KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF HUMANITIES AND SOCIAL SCIENCE

SCHOOL OF BUSINESS

EMPIRICAL ANALYSIS OF THE DETERMINANTS OF CORPORATE GOVERNANCE QUALITY IN A GHANA

BY

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A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE, SCHOOL OF BUSINESS, KWAME NKRUMAH UNIVERSITYOF SCIENCE AND TECHNOLOGY IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THEAWARD OF THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION IN FINANCE

SEPTMBER 2020

DECLARATION

I hereby declare that this submission is my own work towards the award of the Master of Business Administration in Finance 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

To God be the glory, great things He has done. He hath made everything beautiful in his time: also he hath set the world in their heart, so that no man can find out the work that God maketh from the beginning to the end (Ecclesiastes 3:11, KJV).

This piece of work is wholly dedicated to the God of Abraham, Isaac and Jacob.

ACKNOWLEDGEMENT

I am most grateful to the Almighty God for His protection and guidance throughout the programme and seeing me to a successful end. My sincere gratitude goes to Dr. Godfred Aawaar my supervisor for his dedication, mentorship, support and supervisory role in making this work a reality. I'm grateful to my family; Yaa Acheampomaah, Owoahene Kojo Acheampong, Kenneth Forkuo-Mensah, Annabelle Adjei Acheampong, Tonny Adu Asare, Mavis Adu Asare, Abigail Nti-Kwakye, Evans Atta Owusu, Winnifred Adjei Konadu, Sandra Amankwah, Tuffour Atta Snr and Tuffour Atta Jnr, Michael Osei Bonsu, Ruth Amankwah, Justice Amankwah, Emmanuella Amankwah, Emmanuel Addai, Kofi Agyemang and Klinsman Omane Bonsu. And to the wonderful family I have at Calvary Believers Church International; His Lordship Bishop Dr Julius Owusu Ansah for his prayers, guidance, advice and motivation, The Resident Pastor, Bishop Owusu Ansah Jnr, and Prince Michael Owusu Ansah, Pastor Kofi Agyekum, Mrs. Patricia Boampong, Mr Godwin Atsu, Princess Diana Atsu (Mrs.), Robert Gyamfi and Eric Boakye. Special thanks to Olivia Mawunyo Timpo (Mrs Baidoo) for your tremendous support, Gideon Abbey and Antoinette Benewaa Gabrah. I say I love you all

ABSTRACT

Recently, issues of corporate governance quality have gained increased attention globally and domestically. Nevertheless, there are limited studies that examine the influence of firm-specific characteristics, country level characteristics and institutional characteristics together as determinants of quality corporate governance. Therefore, purpose of the study is to examine the determinants of quality corporate governance. The study made use of already existing secondary data collected from annual reports and other reports obtained from Ghana Governance Compliance code and the World Bank. The study covered an-eight-year period from 2013 to 2019. It covered non-financial listed companies in Ghana. It also used primary data and questionnaire as a data collection instrument. The study found that there is positive relationship between Leverage, Return on asset and corporate governance quality. The study further found that there is positive influence of Inflation, Foreign direct investment, Regulatory Quality, Voice and accountability and quality of corporate governance. The study also concludes that there is a negative impact between Gross Domestic Product, Corruption, Government effectiveness, Political stability, Rule of Law and quality of corporate governance. The study also concludes that there is positive relationship between Return on asset, Leverage, Size, Board

of directors, Remuneration committee, Ownership and compensation and quality of corporate governance. The study recommends that further studies should examine in detail, the structure of board of directors specifically, the degree to which the chairman is independent of management, the composition of audit, remuneration and nomination committees.

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BODs	Board of Directors
RenCom	Remuneration Commission
OwnEx	Ownership and Executive Compensation
QCG	Quality of Corporate Governance
CoC	Corruption
GovEff	Government Effectiveness
PA	Political and Absence of Violence
RQ	Regulatory Quality
RL	Rule of Law
VA	Voice and Accountability
GDP	Gross Domestic Product
Inf	Inflation
FDI	Foreign Direct Investment
Lev	Leverage
ROA	Return on Asset
ROE	Return on Equity

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate governance has dominated policy agenda in both developed and developing economies for more than decades and this is due to its significant impact on firms and their operations (Crisostomo, Brandao and Lopez-Iturriaga, 2020; Almaskati, Bird and Lu, 2020). This trend continues to pave its way into the top agenda of the African continent in which Ghana is part. It is of essence to know that the Asian crisis and the relative poor performance of firms in the Sub-Saharan African countries make corporate governance mechanisms and its effective implementation a common issue in the development of debate (Ahern and Dittmar, 2012; Almaskati et al., 2020; Jain and Jamali, 2016). For instance, Palvia, Vahamaa and Vahamaa (2015) and Faccio, Marchica, and Mura (2016) claim corporate governance is gaining ground in most developing countries in that most firms are adopting sound corporate governance practices because of its ability to impact positively and significantly on sustainable growth of businesses and the economy as a whole.

According to Shrives and Brennan (2017), corporate governance quality is the mechanism for setting goals and objectives of the company and the means to achieving these goals and objectives. Nakpodia and Adegbitee (2018) opines that it is a system of directing and controlling firms to assure finance suppliers to firms of getting a return on their investment and further serves as checks and balance. The concept of corporate governance quality is firmly rooted in agency theory. However, this theory fails largely to explore the complexities of how institutional factors influence its implementation. Hence, institutional theory is drawn in to address such complexities. Iqbal, Nawaz and Ehnsan (2019) emphasize that good corporate governance is the fundamental building block of success for all businesses as it helps the attainment of both social and financial goals.

Scholars seems to suggest to a large extent that good corporate practices promotes goodwill and confidence in investors, stakeholders and the entire populace as well as boast the global image of such firms (McGuiness, Vieito and Wang, 2017; Hong, Li and Minor, 2016). Other scholars like Crisostomo et al. (2020) and Davies and Hopt (2013) argue that corporate governance quality increases the value of firms as well as the overall confidence of the institutions. It is vital to note that the corporate governance quality influences the business affairs of firms and their business prospects and accountability are managed with the objective of achieving value for shareholders and other interest of stakeholders (Berger, Kick and Schaeck, 2014).

Recent studies stress the importance of understanding and implementing corporate governance quality mechanisms (Al-ahdal, Alsamhi, Tabash and Farhan, 2020; Crisostomo, Brandao and Lopez-Iturriaga, 2020). They argue that these mechanisms may differ around the world and may require a rich view of national institutions. It is said that institutional and legal environment have significant influence on ensuring quality corporate governance hence, the motivation to research into specific countries' corporate governance mechanisms (Crisostomo, Brandao and Lopez-Iturriaga, 2020). This has seen several contributions made to literature in the area of quality corporate governance.

Nevertheless, most of such studies separately examine the factors that may influence the corporate governance quality both in developed and developing economies (Almaskati et al., 2020; Esquenda and O' Connor, 2020). Although, there are limited studies in this area in developing economies on combination of factors that influence corporate governance quality. For instance, Almaskati et al. (2020) recommended that future studies should examine both institutional and country-level factors in order to contribute significantly to the existing debate on the nature of relationships.

1.2 Statement of the Problem

Whilst several studies have been done on corporate governance and firm performance (Akbar, Poletti-Hughes, El-faitouri, Zulfiqar and Shah, 2019; Teplova and Sokolova, 2019; Rodrigues, Samagaio and Felico, 2019). Most of these firms concentrate on developed countries (Akbar et al., 2019; Teplova and Sokolova, 2019; Rodrigues et al., 2019). For instance, Akbar et al. (2019) examine the impact of corporate governance on financial performance in UK and reveals that corporate governance has an insignificant impact on firms' performance. Though, a few of such works concentrate on developing economies such as Turkey, MENA regions, India and Ghana (Al-ahdal, Alsamhi, Tabash and Farhan, 2020; Ciftci, Tatoglu, Wood, Demirbag and Zaim, 2019; Agyei-Boapeah, Ntim and Fosu, 2019; Agyei-Mensah, 2017). For instance, Al-ahdal et al. (2020) examine the impact of corporate governance on financial performance of

Indian and GCC Listed firms found that there is no significant impact between corporate governance and firm performance

These studies notwithstanding, few studies examined the factors influencing corporate governance quality (Crisostomo, Brandao and Lopez-Iturriaga, 2020; Jara, Lopez-Iturriaga, San-Martin and Saona, 2019; Arslan and Alqatan, 2020; Guo and Platikanov, 2019; Owusu, 2013; Bokpin, 2013). Most of these studies study firm- specific characteristics like firm size, capital structure, shareholder control and the role of institutions among others. For example, Crisostomo, Brandao and Lopez-Iturriaga (2020) analyses large shareholders' power and the quality of corporate governance using Brazilian firms as a sample and regression analysis as the analytical tool reports that ownership concentration was detrimental to the quality of corporate governance quality. The same research further concludes that the more voting rights the largest controlling shareholder holds and the less the incentive to implement better corporate governance system. From the review, none of these studies combine the influence of firm-specific characteristics, country level characteristics and institutional characteristics in looking at the factors that influence quality of corporate structure. Also, only a few of such studies are conducted in Ghana (Owusu, 2013; Bokpin, 2013) and these works span over the period of 2000-2009 using listed banks. Therefore, this study seeks to empirically analyze the determinants of corporate governance quality in a developing context like Ghana.

1.3 Objectives of the Study

The objective of this research is to empirically analyze the determinants of corporate governance quality in Ghana. The specific objectives are:

1. To examine firm specific factors that influence quality corporate governance in Ghana.
2. To investigate country-level or macroeconomic factors that influence quality corporate governance in Ghana.
3. To examine corporate governance and institutional factors that influence corporate governance quality in Ghana.

1.4 Research Questions

1. What are the firm specific factors that influence quality corporate governance in Ghana?
2. What are the country-level factors that influence quality corporate governance in Ghana?
3. What are the corporate governance and institutional factors that influence corporate governance quality in Ghana?

1.5 Significance of the Study

This research will help stakeholders like audit committee, board members, non-executive directors and institutional investors to recognize their contributions to institution. The study will inform shareholders to know their contribution towards the corporate governance quality. This research enhances firms' view on corporate governance and how it can affect its performance. The study will also allow firms to properly restructure their corporate governance so as to improve efficiency and effectiveness. This research will inform and educate the general public on the need of corporate governance quality in Ghana. The research will help policy makers make suitable policy recommendations about effective corporate governance mechanisms in Ghana. The study will serve as references for scholars in the area of corporate governance.

1.6 Scope of the Study

The study solely examines the determinants of corporate governance quality in Ghana. The study will use predominately secondary data from the audited financial statements. The study adopts a quantitative research approach in investigating the set objectives.

1.7 Summary Methodology

This study employs a cross-sectional, descriptive and explanatory research design. The research employs a quantitative research approach using a regression analysis as an analytical tool. The study depends largely on both primary and secondary data. It uses questionnaire as the main data collection instrument.

1.8 Limitations of the Study

The study is limited in terms of financial resources and time constraint. It will lack generalizability of findings except further investigations are conducted.

1.9 Organization of the Study

The study is organized into five chapters. Chapter one presents the background that comprises general knowledge linked to the subject matter. This chapter also provides objectives of the study, problem statement, research questions, research objectives and significance of the study as well as the scope and limitations of the study. A literature review is done in chapter two to cover relevant theories and concepts and empirical works that are important to the study. Chapter three presents the methodology that comprises method of data analysis, data source, target population as well as data collection tool. The results and discussions are presented in chapter four. Chapter five presents summary, conclusions and recommendations of the study, with suggested areas for further research are also presented in this chapter.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The purpose of the study is to empirically analyze the determinants of corporate governance quality in Ghana. The purpose of this chapter is to review literature that pertains to the determinants of corporate governance quality. This chapter is organized into four main sections namely, theoretical review, conceptual review, empirical review and lastly, conceptual framework. Conceptual literature review also looks at theories that apply in the area namely, agency theory and stakeholder theory. Section two focuses on the relevant concepts whilst section three looks at the empirical review on the determinants of corporate governance quality. Finally, section four concentrates on the conceptual framework of the study.

2.1 Conceptual Literature Review

2.1.1 Corporate Governance

Corporate Governance is a term that used by both professionally and in academic sense (Jara, López-Iturriaga, San-Martin and Saona, 2019). The concept lends itself well to the private and business world and has become relevant to issues regarding public affairs and the business of governments (Gulati, Katumuri and Kumar, 2020).

Despite the recent fluent and widespread use of the term, Latridis (2012) explains that it has no generally acceptable definition, due, perhaps, to the fact that the term cuts across disciplines. However, just as it has many uses, applications and with many concepts, it is increasingly difficult to present a generally acceptable definition of corporate governance. It means different things to different people depending on discipline and context. Nakpodia and Adegbite (2018) conceptualize corporate governance as a system for directing and controlling companies. The concept of corporate governance deeply situates in the framework of agency theory. However, from the international context, corporate governance is mainly formed by institutional factors (Arslan and Alqatan, 2020).

According to Da Silva (2019), corporate governance to the private and public institutions, including laws, regulations and accepted business practices which govern the relationship in a market economy between corporate managers and entrepreneurs, on one hand and those who invest resources in corporation on the other hand'. Again, Gulati, Kattumuri and Kumar (2020) view corporate governance as a set of mechanisms through which outside investors protect themselves from inside investors. The research further elaborates that the corporate governance involves a set of relationships between a company's management, its board, its shareholders, and other stakeholders. This concept is identifies a building block of success for microfinance institutions (Iqbal et al, 2019). According to Arslan and Alqatan (2020), corporate governance is based on principle based approaches. The study draws on institutional theory.

Liedong and Rajwani (2018) emphasized that it is important to note that corporate governance provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently (Rahman and Saima, 2018). Though, arguments by scholars like Teplova and Sokolova (2019) prove that achieving effective corporate governance may be impossible if not a failure in a weak or inefficient regulatory environment. Therefore, there is the need to institute a corporate governance framework to guide organizations to manage the conflict of interest that may arise.

Teplova and Sokolova (2019) also defined corporate governance as the use of incentives to motivate and secure management performance and efficiency in the organization. This can be by contracts, organizational designs and legislations. The research further observes corporate governance from the perspective of enhancing shareholders' wealth. The study further suggests that corporate governance comprises of a system of effective monitoring by the supplier of crucial inputs to ensure handsome returns on their investments in corporations. Studies like Marques, Ribeiro and Barboza (2018) acknowledged that good corporate governance practices have an important role in mitigating the agency conflicts in companies in that if effective, it provides better environment for decision making and other positive outcomes including debt issuances.

Other scholars such as Al-ahdal et al. (2020) showed that corporate governance is having legitimacy, accountability and competence in policy and delivery of services by simultaneously respecting the law and human rights. However, it is said that corporate governance may be good or bad, effective or ineffective depending on the features or quality values attached to it. The same study further concludes that there is a relationship between quality corporate governance and financial performance. Corporate governance exists solely to perform a monitoring role whereby shareholders appoint board of directors to monitoring the behaviour of self-serving managers (Esqueda and O'Connor, 2020). Naciti (2019) identified corporate governance as the function, structure and the role of a board of directors recognizing the ways in which companies are organized.

Contemporary discussions of corporate governance tend to refer to principles raised in three documents released since 1990: The Cadbury Report (UK, 1992), the Principles of Corporate Governance (OECD, 1998 and 2004), the Sarbanes-Oxley Act of 2002 (US, 2002). The Cadbury and OECD reports present general principals around which businesses are expected to operate to assure proper governance. The Sarbanes-Oxley Act, informally refers to as Sarbox or Sox, is an attempt by the federal government in the United States to legislate several of the principles recommended in the Cadbury and OECD reports (Cadbury, 2012). The principles of quality corporate governance is: Rights and equitable treatment of shareholders: Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They can help shareholders exercise their rights by openly and effectively communicating information and by encouraging shareholders to participate in general meetings. Also, with regards to interests of other stakeholders: Organizations should recognize that they have legal, contractual, social, and market driven obligations to non-shareholder stakeholders, including employees, investors, creditors, suppliers, local communities, customers, and policy makers.

Role and responsibilities of the board is also another principle of quality corporate governance. It states the board needs sufficient relevant skills and understanding to review and challenge management performance. It also needs adequate size and appropriate levels of independence and commitment. Integrity and ethical behaviour is another critical principle of quality corporate governance. Integrity should be a fundamental requirement in choosing corporate officers and board members. Organizations should develop a code of conduct for their directors and executives that promote ethical and responsible decision-making. Disclosure and transparency is the final principle of corporate governance. Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide stakeholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.

2.1.2 Historical Perspective of Corporate Governance

Modern firms evolves from a financing arrangement, whereby a group of people with similar interests acting as one body, embarks on a substantial trade expedition which could not be sponsored by a single individual due to the huge capital investment requirement. Some of these trade missions include the Dutch East India Company, the British East Indian Company and the Hudson's Bay Company (Morck and Steier, 2005). However, part of that process of evolution, witnesses' landmark developments that continue to have significant impacts on our perceptions and understandings about and the operation of the modern corporation. The Dutch East India Company issue that brought about stock market in which shares can be bought and sold is an example. Some shareholders have the view that the company should be dissolved because it has attained its set objectives but the appointed board successfully challenged it in court. The ability of shareholders to sell their holdings in the company rather than liquidating it ensured perpetuity for the firm.

Crowther and Jatana (2007) explained that some of these commercial endeavours are unsuccessful, for example the South Sea Company, speculation in whose stocks caused the famous South Sea Bubble in 1720. While these important developments are unfolding, it was becoming ever more important to understand the structure and operation of the firm. It was therefore not surprising that the work by Berle and Means (1932) enjoy huge acceptance. Their work provides substantial insight into the interactions within organizations. They suggest that there is a separation between the owners of businesses and their management and that this separation requires that there should be a formal contract and bond between the two parties. Their observations should have drawn attention to the issues of governance in organizations, but it is left to the works of Coase (1936), Jensen and Meckling (1976) and Fama (1980) on the possibility of conflicts of interest between the shareholders and management representing the Principals and the Agents respectively that launched discussions on Corporate Governance.

Even then, the term, corporate governance is not used in analyses as such. It is not until 1983 that it features as the title of a paper in Perspectives on Management (Earl, 1983). In 1984, the term appears as the title of a report to the American Law Institute and in the same year as a book title in the UK with the caption "Corporate Governance – Practices, Procedures and Powers in British Companies and Their Boards of Directors" by Tricker (2000). Discussions on corporate governance gain popularity due to the increase in high profile corporate collapse such as Enron, Tyco, Worldcom and

Lehman Brothers in the 21st century. The conflicts of interests in organizations, management recklessness and greed, corporate dishonesty and ethical breakdowns, weak internal control and poor risk assessments are some of the factors that cause corporate failures and have the herald of Corporate Governance discourse.

However, regulators have made attempts to address issues on corporations. Some of these are; the formulation of the Foreign and Corrupt Practices Act of 1977 which include specific provisions relating to establishing, maintaining and reviewing internal control mechanisms. The Treadway Report released in 1987 focuses on the necessity for a good control environment, independent audit committees and an objective internal audit function, among other things. Other reports such as the Hampel, Turnbull and Higgs report are combined and refined to become the UK Combined Code.

2.2 Theoretical Literature Review

2.2.1 Agency Theory

Chung and Wang (2014), suggest that managers may pursue their own benefits be engaging in opportunistic behaviours rather than maximizing shareholders' wealth. Agency theory states that the principals (shareholders) employ the agents (management) to perform some services on their behalf and normally delegate some decision-making authority. In large firms where there is a separation of ownership and management and no controlling shareholder, the principal agent issue arises. Al-ahdal et al. (2020) find the danger arises that, rather than overseeing management on behalf of shareholders, the board of directors may become insulated from shareholders and beholden to management. Much of agency theory is rooted in the work of Berle and Means (1932) who asserted that the separation between ownership and control of large corporations gives managers the opportunity to pursue their own selfish interests ahead of the interests of the owners.

An underpinning notion of the agency problem is that, there is a great tendency for human beings to be more passionate about satisfying their own ambitions and wants, and will not be willing to forfeit those personal desires for other peoples' interests (Saad, Haniff and Ali, 2020). Some of the agencies problems are the abuse of asset use and risk preference. Agents who control the company assets may abuse the use, divert the assets and manipulate transfer prices of assets. The differential risk preferences problem arises because the principal and managers have different views on risk taking. Shareholders are generally risk-averse, which is viewed as prudent and conservative.

Agency theorists recommend that corporate governance mechanisms are needed to reduce these agency conflicts and to align the interests of the agent with those of the principal. Al-ahdal et al. (2020) use this theory in examining firm specific factors that influence corporate governance.

2.2.2 Stakeholder Theory

According to Freeman (2010), stakeholders are a group of persons who have the potential to affect, or can be affected by, the activities of the company, in achieving the goals of the company. These groups have diverse interest in the organization. These stakeholder groups, including employees, clients, lenders and immediate community will have diverging opinions on what the objectives of the company should be. Literature stipulates that a corporate entity invariably seeks to provide a balance between the interests of its diverse stakeholders in order to ensure that each interest constituency receives some degree of satisfaction. The performance of a firm should not be measured only by gains to its stakeholders but other issues such as flow of information, interpersonal relations and working environment.

Critics to stakeholder theory point at the problem of identifying who the genuine stakeholders of a company are. Rodriguez, Ricart and

Sánchez (2002) classify them as consubstantial, contractual and contextual stakeholders. Consubstantial stakeholders are the stakeholders that are essential for the business's existence (shareholders and investors, strategic partners, employees). Contractual stakeholders have some kind of a formal contract with the business (financial institutions, suppliers and subcontractors, customers). Contextual stakeholders are representatives of the social and natural systems in which the business operates and play a fundamental role in obtaining business credibility and, ultimately, the acceptance of their activities.

Smallman (2004) asserted that an endeavour to meet all stakeholders' needs may be an avenue for corruption, as it may only be a means to channel the wealth which is due the investors elsewhere. To avoid these representatives are to act in the interest of their respective groups; hence corporate governance is improved as the board converges to meet the needs of all stakeholders, including the primary objective of maximizing shareholders' wealth. It assumes that proponents of the stakeholder perspective of Corporate Governance expect a higher moral level from businesses. Often, they envisage a broader level of objectives for business that encompass efficient utilization of corporate resources and protection of the interests of all stakeholders of the enterprise (Berkhout, 2005). This theory is employed because scholars Crisostomo et al. (2020) and Arora and Sharma (2016) used the same theory in investigating the same objective in their study and indicated that stakeholder theory is the best theory that will explain the influence of institutional factors on the quality of corporate governance.

2.3 Empirical Review

2.3.1 Corporate Governance Factors

Razzaque, Ali and Mather (2020) use descriptive statistics and correlation in investigating corporate governance reform and family firms in emerging economy conclude that board independence is said to be crucial to ensuring quality in corporate governance. The research found that the effectiveness of independent directors in firms significantly improves quality corporate governance. Empirical evidence seeks to suggest that the question with non-executive directors is with independence (Crisostomo et al, 2020; Arora and Sharma, 2016). For instance, Arora and Sharma (2016) concluded that there is always the question of independence when it comes to non-directors, board size and performance of firms. Although, non-executive directors are responsible for boardroom dynamics and has to be multi-competent in response to the various challenges of the board.

The role of board of directors is critical in corporate governance and works like Crisostomo et al. (2020) noted that the proportion of non-executive directors relates to the quality of corporate governance. This is because non-executive directors have a greater degree of involvement in the monitoring of management, the setting of executive remuneration, the appointment and removal of executives and succession planning. Naciti (2019) examined the corporate governance and board composition base on corporate governance characteristics namely; board diversity, board independence and CEO duality conclude that firms with more diversity on the board and separation between chair and CEO roles have higher sustainability performance. The study links the presence of independent directors to be a critical corporate governance mechanism leading to better supervision of board effectiveness. The same research reports that a higher number of independent directors lead to improved performance.

Polovina and Peasnell (2020) analyzed better corporate governance practices in UK and further recommend that further studies should examine in detail, the structure of board of directors specifically, the degree to which the chairman is independent of management, the composition of audit, remuneration and nomination committees. Munisi, Hermes and Randøy (2014) examined the relationship between board structure and ownership structure for firms listed on the stock exchange of 12 Sub-Saharan African countries using data for the period 2006-2009 and OLS regression, and found that both board and ownership structure are both corporate governance mechanisms that used as substitutes to one another in reducing agency problems.

The audit committee's role is to oversee the financial workings of business and to act as a mediator between a company's management and its external auditors. Empirical evidence supports the fact that the primary purpose of a company's audit committee is to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. The audit committee plays a major role in corporate governance regarding the organization's direction, control, and accountability. For instance, Aldamen, Ducan, Kelly, McNamara and Nagel (2012) further concluded that audit committees are associated with a reduced incidence of errors, irregularities and other indicators of unreliable financial reporting. The research states that the presence of audit committee is associated with financial performance. This demonstrates that the importance of audit committee cannot be overemphasized.

Al-Matari, Al-Swidi, Fadzil and Al-Matari (2012) concluded that audit committees are associated with earnings quality. This clearly shows that audit committees influence the earnings quality of a firm and that there is the need for more effective audit committee performance as it serves as a means of enhancing external auditor independencies. The study avers that the presence of audit committee leads to independence in financial reporting. The study postulated that audit committee helps improve the effectiveness of audit and ensures the independence on corporate fraud. This review shows that the presence of audit committee affects financial reporting of firms.

A similar study examines board compensation and ownership structure in Europe base on regression analysis and cross-country evidence proved that there is a relationship among corporate ownership, the level of board compensation and firm's future performance with listed companies. The research adds that board compensation and ownership influences the quality of corporate governance (Barontini and Bozzi, 2018). Also, Ermel and Do Monte (2018) examined executive compensation as an agency problem finds that the type of owner affects the relationship between compensation and performance. This shows that there is an association between ownership and the level of compensation. The results of the study concluded that executive compensation and ownership structure are factors that influence corporate governance. In the same vein, Cheng et al. (2015) explored executive compensation in family firms using a family firms in China also conclude that ownership of firms and executive compensation are key ingredients to quality corporate governance. This study employed multiple regression and descriptive statistics in the context of Chinese stock exchange. This study samples non-financial companies listed on the Chinese stock exchange during the period, 2002-2008.

From, the Ghanaian perspective, authors such as Adjei-Mensah, Amidu and Abor (2015) analyzed the effects of executive compensation and ownership structure on the loan quality of banks using panel data on 26 Ghanaian banks over the period, 2003-2011 found that executive compensation had no significant effect on loan monitoring. The same study uses executive compensation as a corporate governance mechanism. In addition, Amewu and Alagidede (2019) in their study, seek to examine executive compensation and firm risk after successful mergers and acquisition in Africa conclude that rewarding executives with cash compensation reduces the total post-merger, risk of acquirers. Executive compensation is examined as a corporate governance mechanism.

Scholars like Perryman, Fernando and Tripathy (2016) studying the relationship between executive compensation; firm performance and risk finds executive compensation relates to both risk and performance. The same study proved that there is a positive relationship between executive compensation and performance, and this affects international cross listing using a multiple regression analysis. The study measures executive compensation as a construct of corporate governance. A study by Harvey, Maclean and Price (2020) based on theoretical argument found that in the disclosure of executive remuneration is not an effective instrument of corporate governance.

Faradisi and Setyaningrum (2017) find corporate governance contributes significantly to financial performance. They measure corporate governance with board size, board effectiveness and audit committee and firm performance is measured with Tobin's Q and ROA and ROE. This shows that there is a relationship between corporate governance and firm performance. Onyali and Okerekeoti (2018) in their study conclude that corporate governance measure with board size, board independence, audit committee have a link with performance of firms particularly in emerging markets. Some scholars like Peni and Vähämaa (2012) using data on large publicly traded US banks claim that stronger corporate governance mechanisms improve bank performance in that it leads to higher profitability. This reveals that there is a relationship between corporate governance and firm performance.

Zagorchev and Gao (2015) in a similar study asserted that better corporate governance is negatively related to excessive risk taking and positively related to the performance of financial institutions. The same study reported that financial institutions record higher profits in that there is a higher provision for reserves for loan or asset loans and they use Tobins Q in measuring the constructs. In focusing on the association between corporate governance and firm performance, Bano, Tahir, Abbas and Ansari (2018) discovered that corporate governance measured with auditors' reputation, audit committee and board size is negatively connected with firm performance (measured with ROA). This review shows that there are mixed results on the relationship between corporate governance and firm performance.

Vig and Datta (2018) discovers that good corporate governance creates good relationship among board members, managers, stockholders and stakeholders which leads to improved relationship partners and this enhances the performance of the firm. This suggests that there is a correlation between corporate governance and firm performance despite the industries firms may find themselves. In addition, attempts by Nawaz and Ahmad (2017) in finding the relationship between corporate governance and firm performance using the petroleum sector in Pakistan reveals that corporate governance affect the firms' performance.

Notably, a similar study also affirmed this by stating that corporate governance defined by a set of variables, a dual role of CEO, board's size and others impact on firm performance (Vo and Nguyen, 2017). Again, Vu and Nguyen (2017) also discovered that there is a relationship between corporate governance and financial performance using listed Singaporean firms from 2013 and 2016. This proves that corporate governance contributes to firm performance. In the same vein, Garg and Singh (2017) explored corporate governance and firm performance using Indian companies in a similar study concluded that there is a relationship between corporate governance and financial performance using ROA, ROE and earnings per share as performance measures.

Sathyamoorthi, Baliyan, Dzimiri and Wally-Dima (2017) in analyzing the impact of corporate governance on financial performance conclude that corporate governance has a significant impact on financial performance of the firm. The same study reveals that corporate governance has a negative impact on ROA. Darweesh (2015) investigated the association between corporate governance, financial performance and market value also emphasized that corporate governance play a significant role in financial market stability and economic development and that there is a relationship between corporate governance, financial performance and market value. Alabdullah, Yahya, Nor and Majeed (2016) investigated corporate governance from a new perspective specifically, the financial performance of companies and the impact of executive turnover conclude that there is a relationship between corporate governance and financial performance. This portrays that there is a correlation between corporate governance and performance of firms.

In the same regard, Iqbal et al. (2019) studied corporate governance and financial performance from Asia postulates that better corporate governance practices lead to an improved performance of the firm. The research used panel dataset based on 173 microfinance institutions in 18 Asian countries for the period 2007-2011. The research measured corporate governance based on measures on board size and composition, CEO characteristics and ownership type. The same study reports that good governance practices lead to improved profitability and sustainability of microfinance institutions. These studies provided empirical evidence that better corporate governance mechanism improves the performance of firms. This assertion has been affirmed in other studies like Bhatt and Bhatt (2017) examined corporate governance and financial performance in Malaysia and Allam (2018) investigated the impact of board characteristics and ownership identity on agency costs and firm performance argued that corporate governance influences firm performance positively and significantly.

2.3.2 Country Level and Institutional Factors

Chen, Chen and Wei (2009) examined the effect of firm level corporate governance on the cost of equity capital in emerging markets and how the effect is influenced by country level legal protection of investors based on a regression analysis and primary data. The study recognizes that firm level corporate governance has a significantly negative effect on the cost of equity capital in theses markets. They argued that in emerging markets, firm level corporate governance and country level shareholder protection seem to be substitutes for each other in reducing the cost of equity. They conclude that institutional investors are willing to pay a higher premium for shares in firms with good corporate governance, especially when the firms are in countries where legal protection of investors is weak. The research measures country level factors such as legal protection of investors.

Gupta, Krishnamuri and Tourani-Rad (2018) studied financial development, corporate governance and cost of equity using CPA and regression analysis and a sample of 7380 firms from 22 countries found that legal origin that is legal protection of shareholders as well as legal institutions in the country influence the quality of corporate governance. The study asserted that legal origin, regulation and investor protection is key. The same study reported that the quality of protection available to minority shareholders in a country is strongly related to the legal origin of the country. The study further uses firm level factors such as firm size, book to market, inflation, price momentum; analyst forecast error, liquidity and free float as control variables.

Gaganis, Lozano-Vivas, Papadimitri and Pasiouras (2020) explored on macro prudential policies, corporate governance and bank risk from a cross-country using a sample of 356 banks from 50 countries over the period 2002-2017 uses country level macroeconomic conditions like annual growth of gross domestic product and inflation rate. The study concludes that corporate governance has a negative impact on firm stability when only a few macro prudential policies are in place. Other studies such as Ijtsma et al. (2017) in their study admitted that country level factors such as political and legal environment with institutional factors such as rule of law, regulatory quality and the absence of corruption influences quality corporate governance.

Almaskati, Bird and Lu (2020) examined corporate governance, institutions, markets and social factors use accounting and market data from 2010 to 2017 found evidence of a positive relationship between firm level governance and firm returns and value for firms with high financing needs which operate in countries with high financial development. The study measures country level factors include rule of law, freedom of media, competition and market conditions, social norms and cultural characteristics. Polovina and Peasnell (2020) analyzed better corporate governance practices in UK and further measure country level factors to include quality of investor protection. The study recommended that further studies should examine in detail, the structure of board of directors specifically, the degree to which the chairman is independent of management, the composition of audit, remuneration and nomination committees.

Jacoby, Liu, Wang, Wu and Zhang (2019) using a sample of 4195 observations from 19 emerging markets investigate corporate governance, external control and environmental information transparency conclude that firms with stronger corporate governance mechanisms tend to adopt an external control strategy to reduce owner manager agency conflicts. The study admits that internal corporate governance mechanisms are found to directly increase firm transparency concerning environmental damage and to indirectly do so through external controls. They argued that both the legal and business environments of countries within which the firms operate moderate such a relationship. Jara et al. (2019) using a sample of 595 firms listed in the capital markets of Latin America for the period of 2000-2015 proved that the legal framework attenuates the impact of the balance of ownership. The result shows that institutional settings characterized by weak investor protection and possible conflicts of interest among shareholders, oversight by multiple large and non-related shareholders become a critical corporate governance mechanism.

Arslan and Alqatan (2020) used a qualitative research approach in investigating institutional factors that influence good corporate governance and found eight institutional determinants of good corporate governance practices namely, auditing, political, legal, board, shareholders awareness, voting, culture and values in Pakistan. The research concludes that political influence and invulnerability influence corporate governance among listed firms. Again, the study reports that high corruption and corporate culture largely influence quality of corporate governance. The same research argued that such literature is limited in developing countries since it has weak institutions. They measure political factor with three items namely, the political system, political influence and corruption whilst culture is measured with institutional culture and organizational culture. On the other hand, voting is measured with AGM participants and auditing was measured with auditor independence, audit committee and risk management.

2.4 Hypothesis Formulation

The following hypothesis is formulated based on the empirical review:

H_{01}: Firm specific factors influence quality of quality corporate governance

H_{A1}: Firm specific factors do not influence quality corporate governance

H_{02}: Country level factors influence quality of quality corporate governance

H_{A2}: Country level factors do not influence quality corporate governance

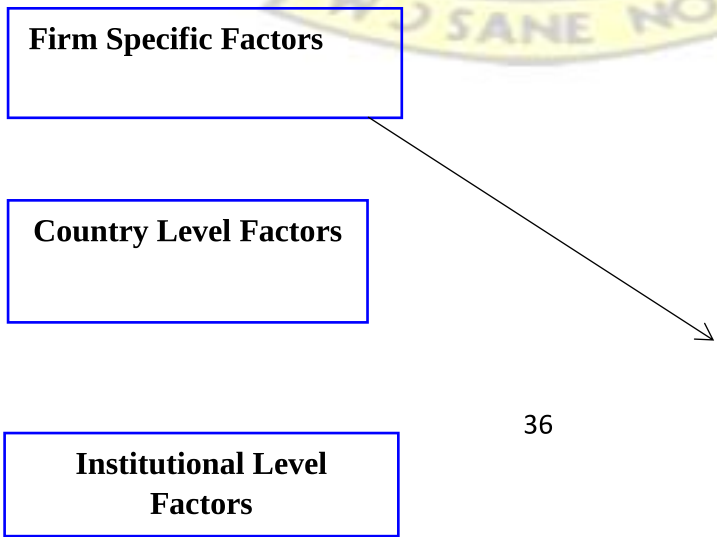
H_{02}: Institutional level factors influence quality of quality corporate governance

H_{A3}: Institutional level factors do not influence quality corporate governance

2.5 Conceptual Framework

This section focuses on the conceptual framework of the study and it is depicted in Figure 2.1.

Independent Variables **Dependent Variable**



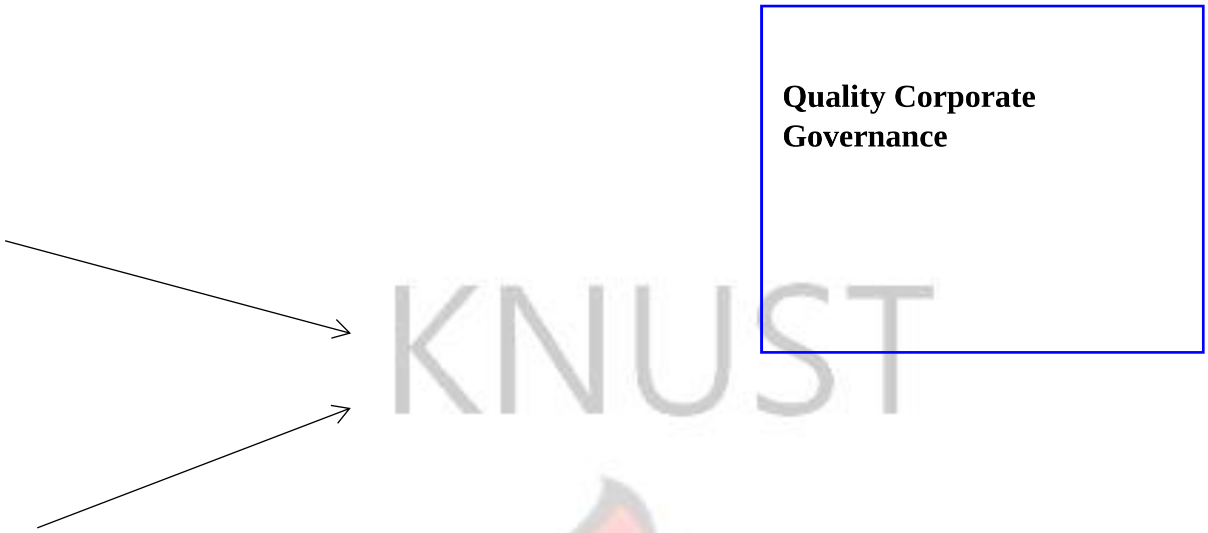


Figure 2.1: Conceptual Framework of the Study

Source: Adapted from Almaskati et al. (2020)

From the review, the researcher conceptualized that firm specific factors, country level factors or macro economic factors and corporate governance factors or institutional factors influence quality corporate governance. The independent variables are firm specific factors, country level factors and institutional level factors whilst Quality corporate governance is the dependent variable.

2.6 Summary of Chapter

From the literature review, it can be realized that agency theory and stakeholder theory offer the theoretical framework on the empirical analysis of factors; firm specific factors, institutional level factors and the country level factors and quality corporate governance. These theories help in understanding the factors that influence quality corporate governance. Again, the review specifically with the empirical evidence in the area of factors that influence quality corporate governance offer a more broad results indicating both consistent and inconsistent results. Though, several studies have been conducted in the area of quality corporate governance in general particularly in the developed economies, there is still more to be explored by researchers in the context of previous empirical works.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The purpose of the study is to examine the determinants of quality corporate governance. The chapter focuses on the methodology used and this covers issues like research design, data, methodologies, model specification, diagnostic testing, variables description and measurement.

3.1 Research Design

The research design is a framework within which business research is conducted (Malhotra, 2007). It serves as the basic plan for collecting and analyzing data. The study adopted a descriptive survey and explanatory research design and a quantitative research approach in finding answers to the set objectives. Research approaches or methods are categorized into two main groups namely, positivist methods and interpretive methods. Positivist methods include experiments and survey research, which are aimed at theory or hypothesis testing. It employs deductive approach to research, starting with theory and testing theoretical views using empirical data. It uses predominately quantitative data (Bhattacherjee, 2012). On the other hand, interpretive methods like action research and ethnography are aimed at theory building. It uses inductive approach that starts with data and tried to formulate a theory about a phenomenon of interest. It relies on qualitative data but may sometimes use quantitative data (Bhattacherjee, 2012).

The study may be described as exploratory, explanatory and descriptive in nature. The study employed descriptive and explanatory research design because descriptive study design is used to measure the attitudes, beliefs, values and practices of the participants as they pertain to the set objectives and questions. Descriptive study helps to describe phenomena in their natural settings. However, explanatory research helps to study the causal effect relationship between variables (Bhattacherjee, 2012. These two research designs were chosen because the study intends to describe the phenomena in its natural settings as well as find the cause-effect relationship. This research design was selected because Crisostomo et al. (2020) and Almaskati et al. (2020) used the same research design in examining the determinants of quality corporate governance. Almaskati et al. (2020) elaborated that this research design is the most appropriate design for such a study.

3.2 Data

The study relied extensively on both primary and secondary data. Primary data is the original source of data and are collected first hand by the researcher for a specific research purpose (Salkind, 2010) whilst the secondary data is second hand data that is data that was collected for different purpose either than its current uses. The study alike previous works adopts two main approaches. The first approach is based on the voluntary fulfillment of good corporate governance practices as complied in many corporate governance codes. These practices relate to governance factors like board size and composition, among others. On the other hand, the second approach used corporate governance index consisting of several corporate governance practices which provides a more comprehensive view of quality of the firm's corporate system as a whole covering indices such as shareholder rights, the procedures and structure of the board, the disclosure guidelines or the characteristics of the ownership structure (Claessens and Yurtoglu, 2013; Crisostomo et al., 2020).

This study adopts these two approaches adopted by Claessens and Yurtoglu, (2013), Crisostomo et al. (2020) and Almaskati et al. (2020) by using corporate governance code used in Ghana as well as corporate governance index. Again, data that comprise the information on the corporate governance practices, firm ownership, firm size, leverage and growth opportunities were also collected. This forms the firm level data. Also, data was sourced to construct country-level indices including rule of law, media freedom, social and cultural development and market competition from different public sources which were adapted from Almaskati et al. (2020) who examined country-level and institutional level factors.

Also, primary data was collected via a questionnaire. The questionnaire was adapted from Ali, Liu and Su (2018). The questionnaire has two main sections namely section A and B. Section A focused on the Corporate governance compliance code used in Ghana. This section requires respondents to state their level of agreement or disagreement with the various items on the code. On the other hand, the section B looked at the determinants of corporate governance quality. The study was collected both primary and secondary data between March and May, 2020.

3.3 Data Processing

The study uses both descriptive and inferential statistics. Therefore, the empirical analysis was divided into two stages. First, descriptive analysis is run. The descriptive statistics used include mean, standard deviation and frequency. This analysis shows the main characteristics of the sample and the basic relationships among corporate governance quality determinants. Second, an explanatory analysis was conducted to test the hypothesis specifically, inferential statistics include correlation and regression analysis was employed. The database used combines both time series and cross-sectional data hence, allowing the formation of panel data. Therefore, the explanatory analysis is based on panel data estimations. The researcher employed Microsoft Office Excel to collate and capture data, and when edited, classified and tabulated using Statistical procedures based on the Statistical Package for Social Sciences (SPSS) Statistical version 26.0. The data used time series with cross-sectional data to form panel data. The analysis was therefore based on panel data estimations. Two concerns that were addressed was heterogeneity. This was adapted from Crisostomo et al. (2020) and Almaskati et al. (2020) who sought to examine the factors that influence quality corporate governance.

3.4 Model Specification

General Equation

$$y = a + bx \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 1$$

The models test the hypothesis and first assess the influence of each of the factors on Quality of Corporate Governance. Further all the independent factors on the dependent variable, thus firm specific factors (FSF), country level factors (CLF) and institutional level factors (ILF) on the quality of corporate governance (QCG).

$QCG_{it} = \beta_0 + \beta_1 FSF_{it} + \mu_{it}$

……………………………………………….. 2

$QCG_{it} = \beta_0 + \beta_1 ILF_{it} + \beta_3 CLF_{it} + \mu_{it}$

……………………………………...3

$QCG_{it} = \beta_0 + \beta_1 FSF_{it} + \beta_3 CG_{it} + \mu_{it}$

……………………………………….4

Where subscript t refers to the time period and i refers to the firm. μ_{it} is the random error term. It is assumed be normally and independently distributed with zero mean and constant variance. QCG = Quality Corporate Governance is an indicator of good quality corporate governance for listed firm i in country j in year t whilst β_0 is the constant term that indicates the value of QCG if all the independent variables are equal to zero; β_1, β_2, β_3.

3.4.1 Diagnostic Testing

The mean variance inflation factor was used to measure the severity of multicollinearity in the regression. Also, The Hausman specification test is a model specification test that is used to determine whether the Random Effect Model or the Fixed Effect Model is most appropriate. The Hausman Specification test determines whether or not there are endogeneity in the predictor variables. That is whether or not the error terms are correlated with the predictor variable.

3.5 Variables Description and Measurement

3.5.1 Corporate Governance Variables

These variables cover board structure and policies, compensation and ownership and other anti-takeover provisions. The study adapts corporate governance thresholds used by Almaskati et al. (2020), which used 36 items to measure corporate governance. The study employed the corporate governance compliance code used in Ghana.

3.5.2 Firm Level Factors

3.5.2.1 Leverage

Leverage is the principal capital structure variable used in this study. This study measured leverage as simply debt to equity ratio (LEV) as measured by Ahmad et al. (2015) and Almaskati et al. (2020). This measure is found to be used in many studies when measuring firm level factors. Studies have documented that higher leverage levels reduce agency issues by reducing the amount of free cash available to managers and imposing more financial constraints on their daily operations. This ensures that there is a new layer of monitoring of manager's actions by creditors, hence, a determinant of the quality of corporate governance (Almaskati et al., 2020).

3.5.2.2 Size of firm

Total asset was used as a proxy for size of bank and the natural logarithm of total asset was computed. It was found to play an important role in determining the quality of corporate governance of the firm. This has been used by Almaskati et al. (2020) and Jara et al. (2019). A larger size of firm was expected to influence agency problems and helps the need to impose more corporate governance mechanism.

3.5.3 Country-Level Factors

3.5.3.1 Legal system and law enforcement

Globally, there are differences in the degree of law enforcement hence; previous studies have recognized the need to use the Rule of Law index as a measure for legal systems and law enforcement. This rule is published annually and it covers 100 countries and 44 rule of law categories. These categories are constraints on government powers, open government, absence of corruption, fundamental human rights, order and security, civil justice, regulatory enforcement and criminal justice. Studies such as La Portta et al., (1998) and Almaskati et al. (2020) used this measure in examining legal system and law enforcement when looking at country level measure of quality corporate governance. This study follows the same approach used by Almaskati et al. (2020) by classifying the legal system to bee either civil or common.

3.5.4 Social norms and Cultural Characteristics

This study collects data on social norms and cultural characteristics. This data was solicited from international organizations like IMF, UN and World Bank. These reports rates country's on their competitiveness based on 12 pillars namely, infrastructure, macro environment, health and primary education, higher education and training, goods market efficiency, labour market efficiency, financial market development, technologies readies, market size, business sophistication and innovation. This was adapted because previous studies like Almaskati et al. (2020) and Arslan and Alqatan (2020) used the same measure.

Table 3.1: Variables

Variables	Items	Source
Corporate governance index		Obtained from Ghana Governance Compliance code
Legal system and law enforcement		World Bank report
Social norms and Cultural characteristics		
Board of directors	3	Ali, et al. (2018) and Almaskati et al. (2020)
Remuneration committee	5	
Ownership and executive compensation	13	
Stockholder power		Annual report
Leverage		Annual report

Author's Construct (2020)

3.6 Summary of Chapter

This chapter focuses on the research methodology employed by the researcher in conducting this study. The study basically, employed a quantitative research approach with the use of both cross-sectional data and time series data. It relied on both primary and secondary data for its analysis.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

4.0 Introduction

The purpose of the study is to examine the determinants of quality corporate governance. The chapter focuses on the data analysis, data presentation and the discussion of the results.

4.1 Construct Validity and Reliability

Table 4.1: Cronbach's Alpha

Construct	**Cronbach's Alpha (α)**
Board of Directors (BODs)	0.703
Remuneration Committee (RenCom)	0.723
Ownership and Executive Compensation (OwnEx)	0.882
Quality of Corporate Governance (QCG)	0.745

Source: Fieldwork, 2020

As illustrated in table 4.1 above, the factor reliability for the Board of Directors (BODs), Remuneration Committee (RenCom), Ownership of Executive Committee (OwnEx) and Quality Corporate Governance (QCG) had Cronbach's Alpha greater than 0.7, thus the items in the construct are reliable for analysis (Hair et al., 2010).

4.2 Stationarity Test

Table 4.2: Unit Root

Variable	LR	
	Constant	**Trend +Constant**
AT LEVELS		
Corruption (CoC)	-0.8153	-3.5280 ***
Government Effectiveness (GovEff)	-1.5561*	-1.8058 **
Political Stabilities & Absence of Violence (PA)	2.5176	1.1321
Regulatory Quality (RQ)	2.5968	-0.4920
Rule of Law (RL)	0.0751	-3.4634 ***
Voice & Accountability (VA)	1.9084*	-7.7717***
GDP	-2.1812**	-5.8727***
Inflation (Inf)	-1.7541**	-5.6299***
Foreign Direct Investment (FDI)	-2.4045*	-13.4076**
Leverage (Lev)	-3.9543***	-10.4891***
ROA	-6.8753 ***	-7.2474 ***
FIRST DIFFERENTIAL		
Corruption (CoC)	-0.7525	-3.7874***
Government Effectiveness (GovEff)	-1.5332**	-1.6783**
Political Stabilities & Absence of Violence (PA)	1.0201	-1.3339 *

Regulatory Quality (RQ)	2.8197	-0.6582*
Rule of Law (RL)	0.0560	-3.9945***
Voice & Accountability (VA)	2.0300	-8.8897***
GDP	-0.9947	-13.0994***
Inflation (Inf)	-1.2102	--5.8808***
Foreign Direct Investment (FDI)	-3.2943**	-10.5047***
Leverage (Lev)	0.0564	-12.1930***
ROA	1.0832	-1.8526**

Source: Fieldwork, 2020.

From table 4.2 above using Liven-Lin-Chu test, Political Stability & Absence of Violence and Regulatory Quality were not stationary at levels. Corruption, Rule of Law, Voice & Accountability, GDP, Inflation and leverage were stationary at 1% significant level whereas Government Effectiveness and foreign direct investment was stationary at 5 % significant level.

Further at first difference, all the variables were found to be statistically stationary at constant and trend. Corruption, Voice & Accountability, Rule of Law, Inflation Foreign Direct Investment, GDP and leverage were stationary at 1% significant level. Political Stability & Absence of Violence and regulatory quality were statistically stationary at 10% whereas return on asset and government effectiveness was statistically stationary at 5% significant level. Therefore, the null hypothesis of series not stationary (unit root) is rejected and the alternative hypothesis accepted that the series is stationary.

4.3 Descriptive Statistics

The statistical properties of the variables used to examine the determinants of quality corporate governance are presented in Table 4.3. It basically shows the measures of central tendencies and dispersions of the dataset.

Table 4.3: Descriptive Statistics

Variable	**Mean**	**Std Div.**	**Min**	**Max**	**Skewness**
ROA	0.0230	0.1488	-0.35	0.66	1.106
BODs	3.7063	0.8497	1.67	5.00	-0.409
RenCom	3.6000	0.0922	1.20	4.60	-1.821
OwnEx	1.2067	0.1687	0.73	1.49	-0.749
QCG	13.666	3.213	6.00	18.0	-0.327

	7	3		0	
GDP	1.8911	3.7087	-9.54	11.32	-0.891
Lev	0.6110	0.0401	0.00	1.43	0.907
CoC	52.4966	3.4094	43.90	59.33	-0.527
GovEff	48.9678	4.7066	41.83	60.49	0.548
PS	52.8319	7.8635	40.95	66.02	-0.053
RQ	50.5655	4.6783	36.73	56.40	-1.354
RL	56.1459	4.6782	42.50	60.58	-1.762
VA	62.2630	4.0257	44.00	68.47	-1.547

Source: Fieldwork, 2020.

The table 4.3 gives details of each variable in terms of the mean, the dispersion from the means, measured by the standard deviation. From the result, the mean for ROA is 0.0230; standard deviation is 0.149 and a skewness of 1.106. Again, BODs recorded a mean of 3.71, standard deviation of 0.85 and skewness of -0.41. Also, RenCom recorded a mean of 3.60, standard deviation of 0.09 and skewness of -1.82 whilst OwnEx recorded a mean of 1.21 and a standard deviation of 0.17.

In addition, QCG recorded a mean value of 13.67, standard deviation of 3.21 whilst GDP recorded a mean value of 1.89 and a standard deviation of 3.71. Lev also recorded a mean value of 0.62 and a standard deviation whilst CoC also recorded a mean value of 52.49 and standard deviation of 3.41. Also, GovEff recorded a mean of 48.96 and a standard deviation of 4.70 whilst PS recorded a mean of 52.83 and 7.86. RQ recorded a mean of 50.56 and a standard deviation of 4.68 whilst RL recorded a mean of 56.15 and 4.68.

4.4 Hausman Specification Test

The decision to report findings of the study using estimates from the fixed effect model or random effect model should necessarily be guided by results. The result is presented in Table 4.4.

Table 4.4: Hausman Test Results

	Fe	**Re**
LGovEff	1.756007	1.752774
LRQ	1.497961	1.106157
LRL	-2.05455	-1.98923
LInf	0.284146	0.1269
LGDP	-0.3192	-0.38176
LFdi	0.158423	0.056669
LPS	-0.19416	0.044426
LVA	-0.11346	-0.29561

Prob Value 0.3570

Source: Fieldwork, 2020.

From table 4.3 above, since the p-value is statistically insignificant, therefore the use of random effect estimator to analyze the model.

4.5 Firm Specific Factors that Influence Quality Corporate Governance in Ghana

The first objective of the research seeks to examine the firm specific factors that influence quality corporate governance in Ghana. The result is presented in Table 4.5.

Table 4.5: Impact of firm specific factors on quality of corporate governance

QCG	Coefficient	Standard Error	T	Sig
Constant	2.345	1.012	2.316	0.021
Lev	0.235	0.120	1.964	0.083
ROA	0.097	0.059	1.646	0.126

Source: Fieldwork, 2020.

From table 4.5, it can be observed that there is a positive relationship between Lev and corporate governance quality with a coefficient of 0.235 and a t-value of 1.9664 at a significance level of 0.083. Also, there is also a positive impact of ROA on the corporate governance quality with a coefficient of 0.097 and t-value of 1.646 at a significance level of 0.126. The results confirm the assertion of authors like Almaskati et al. (2020) who concluded that leverage, size of firm and Return on asset as the determinants of the quality of corporate governance.

The findings are contrast to the findings of Waweru (2014) who examined the determinants of quality corporate governance and found that there is no significant relationship between leverage, firm size and quality of corporate governance. Harisa, Mohamad and Meutia (2019) added that there is a relationship between leverage, firm size and quality corporate governance.

4.6 Macroeconomic Variables and Institutional Factors that Influence Corporate Governance Quality in Ghana

The second objective of the study is to examine macroeconomic variables and institutional factors that influence corporate governance quality in Ghana. The result is presented in Table 4.6.

Table 4.6: Impact of institutional factors and macroeconomic variable on quality of corporate governance

CoCG	Coefficient	Standard	T	Sig

		Error		
Constant	42.598	13.125	3.246	0.001
GDP2010	-0.409	0.191	-2.144	0.032
Inf	0.040	0.018	2.261	0.097
Fdi	0.590	0.211	2.790	0.005
CoC	-0.305	0.220	-1.388	0.165
GovEff	-0.022	0.162	-0.134	0.893
PS	-0.127	0.049	-2.604	0.012
RQ	0.298	0.170	1.751	0.080
RL	-0.387	0.194	-1.990	0.047
VA	0.069	0.122	0.569	0.570

Source: Fieldwork, 2020.

From table 4.6, the result shows that there is a negative impact between GDP and quality of corporate governance with a coefficient of -0.409 and a t-value of -2.144 at a significance level of 0.032. This implies a significant and negative impact between GDP and quality of corporate governance. In addition, there is a positive and significant impact between inflation and quality of corporate governance with a recorded coefficient of 0.040 and t-value of 2.261 at a significance level of 0.097. Also, Foreign Direct Investment (FDI has a positive and significant impact on quality of corporate governance with a coefficient value of 0.590 and a t-value of 2.790 at a significance level of 0.005.

Corruption (CoC) has a negative impact on quality of corporate governance with a coefficient of -0.305 and t-value of -1.388 at a significance level of 0.165. GovEff was also identified to have negative impact on quality of corporate governance with a coefficient of -0.022 and t-value of -0.134 at a significance level of 0.893. Also, PS is said to have negative impact on quality of corporate governance with a coefficient of -0.127 and t-value of -2.604 at a significance level of 0.012. RQ has a positive impact on quality of corporate governance with a coefficient of 1.751 at a significance level of 0.080. RL also has a negative impact on quality of corporate governance with a coefficient of 0.047. Lastly, VA has a positive impact on quality of corporate governance with a coefficient of 0.069 and a t-value of 0.569 at a significance level of 0.570.

The results confirm the findings of studies like Gaganis et al. (2020) who concluded that there are macroeconomic variables like GDP, and inflation rate has a positive impact if these policies are substantial in nature. Gupta et al. (2018) further added that macroeconomic variables influence the quality of corporate governance. This results is in line with the findings of Ijtsma et al. (2017) also admitted that country level factors such as political and legal environment with institutional factors such as rule of law, regulatory quality and the absence of corruption influences quality corporate governance. Also, authors like Arslan and Alqatan (2020) high corruption and corporate culture largely influence quality of corporate governance.

4.7 Impact of Corporate Governance and Institutional Factors on Corporate Governance Quality

The third objective of the study is to examine the impact of corporate governance and institutional factors on corporate governance quality. The result is presented in Table 4.7.

Table 4.7: Impact of corporate governance and institutional factors on corporate governance quality

QCG	Coefficient	Standard Error	T	Sig
Constant	9.671	4.554	2.123	0.051
ROA	0.274	0.172	1.594	0.082
Lev	1.496	0.419	3.574	0.009
Size	0.523	0.575	0.910	0.363
BODs	0.170	0.074	2.299	0.090
RemC	0.086	0.075	1.154	0.091
OwnEC	0.062	0.050	1.231	0.276

Source: Fieldwork, 2020.

From table 4.7, there is a positive impact of ROA on quality corporate governance with coefficient of 9.671 and t-value of 2.123 at a significance of 0.051. Lev has a positive impact on quality corporate governance with coefficient of 0.274 and t-value of 1.594 at a significance of 0.082. Also, Size has a positive impact on quality corporate governance with coefficient of 0.523 and t-value of 0.910 at a significance level of 0.363. BODs has a positive impact on quality corporate governance with coefficient of 0.170 and t-value of 2.299 at a significance level of 0.090.

RemC has a positive impact on quality corporate governance with coefficient of 0.086 and t-value of 1.154 at a significance of 0.091. OwnEC has a positive impact on quality corporate governance with coefficient of 0.062 and t-value of 1.231 at a significance level of 0.276. These results affirm the findings of Almaskati et al. (2020) who claimed that there is of a positive relationship between firm level governance and firm returns and value for firms with high financing needs which operate in countries with high financial development. Also, this study further confirmed that the findings of the authors like Harvey et al. (2020) who concluded that executive compensation is a determinant of quality corporate governance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of the study is to examine the determinants of quality corporate governance. This chapter provides a summary of the findings discussed in the previous chapter, gives a conclusion on the entire study and finally gives appropriate recommendations based on the findings.

5.2 Summary of Findings

The study examined the determinants of quality corporate governance listed on the non-financial firms listed on Ghana stock exchange. The major findings of the study are presented below:

The study found that there is a positive relationship between Lev, ROA and corporate governance quality.

The study revealed positive impact between Inf, Fdi, RQ, VA and quality of corporate governance. The study established that negative impact between GDP, CoC, GovEff, PS, RL and quality of corporate governance.

The study reveals that positive impact of ROA, Lev, BODs, RemC, OwnEC on quality of corporate governance. The study found a positive insignificant effect of OwnEC, Size on quality of corporate governance. Again, the study reveals that ROA, Lev, BODs, RemC has a positive quality of corporate governance.

5.3 Conclusions

This research was undertaken with the singular purpose of examine the determinants of quality corporate governance. The study made use of already existing secondary data collected from annual reports and other reports obtained from Ghana Governance Compliance code and the World Bank. The study covered an-eight-year period from 2013 to 2019. It covered non-financial listed companies in Ghana.

The study concludes that there is positive relationship between Leverage, Return on asset and corporate governance quality. The study further concludes that there is positive influence of Inflation, Foreign direct investment, Regulatory Quality, Voice and accountability and quality of corporate governance. The study also concludes that there is a negative impact between Gross Domestic Product, Corruption, Government effectiveness, Political stability, Rule of Law and quality of corporate governance. The study also concludes that there is positive relationship between Return on asset, Leverage, Size, Board of directors, Remuneration committee, Ownership and compensation and quality of corporate governance.

5.4 Recommendations

Based on the major findings the study recommends the following:

The study recommends that further studies should examine in detail, the structure of board of directors specifically, the degree to which the chairman is independent of management, the composition of audit, remuneration and nomination committees. Also, conscious efforts must be made to improve quality corporate governance.

5.5 Suggestions for Future Studies

The study suggested further studies into a similar study employing larger sample size. Further studies should be conducted using both financial and non-listed financial listed firms as a sample. Similar studies could employ a qualitative research approach in investigating the same phenomenon. Further studies could be conducted using either mixed research approach based on the same research questions. Further studies could employ only secondary data for the analysis. Also, a cross-country analysis could be done to fill the gap. Furthermore, further studies may be conducted in other sectors apart from the non-financial sector. Also, a comparative study could be conducted in other developing economies like Ghana.

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QUESTIONNAIRE

I am a student of Kwame Nkrumah University of Science and Technology undertaking a research on the topic **"Determinants of Corporate Governance Quality**. I would be very grateful if you could take some time off to answer this questionnaire. I would like to assure you that whatever information is provided on this questionnaire would be treated with utmost confidentiality.

Section A: Corporate Governance Compliance Code in Ghana

Please indicate your agreement or disagreement with the following codes by ticking Yes or No.

	CORPORATE GOVERNANCE Compliance Code in Ghana	YES	NO
1	Does the Board perform succession planning for senior management (appointment, training, remuneration, replacement)		
2	Is the size of the Board 8 or more?		

3	Are procedures for appointments to the board formal and transparent?		
4	Are shareholders furnished with biographical details of all new directors?		
5	Do different people hold the position of chairman and CEO?		
6	Are board meetings held regularly and in a proper manner?		
7	Is there a process for assessing the effectiveness of the board, the committees and individual directors?		
8	Is there a balance of executive directors and Non-Executive Directors? (Balance means NEDs form between 40-80%)		
9	Are directors submitted for re-election at least once every three years?		
10	Are board meetings held regularly? (Regular will be at least 6 times in a year)		
11	Are terms of reference of committees clearly spelt out?		
12	Are committees and membership of each committee disclosed in the annual reports?		
13	Is there an Audit Committee?		
14	Is the majority of the audit committee composed of Non-Executive Directors?		
15	Do most of the members of the audit committee have a finance/accounting background or knowledge?		
16	Is the chairman of the audit committee a NED?		

17	Does the audit committee perform an annual review of the company's internal controls and report on same in the annual report?		
18	Does the company have a remunerations committee?		
19	Is the majority of Remunerations Committee composed of NEDs?		
20	Is the remunerations policy and report disclosed in annual report		
21	Do reports to shareholders include non-financial information such as employment, environmental issues, social responsibility		

Section B: Determinates of Corporate Governance Quality

Please state by tick strongly disagrees (1), disagree (2), uncertain (3), agree (4) and strongly agree (5) to the following statements as the factors that influence quality corporate governance.

Corporate Governance Quality	1	2	3	4	5
Board of Directors					
A board with the majority of independent directors					
An independent chairperson; and					
Met at least six times annually					
Remuneration committee					

Existence of audit committee					
With all the members, including the chair, independent					
With a chair, who is not also the chair of the main board					
With at least three members;					
That does not comprise the full board; and					
Ownership and Executive Compensation					
No interlocks exist among directors on the compensation committee					
Non-employees do not participate in company pension plans					
Directors receive all or a portion of their fees in stock					
Company does not provide any loans to executives for exercising options					
CEO compensation is linked to shareholder return					
The company's statures or by laws require that stock options are only granted with a vote at a shareholder meeting					
The company has a policy for performance-oriented compensation that attracts and retain the senior executives and board members					
The most recently granted stocks or options vest in a three year					

period at a minimum					
The company's shareholders have the right to vote on executive compensation					
The remuneration of management and directors is partly linked to objectives or targets which are more than two years forward looking					
All directors with more than one year of service own stock					
Officers' and directors' stock ownership is at least 1% but not over 30% of total shares outstanding					
Executives are subject to stock ownership guidelines					
Directors are subject to stock ownership guidelines					

Thank You!