KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

COLLEGE OF HUMANITIES AND SOCIAL SCIENCE

SCHOOL OF BUSINESS

THE EFFECT OF AUDIT COMMITTEE CHARACTERISTICS ON FINANCIAL PERFORMANCE - EVIDENCE FROM SELECTED LISTED NON-FINANCIAL COMPANIES ON THE GHANA STOCK EXCHANGE

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DECLARATION

I hereby declare that this submission is my own work toward the award of the Master of Science in Accounting and 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

I wish to dedicate this Research work to God Almighty, my lovely children, Benedict Atuak, Emmanuella Atuak and wife Victoria Nyamaa for the tenderly love, patience and understanding. Many thanks.

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ABSTRACT

The main objective of the study was to investigate the effect of audit committee characteristic on financial performances with a focus on Listed Ghanaian Non-financial companies. Specifically, the study focused on the trends of performance of listed non-financial companies on the GSE between 2013 to 2019and the relationship between committee characteristics and the performance of listed non-financial companies on the GSE using quantitative research design and annual data from listed Ghanaian Non-financial companies. Using EVIEW version 11 and OLS regression the study found that audit committee features and financial performance have undulating trends. The results further show that audit committee characteristic and financial performance takes a sharp upsurge direction in some years suggesting stability within that year. Again, the results suggest that have direct relationships with performance in the short while but these changes in the long while. The study found that, audit committee diversity as well as audit committee remuneration were significant determinants of performance. Also, inflation was a significant determinant of performance. However, audit committee meetings and audit committee size were insignificant determinant of non-financial listed companies' performance. This study recommends that there is the need to ensure fair gender distribution in the structure of governing board to man the affairs of the non-financial companies since the present study reveals that gender diversity is a determinant of a firm performance. Moreover, it is imperative to incorporate the frequency of the board meeting in its composition because of its influence on the performance. Finally, management should invest in innovation to facilitate the work of the audit committee.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate Governance has gained much interest in the across world particularly after numerous company scandals and the catastrophes of some bigger organizations around the world such as Commerce Bank (1991) Enron (2001), Adelphia (2002), and World Com (2002). Corporate Governance is very crucial for achieving operational effectiveness, transparency, adequacy and accuracy (Malkawi, 2018). Competition in current market has been very involving and tough and therefore ensuring effective CG would help firms achieve better performance (Chin et al., 2019).

The audit committee oversees the process of compiling the financial results of the company, one of the individual responsibilities and duties assigned by the board. The regular meetings of such committees with both the company's external auditors and internal financial managers aim to analyze the organization's financial statements, carry out internal audits and take on the audit procedure as well (Bhatt and Bhatt, 2017). The audit committee is responsible for examining the financial statements and related memos, the dialogue with the management and external auditors, the reports of the internal and external auditors, the supervision of their activities, and the holding of private meetings with them as well (Arora and Sharma, 2016).

According to Arora and Sharma (2016) a number of factors, including periodic meetings and the management of complex and secondary information, inhibits the effectiveness of an audit committee, which is why it should not be taken for granted. At the same time, top management is more aware of the company's operations and controls than the members of the audit committee.

An effective CG practice is capable of reducing operational errors, promote effectiveness, enhance transparency, facilitate business activities and also maximize overall profitability. Also, effective corporate management practices attract investors since it helps improve supply chain performance of the firm. Hence, intercontinental organizations in the world such as the International Corporate Governance Network (ICGN) and the Organization for Economic Cooperation and Development (OECD) have also developed internal guiding principles to help promote Corporate Governance (Grace, Vincent and Evans, 2018).

The OECD issued a guidance publication for better Corporate Governance titled “Principles of CG” in 1998 and reviewed it in 2004. The OECD issued a steering publication for improved CG titled “standards of Corporate Governance in 1998 and revised it in 2004. These principles are meant to help promote CG practices in order to enhance performance. Generally, Corporate Governance practices have significant impact on firm performance thus protect the interest of shareholders (Kılıç .and Kuzey, 2016).

As part of their responsibilities the board are to offer a good link between the firm and its environs and to secure its vital resource by enticing new investors and adequate resources. The adoption of Corporate Governance practices is capable of enhancing firm capabilities and abilities hence increasing overall performance. Per the agency theory, managers and shareholders go into conflict wherever the managers try to fulfil their interest either than the interest of the organization at large.

Managers are usually referred to as stewards since their main job is to fulfil the interest of the shareholders (Jensen & Meckling, 1976). According to literature, CG is an essential tool for promoting firm performance thus increasing operational effectiveness and growth (Daily, Dalton & Canella, 2003). Currently, most firms use Corporate Governance as the measures or tactics to achieve success. Claessens (2003) posit that CG influences firm overall performance by using dual major phases; creating new access to external financing through attracting new investments and budget which may additionally lead to active employment advent, better funding and greater increase. The second aspect is with the aid of lowering the cost of capital and is connected with advanced company valuation.

1.2 Problem Statement

An effective audit committee consists of competent and qualified members, having the power and resources to shield the interests of the stakeholders and ensuring the reliability of the published financial statements, internal controls and risk administration, through their supervisory efforts. 'Codes of best practices', stock exchange requirements, regulation and other procedures were planned to meet the goal of 'making audit committees more effective' (Chin et al., 2019).

The study is undertaken to address limitations emanating from previous studies. To start with, present study is considering a different time period which is between 2013 to 2019. Currently, there are only few studies conducted within this time period. The study seeks to fill in gap the time period and geographical location. In most cases available studies focused on multi-sector studies. Moreover, the results from the previous studies have been mixed and inconsistent. For instance, in more recent studies Malkawi (2018) and Chin et al. (2019) argue that when two or more sectors are studied together its affect the variability in the data and may subsequently affect the results.

Furthermore, Ashari and Krismiaji (2020) investigated the impact of the characteristics of audit committee which included scope, competence, independence and frequency of meeting on performance on finance and revealed that that four characteristics that is independence of audit committee, competence of audit committee, numeral of audit committee meeting has positive impact on the performance of finance. Besides, Wakaba (2014) established the impact of characteristics of audit committee and on performance of the firm and indicated that experience of audit committee, committee gender diversity, the size of the audit committee and number of the independence auditors has significant impact on the performance of the firm.

Audit members presence with experience will decease financial misreporting and improve quality monitoring. The main priority for firm is having an experienced audit committee member. There is the need to increase the independent auditor's proportion since the increase in their number and decease financial misreporting chance which leads to positive understanding by the investor. There is need for businesses to have audit committee that is not minor so that there is will be no absence of advice and if is not too large so that free rider that are inclined to follow the opinion of the member.

In the light of the above, there is the need to re-examine the relationship between audit committee features and financial performance from a single sector within the Ghanaian economy and at a unique time period (2013-2019). Moreover, this study will adopt only financial measure of performance e.g., return on assets (ROA). Therefore, the present study is conducted to fill the above gap by limiting the study to listed non-financial firms on the Ghana Stock Exchange (GSE) to reduce inter-industry heterogeneity.

1.3 Objectives of the Study

The general objective of the study is to determine the effect of audit committee characteristic on financial performances: Evidence from Listed Ghanaian Non-financial companies. Specifically, the study will focus on the following objectives.

1. To determine the trends of performance of listed non-financial companies on the GSE between 2013 to 2019
2. To determine the relationship between committee characteristics and the performance of listed non-financial companies on the GSE

1.4 Research Question

1. What are the trends of performance of listed non-financial companies on the GSE between 2013 to 2019?
2. What is the relationship between audit committee characteristics and the performance of listed non-financial companies on the GSE?

1.5 Justifications of the Study

This study is significant to different companies in relation to the relationship between board features and company financial performance. Researchers and academics would also benefit from the study concerning the knowledge about corporate governance. Shareholders of non -financial companies particularly manufacturing companies and allied corporations in Ghana and specifically the ones indexed at the GSE would also attract benefit from the study because it will present findings on the connection between board structure and company economic performance.

Currently, only a paucity of publications related to Corporate Governance practices on financial performance of non-financial firms exist. This study attempts to evaluate prevailing governance system of non-financial companies and compare it with degree of financial performance usage and practices among the non-financial companies.

Again, the study is also significant as it seeks to contribute to the knowledge base on the governance systems of non-financial companies in the country, which can serve as a reference material for both practitioners and students. Also, this study will broaden the perspective and academic horizons of the researcher particularly on corporate governance practices on financial performance of non-financial companies

1.6 Scope and Limitations of the Study

There are both geographical and contextual scopes of the study. Geographically, the study would be limited to listed non-financial companies in Ghana. Contextually, the study would be limited to determine the effect of audit committee characteristics on financial performances. Specifically, the study will assess the effects of regularity of audit meeting, audit committee size, audit committee compensation, Audit Committees diversity and the financial performance.

This study will consider the period between 2013 and 2019. This study would be also limited to the audit committee characteristics and financial performances among non-financial companies. Therefore, future studies should focus on other areas of corporate governance.

1.7 Overview of Methodology

The study would employ explanatory research design due to cause-and-effect relationships of the established objectives of the study. The target population for1the study comprised of non-financial companies in the Ghana. Overall, 10 non-financial companies would be selected. The inclusion criteria include; data availability and appropriateness. Purposive sampling technique would be used to select the non-financial companies.

The main data for this study was secondary data. These comprised of panel data from good standing non-financial companies in the Ghana Chapter from 2013 to 2019. Data would be analyzed using EVIEWS software and Microsoft Excel. In analyzing the data, means, standard deviations, maximum number, minimum number, correlations and pooled regressions were used.

1.8 Organization of the Study

The study will be structured in five (5) chapters as follows. Chapter one will discuss the introduction and background of the study and chapter two will focus on literature review and theoretical framework. Chapter three will be devoted to research methodology while chapter four will deal with data presentation, analysis as well as findings and discussions. The final chapter, which is chapter five, will deal with summary of findings, conclusions and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Chapter two which presents the review of related literature have been discussed and structured into conceptual review (audit committee, characteristics of audit committee "audit committee independence, audit committee scope, audit committee competency and frequency of audit committee meeting" and financial performance); the theories (agency theory and stewardship theory). The empirical review and conceptual framework have been captured as well in this chapter.

2.1 Theoretical Review

The theoretical framework is the structure that can hold or support a theory of a research study. The theoretical framework introduces and describes the theory that explains why the research problem under study exists. The theory of Agency and stewardship

2.1.1 The Agency Theory

The conflicts of interest were established among the managers and stakeholders by the separation of ownership and management in new firm (Kalbers et al., 1998) opined that in line with the conflict between the agent and the principal, the firms are tasked to apply some management initiatives to minimize agency cost and audit committee which is also seen as an information asymmetry.

In cases where agency costs are excessive to enhance the information glide quality form the principal to the agent, audit committee are basically applied as argued by Pincus & al (1989). Managers are motivated to make financial statement sufficiently to identify the return the firms generate as in line with the agency theory so as to make certain the audit committee is effective. The presence of the positive and important association among the existence of an audit committee and the quality and reliability of financial statement was giving by agency theory as argued by Beasley (1996) and Felo et al. (2003) and Mc Mullen (1996). The audit committee existence inside the board of directors is enough to make certain the reliability of financial statements as argued by the agency theory. The simple existence of the audit committee does not always mean the committee is vital in acting its unseen duties as per what Beasley concluded.

An agent can adopt accounting procedures and methods that give favourable accounting results and which may maximize their own wealth under compensation and reward incentive schemes. An audit committee is one way to reduce this incentive problem as effective audit committees enhance the quality and credibility of annual audited financial statements; assists the work of the board of directors, which is charged with safeguarding and advancing the interests of shareholders (Fama and Jensen 1983).

Prior research has concentrated on issues that are related to the voluntary formation, committee composition, and the benefits of audit committees. Bradbury (1990) document association between various corporate characteristics and the voluntary formation of audit committees in the U.S. and New Zealand, respectively.

2.1.2 Stewardship Theory

Donaldson and Davis 1989 introduce stewardship theory as a means of defining the relationship of manager-agent which is based on other behavioral premises. Stewardship theory is defined in the situation in which the objective of individual does not motivate mangers but they are rather motivated by the principal's goal, owners of a firm. Stewardship can be categorized in sociology and psychology.

This was design for researcher to observe the situation in which managers are motivated with their principals' interest, the stockholders (Donaldson and Davis 1991). The steward seeks to achieve an organization objective which will be beneficial to all the stockholders in the firm. The steward believes that his interest is associated with his mangers, he decreases his interest by ensuring that he maximizes and protects the wealth of a shareholder with great performance.

This creates an observation that effectiveness is gain from corporative and pro-organization of managers behavior is greater that the effectiveness that can be obtained from individualistic and personal behavior. While the theories of the agencies advocate leadership of independence board that discourages duality CEO roles, (Rhoades et al., 2001; Weir and Laing, 2001 Gillan, 2006), leadership of steward favors opposition of CEO role in which the executive steward chair the board (Peng, Zhang, and Li 2007, Donaldson and Davis, 1991; Ju and Zhao, 2009, Finkelstein and D 'Aveni). The stewardship theory suggested that corporate delegation controlled by holders to professional executives may be positive development toward managing the difficulty of the current firms. Having control allow executive to decrease goal of the firm. The theories of stewardship are not favoured in the practice of current firm governance where duality of the chief executive officer is frowned upon.

The stewardship theory requires of the Audit Committee to reflect on the new range of important responsibilities, and the key areas of recurring concerns, the emerging risks to comply with the new audit committee's oversight activities and addressing the key stakeholders concerns to strengthen the internal and external audit quality.

Therefore, the new audit committee stewardship framework has little to do with financial accounting issues but focuses on complex, subjective interpretations that cause vulnerability to a series of controversial global doctrines (Kirkpatrick, 2009).

2.2 Conceptual Review

2.2.1 Overview of Audit Committee

In line with the tasked aims, duties and purposes, there are changes or variations in the audit committee concepts. The sort or kind of committee which consists or contains non-executive directors in the firm or entity according to Al-Thuneibat, (2006) study is known as audit committee. Improving the quality of audit as well as questioning the board of directors is the main aim of creating or establishing the audit committee.

Audit committee can also see or explain as a set or chain of individual picked from the board of directors' participants with their sole or main duty which is bringing back or retaining the auditor's self-reliance. The duties of some qualities of the audit committee with regards to independence of the members of the committee, its size, and the degree of meeting conducted, whereas the committee member's knowledge and experience to supervise the character of the management was assessed in the research by Saleh et al. (2007).

The researcher's perceptions of the committee were in line or were associated with their explanations on audit committee. The main board's sub-committee which mainly consists of non-executive or self-reliant director whereas checking or supervising the activities of auditing is their role is known in the explanation of Collier (1992) and Cadbury Committee as audit committee.

A firm's committee of directors whose main or exact duty is to review or check in the annual financial statement before the board of directors has access to it or being delivered to them is the definition which the Canadian Institute of Chartered Accountants (1992) gave to audit committee. Normally, the function of the committee is to link or connect the board of directors and the auditor. Reviewing of selection of the auditor, general scope of the audit, outcomes of the audit, internal financial controls, and financial statistics for publication are some of the practices or activities of the committee.

Since the audit committee is to report on the assigned duties which the external auditors performed, it is very critical to a listed firm. Making sure that the nature and planning of audit were enough in their view, certifying and accounting that the bank's policies conforms to the statutory standard as well as the certified ethical activities, making sure that there is a consistent and effective supervision on the internal control system, making sure that sectors of whistle blowing which the external and independent third party operate is seen enough, and also making sure the reports of the external auditor's controls gets satisfactory reactions or answers form the management, are all the roles of the audit committee as asserted by the Company and Allied Matters Act (2014).

A committee which consists of non-executive and shareholder with their role of linking or connecting the board of directors and external auditors as well as the management is known as audit committee according to CAMA 1990. Modun, Ogwoke and Onyeanu, (2013) argued that, lately, in the scope or structure of the corporate governance, the mainly development or growth which is seen there is known as audit committee. Integrity, commitment, and a detailed knowledge on the activities of the firm are seen as the features or characteristic or qualities the committee members should have or possessed (Stewart and Munro, 2007). The total initiatives to manage or control a firm are hugely influenced by the audit committee composition as well as the way whereby they perform their governance and supervise their roles or duties.

In maintaining the organization's transparency level, audit committee is seen very essential. The audit committee members are also among the board of directors which their aim or role is to take or make approaches to enhance the organization's financial structure. Bhardwaj and Rao, (2015) also opined that, the audit committee would be ahead to make or take approaches en route to the enhancing of the organization's performance, if a real or true view of the financial statement is shown by the audit committee in the comportment of the CEO and the board of directors' members.

2.2.3 Audit Committee Characteristics

An audit committee must be composed of the right people with the right mindset and relevant expertise to be successful. While there is not a set size for an audit committee, it is typically made up of at least three people who should all, ideally, be independent (Bédard et al. 2004). Some of these Characteristics are discussed below:

Audit Committee Independence: Bédard et al. (2004) argued that, one of the main features or attributes which was seen in the current study is the audit committee independence and also making sure there is quality of financial information is the obligatory functions of the audit committee. To perform better monitoring duties, the independence of the board of directors should permit the members of the audit committee. The recommendation from the researches of De Vlaminck and Sarens, 2013; Sultana, Singh, and Van der Zahn, (2015) and Dinu & Nedelcu, 2015; Kallamu & Saat (2015) was that, the opportunistic character of managers is minimize, the quality and by minimizing fake in the reported information, a transparency of the firm's information is enhanced in the presence of the external members in the audit committee.

A person who does not have any vital private interest in the firm or organization is known as an independent. Giving out a fair evaluation and judgment as well as supervising the management properly are the roles of the independent audit committee. The firm's concerns and issues can be minimized by the independent directors (Erickson, Park, Reising and Shin, 2005). Also, it can be agreed that the concerns of the entities or firms can be minimize by the independence audit committee based on what the study by Erickson et al (2005) argued, which was, the concerns of the entities or firms can be minimize by the independence of the directors.

Moreover, there is an expectation as well as justification on the good associations among the performance of the organization and the audit committee independence. The independent director's percentage over the whole number of directors inside the audit committee is the measurement of the audit committee independence. Dinu and Nedelcu, (2015) asserted that, the word independent directors is mostly and always applied interchangeably with the word non-executive director, which is not appropriate or right since not all non-executive are independent. The picked strategy of the UK Cadbury Report was largely identical in that, and it is known as independent directors required to be merely independent of management and stay away from and practice or associations which might have an impact of their independent judgment.

Audit Committee Size: The amount or degree of audit committee in much research works evaluations and assessments is known or seen as the second audit committee characteristics. Because the few number of the member of the audit committee concentrates more to discuss the vital firm's financial concerns or problems, they may be effective to induce the performance in terms of finances. The significant bearing of audit committee size on the organization's financial performance was accounted in the study by Yah (2006).

The type of audit committee that has the potential to safeguard shareholder's interests and also make sure there is quality in the financial information is an audit committee with less or few individual or members. Aldamen et al. (2012) also argued that, the audit committee with a huge amount of individual do not have impact on the organization's financial performance since is not effective. Giving better supervision and enhancing the performance of the organization on one hand is as a result of the enhanced number of members. Also, ineffective or poor governance elsewhere or on the other hand was as a result of huge or large audit committee as according to some researchers seen it as controversial.

Moreover, there was an adverse association among multiple directorship, an independent audit committee chair and audit committee independence (Sharma et al., 2009). Furthermore, the excessive risk of financial misreporting is positively associated with Audit Committee size, institutional and administrative ownership, financial capability and independence of the board. At three audits committees should be created by the board, or in case of smaller firms, two audit committees should be created as in the assertions of the UK Corporate Governance Code.

Audit Committee Competency: Managing the quality of the financial information is a role or duty of audit committee whereas the potentials of the audit committee members in the sector of finance and accounting should be enough so as to carry out the role or duty. Also, it is vital to check the impact audit committee competence had on the organization's financial performance (Lee & Stone, 1997). (Yang & Krishnan, 2005) asserted that, the knowledge on accounting as well as enough potential is what the members of the audit committee have to possess.

So as to ensure the quality of profit and financial statements, there should be existence of accounting and finance potentials at least one member in the audit committee (McDaniel, Martin, and Maines, 2002). The existing study by (Kallamu & Saat, 2015; Velte, 2017) asserted that, the potentials of accounting and finance has an effect on the eminence of earnings and the accuracy of financial reporting. Where the organization's financial performance is enhanced by this situation (Dinu & Nedelcu, 2015).

Frequency of Audit Committee Meeting: A device which is used to discuss and solves the firm's concerns and issues is known as meeting. More concerns and issues can be solved or settle when there is more meeting conducted. The effectiveness of audit committee is determined by the regularity of audit committee meeting (Menon & Williams (1994). The probability of audit committee in meeting their aims or objectives is high in the case there is more meetings conducted (Bédard&Gendron (2010) and DeZoort, Hermanson, Archambeault, & Reed, 2002). Jensen and Meckling, (1976) opined that, the frequency of meeting is not important or essential for the firm when its benefits more than its costs as it was argued by the agency theory. The perfect degree or amount of audit committee meetings was not mentioned in past studies. Krismiaji, Aryani, and Suhardjanto, (2016) asserted that, an audit committee in Indonesia should at least in a year have four meetings. Beasley, Carcello, Hermanson, and Lapides, (2000) argued that, the financial performance of the organization, the quality of earnings and figuring out a capable deception is improved as a result of the frequency of meetings.

The active audit committees that always or usually meet will be more effective supervisory sector as it supposed. Also, active audit committees that do not always or usually meet will be less effective supervisory sector. The probability to supervise management is very low in an audit committee that does not always or usually meet. In UK, the Guide on Audit Committees issued by FRC suggested the AC meetings frequency whereas they did not meet less than three times in a year. Determining the meetings frequency and timing is the role of the chairman of the AC in collaboration with the secretary of the organization. Sharma et al. (2009) argued that, whereas many meetings and usual meetings were called by most of the chairman, even though the suggestion is to meet at least thrice annually.

The effectiveness can also be measured or gauged by the regularity of audit committee meetings. In Nigeria, the code of best practice (2003) suggestions was that, there should be not less than three meetings in a year done by the audit committee. The vital initiative for enhancing and promoting the company's corporate governance is seen as audit committee meetings as argued by Zhou and Chen (2004). Stewart & Munro, (2007) also asserted that, if there is frequent and more meetings of audit committee and also, they perform their needed roles, there is a probability that the financial deception will be minimized. The audit committee who frequently meets has a thorough knowledge on the concerns and problems in the sector of the firm as well as performed their duties properly (Salawu, Okpanachi, Yahaya and Dikki, 2017).

Financial Performance: One has to distinguish among an action factor and a result factor of the performance when developing the taught-on performance as acknowledge by Sonnentag and Micheal (2001). The effects of the people character in line with them are seen as the action aspects. The character which may lead to results which includes; engines assembled, and sales figures among others is explained by the result aspect.

The instinctive procedures of a firm can properly apply its resources from its basic structures of the firm and generate revenues is known as financial performance as per this. The usual procedure of the total financial health of the companies over a time frame is the role the term and also identical companies through the same firm can be compared by this term. Also, the firm reliant criterion to examine its total results in association to its personal aims is also known as financial performance.

The performance scope seen as contentious concern in the financial approach of many corporate firms because of many explanations was regarded by Wan and Ong (2005). Financial or organizational are the measures of performance as in line with them. Campbell and Minguez-Vera (2007) argued that, the vital measures of the effectiveness of the organization includes; profit maximization, maximizing profit on assets, and maximizing shareholders benefits which is seen as financial performances.

Wan and Ong (2005) further asserted, a wide scope of explanation of performance is giving by development in sales and development in the share of the market which are seen as operational performance measures where they concentrate on the vital elements that result mainly to financial performance.

One of the devices that show the strength, weakness, hazards and opportunities in finance is known as financial measurement as argued by Ahmadu et al. (2005). Return on Investment (ROI), Residual Income (RI), Earnings per Share (EPS), dividend yield, Price Earnings Ratio (PER), book value per share was in line with them also seen as the financial measurements.

Return on Asset (ROA), Return on Equity (ROE) or Return on Investment (ROI) is therefore seen as the mainly applied alternatives of performance measure whereas accounting measures is another name for the alternatives of the performance measures. Ratio of price per share to the earnings per share (P/E), Market value of equity, Tobin's Q which are seen as market performance measures are different measures of corporate performance where all the following can also be known as the financial measures of performance.

Concerning the current and future performance of the firm as in line with Lappalainen and Niskanen (2012) study, stock price performance, reported earnings or the organization market share are the variables where performance can be shown from. In terms of stock return as well as upward trend in stock return, investors are very intense which draws investors and route investment in stock that will also increase the demand in the stock market and will result to enhancing the prices of the stocks and stock market performances as also in line with them.

There are numerous performance measures situated on non-financial data as not all practices of a firm are potential of being uttered in financial instances was argued by Mustafa et al. (2009) whereas and also only financial statements are not enough to measure all the elements of performance. Staff turnover, training time per employee, number of production slowdown through strikes, absenteeism and accidents, number of grievances received, number of customers and suppliers, output per employee, production lead time, adherence to quality and product quality in line with him is also seen as the non-financial measures of performance.

In cases of applying resources to establish income, proper information about the financial performance of an organization is giving by ROA. The firm's proportion which they earn in associations to its total resources is also indicated by ROA. The efficiency measure is also considered by ROA. A firm which turns assets into profit is seen as a firm with excessive ROA. Ahmadu et al. 2005; Kajola and Sunday (2008) also opined that, usually it is also seen as a constant financial performance ratio, an enhanced in which is an indicator of proper performance.

The section of the profit of the firm sent to each unsettled share of common stock is shown by the Earnings per share (EPS). The indicator of the profitability of the firm is also known as the Earnings per share. Its motive is to assess the prices of the shares of the firm and also provides a perception on its development over the years. A ratio we get from the part of the operating income of income statement compared to sales is known as the net margin profit. Ahmadu et al. 2005; Kajola and Sunday, (2008) argued that, we get net profit when we divide profit before tax by sales whereas how proficiently the firm is capable to get profits from its basic activities is also shown by the net profit margin. The investors who want to witness how the firm's activities are constant and profitable are those who this measurement is of important to them.

The nature of Tobin's Q-ratio (Q), is in a hybrid form. Ahmadu et al. 2005; Kajola and Sunday (2008) opined that, dividing the total of the market value of equity and the book worth of debt by the value of total asset is the measurement of the Tobin's Q-ratio (Q). By showing the amount the firm gets with the shareholders' funds being invested, is how the profitability of a firm is measure by Return on equity (ROE). Since it integrates profit which is in form of accounting and equity which is market based, it is always seen as a hybrid measure of the performance of the organization. By dividing profit after tax by equity, this measure is decided.

2.3 Overview of Ghana Stock Exchange

The established date of the Ghana Stock Exchange which was seen as a private company limited by assurance under the country's Companies' Code of 1963 (Act 179) was July, 1989 as component of the Financial Sector Adjustment Programme (FINSAP). Since the late 1960s the firm's plans was still in place, whereas in the nation's economic growth, a vital sector which the government seen was the creation of the stocks market.

The spread of the Stock Market Act was also as a result of this. In 1971, the basis for creating the Accra Stock Market Ltd. (ASML) was also laid by this Act. Yartey (2006) argued that, due to lack of the government aid and the bad economic area, the perception on the creation of a stock market was not mainly successful. Despite these failed attempts, National Trust Holding Company Ltd. (NTHC) and National Stockbrokers Ltd., currently Merban Stockbrokers Ltd are the two brokerage companies that was in charge of Over-the-Counter (OTC) trading in shares of some firms possess by foreigners earlier to the creation of the Ghana Stock Exchange. 11 listed firms of which one was government related stated the market of exchange on the 12th of November, 1990.

In April, 1994, the status of the exchange changed to a public company limited by assurance. In 2010, total number of the firms on the stock market stretch to a maximum of 36 firms but in the recent year it consists of 34 firms. In 2011, delisting of Accra Breweries and CFAO in Ghana is the reason for the fall in the number. Five firms which includes; UTC Estates Ghana, Metalloplastica Ghana, British American

Tobacco, Accra Brewery and CFAO Ghana have delisted outright since the creation of the Stock Exchange in Ghana whereas five mergers and acquisitions comprising the following GSE-listed firms which include, Ghana Breweries merging with Guinness Ghana to become Guinness Ghana Breweries. Kumasi Breweries amalgamating with Ghana Breweries to become Ghana Breweries. Ashanti Goldfields amalgamated with AngloGold to become AngloGold Ashanti, Mobil Oil Ghana and Total Ghana to become Total Petroleum Ghana and Unique Trust Financial Services with UT Bank to become UT Bank was also in existence.

In October, 1990 it was also seen as a certified Stock Exchange under the Stock Exchange Act of 1971 (Act 384). 12 November, 1990 was the inauguration and the start day as well of the Council of the Exchange. In April 1994, the status of the company was change by assurance into a public company with its objective of giving amenities and structure to the public for buying and selling of securities and also checking and controlling the activities of the Stock Exchange members. The best performing market in the globe at the end of 2014 was the Ghana Stock Exchange with a year return of 144% US dollar, compared with 30 percent return by Morgan Stanley Capital International Global Index (Databank Group, 2004).

There was a capability for a lively capital emerging practices as indicated by the findings. The number of companies listed on the stock exchange is less despite its enhancement in the 20 years of its functioning as compare to nations like Kenyan, Namibia, Egypt, South Africa among others seen as nations in Africa; although in cases of signals the company is seen as one of the quick emerging stock Markets in Africa whereas is not obvious why most nations are not categorized. What are the problems the Ghana stock exchange faced? Thus, this was the question asked. The best performing market at the end of 2004 was the Ghana stock exchange with a return year of 14% US dollars, compared to 30% return by Morgan Stanley Capital International Global Index (Data Bank Group, 2004).

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2.4 Empirical Review

Ashari and Krismiaji (2020) investigated the impact of the characteristics of audit committee which include size, competence, independence and regularity of meeting on performance on finance. The result of the study indicated that four characteristics that is independence of audit committee, finance and accounting competence of audit committee, number of audit committee meeting have positive impact on the performance of finance.

Wakaba (2014) established the impact of characteristics of audit committee and character impacted on the performance of the firm. The study indicated that, experience of audit committee, committee gender diversity, the size of the audit committee and number of the independence auditors has significant impact on the performance of the firm. Audit members presence with experience will decease financial misreporting and improve quality monitoring.

The main priority for firm is having an experienced audit committee member. There is the need to increase the independent auditors' proportion since the increase in their number and decease financial misreporting chance which leads to positive understanding by the investor. There is need for businesses to have audit committee that is not small so that there is will be no absence of advice and if is not too large so that free rider that are inclined to follow the opinion of the member.

Amer (2018) observed the characteristics of the audit committee and the performance of an organization. The result of the research provide proof that there is relation between the independence director proportion on the board and the financial performance of the organization which is assessed by the ROE, the result of the board meeting indicated the positive relation with ROE duality of CEO showed the positive relation with the ROE but the relationship was not important.

Mohammed, Flayyih and Abbood (2015) investigated on the influence of the characteristics of the audit committee on the performance of the organization. The study found that by the use of ROA there is positive link between existence of the committee, audit committee independence and the performance of the firm. The study also revealed that there is negative link between the performance of the firm and knowledge of the audit committee. Osemene and Fakile (2018) observed the audit committee effectiveness affect the performance of the firm. The result of the study also revealed that financial expertise of audit committee and committee meetings has influence on the deposit money of the bank’s performance on finance.

Sheehu (2017) observed the consequence of the performance of the audit committee of firm. The result of the study shows that the composition of audit committee, the financial knowhow of the audit committee, managerial ownership and institution ownership has positive consequence on the performance on finance of mentioned gas and oil firm. The size of the audit committee has negative effect on the performance of finance of businesses. In the study there were no effects on the meetings of the audit committee on the performance of the organization.

Salehi, Tahervafaei and Tarighi (2018) assessed the relation between audit committee features, board and profitability. There is significant relation between size of audit committee and performance in corporate financial. The outcome of the study shows that there is positive relation between expertise of audit committee and profitability. This indicated that the non-executive directors' role in Iran inconsistent with the theory of stewardship, this is due to fact that sovereign directors understand the business status and market is better than the executive board members.

Oround (2019) studied the relation between the size of the audit committee and the profitability. The result of the study indicated that the characteristics of the audit committee have substantial influence on industrial companies' profitability which is listed on the Amman Stock Exchanges. The result of the study also indicated that the theory of resource dependence is extra relevant compared to the concept of agencies when unfolding the practice of the corporate governance in Jordan.

Madi, Ishak and Manaf (2018) examined the impact of the characteristics of the audit committee on disclosure of corporate voluntary. The result of the empirical shows that independence of the audit committee, size and multi directorship of the members of the audit committee have significant effect on the corporate voluntary disclosure. Financial expertise and audit committee frequency meeting have no relevant effect on disclosure of corporate voluntary.

Moreover, the result of the study is unswerving with the impression that the major role of the audit committee in the overseeing processes of the corporate including the practices of voluntary disclosure. The audit committee effectiveness is dependent on the characteristic of the audit committee that is the size, independency and multi directorship of the members of the committee. The vital initiative to improve the effectiveness of audit committee in the transparency of the corporate report. The result of the study also provides insights in the audit committee role in overseeing processes of the corporate report.

Buallay (2018) observed the influence on the characteristic of the audit committee on the efficiency of intellectual capital. The result of the study deduced from the result of the empirical show that there is an affirmative effect on the characteristic of audit committee on intellectual capital. Furthermore, the relation between AC and the component of intellectual capital, the efficiency of human capital, efficiency on structural capital, efficiency on relational capital, efficiency on capital employed has positive relation between selected corporate governance components and financial performance. The result of the study indicated positive relation between all the independence variable and the performance finance.

Al-Mamun, el al. (2014) observed the relation between the characteristics of audit committee and firm performance. The result of the study also found the relation between characteristic of audit committee and performance of organization and with the quality of audit. Kipkoech and Rono (2016) tried to established impact of the size of audit committee and experience on the performance of firm among listed businesses in Kenya. The multi-regression analysis was used to test in the research from 2006 to 2011. The result of the study revealed that the members of the audit committee with experience decreased financial misrepresentation and improved the quality monitory. The result of the study further indicated that the size of the committee and experience significantly impacted the firm’s performance.

Moses, Ofurum and Egbe (2019) in the characteristics of audit committee and financial quality reporting in listed banks in Nigeria uses 5 years documentary record from the yearly reports and 15 banks accounts which were investigated using correlation and modified model of Jones. The result of the study showed no significant effect between the size of audit committee and financial quality report in listed banks in Nigeria.

Among these the document suggested that the size of audit committee be considerably increased with the members having accounting knowledge and financial knowledge which make the majority. Eriabie and lzedonmi (2016) assessed the effect of the audit committee on the financial quality report in the listed companies in Nigeria. The data were gathered from the yearly report 131 firms during the year 2006 to 2012 and investigated using OLS regression and correlation. The result of the study indicated that attributes of the audit committee for instance meeting frequency, size, financial literacy and attendance of meeting have positive effect on the financial quality report.

Moses (2019) studied the relation between the composition of the audit committee, board of the characteristics of directors and the financial reporting quality. The result of the research indicated that audit committee composed more of the self-governing members have positive influence on the quality of financial reports. Moreover, the board of directors' size also indicated a positive relation with the financial reporting quality. Lastly, the result of the study also indicated that the composition of the board director has positive relation with the financial reporting quality.

Balagobei and Velnampy 2018 examined the effect of the audit committee on the performance of an organization. The result of the study revealed that attributes of the audit committee such as the independence of the audit committee, experts of AC and meetings of the AC has important effect on the performance of an organization of the quoted travel and hostel in Sri Lanka. Further the size of the audit committee is not found an important effect on the performance of an organization.

2.5 Conceptual Framework

This study is built on the preposition that audit board committee characteristics will significantly affect firm performance. Thus, audit committee characteristics such as independence, size, frequency of meeting and competency are used as independent variables to predict firm performance which is proxied ROA as showed in the Figure 2.1.

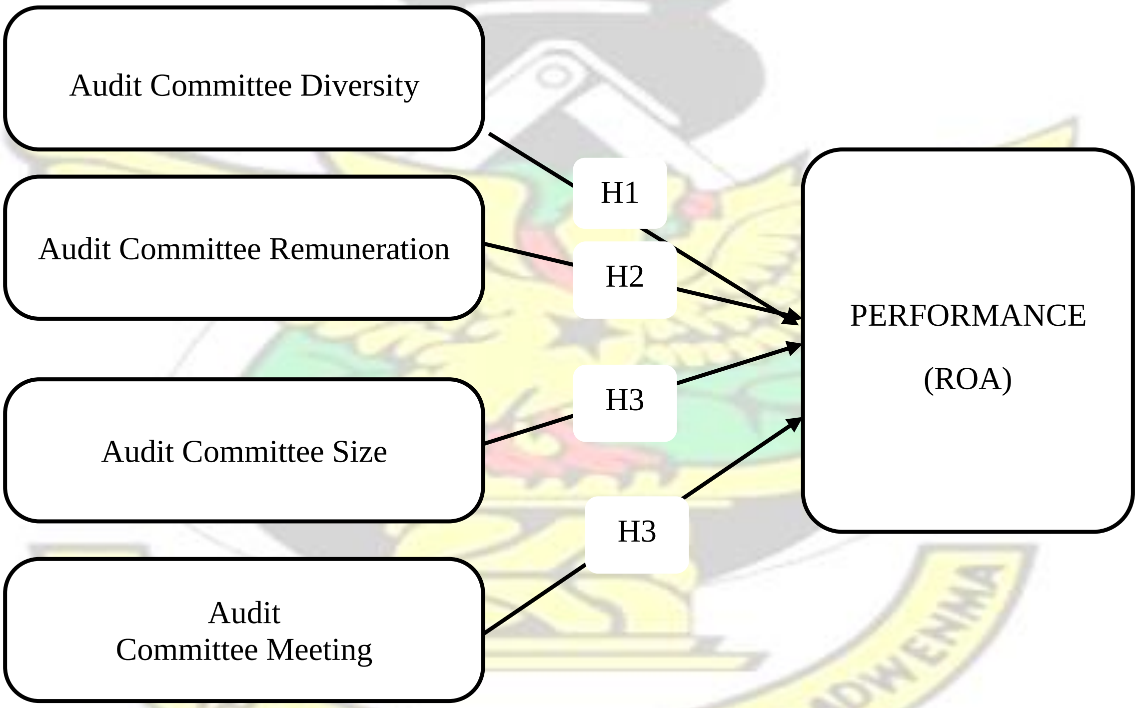

Figure 2.1: Conceptual Framework

Source: Author’s Construct 2020

As shown in Figure 2.1 with the boldface arrows, the characteristic of the audit committee i.e., Audit Committee Diversity, Audit Committee Remuneration, Audit

Committee Remuneration and its impacts firm performance which will be measured by ROA. This research, therefore, seeks to survey the effects of the above-mentioned factors on the firm’s performance taken evidence from Listed Ghanaian Non-financial companies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents methods and strategies adopted to determine the effect of audit committee characteristic on financial performances with a focus on Listed Ghanaian Non-financial companies. In particular the following had been discussed, the research design, research strategy, population, sample size and sampling techniques of the study are comprehensively discussed. The sources of data, which incorporate both primary and secondary data, are presented. Also, data collection instruments and techniques are presented with the ethical considerations governing the conduct of the research also put forward.

3.2 Research Design

Research design is defined as a plan of action or guided procedure for scientific studies. This study employed quantitative research design. Quantitative research is based on the principles of the natural sciences and therefore relies on the assumptions of an objectivist opinion of the social world. Objective techniques of measurements are therefore used in the measurement of constructs in quantitative research.

In Creswell's (2009) view, quantitative research generally involves the collection and analysis of data using statistical processes and analysis with an aim to determine the truth or otherwise of hypotheses or theory. The research hypotheses and or questions may often be solidified in a theoretical framework based on past studies on the topic. In this study quantitative instrument was used to determine the effect of audit committee characteristic on financial performances.

This research purpose fell into descriptive and explanatory research designs. The descriptive design allowed the researcher to ascertain detail information about the variables, defined and describe them. The descriptive further was used to define the characteristics of the study variables in more detail to reflect the larger population in which the samples were drawn from. The explanatory design was used to measure the cause-and-effect relationships among the man constructs in the study.

3.3 Population of Study

Population involves a group of individuals, objects or elements, which formulate the object of study. They are simply elements or individuals with related characteristics that are being studied (Saunders et al., 2009). Population represents the total number of people available for a particular study. Hence, Saunders et al., (2009) stated that population comprises of members who are likely to be selected for to answer study questionnaires.

This study specifically covered the manufacturing companies, food processing companies, agro-business and mining companies. Out of the 41 listed companies on Ghana Stock Exchange only 23 are considered non-financial companies. These 23 companies form the main target population for the study.

3.4 Sample Size and Sample Technique

Out of the target 23 listed non-financial companies the study, the current study used 10 companies as the sample size of the study. This selection process is consistent with Copper and Schneider (2012) who suggested that 30% of a given population is statistically viable to be used as a sample size for a given study. Since all the companies fall within the same category simple random would be used to select the 10 participants.

This sample techniques are used since it allocates equal chances to the participants to be included in the study. Saunders et al. (2009) has illustrated that when it is difficult to collect data from the whole population for a study at the specified time, a researcher must select a sample. The authors further stated that sampling saves time, and should be considered as the best option when the researcher is constrained with time (Dawson, 2002).

3.5 Data Collection Method

Data collection is a systematic process of obtaining data from a given source using a given data collection instrument. Although there are two main sources of data the current study used only secondary data. This is because the present study focused on trends of the past events in relation to audit committee characteristics and financial performance.

3.5.1 Sources of Data

The main source of data for the study is secondary. Specifically, time series data covering the period between 2013 to 2019 have been gathered from the published financial statements and reports of the selected companies. This study covers all the current 10 non-financial listed firms on the Ghana Stock Exchange.

3.5.2 Model Specifications and Descriptions of Variables

Following the work of Ahmad and Bashir (2013), the model is specified as follows;

The general form of the panel data model is specified as:

$$Y = c + \beta_1 \text{ ACS} + \beta_2 \text{ ACD} + \beta_3 \text{ ACR} + \beta_4 \text{ FACM} + \beta_5 \text{ INFLA} + e$$

Where:

Y = Performance (ROA)

ACS = Audit committee Size

ACD = Audit Committee Diversity

ACR = Audit Committee Remuneration

FACM = Frequency of audit committee meetings

INFLA = Inflation

C: =Represents the intercept

$\beta_1 \ldots \beta_5$: =Coefficients of the explanatory variables and

e =Error term

Table 3.1: Descriptions of Variables

Variables	Description/explanation
Independent variables	
Audit Committee Size	Is measured as the number of people that constitute the audit committee.
Audit Committee Diversity	Is measured as the number of females on the audit committee compared to males.
Number of Audit Committee meetings	Is measured as the number of meetings held by the audit committee within a year
Audit Committee Remuneration	Is measured as the total amount spent on the audit committee within a year in the form of remuneration
Dependent variables	
ROA	ROA is defined is defined as the earnings before interest and tax divided by total asset and multiply by 100.
Control Variable	
Inflation	Inflation is measured using the Consumer Price Index (CPI), which measures the percentage change in the price of a basket of goods and services consumed by households

Source: Author's Compilations

3.6 Data Analysis

Data preparation was the initial step to translate raw date into structured format that are more appropriate for the analysis. Data analysis is one of the most significant components of research processes. Sullivan (2001) opined that quantitative data analysis involves the use of statistical methods to assemble, classify, analyze and summarize the data to derive meaning.

The data collected was transformed into a form appropriate for manipulation and analysis. The data was presented in panel form. Panel data is a subset of longitudinal data where observations are for the same subjects each time. Panel data is multi-dimensional data involving measurements over time. Panel data is a subset of longitudinal data where observations are for the same subjects each time. The data are usually collected over time and over the same individuals and then a regression is run over these two dimensions.

Panel data can model both the common and individual behaviors of groups. Panel data contains more information, more variability, and more efficiency than pure time series data or cross-sectional data. Panel data can detect and measure statistical effects that pure time series or cross-sectional data can't.

The data was edited to ensure completeness, consistency and accuracy. Data collected were analyzed using EVIEWS software and Microsoft Excel. In analyzing the data, means, standard deviations, maximum number, minimum number, correlations and pooled regressions were used.

3.7 Ethical Considerations

Respondents who formed the focus of the study were asked to indicate their readiness to participate in the study. The freedom of respondents was taken into consideration by the author who indicated that their rights were respected.

However, the primary data collected was handled with care to ensure rights to privacy of respondents. Secrecy was ensured. Thus, the personality of the respondents was secured as names were not linked to the data.

CHAPTER FOUR

DATA ANALYSES AND DISCUSSIONS

4.0 Introduction

This study presents the data analyses and discussions in view of the effect of audit committee characteristic on financial performances with a focus on Listed Ghanaian Non-financial companies. Specifically, the study will focus on the trends of performance of listed non-financial companies on the GSE between 2013 to 2019and the relationship between committee features and the performance of listed non-financial companies on the GSE. The results have been presented in the form of regression, correlation as well as post estimation analyses such as multicollinearity and heteroscedascity.

4.1 Trend of Analysis of Profitability

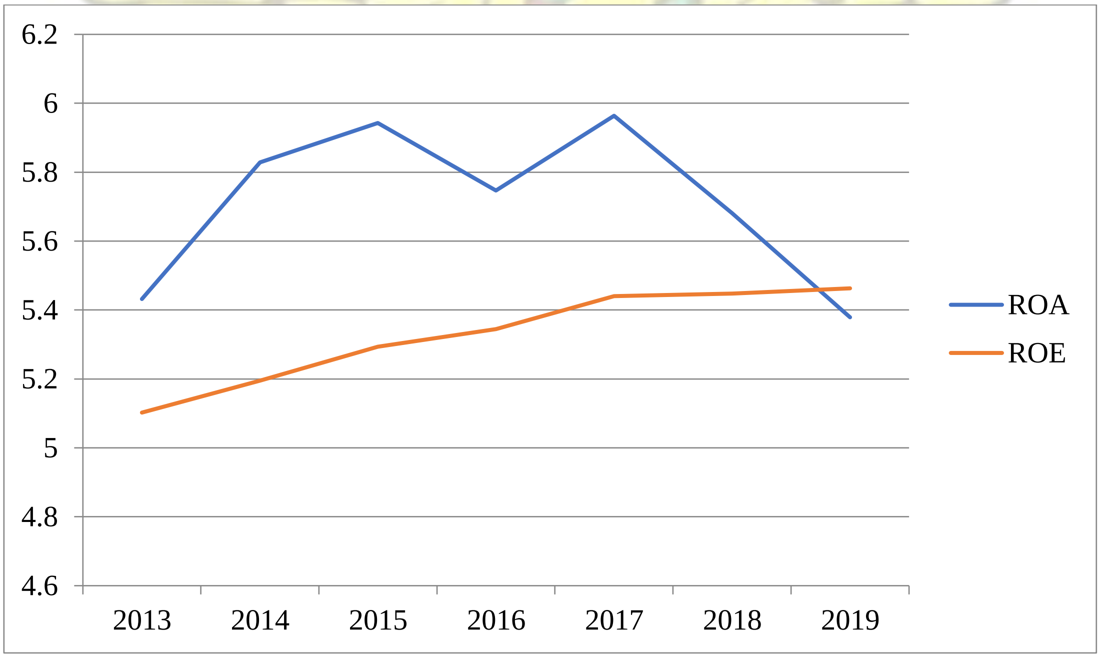

Figure 4.1: Trend Analysis on Profitability

Source: Author’s construction

The trend analysis of profitability shows that, using ROA as a proxy of profitability, there was a rise in the year of 2014 to 2016, also in the year 2014 to 2015 of ROA there was a rise. However, during the year 2016 for ROA there was a fall. The study further found a rise in the year 2017 to 2019. Meanwhile ROA had a rise only in the year 2017 and a fall in the 2018 to 2019.

4.2 Result for Descriptive Statistics

Table 4.1: Results for Descriptive Statistics

	ROA	AC Div	AC Met	AC Rem	AC Size	Inflation
Mean	5.37	0.85	3.25	0.30	5.85	12.59
Median	5.36	1.00	4.00	0.09	5.00	10.50
Maximum	6.32	2.00	5.00	5.93	9.00	20.74
Minimum	3.52	0.00	1.00	0.01	5.00	6.34
Std. Dev.	0.57	0.83	0.97	0.99	1.46	4.28
Skewness	-0.84	0.27	-0.43	5.34	1.35	0.65
Kurtosis	4.11	1.49	1.77	30.51	3.23	1.95
Observations	70	70	70	70	70	70

ROA = Return on Asset; AC Div. = Audit Committee Diversity; AC Met = Audit Committee; AC Rem = Audit Committee Remuneration

The Table 4.1 presents results on the descriptive statistics of the selected variables used for the regression analysis. The study found that, with regards to ROA, the mean value of ROA was 5.37, whiles the standard deviation value of ROA was 0.57. This implies that on average the companies selected companies were adding 5.37% to their asset based. Moreover, the minimum value of ROA was 3.53, whiles the maximum value of ROA was 6.33. This implies that, the minimum and maximum values for n ROA were 3.53% and 6.33% respectively. Again, a mean value recorded for AC diversity was 0.86, whiles the standard deviation valued discovered for AC diversity was 0.84. This implies that after deducting risks from the selected company's capital they still have good capital standing. Besides, the minimum value discovered for AC diversity was 0.00, whiles the maximum value for AC diversity was 2.00. These imply that although the selected companies are doing very well, they are still required to improve their cash adequacy ratio in order to enhance performance. The study implies that, there are more males and females among the audit committee members in the non-financial listed companies.

With regards to AC meetings, the mean value of AC meetings was 3.26, whiles the standard deviation value of AC meetings for non-financial listed companies was 0.97. Also, the minimum number of AC meetings was 1.00, whiles the maximum number of AC meetings for non-financial listed companies was 5.00. This implies that, the audit committee meetings held at least three times in a given year. The mean value of AC remuneration was 0.31, whiles the standard deviation value of AC remuneration was 0.99. Also, the minimum value for AC remuneration was 0.02, whiles the maximum value for AC was 5.93. The results imply that on average the audit committee members earned 0.31% as remuneration.

Moving on with AC size, the mean value of AC size was 5.86, whiles the standard deviation value of AC size was 1.47. Also, the minimum value of AC size was 5.00, whiles the maximum value of AC size for non-listed companies was 9.00. The result implies that the AC has a moderate size which is good for the selected companies in terms of decision-making process. The maximum and minimum audit committee size under the study was nine and five members respectively. Furtherance with inflation, the mean value of inflation was 12.59, whiles the standard deviation value of inflation for non-financial listed companies was 4.29. Again, minimum value of inflation was

6.34, whiles the maximum value of inflation was 20.74. The study implies that, the maximum inflation rate was 20.74%. These results imply that the average inflation rate within the period was very high.

4.3 Correlation Matrix

Table 4.2: Correlation Matrix

	ROA	AC Rem	Inflation	AC Div	AC Met	AC Size
ROA	1	-0.331**	-0.642**	0.023	0.067	-0.052
		(0.006)	(0.000)	(0.851)	(0.585)	(0.672)
AC Rem		1	0.304*	-0.157	-0.023	0.119
			(0.011)	(0.195)	(0.852)	(0.327)
Inflation			1	-0.342**	-0.227	0.096
				(0.004)	(0.059)	(0.430)
AC Div				1	0.081	0.336**
					(0.504)	(0.004)
AC Met					1	-0.441**
						(0.000)
AC Size						1

Source: Author's Estimation: * at 90% confidence interval, ** at 95% confidence interval and *** at 99% confidence interval.

The Table 4.2 presents the descriptive statistics used in the correlation model. The study found that, there is an important correlation among audit committee remuneration and ROA (R= -.331, .006). Furthermore, there is a significant correlation among inflation and ROA (R= -.642, P-value= .000). Moreover, there is an insignificant correlation among audit committee diversity and ROA (R= .023, P-value= .851). Also, there is an insignificant correlation among audit committee meetings and ROA (R= .067, P-values= .585). Finally, there is an insignificant correlation between audit committee size and ROA (R= -.052, P-value= .672).

4.4 Multiple Regression Results

Table 4.3: Results of the OLS Regression

Independent Variables	Model One
	ROA
Audit committee diversity	-0.181*
	(-2.452)
Audit committee meetings	-0.010
	(-0.164)
Audit committee remuneration	-0.101*
	(-1.924)
Audit committee size	0.043
	(0.989)
Inflation	-0.092**
	(-6.735)
Constant	6.500**
	(15.342)
F-statistics (prob > F)	11.892
	(0.000)
R-squared	0.485
Adjusted R-squared	0.444

Source: Author's Estimation. The T-values are placed in the parenthesis whiles the level of significance is indicated in asterisk. *at 90% confidence interval, ** at 95% confidence interval and *** at 99% confidence interval.

The Table 4.3 presents the outcomes of the OLS regression. The study has revealed that overall, 48.5% changes in profitability was accounted for by audit committee characteristics using ROA as an indicator. The study found that, audit committee diversity (Beta= -0.181, P-value= 0.000) as well as audit committee remuneration (Beta= -0.101, P-value= 0.05) was a significant determinant of non-financial listed companies' performance at 95% confidence interval using ROA as a proxy. Also, inflation (Beta= 0-092, P-value= 0.000) was a significant determinant of non-financial listed companies' performance at 99% confidence interval using ROA as a proxy. However, audit committee meetings (Beta= -0.01, P-value< 0.05) and audit committee size (Beta= -0.04, P-value<0.05) was an insignificant determinant of non-financial listed companies' performance using ROA as a proxy.

4.5 Discussion of Results on effect of audit committee characteristic on performances

This study was conducted to investigate the effect of audit committee characteristic on financial performances with a focus on Listed Ghanaian Non-financial companies. Specifically, the study focused on the relationship between committee characteristics and the performance of listed non-financial companies on the GSE using quantitative research design. The study has revealed that audit committee diversity as well as audit committee remuneration were significant determinants of financial performance.

These results partially support previous studies to a significant extent. For instance, Ashari and Krismiaji (2020) investigated the impact of the features of audit committee which include size, competence, independence and frequency of meeting on performance on finance. The result of the study specified that four characteristics that is independence of audit committee, finance and accounting competence of audit committee, number of audit committee meeting have positive impact on the performance of finance.

Wakaba (2014) established the impact of characteristics of audit committee and character impacted on the performance of the firm. The study indicated that experience of audit committee, committee gender diversity, the size of the audit committee and number of the independence auditors has substantial impact on the performance of the firm. Audit members presence with experience will decease financial misrepresentation and improve excellent monitoring.

The main priority for firm is having an experienced audit committee member. There is the need to increase the independent auditor's proportion since the increase in their number and decease financial misreporting chance which leads to positive understanding by the investor. There is need for businesses to have audit committee that is not small so that there is will be no absence of advice and if is not too large so that free rider that are inclined to follow the opinion of the member.

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Sheehu (2017) observed the consequence of the performance of the audit committee of firm. The result of the study shows that the composition of audit committee, the financial expertise of the audit committee, managerial ownership and institution ownership has progressive consequence on the performance on finance of mentioned gas and oil firm. The scope of the audit committee has negative effect on the performance of finance of businesses. In the study there were no effects on the meetings of the audit committee on the performance of the firm.

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The audit committee effectiveness is dependent on the characteristic of the audit committee that is the size, independency and multi directorship of the members of the committee. The vital initiative to improve the effectiveness of audit committee in the transparency of the corporate report. The result of the study also provides insights in the audit committee role in overseeing processes of the corporate report. Buallay (2018) observed the impact on the characteristic of the audit committee on the efficiency of intellectual capital.

The result of the study deduced from the result of the empirical show that there is an affirmative effect on the characteristic of audit committee on intellectual capital. Furthermore, the relation between AC and the component of intellectual capital, the efficiency of human capital, efficiency on structural capital, efficiency on relational capital, efficiency on capital employed has positive relation between selected corporate governance components and financial performance.

The result of the study indicated positive relation between all the independence variable and the performance finance. Al-Mamun, el al. (2014) observed the relation between the characteristics of audit committee and firm performance. The result of the study also found the relation between characteristic of audit committee and performance of organization and with the quality of audit. Kipkoech and Rono (2016) tried to established impact of the size of audit committee and experience on the performance of firm among listed businesses in Kenya.

The multi-regression analysis was used to test in the research from 2006 to 2011. The result of the study revealed that the members of the audit committee with experience decreased financial misrepresentation and improved the quality monitory. The result of the study further indicated that the size of the committee and experience significantly impacted the firm's performance. Moses et al. (2019) in the characteristics of audit committee and financial excellent reporting in listed banks in Nigeria uses 5 years documentary record from the yearly reports and 15 banks accounts which were investigated using correlation and modified model of Jones.

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The data were collected from the yearly report 131 companies during the year 2006 to 2012 and investigated using OLS regression and correlation. The result of the study indicated that attributes of the audit committee for instance meeting frequency, size, financial literacy and attendance of meeting have positive effect on the financial quality report. Moses (2019) studied the relation between the composition of the audit committee, board of the characteristics of directors and the financial reporting quality.

The result of the research indicated that audit committee composed more of the self-governing members have positive influence on the eminence of financial reports. Moreover, the board of directors size also indicated a positive relation with the financial reporting quality. Lastly, the result of the study also indicated that the composition of the board director has affirmative relation with the financial reporting quality. Balagobei and Velnampy (2018) examined the effect of the audit committee on the performance of an organization.

The result of the study revealed that attributes of the audit committee for example the independence of the audit committee, experts of AC and meetings of the AC has momentous effect on the performance of a company of the quoted travel and hostel in Sri Lanka. Further the scope of the audit committee is not found a substantial effect on the performance of an organization.

4.6 Post Estimation Results (Variance Inflatory Factor)

Table 4.4: Variance Inflatory Factor

	Tolerance	VIF	Durbin-Watson
AC Size	0.610	1.639	
AC Meeting	0.683	1.463	
AC Diversity	0.573	1.746	2.218
Inflation	0.220	4.553	
AC Rem	0.862	1.160	

Source: Author's Estimation

As illustrated in the table 4.4. The study shows that, the tolerance score for ROA ranges from 0.220 to 0.862 and VIF score ranges from 1.160 to 1.746. This study therefore implies that, there is no issue of heteroscedasticity, for the (Tolerance < 10) and (VIF < 1.0) exceed the minimum acceptance level. This result suggests that the study was free from all forms of multicollinearity and heteroscedasticity problems.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter showcase the summary of findings, conclusions and recommendations with regards to the effect of audit committee characteristic on financial performances with a focus on listed Ghanaian non-financial firms. Specifically, the study will focus on the trends of performance of listed non-financial institutions on the GSE between 2013 to 2019and the relationship between committee features and the performance of listed non-financial companies on the GSE.

5.1 Summary of Findings

5.1.1 Trend of Analysis of Profitability

The study finds that audit committee features and financial performance have undulating trends. The results further show that audit committee characteristic and financial performance takes a sharp upsurge direction in the year 2013 suggesting stability within that year. Again, the results suggest that have direct relationships with performance in the short while but these changes in the long while.

The trend analysis of profitability shows that, using ROA as proxy of profitability, there was a rise in the year 2014 to 2015 of ROA there was a rise. However, during the year 2016 for ROA there was a fall. The study further found a rise in the year 2017. Meanwhile ROA had a rise only in the year 2017 and a fall in the 2018 to 2019.

5.1.2 Effect of Audit Committee Characteristic on Financial Performances

The study has revealed that overall, 48.5% changes in profitability was accounted for by audit committee characteristics. The study found that, audit committee diversity

(Beta= -0.181, P-value= 0.000) as well as audit committee remuneration (Beta= -0.101, P-value= 0.05) was a significant determinant of non-financial listed companies' performance at 95% confidence interval using ROA as a proxy.

Also, inflation (Beta= 0-092, P-value= 0.000) was a significant determinant of non-financial listed companies' performance at 99% confidence interval using ROA as a proxy. Again, audit committee meetings (Beta= -0.01, P-value< 0.05) and audit committee size (Beta= -0.04, P-value< 0.05) was an insignificant determinant of non-financial listed companies' performance using ROA as a proxy. For instance, Ashari and Krismiaji (2020) investigated the impact of the characteristics of audit committee which include size, competence, independence and frequency of meeting on performance on finance.

The result of the study indicated that four characteristics that is independence of audit committee, finance and accounting competence of audit committee, number of audit committee meeting have positive impact on the performance of finance. Wakaba (2014) established the impact of characteristics of audit committee and character impacted on the performance of the firm. The study indicated that experience of audit committee, committee gender diversity, the scope of the audit committee and number of the independence auditors has significant impact on the performance of the firm. Audit members presence with experience will decease financial misreporting and improve quality monitoring. The main priority for firm is having an experienced audit committee member. There is the need to increase the independent auditor's proportion since the increase in their number and decease financial misreporting chance which leads to positive understanding by the investor.

5.2 Conclusions

The core aim of the study was to explore the effect of audit committee characteristic on financial performances with a focus on Listed Ghanaian Non-financial companies. Specifically, the study focused on the trends of performance of listed non-financial companies on the GSE between 2013 to 2019 and the relationship between committee characteristics and the performance of listed non-financial companies on the GSE using quantitative research design and time series data and EVIEW 11 for the statistical analyses.

The study found that audit committee features and financial performance have undulating trends. The results further show that audit committee characteristic and financial performance takes a sharp upsurge direction in the year 2013 suggesting stability within that year. Again, the results suggest that have direct relationships with performance in the short while but these changes in the long while. The study found that, audit committee diversity as well as audit committee remuneration were significant determinants of performance.

Also, inflation was a significant determinant of performance. However, audit committee meetings and audit committee size were insignificant determinant of non-financial listed companies' performance.

5.3 Recommendations

This study recommends that there is the need to ensure fair gender distribution in the structure of governing board to man the affairs of the non-financial companies since the present study reveals that gender diversity is a determinant of a firm performance. Besides, it is imperative to incorporate the experiences of the board in its composition because of its influence on the performance. For the study reveals that board independence has significant effect on performance. Moreover, it is imperative to incorporate the frequency of the board meeting in its composition because of its influence on the performance. For instance, board meeting has significant effect on non-financial companies' performance. Furthermore, there management of the non-financial companies must be wary of the macro-environmental factors, particularly those relating to inflation, interest rate and exchange rate because of their resultant effects on the performance of non-financial companies.

5.4 Suggested Areas for Future Studies

The present study was carried out to investigate the effect of audit committee characteristic on financial performances with a focus on Listed Ghanaian Non-financial companies.

Specifically, the study focused on the trends of performance of listed non-financial companies on the GSE between 2013 to 2019 and the relationship between committee characteristics and the performance of listed non-financial companies on the GSE using quantitative research design and time series data and EVIEW 11 for the statistical analyses. It is suggested that this study be replicated in another sector of the Ghanaian sector. Moreover, large size data could be use in future studies.

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APPENDIX A: DATA

YEAR	AC Size	AC Meetings	CEO Duality	AC Diversity	AC Ind	Interest Rate	Inflation	Exchange Rate	AC Renu	ROA	ROE	SIZE
2013	5	2	0	1	0.051	12.66	10.5	0.9219	0.133649	5.431894	5.102406	2.05668
2014	5	3	0	1	0.064	12.66	10.3	0.9225	0.281051	5.828431	5.195244	2.13535
2015	5	2	0	1	0.052	12.66	10.5	0.9234	0.050734	5.94289	5.293276	2.09924
2016	5	3	0	1	0.067	10.08	10.9	0.912	0.050734	5.747123	5.344491	2.17702
2017	5	2	0	1	0.054	10.08	10.4	0.9247	0.038851	5.963832	5.440401	2.19722
2018	5	3	0	1	0.52	10.08	10.2	0.926	0.038851	5.680607	5.447349	1.81156
2019	5	4	0	1	0.06	10.08	10.5	0.9267	0.126848	5.378954	5.463001	1.64866
2013	5	4	0	1	0.067	10.08	11	0.9274	0.126848	5.366981	5.474905	1.34547
2014	5	4	0	1	0.06	10.08	10.7	0.9277	0.091878	5.379124	5.463206	1.64866
2015	5	4	0	1	0.067	10.08	10.1	0.9295	0.091878	5.367076	5.475061	1.34547
2016	5	4	1	0	0.052	10.08	10.4	0.9332	0.021061	5.824348	5.52839	1.13783
2017	5	4	1	0	0.064	10.08	10.2	0.939	0.105751	4.875293	5.521026	1.15688
2018	5	4	1	0	0.066	10.08	10.1	0.9455	0.105751	5.029656	5.579523	1.17557

2019	5	4	1	0	0.066	10.08	11.4	0.9576	0.213361	5.963832	5.474905	1.19392
2013	5	4	1	0	0.059	12.59	12.75	0.968	0.213361	5.013179	5.793307	1.02962
2014	5	4	1	0	0.064	12.6	12.81	0.972	0.151943	4.998848	5.838383	1.04732
2015	5	4	1	0	0.054	12.62	13.21	0.975	0.151943	5.378954	5.344491	1.06471
2016	5	2	1	0	0.061	12.83	13.79	0.9773	0.194087	5.366981	5.440401	-0.4951
2017	5	2	1	0	0.054	13.43	15.3	0.9831	0.194087	5.379596	5.34594	1.06489
2018	5	2	1	0	0.061	14.75	16.88	0.9943	0.125982	5.367169	5.440714	-0.4951
2019	7	2	0	0	0.052	15.31	18.41	1.0166	0.023161	5.824348	5.447349	-0.6162
2013	7	2	0	0	0.052	16.3	18.31	1.0446	0.018196	5.407821	5.108568	1.72277
2014	7	2	0	0	0.056	18.66	18.1	1.0956	0.018196	5.26026	5.14009	-0.1393
2015	7	2	0	0	0.052	18.66	17.89	1.1243	0.102971	4.470352	5.154631	0.18232
2016	7	2	0	0	0.1	18.66	17.3	1.1442	0.102971	5.180249	5.180189	0.21511
2017	7	2	0	0	0.066	18.66	17.44	1.168	1.010919	4.859276	5.15091	0.24686
2018	7	2	0	0	0.052	18.66	18.13	1.1993	0.11145	3.526727	4.494544	0.50078
2019	7	4	0	0	0.054	18.66	19.86	1.2487	5.9375	5.179649	4.545517	1.16315
2013	7	2	0	0	0.052	18.66	20.34	1.3116	5.9375	3.600319	4.503246	0.50078

2014	7	4	0	0	0.054	18.66	20.53	1.3621	0.157163	5.18008	4.554598	1.16315
2015	5	4	0	1	0.056	18.66	20.56	1.3927	0.157163	4.588059	4.747901	1.25846
2016	5	4	0	1	0.061	18.66	20.06	1.4218	0.103777	5.018401	5.076739	1.1474
2017	5	4	0	1	0.056	18.66	20.74	1.4539	0.084257	4.777057	5.175251	1.01523
2018	5	4	0	1	0.067	18.68	20.5	1.4783	0.084257	5.166196	5.384233	-0.0619
2019	5	2	0	1	0.053	18.66	19.65	1.473	0.086291	4.618634	5.415551	-0.0408
2013	5	3	0	1	0.066	18.66	18.37	1.4561	0.231542	4.399293	5.357596	-0.7133
2014	5	4	0	1	0.062	18.66	18.04	1.4463	0.231542	5.169325	5.361479	-0.6931
2015	5	4	0	1	0.059	18.66	16.92	1.4323	0.240403	4.427015	5.31326	2.02287
2016	5	4	0	1	0.062	18.77	15.97	1.4295	0.240403	5.168892	6.36113	-0.6931
2017	5	4	0	1	0.059	18.25	14.78	1.4242	0.085573	4.428297	6.313442	2.02287
2018	9	4	0	2	0.057	16.71	14.23	1.427	0.085573	5.224753	5.850747	21.6396
2019	9	1	0	2	0.066	16.13	13.32	1.419	0.154835	5.356445	5.94209	21.4064
2013	9	2	0	2	0.063	14.68	11.66	1.4173	0.040402	5.330548	5.989205	21.4164
2014	9	2	0	2	0.06	13.99	10.68	1.5014	0.040402	5.016657	5.99524	21.694
2015	9	4	0	2	0.06	13.85	9.52	1.4239	0.052275	5.831771	5.16698	21.6396

2016	9	3	0	2	0.064	13.39	9.46	1.4312	0.144923	5.744522	5.238568	21.4841
2017	9	2	0	2	0.061	12.63	9.44	1.4319	0.144923	5.813809	5.326676	21.218
2018	9	3	0	2	0.053	12.21	9.38	1.4299	0.119297	5.724933	5.395146	21.8152
2019	9	2	0	2	0.061	12.11	9.38	1.5306	0.03725	5.751505	5.238994	21.4841
2013	9	3	0	2	0.053	18.66	9.08	1.4331	0.03725	5.725093	5.251633	21.4841
2014	5	2	0	0	0.053	12.08	8.58	1.4517	0.029558	6.3258	5.596225	25.0069
2015	5	3	0	0	0.05	11.86	9.08	1.481	0.142695	6.32072	5.589428	23.926
2016	5	4	0	0	0.047	11.86	9.16	1.4995	0.06383	6.115235	5.559044	24.8176
2017	5	3	0	0	0.044	11.86	9.13	1.5003	0.06383	5.672765	4.470499	25.054
2018	5	4	0	0	0.472	11.86	9.02	1.5008	0.037447	6.102573	5.673694	25.2319
2019	5	4	0	0	0.72	11.86	8.9	1.5014	0.037447	5.880654	5.752956	24.6212
2013	5	4	0	0	0.67	11.86	8.59	1.5031	0.040084	6.140626	5.812243	25.0069
2014	5	4	0	0	0.66	11.86	8.39	1.5048	0.049202	6.006097	5.830086	25.6125
2015	5	4	0	0	0.67	11.86	8.41	1.5085	0.049202	6.140686	6.812081	25.0069
2016	5	4	0	0	0.66	11.86	8.4	1.5166	0.023171	6.006208	6.830505	25.0097
2017	5	4	0	2	0.52	11.86	6.34	1.5306	0.088967	#NUM!	5.807995	25.7968

2018	5	4	0	2	0.63	11.86	8.55	1.537	0.088967	5.199774	5.805019	25.4583
2019	5	4	0	2	0.023	11.86	8.58	1.546	0.033628	4.790939	5.083535	25.636
2013	5	4	0	2	0.64	11.86	8.73	1.6144	0.033628	6.016708	5.132212	26.1584
2014	5	4	0	2	0.64	11.86	8.64	1.6635	0.04615	5.88071	5.055439	26.0645
2015	5	2	0	2	0.59	11.86	8.78	1.6791	0.041729	5.716772	5.053689	26.2186
2016	5	5	0	2	0.53	11.86	9.11	1.6989	0.130952	5.33055	5.426082	25.4514
2017	5	4	0	2	0.54	17.53	6.34	1.7348	1.00818	5.158314	5.402105	21.2358
2018	5	5	0	2	0.53	17.53	9.4	1.8552	1.00818	5.332188	5.426256	21.4537
2019	5	4	0	2	0.54	18.86	9.4	1.8804	0.04135	5.157653	5.402738	21.4537