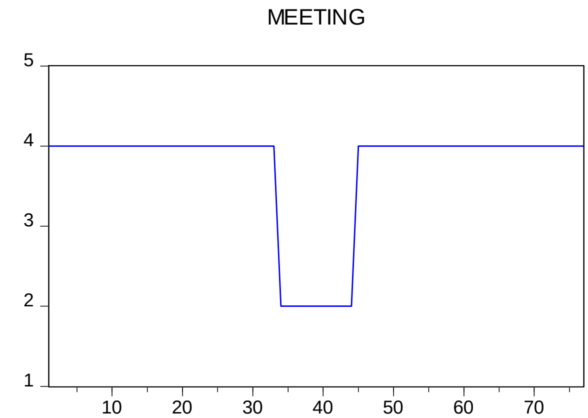
2016	17.33133	9	8	4	4	1
2017	17.73246	9	8	4	4	1
2018	18.68236	9	8	4	4	1
2008	22.03	14	11	4	4	1
2009	17.93	14	11	4	4	1
2010	-10.27	14	11	4	4	1
2011	1.17	14	11	4	4	1
2012	17.99	8	7	4	4	1
2013	11.96	8	7	4	4	1
2014	-6.13	8	7	4	4	1
2015	-47.77	8	7	4	4	1
2016	-2.91	8	7	4	4	1
2017	2.55	8	7	4	4	1
2018	3	8	7	4	4	1
2008	3.991784	5	4	4	4	1
2009	3.903372	5	4	4	4	1
2010	15.11697	5	4	4	4	1
2011	20.23977	5	4	4	4	1
2012	2.449032	5	4	4	4	1
2013	20.05971	5	4	4	4	1
2014	-46.4005	5	4	4	4	1
2015	-8.07407	5	4	4	4	1
2016	-30.9722	5	4	4	4	1
2017	-66.9133	5	4	4	4	1
2018	29.60278	5	4	4	4	1

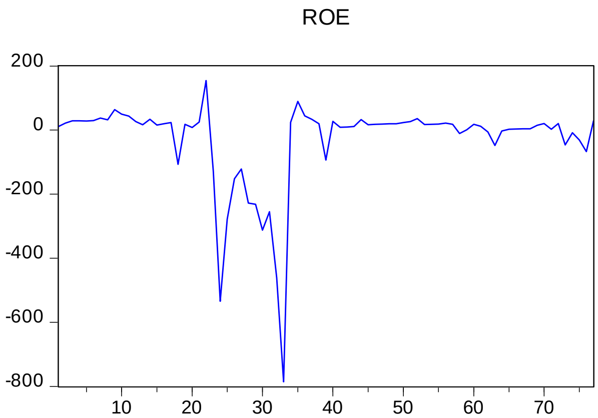
Appendix 2: Graph on the Raw Data

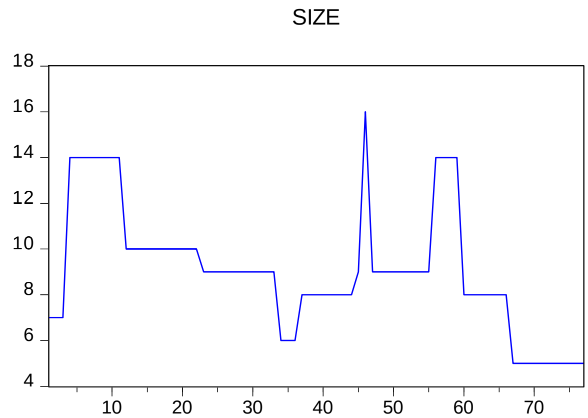












Appendix 3: List of Listed Companies on the GSE

Symbol	Company	Date Listed	Stated Capital	Issued Shares	Authorised Shares	
AADs	AngloGold Ashanti Depository Shares	April 27th 2004	US $3.364.000.000	0.98	400.000.000	more
ACCESS	Access Bank Ghana		GHS 118.28million	118,093,134		more
ACI	African Champion Industries Ltd.	May 12, 1992	GH	36.50	500 million	more
ADB	Agricultural Development Bank	December 12, 2016				more
AGA	AngloGold Ashanti Limited	April 27 2004	ZAR 49,721,223,077.55	406.69	600.000.000	more
ALW	Aluworks LTD	29th November, 1996.	GH(	236,685,180 ordinary shares	1,000,000,000 ordinary shares	more
AYRTN	Ayton Drugs Manufacturing Company Ltd	14/08/2006	GH	215.00	500000000	more
BOPP	Benso Oil Palm Plantation Ltd	APRIL 16, 2004	GH	34.80	50.000,000 SHARES OF NO PAR VALUE	more
CAL	CAL Bank Limited	November 5, 2004	GH	548.26	1,000,000,000	more

Symbol	Company	Date Listed	Stated Capital	Issued Shares	Authorised Shares	
CLYD	Clydestone (Ghana) Limited	May 19th. 2004	GH	34.00	100.000.000	more
CMLT	Camelot Ghana Ltd	17TH SEPTEMBER 1999	GH	6.83	20,000,000	more
CPC	Cocoa Processing Company	February 14th. 2003	GH	2038.07	20.000.000.000	more
DIGICUT	Digicut Advertising and Production Limited	April 11, 2018	GHC 250,000		500,000,000	more
EGH	Ecobank Ghana Ltd	JULY, 2006	GHS226.64MILLION	293.23	500 MILLION	more
EGL	Enterprise Group Limited	Feb 21, 1992	GHS 31,599,000.00	133.10	200 million	more
ETI	Ecobank Transnational Incorporation	11th/9/2006	US$867,714,000	24067.75	800000000	more
FML	Fan Milk Limited	18th October 1991	GH	116.21	200,000,000	more
GCB	Ghana Commercial Bank Limited	17th May. 1996	GHC 72,000,000	265.00	1,500,000,000	more
GGBL	Guinness Ghana Breweries Ltd.	August 23rd. 1991	GHC 26,252,000	307.59	200 million	more

Symbol	Company	Date Listed	Stated Capital	Issued Shares	Authorised Shares	
GLD	NewGold Issuer Limited			0.40		more
GOIL	Ghana Oil Company Limited	November 16, 2007	GH	391.86	1,000,000,000	more
GSR	Golden Star Resources Ltd.	15th February. 2008	US $520,320,000	259.70	Unlimited (Under Canadian Law)	more
HORDS	HORDS LTD		GH	114.95		more
MAC	Mega African Capital Limited	April 23rd, 2014	GH	9.95		more
MLC	Mechanical Lloyd Company Plc.	10 MAY, 1994	GH2,771,486	50.10	100 MILLION	more
MMH	Meridian-Marshalls Holdings			96.08		more
MTNGH	MTN Ghana	5 September 2018	GHS1,363,000		100,000,000,000	more
PBC	Produce Buying Company Ltd.	May 17th. 2000	GHC 4,914,377	480.00	20,000,000,000	more
PKL	Pioneer Kitchenware Ltd.	August 25th. 1995	GHC 866,201	33.34	100.000.000	more
PZC	PZ Cussons Ghana Ltd	November 12. 1990 - Provisional; August	GHC 2,160,000	168.00	200,000,000	more

Symbol	Company	Date Listed	Stated Capital	Issued Shares	Authorised Shares	
		23rd.1991 - Formal				
RBGH	Republic Bank (Ghana) Ltd	17th March. 1995	GHC 95,000,624	297.42	1.000.000.000	more
SAMBA	Samba Foods Ltd		250000	5.98		more
SCB	Standard Chartered Bank Ghana Ltd.	Provisional: - November 12, 1990 Formal: - August 23, 1991 Listing of Preference Shares: Feb. 16, 2006	GH	115.51 Ordinary Shares, 17.48 Pref. Shares	250 million-Ordinary	more
SCB PREF	Standard Chartered Bank Ghana Ltd.	Provisional: - November 12, 1990 Formal: - August 23, 1991 Listing of Preference Shares: Feb. 16, 2006.	GH	115.51 Ordinary Shares, 17.48 Pref. Shares	250 million-Ordinary	more
SIC	SIC Insurance Company Limited	25th/01/2008	GHC 2,500,000	195.65	500.000.000	more
SOGEGH	Societe Generale Ghana Limited	October 13th. 1995	GHC 62,393,557.80	429.06	500 million	more
SPL	Starwin Products Limited	29th December 2004	GHC 1,982,028	259.81	500,000,000	more

Symbol	Company	Date Listed	Stated Capital	Issued Shares	Authorised Shares	
SWL	Sam Wood Ltd.	April 24th. 2002	GHC 220,990	21.83	100.000.000	more
TBL	Trust Bank Limited (THE GAMBIA)	15 NOVEMBER 2002	DALASIS 200,000,000	200.00	200,000,000	more
TLW	Tullow Oil Plc	27th July 2011	109477926	906.96		more
TOTAL	Total Petroleum Ghana Ltd	19TH JULY , 1991	GH	111,874,072	50,000,000	more
UNIL	Unilever Ghana Limited	Provisional: November 12, 1990Formal: August 23, 1991	GH	62.50	100 million	more