KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

THE EFFECTS OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF BANKING INSTITUTIONS LISTED ON THE GHANA STOCK EXCHANGE.

BY

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DECLARATION

I hereby declare that this submission is my own work towards the Msc Degree in Economics and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

This work is dedicated to my late grandfather; Opanin Robert Kwabena Ampofo for his countless support. It is also dedicated to my grandmother; Madam Serwah Ampofo, my sisters; Gloria Oware and Doris Oware Konadu. And to all who have in one way or the other contributed to my successful completion of the programme

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ABSTRACT

Earlier studies on the Ghana stock exchange failed to consider the effect of management skills on the performance of banking institutions and how corporate governance affects the market share of financial institutions. The study also examines the nature of board structure of the banking institutions for the period under investigations. Five banks (5) out of total number of twenty eight (28), on the Ghana Stock Exchange were used for the periods 2010 to 2014 based on the availability of data. Secondary data on meeting frequency, audit committee, management skills and board composition were obtained from the annual reports of firms and the Ghana Stock Exchange facts book. The fixed effect regression technique was used to examine the effect of corporate governance on banking performance. A positive and significant relationship was found in the case of audit committee and management skills. Meeting frequency and board composition also register negative relationships with bank performance. Firm size, inflation and debt ratio recorded no significant relationships with banking performance. The result suggests that weak practices in the governance of selected banks in the Ghana Stock Exchange. These include but not limited to: failure to reduce the number of meetings held, and the dominance of the outside directors without the requisite skills related to banks. To address the challenges enumerated, it is recommended that banks should review the role and contribution of non-executive directors to ensure that all directors have a sound understanding of the bank's operations. It is also important to ensure that directors have access to all the information required to function effectively. Auditing of financial statements must be tightened to meet the agreed International Accounting Standards.

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CHAPTER ONE

INTRODUCTION

1.0 Background of the study

Recently, corporate governance is now a current focus due to its enormous impact to the development and economic growth of nations. Lack of efficient and effective corporate governance is the key root of many failures of banking institutions. Magdi & Nadereh (2002) emphasize that corporate governance ensures that firms are run efficiently and shareholders get a fair yield. OECD (1999) shows more relevant explanation of corporate governance. It describes corporate governance as the structure where companies are controlled and directed.

The organization of corporate governance shows the sharing of duties and privileges amongst diverse contributors in the company such as, managers, shareholders, board, stakeholders, and defines the guidelines and measures for making conclusions on business affairs. In ensuring this, it also gives the structure where the objectives of the corporate bodies are established and the way in which the objectives are achieved and monitoring of performance. This explanation is in accordance with the work of Uche (2004), Akinsulire (2006) and Wolfensohn (1999).

This work studies the effect of corporate governance on the banking institutions performance in Ghana as the core objective and recommends a proper corporate governance practices for increasing the banking institutions performance. In achieving the aims, the student used return on equity, return on assets, dividend payout, market share and price earnings ratio as the basic variables that will explain the banking institutions performance. Moreover, audit committee Meeting frequency, Board size, and board composition of the banking institutions will be used as the basis to measure the corporate governance. Five banking institutions will be chosen as the sample size for the sample period of 2010-2015. Secondary data will be used by the researcher in the study. According to some studies, corporate governance' variables considerably have an effect on the performance of banking institutions. The extent of the board size has a positive on banking performance as well as the audit committee.

Good and efficient corporate governance decreases agency cost and enable the agents to invest in projects with positive net present value (Shleifer and Vishny, 1997). Thus, the interconnection between the management and the board in respect to Al-Faki (2006) should be characterized by the openness to the stockholders, and impartiality to others investors. This will lead to a reduction in the agency cost which was projected by Jensen and Meckling (1976).The performance of banking institutions is a salient conception that demonstrates how firm's available resources are used judiciously in achieving the overall strategic objectives of banking institutions.

There is a relationship which exists between banking institutions and its stakeholders. The duty of the stakeholders is to ensure that banks are run effectively and efficiently. The financial health of banking institution is the major area of interest in this work. For instance, Macey and O'hara (2001) proposed that the systems of corporate governance should be prolonged to involve stockholders and depositors because banking institutions have different contractual link. This research contributes to the current debate on the linkage that is between corporate governance mechanisms and performance of banks. In this circumstance, the paper seeks to look at how selected corporate governance variables affect the performance of banking institutions in Ghana. The remaining of the work will be arrange as follows: unit two will discuss about the review of literature; unit three will talk about the data and methods used to gather the data ; unit four will also talk about the discussions of the empirical review; and the last chapter will conclude and highlights on the policy implications.

1.1 Problem Statement of the study

The research problem in this research work is to find out the extent to which corporate governance has an impact on overall performance of banking institutions in Ghana.

Moreover, several financial institutions in Ghana have relied on profitability, liquidity, asset quality and capital adequacy as criteria for measuring performance, yet there exist other crucial performance variables like investment, policy shift and inflation. For example, corporate governance can also has an impact on the amount of dividend payout which is declared by the board.

Again, most researchers in Ghana have focused on only the financial performance of banking institutions without considering the non-financial performance of the banking institutions. For example, Takiyatu Jumai Yussif (2013) says there is a positive relationship between the board size, board composition, institutional ownership and corporate governance. Also, CEO duality, board committee and Profitability register have a negative relationships with banking performance. None of the studies focus on the non-performance of banking institutions like the market share. This means that a change in the variables of corporate governance will cause a change in the market share of the banking institutions.

Moreover, none of the studies have looked at the interrelationships between management skills and audit committee on banking performance. The researcher seeks to examine the relationship between the two independent variables on the dependent variable. Most of the studies emphasized on the effect of one or more independent variable of corporate governance on the dependent variable (bank performance).This has created a gap because there is also a link between two independent variables of corporate governance such as audit committee and management skills on dependent variable (bank performance).

Banks are ordinarily catalytic and growing institutions, for a developing economy like Ghana. The issue in Ghana, however, is that they are not too effective and efficient in their functions. Perhaps, huge non- performance of insider allied advances and loans have been identified as one of the major problems. These issues will raise a concern in the minds of public in relation to the process of business or administrative transaction documentation. Adding to this, it was suspected that suitable documentation measures occurred, and all the employees adhered to it.

Corporate governance in the banking industry has been complex, when new generation banks streamline corporate governance issues as their main policy thrust, other banks have generally ignored the issue of bringing to the fore strategic corporate governance philosophies, making clear understanding of the issues at stake to be unclear. Moreover, the relationships between the banks performance and corporate governance have not been effectively considered even within the banking industry. In fact, the effect of corporate governance on banking institutions' performances has not been subjected to vigorous experimental study. Corporate governance and performance issues have relied on statements which do not represent a true situation of the strength of the banking industry. It is in this vein that this study intends to identify what actually is the effect of corporate governance on banking institutions' performances in Ghana. What is the code of corporate governance and how it works will be made clearer in this research.

1.2 Aims and Objectives of the study

The research aim is to assess the effect of corporate governance on the performance of banking institutions in Ghana while specifically pursuing the following objectives;

1. To examine the board structure of the banking institutions.
2. To analyze the effects of corporate governance on investment of banks.
3. To examine the impact of corporate governance on banking performance.

1.3 Research Questions of the study

The following research questions are relevant for this study:

1. What constitutes corporate governance structures in Ghanaian banks?
2. What is the effects of corporate governance on investment of banks?
3. What is the relationship between audit committee and management skills and performance?

1.4 Hypothesis of the study

Ho1: Corporate governance does not have influence on bank performance (profitability) within the period under review

Hi1: Corporate governance has influence on bank performance (profitability) within the period under review.

1.5 Justification of the study

Financial scandals have shaken investors' faith in banks as well as capital markets and the usefulness of the current practices of corporate governance in promoting accountability and transparency. Corporate governance faces the trials of unethical conduct, fraud and forgeries, weak internal control measures, non-implementation of penalty measures by regulatory and legal frame work among others. These afore-mentioned problems have affected the relative performance of the banking sector; leading to inefficiency and reduced profit margin. This has also reduced the inflow of foreign direct investment in the banking institution.

Secondly, the 'supposed' findings of the study will benefit the banking through improvement on corporate governance vis-a -vis capital adequacy, investment, assets base and profitability. The study shall also promote and improve good corporate governance practice in governmental outfits. The organizations that will benefit from the study are Ghana Chartered Institute of Bankers (CIB), Securities & Exchange Commission (SEC), Institute of Chartered Accountants (ICAG), and the Ghana Stock Exchange (GSE) etc. Other stake holders that shall benefit from the research are the government' policy makers and those in the banking institutions as well as the shareholders, employees and the general public. To conclude, it is intended to contribute to knowledge and further the frontiers of knowledge in the view of corporate governance performance; concepts, principles and processes to make informed decisions in the academic and business world. Students will also find this work relevant and will ginger them for further studies.

1.6 Research scope of the study

The study covers the practice of corporate governance and its effect on the performance of banking institutions on the stock exchange of Ghana. The population of the study therefore includes the management staff, junior staff and customers of selected listed financial institutions. The study will be limited to five financial institutions as a result of time and other constraints. These include: Eco bank, GCB, Cal Bank, Stanchart, and Barclays Bank. The selection of the sector is as a result of its economic significance and role in poverty alleviation.

1.7 Limitations of the study

Time is a factor in this study; as a research of this kind requires enough time in gathering of data. The time given to us to carry out this research in respect to collecting and gathering of data was limited. Some of the information of banking institutions were not available due to confidentiality and the competitive nature in the banking industry.

1.8 Organization of the research

This work consists of five chapters is presented as follows:

Chapter one of this study comprises the study background, problem statement, the aims and objectives of the study, the research questions, limitations and scope of the work and lastly the organization of the research.

Chapter two reviews the existing relevant literature on the topic ‘the effect of corporate governance on the performance of banking institutions in Ghana.

Chapter three of work talks about the research methodology and consists of the design of research, sample techniques, research instrument, data collection procedures and the software used, specification of the models used as well as the source of data used in the empirical analysis.

Chapter four consists of data presentation, analysis and the discussion of the findings.

Chapter five also consists of the summary, conclusions from the study as well as the contributions and recommendations.

CHAPTERTWO

LITERATURE REVIEW

2.0 Introduction

This chapter outlines the essence of written literature on the study in terms of what will be done to assess the current state of the art on the topic to enable me to delineate or carve out the scope within which to work. The chapter mainly discusses literature with regards to corporate governance. In this chapter, the independent variables include audit committee, board composition, meeting frequency and the dependent variables are the ROE, ROA, MSHARE, DIV PAYOUT and P/E.

First, I look at the empirical and theoretical review of the study. It reviews the theoretical models for the numerous researchers. Then, I bring out the various benefits of corporate governance. I also look at the studies on corporate governance and the gaps that can identified in them. Lastly, I identify the influences that shape corporate governance.

2.2 Theoretical Review

The presence of different and at times differing goals between shareholders and managers has increased to the strategy of numerous mechanisms and theories to confirm that the cost attached to such differing interest is reduced. One of the suggested measures is the corporate governance and it is not amazing that the central paradigm in the corporate governance literature is the agency theory. Moreover, numerous other concepts have developed in an effort to emphasize on the goals of the business and how it should react to its diverse duties. Subsequently, these concepts are discussed briefly.

2.2.1 Agency Theory

It is an approved statement that the principal-agent theory is usually taken into consideration as the beginning argument for any discussion on the subject of corporate governance originating from the standard studies on the Modern Corporation and Private by Berle and Means (1932). In accordance to the study, the central agency problem in current businesses is mainly because of the separation between management and finance. New businesses are known to go through difficulties from separation of control and ownership and they are run by skilled managers (agents) who cannot be held responsible by varied stockholders. In view of this, the main question is to make sure that the agents of the companies follow the interests of the investors so that cost is minimized which in that they are faced with choosing the most effective and capable directors, they are however opposed with a moral hazard problem: they should offer managers they must offer agents (managers) the appropriate incentives to formulate decisions in line with the shareholders' interests. The following denote the main concerns towards addressing opportunistic behavior from the agents within the agency theory:

- Composition of board of directors: The board of directors is estimated to be composed of more non-executive directors (NEDs) for an effective and efficient control. The debate was that it reduces conflict of interest and ensures that there is a board's independence in monitoring and passing fair and unbiased decision on the management.
- CEO Duality: The expectation was that varied individuals fill the positions of CEO and board chairperson as this reduces the focus of power in one individual and thus greatly decreases undue influence of specific board members and management.

2.2.2 Stakeholder Theory

One disagreement in contrary to the stringent agency theory is its narrowness, by finding stockholders as the only interest group of the business entity which necessitate for further exploration. To increase the variety of the interested parties, the stakeholder theory requires a business entity to always pursue to give an equilibrium between the interests of its varied interested parties so that each interest constituency can accept some degree of satisfaction (Abrams, 1951). The stakeholder theory is better looking at the explanation of the role of corporate governance than the agency theory by hammering on the different parts of a business. Thus, employees, clients, creditors, governments, society and banks are viewed as salient interested parties. In relation to the explanation above, John and Senbet (1998) give a complete analysis of the stakeholders' theory of corporate governance whereby it shows the involvement of numerous parties with competing interests in the activities of the business. Again, they highlight on the function of the non-market mechanisms such as the structure of the committee, board size as salient to the performance of firms.

Stakeholder theory is now a more prominent theory due to the numerous researchers have realized that the operations of a business entity influence on the external environment which requires responsibility of the on the external environment requiring accountability of the institution to a broader viewers that its shareholders. For example, McDonald and Puxty (1979) suggested that firms are not mainly for the stockholders alone but occur within the society and therefore has society obligations to that society. However, one must point out that great appreciation of this fact has become a current occurrence. However, it is noticed that economic value is derived by people who willingly unite and corporate to improve everyone's position (Freeman et al., 2004).

Jenson (2001) criticize the Stakeholders theory for supposing a single-valued goal (gains that accrue to the constituencies of firm). Disagreement of Jensen (2001) testifies that the performance of firm is not and should not be measured only by the benefits to its interested groups. Some main problems such as the flow of information from senior management to lower levels, working environment, inter-personal relations, etc. are the crucial issues that should be well considered. However, these other problems gave a stand for other opinions as discussed later. The enlightened stakeholder theory which is the extension of the theory was suggested. Perhaps, issues in line with the empirical testing of the extension have limited its importance (Sanda et al., 2005).

2.2.3 Stewardship Theory

The theory argue in contradiction of the agency theory suggests that managerial opportunism is not significant (Muth and Donaldson, 1998; Davis, Schoorman and Donaldson, 1997; Donaldson and Davis, 1991). Conferring to the stewardship theory, an agent's aim is basically to enhance the performance of firms due to the need of the manager in the success and the attainment which are fulfilled whenever the firm is performing efficiently. The theory of stewardship takes into consideration the next summary which is very relevant in ensuring an efficient corporate governance in any firm.

- Board of directors: The engagement of non-executive directors (NEDs) is regarded as very crucial in improving the board operation's effectiveness. This is due to the fact that executive directors have a full knowledge of the activities of the firm. This result in the saying that the NEDs appointment can improve decision-making and to make sure the business is sustainable.
- Leadership: Opposing to the agency theory, the stewardship theory specifies the positions of the board chair and CEO which should be focused in the same

person. The motive behind it is that it gives the CEO the platform to carry through decision the rapidly without the interference of excessive bureaucracy. We must emphasize rather on the position which has been found to generate greater agency costs. This debate is when governance structures are working efficiently, there should not be an excessive bureaucratic delays in any decision making.

- Lastly, it can also be debated that small board size should be given encouragement in order to promote an effective and efficient decision-making and communication. Perhaps, the theory does not require a rule for identifying the optimum size of the board and for that reason what constitutes small?

2.2.4 Resource Dependency Theory

The theory presents the availability of resources, together with the separation of control and ownership, as a crucial element to the argument on corporate governance. Moreover, this theory suggests that those businesses normally tend to minimize the doubt of influences from the external by making sure that resources are made accessible for their development and survival. By inference, this model seems to propose that the problem of contrast between non-executive and executive directors is really not important. How then can a business function effectively? In order to solve the problem, the concept displays that what is appropriate is the firm's presence on the boards of directors of other firms to form associations so that they can be in charge of the resources such as information which then could be used to the advantage of the entity. Thus, the theory displays the strong point of corporate entity which dwells in the amount of salient information it is having at its disposal.

In view of the forgoing study, it is obvious that the mechanism of governance pursues to guard all the interest of stakeholders of an entity. Currently, the systems of accountability issues and laws concerning corporate governance is moving universal and the directors are being held accountable daily for the failures and success of the firms they manage. Corporate boards are accountable for the main decisions such as changing corporation bylaws, declaration of dividends, issuing of shares, etc. This describes to some extent, the purpose why deliberations of corporate governance normally emphasize on the boards.

The board of directors is the "apex" of the controlling structure in an institution and is there to supervise the operations of top management to make sure that the shareholders interest are protected (Jensen, 1993; Short et al, 1998). It operates as the fulcrum between the controllers and owners of the corporation (Monks and Minow, 2001) and viewed as the single most salient corporate governance mechanism (Blair, 1995). The board of directors is the institution in which managers of an organization are responsible before the law for the firm's operations (Oxford Analytica Lltd, 1992:7).

2.1 Empirical Review

2.1.1 Corporate governance and firm performance

There is an established positive relationship between firm performance and good corporate governance practices base on the previous studies (Brickly et al., 1994; Hossain et al., 2000; Byrd and Hickman, 1992; Weisbach, 1988; Rosenstein and Wyatt, 1990). Furthermore, other studies have established negative relationship (Hutchinson, 2002; Bathala and Rao, 1995). Nevertheless, other researchers could not established any relationship (Singh and Davidson, 2003; Park and Shin, 2003).

The contradictions in the research works could be as a result of the restrictive nature of data. In spite of these conflicting results, the literature usually shows that there is no suspicion as to the importance of good corporate governance in enhancing firm performance. This fact is attributed to by the specific attention being given to issues of corporate governance by regional bodies, governments, and private institutions.

In summary, it is not viable to agree with one broad conclusion for the relationship between corporate governance and firm performance. However, empirical results indicate that usually ownership structure affects significantly corporate performance. More explicitly, ownership concentration does not have any influence on firm's performance, in addition to independent ownership, which has a negative impact on profitability and as a result on performance.

Moreover, it is indicated that weak corporate governance leads to poor corporate performance. In case of the banking sector, there are varied and ineffective results about the association between performance and corporate governance. Generally, ownership structure influence bank performance. More critically, there are cases where foreign ownership has a negative impact on bank's performance, while in other instances the addition of one foreign director affects the performance positively, but the addition of more than one foreign director does not improve it.

Moreover, it is attested that institutional directors do not affect bank's performance. As we put forward the views on the effect of corporate governance on bank performance, we should try to elaborate on the basis related with the corporate structure in a developed market like America and Europe. It is possible that an efficient corporate structure would have a more

As we put forward the perspectives on the impact of corporate governance on bank performance we should attempt to elaborate on the rationale related with the corporate structure in a developed market like Europe and America. It is likely that an effective corporate structure would have a well-organize operating strategy, which would result to increased performance and profitability.

Kyereboah-Coleman and Biekpe (2006) studied on how the indicators of corporate governance such as CEO duality, board size and board composition influence the financing decisions of 47 firms listed on the Nairobi Stock Exchange. It was found that firms with greater board sizes employ more debt and the independence of a board relates negatively and significantly with short-term debts. Again, when a CEO doubles as board chairperson, less debt is employed.

Bhagat and Bolton (2008) studied the influence of corporate governance on operating performance of U.S. firms using ROA and Tobin's q as performance measures. Bauer et al., (2004) used Net Profit Margin, Tobin's q and ROE as performance indicators to examine whether good corporate governance leads to higher stock returns and improves firm value in Europe. Beiner et al., (2004) also used Tobin's q and ROA as the measuring performance of firms quoted at Swiss Stock Exchange. Jackling and Johl (2009) also used ROA and Tobin's q as performance indicators for Indian firms.

Rose (2007) used a section of all Danish firms which are listed at the Copenhagen Stock Exchange for the era 1998-2001 excluding insurance companies and banks in order to study whether ownership affects performance of firms, measured by Tobin's q. The cross sectional regression analysis revealed that increased ownership by institutional investors did not have any influence on firm's performance. In view of this, decomposing the results, the evident was that, ownership by banks had a positive significant impact on performance. Barako and Tower (2007) examined the relationship between bank performance and ownership structure in Kenya. Their empirical study included all financial institutions operating in Kenya and ran a multivariate regression with variables referring to bank size, ROA and ownership.

The results gave a strong support that ownership structure affect bank performance. Explicitly, board ownership is negatively and significantly associated with performance, institutional shareholders have no significant effect on the performance and also the foreign ownership has a positive and significant impact of bank's performance. Nam et al, (2002) establish that corporate governance should lead to improve performance since managers are supervised well and agency costs are reduced. Ineffective corporate governance on the other hand is a fertile ground for poor financial performance and corruption. Brown et al (2003) established that firms with weaker corporate governance achieve poorly compared to those with stronger corporate governance in terms of profitability, riskiness, stock returns and dividend payments.

It is important to show that the study uses five financial ratios (ROA, ROE, P/E, MSARE and DIV). Demsetz and Villalonga (2001), Hermalin and Weisbach (1991), Himmelberg, Hubbard and Palia (1999), Cho (1998) employed managerial compensation as the only corporate governance mechanism; Kim, Hubbard and Palia (2004) examine leverage only; Bhagat and Black (2002) and Coles, Daniel and Naveen (2008) also examine board characteristics only, this study examines the interrelationships between the independent corporate governance mechanisms on bank performance. For example, an increase in the management skills will lead to an effective audit committee which will cause the performance of banks to rise.

In summary, it is possible to admit one general conclusion for the association between corporate governance and firm performance. Perhaps, empirical results demonstrate that generally ownership structure influence corporate performance significantly, (Njoka, 2010). More definitely, ownership focus does not have any influence on the performance of firms, in addition to independent ownership, which has a negative influence on the performance of firms.

2.3 Summary of the Chapter

This literature review gives the overall theoretical framework and empirical that guides this research and the previous studies on the effect of corporate governance on the performance of banking institutions in Ghana. However, the review also identifies gaps in our understanding of corporate governance and its effect on the performance of banks. For example, the thesis seeks to examine the interrelationship between the management skills and audit committee on bank performance. Also, the thesis seeks to examine the effects of corporate governance on investment of banks. This thesis expands the understanding of corporate governance by addressing some of the gaps of the previous studies.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter discusses the summary of the research methodology and the theory of how research is conducted. I will write on my research design, data collection methods, sampling design and technique, and methods of analysis of data. The major reason is to identify whether there is a significant association between the independent variables (audit committee, board composition, and frequency of meeting and management skills) and dependent variables (ROA, ROE, P/E and market share). Also, the population to be analyzed, the sample and sampling techniques and reasons for such data to be utilized shall be presented quite appreciably in the light of the research objectives. Materials explored are from published and unpublished works, reports, journals, reviews and magazine; as well as financial statements of the selected banks.

3.1 Research Design

Research design shows the overall strategy through which the diverse constituents of the study will be integrated in a logical and coherent manner therefore ensuring that the research problem will be addressed effectively. It consists of the blueprint for the collection, measuring and analysis of data. The research design is the structure from which the work plan will flow, and is dependent on the purpose of the research. The three main types of research are Descriptive Research, Explanatory Research and Exploratory Research. This work approves to a descriptive research design. Descriptive research is however used to derive information regarding the recent position of the phenomena and describes what exists in respect of the variables in a situation. Good descriptive research work can challenge accepted assumptions about the way things are, and tends to provoke further explanatory studies into the phenomena.

3.2 Population and Sampling Design

The study is to determine the effect of corporate governance on banking institutions performance. Thus, the targeted population will be the banking institutions which are listed on the Ghana Stock Exchange. There are twenty-eight banks which are listed on the Ghana Stock Exchange. Non-probability sampling technique was employed as the sample in choosing banks with the required information which were initially selected. A total of 5 banking firms were finally used as sample which were selected based on its availability of data.

3.3 Sources of data of the study

The data for this research will be collected from secondary sources. They include financial statements of the selected banks from 2010-2014. Also extensive and intensive library research is carried out in order to obtain data for this study. This will provide opportunity for establishing a sound critical and analytical framework for the research. The secondary data of the chosen financial institutions are extracted from their annual reports and statements of accounts, although other sources will include:

a. Ghana Banking Survey(2014)

b. Annual Financial Statement of Selected Banks (2011-2015).

3.4 Model Specification

The generic economic model employed in the study (which was similar to what is mostly found in the literature) is given as:

$$Y_{it} = \beta_0 + \beta_1 F_{it} + e_{it} \ldots\ldots(1)$$

Where, Y_{it} is the dependent variable, β_0 is constant, β_1 is also the coefficient of the explanatory variable (corporate governance mechanisms), e_{it} is the explanatory variable and is the error term (assumed to have zero mean and independent across time period). The adoption of the economic model as in equation (1) above pertaining to this work, equation (2) equals;

$$PERF_{it} = \beta_0 + \beta_1 BCOMP_{it} + \beta_2 MANSKILLS_{it} + \beta_3 AUDCOM_{it} + \beta_4 MFREQ_{it} + \beta_5 FS_{it} + \beta_6 INF_{it} + \beta_7 DR + e_{it} ......(2)$$

This can be further specified as:

$$ROA_{it} = \beta_0 + \beta_1 BCOMP_{it} + \beta_2 MANSKILLS_{it} + \beta_3 AUDCOM_{it} + \beta_4 MFREQ_{it} + \beta_5 FS_{it} + \beta_6 INF_{it} + \beta_7 DR + e_{it} ......(3)$$

$$ROE_{it} = \beta_0 + \beta_1 BCOMP_{it} + \beta_2 MANSKILLS_{it} + \beta_3 AUDCOM_{it} + \beta_4 MFREQ_{it} + \beta_5 FS_{it} + \beta_6 INF_{it} + \beta_7 DR + e_{it} ......(4)$$

$$DIV_{it} = \beta_0 + \beta_1 BCOMP_{it} + \beta_2 MANSKILLS_{it} + \beta_3 AUDCOM_{it} + \beta_4 MFREQ_{it} + \beta_5 FS_{it} + \beta_6 INF_{it} + \beta_7 DR + e_{it} ......(5)$$

$$MSHARE_{it} = \beta_0 + \beta_1 BCOMP_{it} + \beta_2 MANSKILLS_{it} + \beta_3 AUDCOM_{it} + \beta_4 MFREQ_{it} + \beta_5 FS_{it} + \beta_6 INF_{it} + \beta_7 DR + e_{it} ......(6)$$

$$P/E_{it} = \beta_0 + \beta_1 BCOMP_{it} + \beta_2 MANSKILLS_{it} + \beta_3 AUDCOM_{it} + \beta_4 MFREQ_{it} + \beta_5 FS_{it} + \beta_6 INF_{it} + \beta_7 DR + e_{it} ......(7)$$

3.5 Variable Description

Tables 3.1 and 3.2 below display the variables and their descriptions as used in this study.

Table 3.1. Description of the Dependent Variables

Variables	Description	Measurement
ROA	Return on assets	Profit after tax/Total assets
ROE	Return on equity	Profit after tax/Total equity shares in issue
DIV	Dividend Payout	Amount of Dividend Payout as a percentage profit after tax for the banks i in time t
MSHARE	Market Share	Amount of total sales/revenue divided by total sales of the industry.
P/E	Price Earnings ratio	Market price per share divided by Earnings per share for the bank i in time, t

Table 3.2. Independent Variable Description

Variable	Description	Measurement	Expected sign
BCOM	Board Composition	Proportion of outside directors sitting on the board i at the end of fiscal year.	Positive
MANSKILLS	Management skills	Percentage of board members with at least master's degree of bank i at the end of fiscal year, t.	Positive
AUDCOM	Audit Committee	The composition of the audit committee. That is, number of directors with financial background for firm i in time.	Positive
MFREQ	Meeting frequency	Number of meetings held in a year.	Negative
FS	Firm Size	Size of the firm (log of total assets) for i at time, t.	Positive
INF	Inflation	Annual percentage change in consumer prices for i in time, t.	Negative
DR	Debt ratio	Total debt divided by total asset for firm i at time, t.	Negative
E	Error Term		

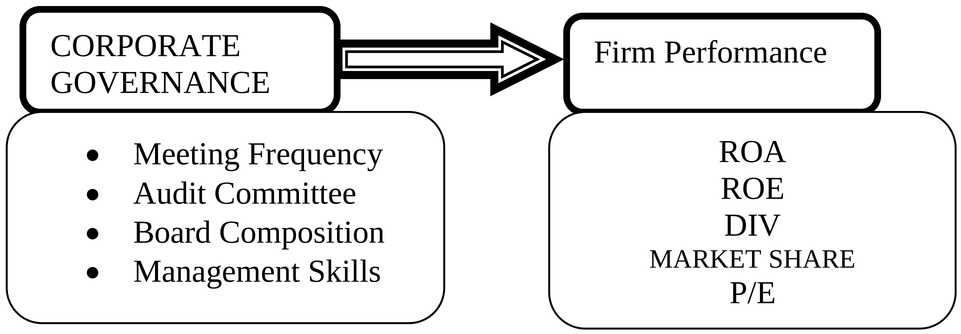

Figure 3.1 Conceptual Framework

Source: Author's Construct, 2016

The figure above shows how each corporate governance mechanism affects each firm performance indicator. This means that an effective corporate governance will lead to the increase in firm performance. The figure also shows the interrelationship between the management skills and the audit committee on the firm performance.

3.6 Periods of the study

The study uses secondary data collected over the sample period of five years (2010-2014).

3.7 Methods of Data Analysis

In this work, I used multiple panel linear regression data analysis method to analyze the collected data both descriptive, correlation. This is because it combines both time series and cross-sectional data in the data analysis. The descriptive statistics is employed to quantitatively define the important features of the variables using mean, maximum minimum and standard deviations. The correlation analysis was also employed to identify the relationship between the independent and control variables using Pearson correlation analysis. The correlation analysis displays only the degree of association between variables and does not permit the researcher to make causal implications with respect to the relationship between variables (Marczyk et al., 2005). However, multiple panel linear regression analysis was also employed to test the hypothesis and to discuss the association between firm performance and corporate governance variables measures by controlling the impact of some selected variables. In this study, the researcher use meeting frequency, audit committee, board composition and management skills of the banks as independent variables and Return on assets, Return on equity, Dividend payout ratio and Market share as the dependent variables.

3.8 Validity and Reliability

Research instruments need to be valid and reliable in order to yield useful results (Mugenda, 2003). Validity of research instruments is derived when they measure what they are intended for. Again, reliability is also achieved when the research instrument has internal consistency. This work will employ an expert opinion to test content validity of the research instrument used. Linear regression is employed to estimate the unknown effect of changing one variable over another (Stock and Watson, 2003).

3.9 Data Analysis and Presentation

Qualitative data analysis involved discussion of information derived from the empirical literature. Quantitative analysis involved the use of numeric measures to the different firms on effects of corporate governance on performance of banking institutions and this will entail deriving of descriptive statistics after data collection, and formation of data sets, estimation of population parameters from the statistics, and making of inferences based on the statistical findings. This was done with the help of Stata 13.1. The output of the analysis was presented in tables and interpretations made based on the research objectives.

3.10 Brief Profile of Banks

In this section we consider the profile of each the banks forming our sample briefly.

3.10.1 CAL Bank Limited

CAL Bank Limited (CAL) is an indigenous Ghanaian Bank which has been operating in Ghana since 1990. It started off as Continental Acceptances Limited and then CAL Merchant Bank, before finally switching to CAL Bank. The bank was issued a license by the Bank of Ghana to operate as a universal bank in 2004, hence has since then been operating as such. The bank currently has a network of about 24 branches which are located in various parts of the country. The bank is listed on the Ghana Stock Exchange. The table highlights the bank's performance for the period 2010 to 2014. (Refer-Appendix 2)

3.10.2 Ecobank Ghana Limited

Ecobank Ghana Ltd (EBG) came into existence in 1990, as a company set up to engage in banking activities. The bank commenced its operations as a merchant bank and was the first bank in Ghana to be given a Universal Banking license when it was introduced in 2003. Eco bank Ghana currently has over 80 offices scattered over the length and breadth of the country. Its staff strength currently stands at 1463 as at June 2015. Eco bank Ghana is the largest bank and had the highest earnings in 2014. It is listed on the Ghana Stock Exchange. The table highlights the bank's performance for the period 2010 to 2014. (Refer-Appendix 2)

3.10.3 Standard Chartered Bank Ghana Limited

Established in 1896, Standard Chartered Bank Ghana Limited (SCB), is a 119 years old financial institution in Ghana. It is listed on the Ghana Stock Exchange and its stock is one of the highest priced at the moment. The bank currently has about 27 branches nationwide, with over 56 ATM machines spread across the country. Its employee base is currently over 1000. 80% of SCB Ghana owned by Standard Chartered, the globally acclaimed bank. The table highlights the bank's performance for the period 2010 to 2014. (Refer-Appendix 2).

3.10.4 HFC Bank

The bank was created in 1990 as a shell company within Merchant Bank. In 1994, HFC Bank became a publicly traded company. In 1995, it was listed on the Ghana Stock Exchange. HFC Bank has over 25 branches spread across the various regions of the country. It was founded in 1998. It provides mortgage financing, commercial banking, investment banking and wealth management services through its banking and investment management operation, the Company offers a range of financial and investment services, such as funds management, brokerage, property management, current and deposit accounts and all forms of credit facilities customers. (Refer-Appendix 2) for the performance.

3.10.5 Ghana Commercial Bank

GCB Bank Ltd. started in 1953 as the Bank of the Gold Coast to provide banking services to the emerging nation for socio-economic development. The Bank was to provide special attention to Ghanaian traders, business people and farmers who could not elicit support from the expatriate banks. In 1957, when Ghana attained independence, Bank of Ghana was established as the Central Bank while the Bank of the Gold Coast was renamed Ghana Commercial Bank to focus solely on commercial banking services. Since then GCB branches have been opened across the length and breadth of the nation tapping the potential of the 10 regions that make Ghana. (Refer-Appendix 2) for the performance.

3.10.6 Control Variables

The control variables are included because they also have some effect on the dependent variables, but they are not the subject of interest in the study. These are the Firm size (BS), inflation and debt ratio. The choice of the control variables are informed by the pecking order theory and (Abor & Biekpe 2009). According to the theory, firms will rather use debt rather than equity when internally generated funds are not enough to finance firms operations. Therefore, firm size are expected to have negative associations with leverage as the increase or expansion in these variables increase earnings which may be enough for firms operations. However, if there is an inflation, it affects interest rate of banks to increase. This will discourage customers to go for more loans which will therefore reduce their interest income. This means that there is a negative relationship between inflation and bank performance.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter focuses on the analysis and discussion of findings. The descriptive statistics of the variables is presented first, followed by the model diagnostics and the correlation matrix. Then the discussion of the regression results of the study.

4.1 Descriptive Statistics

Table 4.1 Descriptive summary statistics

Variable	Obs	Mean	Std.Dev.	Min	Max
Bcomp	25	0.68	0.1078101	0.538	0.85
manskills	25	1	0	1	1
Audcom	25	3.2	1.554563	1	6
Mfreq	25	2.92	1.441064	1	6
Roe	25	0.31	0.1225262	0.09	0.5
Roa	25	0.04	0.0163299	0.01	0.07
divpayout	25	0.32	0.2319662	0.06	1.12
Mshare	25	0.07	0.0390598	0.02	0.13
p/e	25	3.89	8.164892	0.07	39.17

ROE=Return of equity, ROA=Return of assets, DIV=Dividend Payout, MSHARE=Market share, P/E=Price earnings ratio, BSIZE= Board size, BCOMP=Board composition, MANSKIILLS= Management skills, AUDCOM= Audit committee, MFREQ= Meeting frequency.

Table 4.1 shows the summary descriptive statistics for the mean, median, standard deviation, Minimum and Maximum values for the dependent and independent variables. The mean values show the average indicators for variables used. With a minimum of 6 and a maximum of 13. Board size measured as a number of directors which has a mean value of 8.2. With regards to the board composition measured as the proportion of outside directors to total number of directors, the mean value is about 68 percent. This means listed banks have more outside directors than executive directors.

Management skills which has a mean value of 1 with minimum and maximum values of 1 respectively measures the number of directors with second degree in relation to banking and finance. The audit committee has an average mean of 3.2 meaning that for every one unit of inside director on the board, the outside directors are approximately 3 on the audit committee. Again the meeting frequency has an average mean of 2.92 which means that on average, the board meets 3 times in a year.

Moreover, the return on equity has an average mean of 30.72% meaning that the banks are able to generate enough profit for every 1 cedi of equity capital used. The return on asset has a mean of 4.2% which means on average the total assets of the banks only make a profit of 4.2%. The mean for the dividend payout is 32% which means the banks are able to pay dividend from their profit after tax. The mean of the banks with regards to their market share is 7.44% of the total market share of the Ghana Stock Exchange whilst their price earnings ratio is also 3.894 which also measures the customers' confidence of the banks during the period under investigation.

4.2 Simple Correlation Analysis

This section analyzed the correlation among the independent variables both statistically significant and insignificant ones. Though, correlation does not suggest causality, my objective is to show the extent of correlation or linear dependence amongst the variables used in the estimations. The output of the correlation matrix is depicted in table 4.2

Table 4.2 Correlation Matrix

	bcomp	Manskills	lnmfrq	acomp	firmsiz	Lninf	Lndebt
bcomp	1						
manskills	0.0315	1					
lnmfrq	0.1409	0.1647	1				
acomp	0.1718	-0.4063	-0.1783	1			
firmsiz	-0.4021	-0.0604	-0.2953	0.2077	1		
Lninf	-0.1809	-0.0442	-0.5107	0.3821	0.1005	1	
lndebt	0.0167	-0.2566	0.3362	0.1618	-0.2013	-0.2659	1

The correlation coefficient between management skills and board composition of 0.0315 is statistically significant at 5% significance level. This basically means that there is a positive relationship between management skills and board composition and that the association is strong. Perhaps, there is a positive relationship between the meeting frequency and board composition and that the association is not significant. There is a positive relationship between management skills and meeting frequency though the association is not significant. A positive relationship exist between the audit committee and the board composition though it is not also significant. Again, there is a negative relationship between audit committee and management skills but the relationship is not strong.

Moreover, there is a negative relationship between the audit committee and the meeting frequency though the association is not significant. A negative relationship exist between the firm size and board composition but the relationship is not significant. There is also a negative relationship between the firm size and management skills but this association is significant at 10% significance level. A negative relationship between the meeting frequency and firm size though the relationship is not strong. Again, there is a positive relationship between the firm size and audit committee, however, the association is not significant. There is a negative relationship between inflation and board composition, meeting frequency but the association are not significant.

Lastly, there is a negative relationship between the management skills and inflation but the association is significant at 5% significance level. A positive relationship exist between inflation and audit committee, firm size though the relationship is not significant. There is a positive relationship between the debt ratio and board composition but the association is significant at 5% significance level. Again, a negative relationship exist between the debt ratio and management skills, firm size and inflation but the associations are not significant. Finally, there is also a positive association between the debt ratio and the meeting frequency and audit composition but the relationships are not significant.

4.3 Analysis of Results

4.3.1 Results on Fixed and Random Effects

Chi	**Probability**	**Comment**
17.32	0.0154	Significant at 5%

The Hausman's specification test was used to decide the fixed and random effect estimation techniques. The results show that there is a significant between results on fixed effect model and random effect model. The null hypothesis which recommends the random effect model is therefore rejected for the alternative, fixed effect model.

4.3.2 Corporate Governance and Performance

Regression analysis is used to investigate the relationship between corporate governance and performance of banks. A fixed effect panel regression estimation technique is used for the analysis.

Table 4.3 Regression Base on Return on Equity

Roe	Coeff	Std.Err	T	p>1
Bcomp	-2.467448	0.1058373	-2.33	0.034
Manskills	-0.0781296	0.0437072	-1.79	0.094
Lnmfreq	0.012962	0.030601	0.42	0.678
Acomp	0.3863986	0.0844155	4.58	0.000
Firmsiz	-0.0215297	0.121942	-1.77	0.098
Constant	0.7337384	0.2260358	3.25	0.005
F(5,15)	8.63			
Prob>F	0.0005			
Observation	25			
Overall Rsquare	0.734			

Table 4.3 shows the overall R^2 of 0.734 indicating that about 73% of the variation in return on equity is jointly explained by the independent variables used in this model. This implies that the remaining 27% is caused by other variables not depicted in the equation but denoted by the error term. Board composition records a negative and a statistically significant relationship with return on equity. The negative relationship indicates that the contribution of outside directors on the board is negatively related with the performance of banks. Thus, banks with outside directors may not understand the nature of the banks and its environment which can increase the performance.

Management skills is also negatively related with the return on equity and it is significant at 10% significance level. This could be that management do not possess the requisite skills in order to enable them run the operations of the banks effectively and efficiently. Audit committee is highly significant and positively related to the ROE. This is because the members on the board possess the requisite skills which are financial related. Meeting frequency also has a positive relation with the ROE. This could be that the number of meeting held by the board correlate with the ROE. Firm size is also negatively related with ROE. This could be attributed to inappropriate use of the asset of the banks which has been entrusted to the management.

Table 4.4 Regression Base on ROA

Roa	Coeff	Std.Err	t	p>1
Bcomp	-0.0329717	0.0178151	-1.85	0.084
manskills	-0.0022695	0.007357	-0.31	0.762
Lnmfreq	-0.006842	0.0051509	-1.33	0.204
Acomp	0.053227	0.0142093	3.75	0.002
Firmsiz	-0.0030224	0.0020526	-1.47	0.162
Constant	0.1017319	0.0380477	2.67	0.017
F(5,15)	4.8			
Prob>F	0.0081			
Observation	25			
Overall Rsquare	0.6275			

There is a negative relationship between the board composition and return on asset and it is significant at 10% significance level. This could be that the outside directors do not have the requisite skills in relation to banking activities or they do not understand the nature and the environment of the entity. Management skills is also negatively related with ROA, thus it can be attributed to inadequate skills possess by the management in running the banking institutions.

Meeting frequency has a negative correlation with the ROA. This could be that the excess meetings held by the board do not add to the output of firms, thus reducing their performance. Audit committee also has a positive relation with ROA and it is significant at 5% significance level.

Table 4.5 Corporate Governance and Investment

p/e	Coeff	Std.Err	T	p>1
Bcomp	0.039779	8.69962	0	0.996
Manskills	1.434085	3.575061	0.4	0.694
Lnmfreq	-0.3802983	2.62251	-0.15	0.887
Acomp	-15.60797	6.96905	-2.24	0.041
Indebt	119.8699	47.6967	2.51	0.024
Constant	28.28355	13.1551	2.15	0.048
F(5,15)	2.06			
Prob>F	0.1273			
Observation	25			
Overall Rsquare	0.5692			

There is a positive relationship between the board composition and price earnings. This means that outside directors have the requisite skills with regard to the banking sector which have a positive impact with price earnings. There is also a positive relationship between the management skills and price earnings. This means that when the management skills increase, investors' confidence of the bank also go up and vice versa. Meeting frequency has a negative relationship with the price earnings meaning that when the number of meetings held in a year go up, the investors' confidence increase and vice versa.

Audit committee has a negative relationship with the price earnings. This could be that the outside directors chosen to sit on the committee do not possess the requisite skills in relation to finance and therefore it reduces the customers' confidence they have for the banks. This is significance at 5% significance level. There is also a positive relationship between the debt ratio and price earnings and it is significant at the 5% level. This means that an increase in customers' confidence will enable them to deposit their money to the banks and vice versa.

Table 4.6 Regression Base on Market share

market share	Coeff	Std.Err	t	p>1
Bcomp	-0.1805034	0.1853269	-0.97	0.346
manskills	0.1450283	0.0784685	1.85	0.084
Lnmfreq	-0.1317017	0.0690861	-1.91	0.076
Acomp	0.4498272	0.1736636	2.59	0.020
Firmsiz	-0.3496402	0.193731	-1.8	0.091
constant	-3.606069	0.4591399	-7.85	0.0000
F(5,15)	1.74			
Prob>F	0.1864			
Observation	25			
Overall Rsquare	0.0166			

There is a negative relationship between the board composition and market share. This means that when the outside directors increase, the market share of banks fall. This is as a result of lack of understanding of the entity and its environment by the outside directors. Management skills and audit committee are positively related to the market share and they are significant too. This means that when the skills of the directors in relation with banking and finance go up, the market share of banks also increase.

Table 4.7 Regression Base on Dividend Payout

Dividend payout	Coeff	Std.Err	t	p>1
Bcomp	-0.1563378	0.3046126	-0.51	0.615
manskills	0.098372	0.1257945	0.78	0.446
Lnmfreq	0.0587557	0.0880734	0.67	0.515
Acomp	-0.4445023	0.2429581	-1.83	0.087
Firmsiz	-0.0372411	0.0350965	-1.06	0.305
constant	1.113953	0.6505586	1.71	0.107
F(5,15)	2.02			
Prob>F	0.1335			
Observation	25			
Overall Rsquare	0.1734			

There is a negative relationship between the board composition and dividend payout. This could be that as the outside directors increase, dividend payment falls. This is because they may be interested in investing the retained earnings in projects that have a positive Net Present Value which will lead to the maximization of shareholders wealth. Again, there is a positive relationship between the management skills, meeting frequency and dividend payout. This means that when the skills of the management goes up, it increases the retained profit which will lead to a high payment of dividend. There is also a negative relationship between the audit committee and dividend payout. This means that when directors with financial background increase, dividend payment falls. This is because they are able to identify projects which have positive NPV and will increase the shareholders wealth in the long run. Lastly, there is a negative relationship between the firm size and dividend payout. This means that as the total assets of the banks increase, dividend payment falls. This is due to the fact that most of the cash are in the form of asset and therefore reducing the amount left for dividend payment.

4.4 Discussion of findings

In view of the above analysis, it was found that a positive relationship exists between performance indicators such as ROE, ROA and corporate governance. This result is in consistent with (Gompers et.al.2003). This explains why more profitable Jordanian firms are mostly transparent and have a higher corporate performance through corporate governance such as the presence of the audit committee. The frequency of board meetings as a basis of corporate governance practice has a negative association with ROA. Base on the high board meetings seen from the descriptive statistics; we could believe that such meetings were mostly due to corporate crisis. The results also approves the studies by Jensen (1993) who argues that board meetings do not necessarily improve bank performance and that the frequency of board meeting increases when there are calamities.

The regression results reported above show that audit committee has a positive impact with performance such as ROE, ROA and Market share. In fact, the audit committee could be a sign of seriousness committed to issues of transparency by the firm and this sends the right signal to the public who then develop confidence in the firm. It is however, surprising to know that in the Ghanaian sample the audit committee revealed a negative effect on ROA. This is due to free-ridership and difficulty in consensus building in large groups.

Moreover, there exist a positive relationship between corporate governance and dividend payout. This means that retained earnings of firms increase when there is an effective corporate governance practices. This will cause the payment of dividend to rise. This is in line with the signaling effect since it sends a signal to the public that the firm is performing well. Again, the findings of the recent study show that there is a negative and insignificant relationship between board composition and the firm performance. This outcome is in accordance with Ehikioya (2009) and Belkhir (2009) came out that there is no empirical support of agency theory nor stewardship theory proposing about the impact of board the performance of firms.

Contrary to the expectation of the study, management skills has a negative relationships with both ROE and ROA. This means that board members educational qualification clarifies the variations of ROA of banks in the industry of Ghanaian banking. The result shows that as most of the board members have master's degree in the board, the lesser the profitability (ROA and ROE). This is true because workers are paid according to the certificate but not output. This could also be that board members might have had the second degree but the knowledge gained might be parallel to the banking industry therefore, the person input to the bank performance will be less hence less profitability.

Finally, the study finds that there is a negative relationship between the size of the firm and the performance such as ROE and ROA. The result is not in consistent with Sweiti, Ibrahim (2009). The reason is that the total asset of the banks are not managed efficiently and effectively therefore reducing the financial performance of the banking institutions.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

Earlier studies on the Ghana Stock Exchange have not considered the effect of management skills and audit committee on the performance of the banks. Using a sample of twenty five (25) banks on the Stock Exchange for the periods 2010 to 2014, this study examined the effects of management skills, board composition, audit committee, and meeting frequency on the performance of banking institutions. The objective of the study was to find the effect of corporate governance on investment of banks and also to show the link between audit committee and management skills on banking performance. The main findings of the study and recommendations are presented below.

5.1 Summary of key findings

A positive and significant relationship was found in the case of management skills and audit committee. Board composition, meeting frequency and firm size register a negative relationships with the performance of banks. The result suggests that banks' performance on the Ghana stock exchange are influence negatively when the board is dominated by the outside directors. This may be as a result of the outside directors not having the requisite skills which may help them to contribute positively to the performance of the banks. This is not in line with the Ghana Stock Exchange listing requirement that at least half of the board must be non-executive directors. Again, the negative relationship between the meeting frequency and bank performance is as a result of opportunity cost. That is, too many meetings of the board can interrupt the smooth activities of the banks which may cause their performance to fall.

Again, management skills is positively related to performance of banks. This means that the expertise and knowledge of directors are in line with the demand of the nature of banking activities. The audit committee has also a positive relationship with the performance. This means that most of the outside directors on the board has a financial background which may cause the performance of banks to increase.

5.2 Conclusion

Recently, more banks collapse and malpractices within the sector propose that, despite some financial markets being well-developed and relatively sophisticated, there have been sufficient system weaknesses to enable episodes of financial company malfeasance. This work is however appropriate in improving governance practices in the Banking sector. The study was divided into 5 chapters. At the end, the researcher found some weak practices in the governance of selected banks in the Ghana Stock Exchange**.** These include but not limited to: failure to reduce the number of meetings held, and the dominance of the outside directors without the requisite skills related to banks.

5.3 Recommendations

Developments in corporate governance thinking and practices have often been responses to bank collapses, corporate corruption or the domination of banks by an individual. To this effect, the researcher recommends the following;

Banks must ensure that the non-executive directors have the necessary skills, experience and courage. This is important in building solid governance systems. It is also recommended that banks must also adopt flexible role and contribution of non-executive directors to ensure that all directors have a sound understanding of the company. It is also important to ensure that directors have access to all the information they need to function effectively.

Furthermore, since there is a negative relationship between the firm size and performance, there should be an aggressive policy which will increase the asset base of banks and would also enhance their profitability. Assets represent sources of revenue to the banks and hence a credit policy aimed at expanding the asset-based of the banks through the offering of differently customized and flexible products that reflect customer needs, status and expectation is likely to be patronized by customers and hence increase in revenue and profitability of banks will result in an increase of total asset of the banks.

Logistical and time constraints however limited the scope of the study of the few banks which have the required financial data. The period covered was also short. Further studies could increase the period and also add more variables as well as more banks to provide interesting and enhance knowledge. These studies can also examine the comparative performance of foreign and domestic banks.

Banks must recognize that good corporate governance is about the effectiveness of the governing body. Corporate governance needs to be distinguished from management: management runs the enterprise, while the governing body ensures that it is being well run and is heading in the right direction. Corporate governance is concerned with the way that power is exercised over corporate entities hence the need for all hands to be on deck.

5.4 Areas of further studies

In drawing conclusions to this study, the researcher recommends the following areas for further research;

- The improving financial management practices in the banking institutions in Ghana
- Risk management practices in the banking sector.

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APPENDICES

APPENDIX 1: Summary of all the articles

AUTHOR'S NAME	CENTRAL THEME	COUNTRY	MAIN FINDINGS
1) Takiyatu Jumai Yussif (2013)	Corporate Governance and financing decisions: A study of Ghanaian Listed Firms	Ghana	A positive and significant relationship was found in the case of board size, board composition, institutional ownership and firm type. CEO duality, board committee and Profitability register significant negative relationships with capital structure. Managerial ownership, growth and firm size recorded not significant relationships with financing decisions
2) Anthony Kyereboah-Coleman (November 2007)	Corporate Governance and Firm Performance in Africa: A Dynamic Panel Data Analysis	Ghana	The board size has a positive effect on both performance variables. The organizational tenure of the CEO has a positive relationship with ROA. The frequency of board meetings as a measure of board activity intensity, though insignificant, has a negative relationship with ROA but very weak positive relationship with Tobin's q in the overall sample.
3) Nana Kojo Enyan Yankah (September 2015)	Assessing corporate governance practices in selected Microfinance Institutions in Ghana	Ghana	The finding is that it is expected that improved governance regimes would result in increased performance in Microfinance Institutions.
4) Samuel Antwi & Frederick Benfor (March 2013)	The Effect of Corporate Governance Strategic Change in Financial Institutions: Evidence from Ghana	Ghana	The finding is that a good implementation of strategic change and corporate governance in rural banks will really improve their performance.
5) Joan Selorm Tsorhe, Anthony Q. Aboagye and Anthony Kyereboah-Coleman	Corporate Governance and Bank Risk Management	Ghana	It was discovered that bank size, represented by logarithm of total assets, has significant positive impact on Bank capital management.
6) Jakob de Haan and Razvan Vlahu (July 15, 2013)	Corporate Governance of banks: A survey	Netherlands	The empirical literature reports mixed results as to the question of whether CEO compensation and ownership promote excessive risk-taking.

7) Okoi Innocent Obeten & Stephen Ocheni (May 2014)	Empirical study of the impact of corporate governance on the performance of financial institutions in Nigeria	Nigeria	It was discovered that a direct relationship exist between profitability of banks and asset base, policy shift and investment of banks.
8) Hamid Mehran and Lindsay Mollineaux (January 2012)	Corporate Governance of financial institutions	New York	In this paper, it was discovered that corporate governance has the potential to identify mismatched incentives that could lead to bad behavior by firms or systemic instability.
9) Gezim Tosuni (2013)	The impact of corporate governance on the performance of financial institutions	Kosova and Montenegro	This empirical investigation confirms the findings of a positive relationship between corporate governance and firm valuation.
10) Caleb M. Fundanga (April 2011)	Corporate governance and its impact on financial institutions	Zambia	The main finding was that in banks, the board chairman was also the majority shareholder and the chief executive of the bank. This weak corporate governance led to poor performance of financial institutions in Zambia.
11) Herjola Spahiu (2008-2010)	Corporate Governance in financial institutions: Impact on the company's performance	Greece, Bulgaria, Romania, Serbia, Albaria	From the analysis, it was seen that a strong corporate governance structure has a positive impact on the banking system performance.
12) J.C.Ihemeje1, Geff Okereafor1, Bashir M. Ogungbangbe1, Geogenia Edeoga (November 2015)	Internal corporate governance and the performance of commercial banks in Nigeria.	Nigeria	The finding is that there is a negative relationship that exists between bank performance and board size as well as negative relationship that exists between shareholders and ROA. That is a reasonable strong correlation exists between poor performance and subsequent increase in board size and independence.
13) S. Danoshana & T.Ravivathani (December 2013)	Impact of Corporate Governance on firm performance	Sri Lanka	It was discovered that corporate governance practices of Board Size, Meeting Frequency and Audit Committee Size have significant impact on firm performance and Board Size and Audit Committee are positively related with firm's performance but Meeting Frequency has negative relation.

14) Adel Hassan Al-Hussain (February 2009)	Corporate governance structure efficiency and bank performance	Saudi Arabia	The main finding of the study is that performance differences among banks can be significantly explained by banks' efficiency scores. The results indicated that there was a strong relationship between the efficiency of corporate governance structure and bank performance when using ROA as performance measure with one exception that government and local ownership groups were insignificant

APPENDIX 2: BANKS ANNUAL REPORT

Table 2a Cal Bank –Performance for 2010-2014

	2010	**2011**	**2012**	**2013**	**2014**
ROA	1.76%	2.33%	4.27%	5.90%	5.18%
ROE	11.51%	19.74%	24.24%	32.72%	35.78%
Dividend Payout	27.87%	15.63%	6.47%	7.02%	20.70%
Market Share	2.8%	3.7%	4.3%	4.4%	3.80%
P/E	4.26	2.53	2.06	1.53	0.72

Source: Cal Bank Annual Report

Table 2b Eco bank Ghana Limited-Performance for 2010-2014

	2010	2011	2012	2013	2014
ROA	3.95%	3.40%	4.24%	4.02%	5.46%
ROE	26.41%	27.56%	31.36%	33.36%	39.50%
Dividend Payout	68.90%	57.23%	34.72%	28.97%	26.58%
Market Share	8.8%	10.2%	12.4%	12.9%	11.08%
P/E	1.35	0.57	0.35	0.29	0.27

Source: Eco bank Ghana Limited annual Report

Table 2c Standard Chartered Bank-Performance for 2010-2014

	2010	2011	2012	2013	2014
ROA	4.33%	3.94%	5.70%	6.96%	5.94%
ROE	36.84%	33.40%	43.77%	42.72%	39.38%
Dividend Payout	40.29%	33.31%	44.02%	27.23%	64.87%
Market Share	9.7%	9.6%	8.7%	8.1%	9.03%
P/E	1.36	1.52	2.33	1.19	1.29

Source: Standard Chartered bank Annual Report

Table 2d HFC-Performance for 2010-2014

	2010	2011	2012	2013	2014
ROA	2.10%	2.30%	4.67%	3.73%	4.10%
ROE	10.89%	13.36%	49.07%	22.20%	22.99%
Dividend Payout	25.18%	29.64%	13.38%	25.17%	19.14%
Market Share	2.1%	2%	4.3%	4.4%	2.25%
P/E	0.19	0.15	0.10	0.15	0.19

Source: HFC Annual report

Table 2e GCB-Performance for 2010-2014

	2010	2011	2012	2013	2014
ROA	2.63%	0.68%	4.67%	6.59%	6.38%
ROE	22.61%	9.36%	49.07%	49.98%	40.92%
Dividend Payout	17.02%	111.91%	13.38%	21.34%	20.61%
Market Share	12.3%	11.8%	11%	9.4%	11.13%
P/E	16.29	39.17	7.90	5.32	6.47

Source: GCB Annual Report