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COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF ACCOUNTING AND FINANCE

CORPORATE GOVERNANCE PRACTICES AND CAPITAL STRUCTURE DECISIONS: THE MODERATING EFFECT OF GENDER DIVERSITY

A THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING & FINANCE, KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD DEGREE OF MASTERS OF SCIENCE ACCOUNTING & FINANCE

BY

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DECLARATION

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma at Kwame Nkrumah University of Science and Technology, Kumasi or any other educational institution, except where due acknowledgment is made in the thesis.

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DEDICATION

This thesis is dedicated to the Almighty God for being with me through it all. I also dedicate this thesis to my parents Mr and Mrs Lartey for their unflinching support.

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ABSTRACT

This study examines the moderating role of gender diversity on the relationship between corporate governance and capital structure. Employing a positivist paradigm, the study adopts a deductive approach for hypothesis testing and model estimation. Panel data from companies listed on the Ghana Stock Exchange over 12 years is analysed using the generalized method of moments (GMM) estimation technique, along with descriptive statistics. The results reveal several important relationships. Firstly, a positive association is observed between board size and capital structure, suggesting that firms with larger boards tend to have higher levels of debt financing. This finding highlights the significance of diverse board composition in terms of perspectives and expertise, which enhances monitoring and decision-making processes, ultimately influencing capital structure choices. Secondly, board independence is found to be positively correlated with capital structure. The presence of independent directors, who prioritize shareholders' interests and mitigate agency conflicts, is associated with higher levels of capital structure. This underscores the importance of effective corporate governance mechanisms and oversight in shaping a firm's financing decisions. Furthermore, the study demonstrates a positive relationship between audit committee size and capital structure. Firms with larger audit committees exhibit a higher capital structure, indicating a preference for increased debt financing. The diverse expertise and perspectives within larger audit committees enhance monitoring, transparency, and accountability, leading to improved financial outcomes and potentially lower borrowing costs. Additionally, gender diversity within both the board and audit committee is found to have a moderating effect on the relationship between corporate governance factors and capital structure. Gender-diverse boards and audit committees bring unique viewpoints, experiences, and networks, thereby enhancing decision-making processes, monitoring capabilities, and transparency. This diversity strengthens corporate governance practices and positively influences capital structure decisions.

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CHAPTER ONE

INTRODUCTION

1.0 Background of Study

There is no universal agreement on how companies decide whether to invest in debt, equity, or hybrid instruments (DeAngelo, 2021; Khan, et al. 2020). The lack of consensus on the theoretical foundations that support the financing decision and mix of enterprises also contributes to the mysticism surrounding capital structure since it is caused by the financial decisions that pertain to the choice of optimal capital structure mix. As a result of the fact that a capital structure is comprised of a firm's financing which is dependent on competing variables that may affect the firm's objective, the conundrum that was originally posed by the premier works of Miller and Modigliani (Miller & Modigliani, 1961; Modigliani & Miller, 1958) and has since been revisited by academics (Hossain, 2021) has become even more confounding. Thus, with this inconclusiveness in capital structure theories, firms rely on their predicted judgment to make the right decision regarding the mix of debt, equity or both for the firm capitalisation. This indicatively shows that the decision-makers regarding the capital mix of a firm need not be underestimated. The corporate governance structure and practices which serves as the engine behind the major decisions in an establishment have great implication for the capital structure.

Corporate governance refers to the mixture of the board constituent, CEO qualities, board diversity, gender and age combination of the management team, in addition to the acts and inactions of those individuals (Ozili, 2021). Yussif (2013) on the other hand, regards corporate governance as the strategies employed by firms to manage and accentuate their revenue-generating sources either from debt or equity sources.

Meanwhile, the conscious mix of financing streams of firms constitutes the capital structure (Khan, Bashir and Islam, 2021).

Recent studies (Ehikioya et al., 2021; Akinto, 2021; Zaid, 2020; Ozili, 2021) have focused on corporate governance and company capital mix decisions. Most academics and industry experts realise that excellent corporate governance practises boost company performance and growth in today's business climate (Zaid, 2020).

Therefore, the managerial-shareholders relationship is a great influencer of firms' capital structure. With good corporate governance practices, all stakeholders, including shareholders will profit from the firms' financing decisions while unfavourable corporate governance presents a case where management is self-centred; they only make financing decisions to ensure their benefits without optimising the interests of the stakeholders (Damina, Muritala and Umar, 2022). That means a good governance structure is necessary for a firm's management to be able to dispense their responsibilities regarding the decisions on the capital mix of the firm. Hence, good corporate governance does not only curb the issues of conflict of interest, it is regarded as the mainstay on which firms can leverage to diversify and broaden their financing streams. Therefore, extant literature has shown that the attention of firms is not only fixated on the external factors such as economic conditions and firm-specific factors that thwart the capital structure of firms but rather the internal factors such as the firm's board composition have also received the scholarly limelight.

With the extensive literature on corporate governance and the mix of firm financing streams, good corporate governance is achieved if most of the qualities such as board independence, number of board meetings, gender diversity, CEO duality, board quality, firm ownership level, board member experience, and many other factors are present. For this reason, recent research extensively examined how these factors affect capital structure. Garcia and Herrero (2021), Usman, Umar-Farooq, and Zhang (2018), and Zaid et al. (2020) studied how board gender diversity affected capital structure. According to Garcia and Herrero (2021), women on the board of directors are crucial to EU enterprises' capital structure choices. They stated that female board members supervise and regulate other corporate directors. This may be due to the assumption that when there are both male and female board members, the male counterpart constantly tries to impress the female counterpart, regulating their behaviour and production. Usman, Umar-Farooq, and Zhang (2018) examined Chinese debt costs and female board directors. Female directors provide investors optimism and comfort, according to their findings.

Other research examined the interplay between board qualities and components (Grabinska et al., 2021; Ali et al., 2021a; Ezeani et al., 2022; Ali et al., 2021b); and ownership level. Nguyen et al. (2021) and Gyimah et al. (2021) similarly evaluated the board's impact on a firm's funding mix. These studies show that corporate governance is heavily influenced by the board of directors, the highest decision-making body in a business. Thus, like other studies, this research will analyse gender diversity's mediating function in the Ghanaian corporate governance practices structure decision nexus.

1.1 Problem Statement

Managers of company finances are continually on the hunt for a capital structure that will maximise profits for shareholders at the lowest possible cost. They constantly try to attain the optimal capital structure by adjusting the ratio of stock to debt. However, there is still a mystery to be solved: What elements could influence a company's decision about its capital structure? Should it work to enhance firm-specific characteristics, internal factors such as corporate governance, or externally affecting circumstances? Several studies have attempted to answer these perplexing problems. Khan et al., 2021; Assfaw 2020; Aljamaan, 2018; Khémiri & Noubbigh, 2018; Nyeadi et al., 2017; Sheikh & Qureshi, 2017; Jaafar et al., 2017; Nyeadi, Banyen and Mbawuni, (2017) focused on the stimulants of capital structure. However, their studies have been much skewed to the role of bank-specific characteristics such as profitability, firm value, firm loyalty, firm leverage, etc. Studies on corporate governance and capital structure (Grabinska et al., 2021; Ali et al., 2021a; Ezeani et al., 2022; Ali et al., 2021b; Ibrahim & Aidi, 2021; Nguyen et al., 2021; and Gyimah et al., 2021) focused only on the interactive role of corporate governance indicators like board size, independence, quality, and characteristics. Their analyses overlooked gender diversity's crucial impact on business financing mix decisions. According to Pandey et al. (2019), gender diversity on boards reduces agency conflict between managers and shareholders, minimising the likelihood of corporate debt default to shareholders. Their research also neglected the fact that women are more confident, authoritative, and risk-averse than males, reducing corporate debt default (Francis, Hasan, and Wu, 2013). Some research, like Garcia and Herrero (2021), Usman, Umar-Farooq, and Zhang (2018), and Zaid et al. (2020), have examined the influence of female directors in capital structure choices in sophisticated economies like Europe and China. They stressed the importance of female directors in capital mix decisions. However, Usman, Umar-Farooq, and Zhang (2018) only considered the impact of female directors on loan costs, not equity issuance. Thus restricting female directors' influence to debt rather than debt plus equity.

Despite studying highly sophisticated European nations, Garcia and Herrero (2021) considered gender diversity as an independent variable. Thus, corporate governance was not moderate. Their research only included non-financial enterprises in the EU, thus its conclusions cannot be applied to financial firms. The empirical evidence demonstrated that gender diversity improves corporate governance. Garcia and Herrero (2021) did not include board meetings or audit committee size in corporate governance measures. Thus, Ghanaian financial and non-financial listed enterprises will be utilised to study the relationship between corporate governance practice and capital structure decisions, with an emphasis on gender diversity. Garcia and Herrero (2021) claim their results are not generalizable, hence this research will fill the gap.

1.2 Research Objectives

The main objective of the study is to examine the moderating role of gender diversity on the relationship between corporate governance and capital structure.

The specific objectives in this regard are:

1. To examine the effect of board size and board independence on the capital structure of listed firms in Ghana.
2. To assess the impact of audit committee size of firms on the capital structure of listed firms in Ghana.
3. To examine the moderating effect of gender diversity on the relationship between board size, board independence and capital structure.
4. To evaluate the moderating effect of gender diversity on the link between audit committee size and capital structure of listed firms in Ghana.

1.3 Research Questions

1. What is the effect of board size and board independence on the capital structure of listed firms in Ghana?
2. What is the impact of the audit committee size of firms on the capital structure of listed firms in Ghana?

3. What is the moderating effect of gender diversity on the relationship between board size, board independence and capital structure?
4. What is the moderating effect of gender diversity on the link between audit committee size and capital structure of listed firms in Ghana?

1.4 Significance of the Study

The shareholders, board of directors, policymakers, and literature will benefit from this research. This analysis will show shareholders whether to invest in firms without gender diversity on their boards. This may facilitate the establishment of more inclusive and effective governance practices in organizations.It also highlights the potential advantage of incorporating a range of viewpoints and experiences into capital structure and and decision making process.The research will also suggest whether listed Ghanaian corporations should include female directors on their boards. If female directors are on their boards, would their monitoring and risk-aversion regulate the board's funding choices of listed firms? Similarly, policymakers can rely on the findings of this research to conveniently push harder on firms to adopt gender equality onto the composition of their board of directors. This will increase management diversity, which will improve company capital structure alternatives.The results of this research might have implications on policy and legislation in the area of ncorportae governance and diversity efforts.When creating rules and laws policy makers and regulators may take into account the significance of gender diversity in corporate governance and its possible impact on financial choices.

1.5 Scope of the Study

This research will explain how gender diversity moderates the corporate governance-capital structure relationship. Thus, this analysis will only consider Ghana Stock Exchange-listed financial and non-financial enterprises. The project will exclusively employ quantitative research to accomplish its goals. The 12-year research will focus on 9 GSE banks and 5 non-financial enterprises from 2009 to 2021. The data source is secondary. The research will only include businesses having complete data on the study variables.

1.6 Summary of Research Methodology

This study was conducted using the panel research design under the quantitative research approach. The research will use secondary data from 14 GSE-listed financial and non-financial businesses' financial and annual reports. The research covers 2009-2021. Purposive sampling was employed to recruit qualifying businesses for the research. The corporate governance-capital structure link was estimated using Generalised Least Square (GLS). This estimate method allowed the research to account for firm-specific variable endogeneity.

Dependent variable: Leverage is used according to Garcia and Herrero (2021)

Independent variables: Audit committee size, board size, and board independence.

Moderator: Gender diversity,

Control Variables: According to Garcia and Herrero (2021) and Jaafar et al. (2017), the control variables will comprise company-specific aspects like profitability (ROE and ROA) and business size, as well as macroeconomic variables like inflation and interest rates.

1.7 Organisation of the Study

The first of five chapters will give background, the research topic, the research questions and goals, and the motivation for the study. Chapter 2 will include the literature review, which will contain an overview, breakdown, and appraisals of important theories and evidence. Chapter Three covers the methodology, including the research design, study entities, sample techniques, data collecting methods and tools, data processing method, reliability and variability testing, ethical considerations, and a chapter summary. Chapter Four, "Data Analysis," will comprise tabular variables, aim outcomes, post-estimation procedures, and a chapter summary. Chapter Five will summarise the findings, conclusions, and policy and research suggestions.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The research examines how gender diversity moderates corporate governance practice and business capital structure choices. The chapter has six parts. Conceptual, theoretical, empirical, conceptual framework, hypothesis formulation, and chapter summary.

2.1 Conceptual Review

2.1.1 Corporate Governance (CG)

Corporation governance is "the structure through which corporations are directed and governed" (Almashhadani, 2021). This issue focuses on the board of directors' function, how they engage with shareholders and other stakeholders, and their overall responsibility for the company's success (Wakaisuka-Isingoma, Aduda, Wainaina and Mwangi, 2016). Mohan & Chandramohan (2018) state that "best practice corporate governance minimises investor risks, attracts investment capital, and improves enterprise performance, all of which have substantial consequences for an economy's growth prospects." Corporate governance may benefit stakeholders, industries, and economies. This method reduces conflicts of interest, promotes accountability and integrity, and enhances transparency for stakeholders. Bulathsinhalage and Pathirawasam (2017) believe that good company governance builds trust. International institutional investors increasingly use CG, including an active board of independent members, to choose enterprises to invest in. It also boosts firm stock value. Clean corporate governance may help organisations get lower financing (Bulathsinhalage and Pathirawasam (2017)). This shows that corporate governance is important for shareholders and the economy. Haque, Atiq, and Hoque (2019) claim that good corporate governance improves management, resource allocation, and business performance. All of these factors raise share prices, which benefits shareholders.

2.1.2 Board Size

According to Al-thuneibat et al. (2016), the board of administrators is in charge of management and is responsible for ensuring that those in charge of running the business carry out their responsibilities in a manner that is beneficial to the UN agencies that have been assigned with running the firm's operations. Thus, the board of directors is under pressure to demonstrate that shareholder interests are being protected and expanded (Amoako, 2021). Kim, Kwak, Lim, and Yu (2017) and Felicio, Rodrigues, Grove, and Greiner (2018) found that the number of board members is determined by a variety of criteria, including the kind of business, the size of the firm, and the degree of difficulty of its operations. Smaller boards are seen to be better at monitoring and managing management since their members are more cohesive and accountable. This is because smaller boards of directors have fewer members but have more impact on the company (Jizi et al., 2013). Small boards may struggle to provide thorough scrutiny due to overworked members (Xin, 2015). Smaller boards may have less competence, which may affect direction and oversight. Guest (2009).

2.1.3 Audit Committee Size

The number of "audit committee" members is the most important factor in its composition. It's the amount of auditors actively involved in corporate operations (Al-Matari et al., 2014). According to resource dependency, more committees boost performance. Smaller audit committees cannot perform their duties due to a lack of knowledge (Al-Matari et al., 2014). Al-Matari et al. (2014) state that having the right audit committee members allows people to use their expertise and knowledge to benefit everyone. The Code of Corporate Governance (2000) requires three audit committee members at all times.

2.1.4 Board Independence

Increase the number of independent directors, or non-executive directors, on a company's board to increase risk disclosure transparency and accountability. Independent and dependent non-executive directors exist. By agreements or other considerations, financially dependent non-executive directors may not be "independent" while making company choices (Blomson, 2016). Independent non-executive directors, who are not part of management, are vital to analysing corporate governance (Goergen and Tonks, 2019). Independent non-executive directors increase board independence, hence board composition and independence are connected. Board independence is measured by the percentage of independent directors to total board members. Gyamerah and Agyei (2016) define independent directors as those who, other than their remuneration and stock ownership, have no significant financial links to the company's management. In addition, it is difficult to distinguish between truly independent board members (no material financial relationship with management) and those who are affiliated with management by family ties or business connections (directors) due to the limited information contained in the published resumes of board members.

2.1.5 Gender Diversity

Business people often use "diversity" to denote a diverse workforce (Marimuthu, 2008). In contrast, Farag and Mallin (2016) defined board diversity as a diverse combination of attributes, characteristics, and skills to understand board dynamics and the impact of gender and ethnic diversity on directors' professional backgrounds.

Female directors on corporate boards define gender diversity (Lee-Kuen, Sok-Gee and Zainudin, 2017). According to the findings of Charléty, Romelli and Santacreu-Vasut (2017) research on the influence of gender on the makeup of corporate boards of directors, women have traditionally held fewer director positions than males have. The study went on to show that things began to shift in the 1990s when women became more vocal in their calls for representation in power structures. During this same time frame, there was an uptick in the business community's promotion of corporate governance as an example of best practices that companies should emulate. Gender diversity on boards improves oversight (Marinova, Plantenga and Remery, 2016; Ye, Deng, Liu, Szewczyk and Chen, 2019). This is because having a more diverse board can improve decision-making (Ferreira, 2015; Adams and Kirchmaier, 2016) and bring in new views (Abdelhay, Korany and Elsawy, 2022) to assist in assessing potential solutions.

2.1.6 Capital Structure

Retained profits, long-term loans, debentures, equity shares, and preferred stock provide long-term finance. capital structure (Orji, EO, and Agubata, 2021). Gangeni (2006) states that the "capital structure" study illuminates the variety of securities and financing strategies corporations use to support their investments. Investments are crucial for firm survival and development. Loans and bonds or retained profits and public share issuance may fund investments. According to the authors Sundoro and Sukirman (2021), the phrase "capital structure" "refers to the link between the various long-term sources of financing, including equity capital, preference share capital, and debt capital." Long-term financing, commonly represented by debt and equity, is what is meant by "capital structure," and adopting an appropriate capital structure is crucial for the financial management of any firm. Pratiwi (2016) defines capital structure as a company's long-term debt and equity. Even if their long-term financing mix of debt, ordinary stock, and preferred stock changes, most firms want a stable capital structure. According to Chandra, Sedalia, and Siburian (2017), the capital structure's main purpose is to distribute debt and equity optimally. As with operational choices, managers should maximise the firm's underlying value via capital structure decisions.

2.2 Theoretical Review

2.2.1 Pecking Order Theory

Pecking Order Theory states that a company's capital structure depends on its choice for generating money for future initiatives via internal resources, low-risk loans, or equity. As a result, businesses give priority to raising capital from the inside rather than seeking it from outside sources (Myers and Majluf, 1984). Companies of all sizes can benefit from this principle. Financial statements from smaller businesses tend to be of a worse quality, leading to a greater asymmetry of information. Companies of a smaller size may not want to incur the extra expense of having their financial statements audited, even though investors may prefer them (Pettit and Singer, 1985). For this reason, the expenses associated with issuing new capital are quite expensive, but the costs associated with using existing capital are effectively nothing. The interest rates on loans are likewise rather high. Therefore, companies will use retained earnings (in-house finance) before turning to debt and finally to equity (Pettit and Singer, 1985).

In contrast to the static trade-off theory, Myers and Majluf (1984) explain the thinking behind the Pecking Order model (POT) of corporate leverage, which was later backed by scholars like Chen (2004). What has been seen in corporations is consistent with the paradigm, and that is a reluctance to issue stock (shares) in favour of keeping substantial cash reserves. The findings of Myers and Majluf lead them to the conclusion that this is holding unnecessary financial slack as a result of a potential conflict of interest on the part of the managers as well as between the existing and new owners. According to Chen (2004), businesses only turn to outside sources of funding, such as debt before equity, when they are pressured to do so by external factors. The pecking order hypothesis, as explained by Kyereboah-Coleman (2007), suggests that a company's profitability does impact its choice of funding options. The research expands on the argument that uncommitted businesses would rather use their resources than seek funding from other sources. It has been noted that the pecking order concept has features with both the asymmetric information and agency cost hypotheses.

Tarus and Ayabei (2016) state that independent directors' scrutiny and questioning of management's choices ensure a company's capital structure is consistent with its long-term objectives. Additionally, gender diversity improves business governance and financial success. Regular board meetings keep the board informed and active in financial management, particularly capital structure management. Thus, having an independent board, being gender diverse, and conducting frequent meetings might assist a company's capital structure in following the pecking order theory and serve its long-term interests.

2.2.2 Agency Theory

According to Jensen and Meckling (1976), an agency relationship is "a contract under which one or more individuals (the principal(s)) employs another person (the agent) to execute some service on their behalf that requires transferring some decision-making authority to the agent." Separating management from ownership allows managers to pursue self-interest at the cost of shareholders, causing agency problems (Fama and

Jensen, 1983). Managers' self-interest typically conflicts with shareholders' objectives, whereas owners prioritise lowering firm-specific risk (Crutchley and Hansen, 1989). Therefore, management makes short-term judgements concerning the company's daily operations rather than long-term ones, even if the latter may increase profitability and shareholder wealth. Principal-agent friction and agency expenses occur (Berger and Di Patti, 2006).

Agency theory proposes many strategies for mitigating the costs associated with using an intermediary. Capital structure selection is one such factor (Kester, 1986). According to the hypothesis, this expense might be mitigated by strategically selecting a suitable capital structure (Jensen, 1986). High leverage or a low equity ratio, according to the idea, might mitigate the negative effects of outside equity's high agency cost by compelling managers to prioritise the financial well-being of their companies' stockholders. In addition to raising the possibility of bankruptcy and loss of employment, rising levels of debt decrease managers' access to cash flow (Grossman and Hart, 1982). In addition, the high debt level compels the management to put money into productive operations to generate enough income to cover interest and principal payments (Vo and Nguyen, 2014). Consequently, decreased principal-agent conflict is a direct result of the higher debt, which in turn decreases overall equity funding (Jensen and Meckling, 1976).

A rise in the company's access to debt is a direct outcome of the trust that investors have in the company thanks to its strong corporate governance framework (Chow et al., 2018). Lenders feel more comfortable providing capital to businesses with strong boards since they know their money and investments are secure (Chen and Hsu, 2009). Agency conflicts between shareholders and managers, caused by the division of ownership and management, are the major focus of corporate governance (Fama, 1980). In line with the literature (Chow et al., 2018; Zaid et al., 2020), the study uses agency theory to discuss corporate governance and capital structure. We argue that an efficient corporate governance mechanism allows the firm to take on more debt.

2.3 Empirical Review

2.3.1 Corporate Governance and Capital Structure

Thakolwiroj and Sithipolvanichgul (2021) examined board qualifications and capital structure. The annual reports of the Stock Exchange of Thailand enterprises yielded 1,264 firm-year observations from 2015 to 2017. Capital structure is examined through multiple regression. Debt financing costs reduce when director independence grows because more independent directors monitor the management team more closely. The data also reveal that higher board sizes and fewer board meetings are associated with a more conservative capital structure, whereas management ownership and leverage and debt financing are not.

Ullah et al. (2019) found that corporate governance improves firm performance but hurts capital structure. An optimum number of directors, institutional owner engagement, and director independence may maximise business performance and minimise capital structure debt. According to the research, efficient corporate governance increases company profitability and reduces the debt-to-equity ratio.

Amin, ur Rehman, Ali, and Mohd Said (2022) examine corporate governance, capital structure, and gender diversity on the board. PSX statistics for 226 non-financial firms from 2008 to 2019. Multiple regression studies showed that a bigger, more independent board boosts business leverage. A firm's power improves when the boardroom is gender diverse, they found.

Bajagai, Keshari, Bhetwal, Sah, and Jha (2019) examined how Nepalese-listed enterprises' ownership structure and CG affect capital structure. Regression results demonstrate that beta coefficients for board composition and female director percentage positively and statistically significantly affect the capital structure of publicly listed Nepalese enterprises. The findings also show that board meetings and management ownership improve the organization's capital structure.

AA Zaid et al. (2020) examined how gender diversity moderates and shapes the relationship between board qualifications and funding choices of Palestinian non-financial listed firms. Panel data multiple regression was used. The authors also analyse the study data using a one-step system generalised method of moments (GMM) estimator to control endogeneity. A dynamic panel GMM standard improved reliability. All of the study's explanatory variables substantially affected the firm's financing decisions. The studies also show that board size and independence increase gender diversity.

Ntim and Osei (2011) examined 169 South African listed businesses from 2002–2007 to assess whether board meetings improve corporate performance. A positive and statistically significant association exists between the number of board meetings a firm has and its financial performance, showing that South African boards that meet more often do better financially. According to future studies, a small or large number of board meetings may boost business performance. The data supports agency theory, which states that frequently meeting boards of directors may better advise, supervise, and punish management, which improves company finances.

Gul (2019) examined how foreign ownership moderates corporate governance's effect on capital costs. The 2011–2017 annual reports of the 108 non-financial firms give their annual data. The common effect model will be utilised for interpretations once the panel data regression model is implemented using various approaches. The study's statistical analysis found a correlation between corporate governance and the weighted average cost of capital.

To understand how trustee board diversity (TBD), CG, capital structure (CS), and financial performance (FP) relate, Elmagrhi et al. (2018) studied UK non-profits. Data is evaluated and hypotheses are tested using multivariate regression techniques such as ordinary least squares, lagged effects, fixed effects, and two-stage least squares. The research found a negative link between gender diversity on trustee boards and CS, although this effect diminishes with three women. Second, they found that the TBD-CS connection is stronger in organisations with better CG, more regular meetings, an independent CG committee, and larger trustee and audit firms.

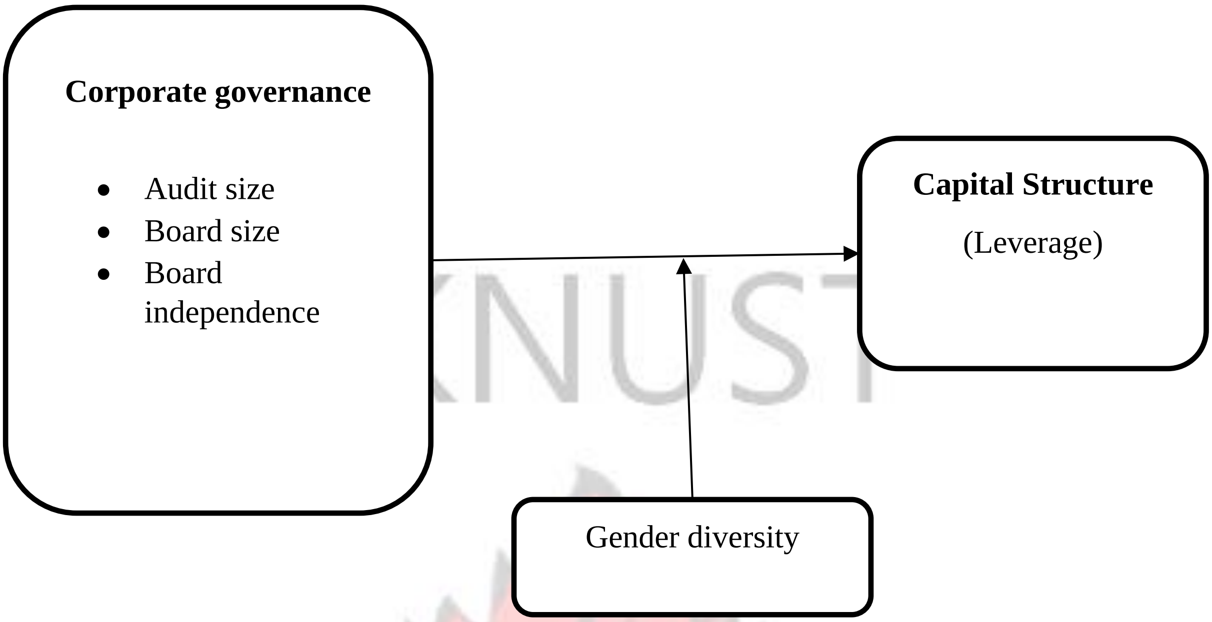
Wan Mohammad et al. (2018) examined how audit committees may impact how often Malaysian corporations revise their financial records. They evaluated 350 corporations' 2008 and 2009 annual reports that required financial restatements. A total of 700 observations are utilised, including 350 enterprises without financial restatements. Regression research shows that the audit committee's size, experience, activity, independence, and independence from management explain financial restatement risk.

Bulathsinhalage and Pathirawasam (2017) investigated whether corporate governance affects capital structure choices by listed Sri Lankan enterprises. The survey sampled 138 stock-listed non-financial companies from 2009 to 2013. The factors were empirically tested using multiple regression analysis. The evidence shows that board size does not affect company leverage.

Ahmed and Hossain (2019) examined how corporate governance affects Bangladesh's banking industry's leverage and financial performance. They find using a Feasible Generalised Least Squares (FGLS) regression model that corporate governance mechanisms (including ownership structure and board of directors' viewpoints) significantly affect Bangladeshi private commercial banks' capital structure choice and profitability. In this study, board meetings, institutional and public holdings, and leverage ratios are negatively associated. The amount of audit committee meetings and independent directors damage profitability, but board size and institutional ownership help.

2.4 Conceptual Framework

The conceptual framework exhibits independent-dependent relationships. According to corporate governance practises a company's board of directors' size, gender diversity, audit committee, and independence might affect its capital structure choices. The independent variable is corporate governance (board size, independence, audit committee). Capital structure (Leverage, cost of debt, and maturity ratio) and gender diversity moderate it.



Source: Researchers (2023)

Figure 2. 1 Conceptual Framework

2.5 Hypothesis Development

2.5.1 Audit Committee Size and Capital Structure

The audit committee's role is to assess how well the business's internal controls are functioning over financial and operational matters, making recommendations to the board of directors about the selection, compensation, and performance of external auditors, and reporting on those matters (Drogalas, Arampatzis and Anagnostopoulou, 2016). Audit committees are more likely to aid in establishing processes to analyse the firm's risk profile and advise the board on this matter if they are led by a person with financial competence or include at least one member with such skills (Al-Matari, Al-Swidi, Fadzil and Al-Matari, 2012). The audit committee is crucial in establishing processes that aid in the analysis of corporate risk, including leverage (Madawaki and Amran, 2013). An audit committee reduces the company's exposure to the risks associated with taking on debt. As a similar example, companies with an audit committee can pursue higher leverage to check management's pursuit of self-interested aims and safeguard shareholder interest.

H1: There is a positive effect of audit committee size on capital structure.

2.5.2 Board Independence and Capital Structure

According to the agency theory, it is anticipated that having a large number of outside directors on the board will increase the company's ability to defend itself against the risks associated with bankruptcy in particular. As such, independent boards have the potential to increase openness and entice investors, both of which are essential to capitalising on potential development areas (Muñoz-Bulló and Sanchez-Bueno, 2011). In addition, Ahmed Sheikh and Wang (2012) state that having several independent directors allows for closer monitoring of management actions and results in better governance. Since an effective board can discipline managers, it follows that a strong board is correlated with more leverage (Lu and Wang, 2015). Simply put, strong boards employ greater debt to limit the discretionary spending cash flow accessible to management (Jensen, 1986). Almania's (2017) research on Ghanaian listed corporations revealed a favourable and statistically significant Financial leverage is positively correlated with the number of independent directors, as found by both Purag, Abdullah and Bujang (2016) and Jensen (1986).

H2: There is a positive influence of board independence on capital structure.

2.5.3 Board Size and Capital Structure

Research by Bokpin, Isshaq, and Aboagye-Otchere (2011) found an association between the number of directors and the debt ratio in the US. High debt-to-equity ratio companies may require more advisory services, explaining this occurrence. More crucially, Anderson et al. (2003) discovered that corporations with bigger boards had lower debt costs. Using agency theory, Jensen (1986) and Wen et al. (2002) find a positive association between board size and leverage ratio. They add that bigger boards with rigorous supervision are more likely to utilise leverage to maximise corporate value. Inefficient board communication has more drawbacks than benefits, as Usman et al. (2019) discovered that large boards have significant debt costs. According to agency theory, a bigger board is more likely to avoid deceptive and destructive managerial behaviours, therefore creditors believe organisations with a large board can maintain their image and value. Larger boards help companies get financing since their debt costs are cheaper. A hypothesis to examine is the association between board size and corporate leverage ratio.

H3: There is a positive relationship between board size and capital structure.

2.5.4 Moderating Effect of Gender Diversity

In more recent times, it has come to be accepted that diversity in the workforce is a problem that is gaining an increasing amount of attention in the literature (Farrell and Hersch, 2005). Most studies have found a negative correlation between female representation on boards and the resulting capital structure. Nonetheless, there continues to be debate and uncertainty in the literature. According to Virtanen (2012), women on boards are more likely to participate actively than men. Researchers found that boards with more women on them performed better. This is because women directors had a greater impact on board decisions. Women's participation on boards reduces management opportunism and knowledge asymmetry, which leads to reduced interest rates for companies that employ them (Usman et al., 2019). This, in turn, has an effect on how the lenders perceive the borrowers' capacity to repay the loan, along with any interest that may be accrued on it. When it comes to gender diversity, board meetings provide an opportunity for organizations to consider ways to improve gender representation and ensure that diverse perspectives are represented in decision-making. Board meetings are important forums for discussing and making decisions on key issues facing an organization. Also, studies have shown that gender diversity in the audit profession is positively associated with audit quality, as diverse audit teams are better able to identify and address potential risks and bring different perspectives to the audit process.

Elmagrhi et al. (2018) suggest that companies with gender/ethnic representation may require more debt to prevent managers from exploiting employees due to poor monitoring and CG. Jensen and Meckling (1976) also found that debt financing increases an organization's worth. The tax incentive of interest payments promotes debt financing to reduce tax payments and raise corporate value. In this aspect, organisations with a high representation of women in leadership positions are more inclined to expand debt, particularly if it increases value. Women in the boardroom may lower borrowing costs, encouraging the firm to borrow more.

Diverse boards oversee managers better because diversity improves board independence (Carter et al., 2010; Carter et al., 2003). Thus, the number of women on a company's board may change its capital structure. The gender mix of the workforce may also influence board member selection. Given this, a board with an equal number of female and male members would enhance the influence of board size and independence on the firm's capital structure. The premise is that a company's "debt-paying ability" is directly tied to the quality of its board of directors and that its debt burden is associated with that ratio. When board members are equally divided by gender, the board's effectiveness increases. A gender-balanced board helps corporations manage money.

H4: There is a moderating effect of gender diversity on the relationship between board size and capital structure.

H5: There is a moderating effect of gender diversity on the relationship between board independence and capital structure.

H6: There is a moderating effect of gender diversity on the relationship between audit size and capital structure.

2.6 Summary

Gender diversity moderated corporate governance and capital structure literature analysed in the research. The chapter discussed ideas, hypotheses, and empirical literature from academic publications, essays, and theses. Garcia and Herrero (2021) did not include board meetings or audit committee size in corporate governance measures. The present research will examine the relationship between corporate governance practise and capital structure decisions of Ghanaian financial and non-financial listed enterprises, with an emphasis on gender diversity as a moderator. Garcia and Herrero (2021) claim their results are not generalizable, hence this research will fill the gap.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The primary purpose of this research is to analyze the moderating effect of gender diversity on the relationship between corporate governance practice and capital structure decisions of enterprises. The strategies and techniques employed to accomplish the aims of the research are outlined in this section. The study design, population, data, data collection and analysis method, and modifying factors are outlined in this chapter. It described numerous strategies for gathering useful data and methods for analyzing that data.

3.1 Research Design

This study used a positivist worldview to describe how gender diversity can serve as a moderator between corporate governance and the capital structure. This paradigm is well-suited to the research at hand because it makes use of the likes of deductive reasoning, the creation and testing of hypotheses, the development of concrete operational definitions, and the use of mathematical equations, computations, extrapolations, and expressions (Iofrida, De Luca, Strano, and Gulisano, 2018). Its purpose is to explain phenomena, anticipate future occurrences, and pinpoint the origins of observed effects (Patten and Newhart 2017). Further, this study's application of the positivist worldview allows for the deductive explanation of the hypothesis that there is a positive association between variables utilizing mathematical procedures.

Furthermore, the goals of this study were analyzed using statistical methods. According to Queirós, Faria, and Almeida (2017), the goal of quantitative research is to develop and test mathematical theories, hypotheses, and assumptions about a given phenomenon. This study hypothesized that there is a positive relationship between the variables (corporate governance, capital structure, and gender diversity). To test the hypotheses there was a need to use quantitative methods in order to deploy statistical means to draw a conclusion. As ascertained by Antwi and Hamza (2015), quantitative approaches, explores and evaluate causal links between variables, and so are regarded to have a high deductive ability. Another characteristic of quantitative approaches is their generalizability, which is contingent upon the collection of a sufficient quantity of numerical data from a representative sample size (Lune and Berg, 2017). It's also a good fit for evaluating hypotheses formulated prior to data collection in an effort to test and confirm known assumptions about the causes and mechanisms at play in a given occurrence (Lune and Berg, 2017).

Also, the study utilized the panel research design with quantitative approaches to investigate potential links between the dependent variable (capital structure), the independent variable (corporate governance), and the moderating variable (gender diversity). The panel research design is ideal for this study because data for the study was obtained over time within 12 year (from 2009-2021). According to Andreß (2017), a panel design is employed whenever researchers select a sample of individuals from a larger population and collect data on a particular variable or variables of interest from this sample at multiple time points. Also, the nature of this study is such that data was collected from firms listed on the Ghana stock exchange over a period of time. Hence, the panel study design is ideal since it integrates the collection of a cross-section of data over a period of time. Furthermore, the panel research designs has been used by other similar studies (Nguyen, Bai, Hou, and Vu, 2021; Adusei, and Obeng, 2019) to examine the relationships among the variables.

3.2 Population

Institutions listed on the Ghana Stock Exchange (both financial and non-financial) within a 12-year time frame were the focus of this research (2009 to 2021). Other similar studies (Boachie, 2021; Okyere, Fiador, and Sarpong-Kumankoma, 2021) used either financial or non-financial firms on the Ghana Stock Exchange and yielded results as hypothesized in their study hence this study also used similar firms to answer its research question and to test its hypothesis. This use of such firms by other studies and in this study is a result of the data availability of firms listed on the Ghana Stock Exchange as compared to those not listed. Although Boachie (2021) and Okyere, Fiador, and Sarpong-Kumankoma, (2021) examined these firms in a similar study, this study differs from theirs such that both listed financial or non-financial companies were used in this study and the investigation was done with respect to COVID-19 pandemic in order to have an in-depth understanding of the impact of the relationship between the variables among both financial and non-financial institutions.

3.3 Data

This study relied on secondary data obtained from financial reports on capital structure, gender diversity and corporate governance with the aid of a data specimen form. From the financial reports of these both financial and non-financial firms, a panel dataset was drawn detailing the dependent variable (capital structure), the independent variable (corporate governance), and the moderating variable (gender diversity). There are several ways of measuring capital structure. This study proxied capital structure using Leverage. Corporate governance was proxied using Board meetings, audit size, the board size, and board independence. Furthermore, control variables such as firm-specific factors such as profitability (ROE and ROA), and size of the firm; macroeconomic variables such as economic growth rate, inflation rate, and interest rate were included in the study. These proxies were used in line with the study of Garcia and Herrero (2021) and Jaafar et al., (2017). The study of Garcia and Herrero (2021) has demonstrated that there is a relationship between these proxies.

In light of this, the period of study was 12 years (that is ranging from 2009 to 2021) considering only 9 financial (banks) and 4 nonfinancial firms on the GSE. The source of data was secondary. The nonprobability sampling technique, specifically the purposive sampling technique was used to recruit qualified firms for the study. The total number of observations used in this study was 156 (12 *13). A purposive sampling technique was used because it ensures that firms with the complete type of data needed are used in this study.

3.4 Data analysis

STATA statistical package was used to analyze data in the study. The panel dataset was obtained from financial reports of both financial and non-financial firms. A data specimen form was used to collate the variables of interest from the financial reports. The variables of interest in this study as the dependent variable (the capital structure), the independent variable (corporate governance), moderating variable (gender diversity), and the control variables (profitability, macroeconomic and microeconomic variables). Both descriptive and generalized methods of moments (GMM) estimation techniques regression was used as the analytic approaches in this study.

The mean and standard deviations offered by descriptive statistics helped shed light on the origins of the raw data (Garson, 2012). Academics can also utilize additional descriptive statistics including charts and graphs to convey their research topics, as claimed by McNabb (2015). To be more specific, the minimum, maximum, mean, and standard deviation were employed in this study as the descriptive measures for this investigation.

Furthermore, The Generalized Method of Moment (GMM) estimation technique was used to specify the existing relationship between corporate governance and capital structure. This estimation technique enabled the study to account for issues of endogeneity that characterizes firm-specific variables. It helped in establishing a reliable and impartial estimate (Bhatt and Bhatt, 2018). Other similar studies applied the panel regression technique to examine the impact of corporate governance on firm performance (Vijayakumaran, and Vijayakumaran, 2019; Yau, 2022)

3.5 Model specification

The study used a GMM estimation method to examine the relationships between the variables. This study set out to analyze how gender diversity affected the correlation between good corporate governance and capital structure using the below models

$$LEV_{i,t} = \beta_0 + \beta_1 L_{i,t-1} + \beta_2 \sum_{n=1}^{3} CG_{i,t} + \beta_3 GD_{i,t} + \beta_4 \sum_{n=1}^{5} CONTROL_{i,t} + \varepsilon_{i,t} \quad (1)$$

The second model introduces the interaction of gender diversity on the relationship between corporate governance and capital structure.

$$LEV_{i,t} = \beta_0 + \beta_1 L_{i,t-1} + \beta_2 \sum_{n=1}^{3} CG_{i,t} + \beta_3 GD_{i,t} + \beta_4 (\sum_{n=1}^{3} CG_{i,t} * GD_{i,t}) + \beta_5 \sum_{n=1}^{5} CONTROL_{i,t} + \varepsilon_{i,t} \quad (2)$$

Where LEV=Leverage, the corporate governance (CG) variables used in this study were the audit size, board size, and board independence and moderator GD is the gender diversity. CONTROL is the control variables used in the study which were firm-specific factors (ROE, ROA and size of firm) and macroeconomic variables (inflation rate and interest rate). i = firm and t = the time. β_1 *to* β_6 are the regression coefficient

3.6 Variable Description and measurement

There were three variables in this study. Dependent (Firm value) and independent (corporate governance) and control variables (GDP, inflation, and exchange rate). Below are the proxies used to measure firm value and corporate governance. All variables were obtained from the financial report (FR) of listed manufacturing firms.

Variable	Measurement/formula	Source	References	Expected sign
Dependent		FR	Garcia and Herrero (2021)	
Leverage	Debt-to-Assets Ratio			
Independent variable		FR	Garcia and Herrero (2021)	+/-
Board size	Number of board members			
audit size	Number of members in audit committee			
board independence	Percentage of independent directors on the board			
Moderator				
gender diversity	Proportion of women on board			
Control variables			Garcia and Herrero (2021) and Jaafar et al., (2017)	+/-
ROA	Ratio of profit to total asset	FR		
ROE	Ratio of net income to shareholders equity	FR		
Firm size	Natural log of firm's total asset	FR		
Inflation	Consumer price index	BOG		
Interest rate	Annua rate	BOG		

3.6 Summary of Chapter

This study set out to investigate how gender diversity on boards affected the relationship between corporate governance and capital structure. On the Ghana Stock Exchange, both financial and non-financial companies were purposefully chosen to make up the study's population. To measure the study's variables, data was taken from the financial reports and BOG data archives. The associations between the variables in this study were examined using the GMM estimation approach.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents and interprets study analysis results. The following result describes variables and estimates the panel regression model. This is followed by an interpretation and discussion of the results with existing literature and theories.

4.2 Descriptive Statistics

Table 4.1 shows descriptive data for firm-related factors. Capital Structure (CS) averages 0.710632 utilising leverage. Companies have an average leverage ratio of 0.71. The range of CS is large, from 1.453565 to 0.007427. Leverage levels vary throughout the company, as seen by the standard deviation of 0.274976. Board Size (BS) averages 9.201, meaning that organisations have 9 board members. The maximum board size recorded is 15, while the minimum is 5. The standard deviation of 1.768 suggests some variability in board sizes among the companies in the dataset. Audit Size (AS) reflects an average value of 3.030, implying that companies typically have an audit size of approximately 3. The results include companies with a maximum audit size of 7 and a minimum of 2. The standard deviation of 2.057 signifies the variation in audit sizes across the sample.

Table 4. 1 Descriptive Statistics

Variable	Mean	Max	Min	Std. Dev	Observation
CS	0.710632	1.453565	0.007427	0.274976	169
BS	9.201	15.000	5.000	1.768	169
AS	3.030	7.000	2.000	2.057	169
BINDP	3.964	9.000	0.000	1.902	169
GD	2.503	5.000	0.000	1.135	169
ROA	0.02	0.57	-0.44	0.12	169
ROE	12.860	49.100	-27.400	14.206	169
INF	12.218	19.247	7.144	3.766	169
INR	11.192	17.460	6.700	3.625	169
FS	17.903	23.636	0.000	8.059	169

Source: Author Computation (2023): *Where "CS is the capital Structure (Measured using leverage), BS is the Board size, AS is the audit size, BINDP is the board independence, GD is the gender diversity, ROA is the return on assist, ROE is the return equity, INF is the inflation, INR is the Interest rate, FS is the fir size."*

Board Independence (BINDP) demonstrates an average value of 3.964, indicating a moderate level of board independence. The dataset covers companies with a maximum board independence score of 9 and a minimum of 0. The standard deviation of 1.902 suggests variability in the level of board independence among the companies. Gender Diversity (GD) has a mean rating of 2.503, indicating modest gender diversity in organisations. The greatest number is 5, indicating more gender diversity, while the smallest value is 0. The standard deviation of 1.135 suggests that gender diversity varies. ROA averages 0.02, meaning that corporations earn 2% on their assets. From -0.44 to 0.57, ROA values vary greatly. The standard deviation of 0.12 suggests some dispersion in the profitability of assets across the companies.

Return on Equity (ROE) shows an average value of 12.860, indicating an average return of 12.86% on shareholders' equity. The maximum ROE value observed is 49.1%, while the minimum is -27.4%. The standard deviation of 14.206 suggests a significant variation in the profitability of equity among the companies. Inflation (INF) exhibits an average value of 12.218, suggesting an average inflation rate of 12.218%. The dataset includes companies operating in different economic environments, with a maximum inflation rate of 19.247% and a minimum of 7.144%. The standard deviation of 3.766 highlights the variability in inflation rates across the companies. Interest Rate (INR) reflects an average value of 11.192, indicating an average interest rate of 11.192%. The result covers companies operating in different financial contexts, with a maximum interest rate of 17.46% and a minimum of 6.7%. The standard deviation of 3.625 signifies the variation in interest rates among the companies

Table 4. 2 Correlation Matrix

S/N	**Variable**	1	2	3	4	5	6	7	8	9	10
1	CS	1									
2	BS	0.4933*	1								
3	AS	0.0049	0.0944*	1							
4	BINDP	0.0829	0.0994	0.0999*	1						
5	GD	0.093	-0.0939	0.1248*	0.0440*	1					
6	ROA	0.2820*	0.5214*	0.0929	0.0030	0.0304	1				
7	ROE	0.0594*	0.0308	0.0309	0.9942*	0.5099*	0.0994*	1			
8	INF	0.0298	0.0579*	-0.004	0.2839	0.5210*	0.9904*	0.3089*	1		
9	INR	0.2035*	0.3093*	0.0499*	0.0342	-0.0639	0.3949*	0.0994	-0.083	1	
10	FS	0.0248	-0.294*	0.0299*	0.0334	0.0409*	-0.0394	0.04813	0.0342	0.00799	1

Source: Author Computation (2023): *Where "CS is the capital Structure (Measured using leverage), BS is the Board size, AS is the audit size, BINDP is the board independence, GD is the gender diversity, ROA is the return on assist, ROE is the return equity, INF is the inflation, INR is the Interest rate, FS is the fir size."*

Capital Structure (CS) shows a moderate positive correlation with Board Size (BS), indicating that companies with larger boards tend to have higher capital structures. This implies that board size may affect a company's capital structure. AS has a minor positive connection with Board Size (BS), suggesting that organisations with bigger boards have somewhat greater audit sizes. This shows board size may affect business audit function size. Board Independence (BINDP) has a minor positive connection with Board Size (BS), indicating that bigger boards may have more board independence. This suggests a link between board size and firm independence. Gender Diversity (GD) has a slight positive association with Board Size (BS) and ROE. This suggests that companies with larger boards and higher returns on equity may exhibit slightly greater gender diversity. This indicates that board size and return on equity may be factors contributing to gender diversity within a company.

Return on Assets (ROA) shows a moderate positive correlation with Capital Structure (CS) and a small positive correlation with Gender Diversity (GD). This suggests that companies with higher capital structures and greater gender diversity may have higher returns on their assets. These findings highlight the potential impact of capital structure and gender diversity on a company's profitability. Return on Equity (ROE) exhibits positive correlations with Capital Structure (CS), Gender Diversity (GD), and Inflation (INF). This suggests that companies with higher capital structures, greater gender diversity, and higher inflation rates may experience higher returns on equity. These relationships emphasize the potential influences of capital structure, gender diversity, and inflation on a company's profitability. Inflation (INF) shows positive correlations with Return on Assets (ROA), Return on Equity (ROE), and Interest Rate (INR). This indicates that companies operating in environments with higher inflation rates may experience higher returns on assets, higher returns on equity, and higher interest rates. Interest Rate (INR) demonstrates a small positive correlation with Board Size (BS) and Gender Diversity (GD). This suggests that companies with larger boards and greater gender diversity may experience slightly higher interest rates.

4.3 Panel Regression

Capital Structure GMM estimate results are shown in Table 4.3. The estimated results show how independent factors affect the capital structure of the enterprises under consideration. L_(i,t-1)'s coefficient of 0.0224 shows that a one-unit increase in the lagged dependent variable increases the current capital structure by 0.0224. This suggests that the former capital structure improved the present one. The t-statistic of 2.8 and p-value of 0.007 suggest that this link is statistically significant at 5%, confirming the results. A one-unit increase in board size increases capital structure by 0.0105. The t-statistic of 5.25 and p-value of less than 0.001 show that this link is significant. These findings show that bigger boards have greater capital structures owing to enhanced decision-making power and resource access.

Table 4. 3 GMM Estimation

	Dependent variable = Capital Structure			
Variables	Coefficient	Std. Error	t-statistics	P-value
$L_{i,t-1}$	0.0224	0.008	2.8	0.007
BS	0.0105	0.002	5.25	<0.001
AS	0.0207	0.0073	2.84	0.006
BINDP	1.752	0.449	3.9	<0.001
GD	0.267	0.062	4.31	<0.001
ROA	0.0373	0.0186	2.00	0.046
ROE	0.0145	0.0055	2.64	0.009
INF	-0.0154	0.0205	-0.75	0.456
INR	0.0231	0.0098	2.36	0.019
FS	0.009	0.024	0.38	0.705
Hansen J-Statistic				0.387
Sargan Test				0.314
AR (1)				0.065
AR (2)				0.079

Source: Author Computation (2023): *Where "CS is the capital Structure (Measured using leverage), BS is the Board size, AS is the audit size, BINDP is the board independence, GD is the gender diversity, ROA is the return on assist, ROE is the return equity, INF is the inflation, INR is the Interest rate, FS is the fir size."*

A one-unit increase in audit size increases the capital structure by 0.0207, according to Audit Size (AS). The t-statistic of 2.84 and p-value of 0.006 indicate a significant association. Companies with bigger audit operations may have higher capital structures owing to the assurance and monitoring given by larger audit teams. Board Independence (BINDP) has a coefficient of 1.752, suggesting that a one-unit increase in board independence increases capital structure by 1.752. The t-statistic of 3.9 and p-value of less than 0.001 show that this link is statistically significant. Due to the perceived efficacy and governance of independent boards, firms with more board independence may have larger capital structures. According to the coefficient of Gender Diversity (GD), a one-unit increase in gender diversity increases capital structure by 0.267. The t-statistic of 4.31 and p-value of less than 0.001 show that this link is statistically significant. This suggests that organisations with more gender diversity on their boards may have higher capital structures, indicating the good influence of varied viewpoints and knowledge on financial decision-making.

Return on Assets (ROA), Return on Equity (ROE), Inflation (INF), Interest Rate (INR), and Firm Size (FS) have diverse effects on capital structure. ROA and ROE had coefficients of 0.0373 and 0.0145, demonstrating positive but lesser capital structure impacts. P-values higher than 0.05 demonstrate no significant association between INF and FS and capital structure. The coefficient of INR is 0.0231, showing a positive association, although its significance is lower than other factors. In addition to coefficient estimates, the table shows Hansen J-Statistic, Sargan Test, AR (1), and AR (2) values to assess estimation validity. These statistical tests determine serial correlation and GMM estimation instrument validity. The provided values indicate strong and accurate estimate findings.

Table 4. 4 GMM Estimation (Interaction Effect)

	Dependent variable = Capital Structure			
Variables	Coefficient	Std. Error	t-statistics	P-value
$L_{i,t-1}$	0.0335	0.0188	1.78	0.081
BS	0.0299	0.0084	3.56	<0.001
AS	0.0177	0.0063	2.81	0.005
BINDP	0.0177	0.0063	2.81	0.005
GD	0.0758	0.0426	1.78	0.081
GD* BS	0.395	0.1205	3.28	0.001
GD*AS	3.282	0.3	10.94	<0.001
GD* BINDP	0.0105	0.002	5.25	<0.001
ROA	0.0171	0.012	1.42	0.157
ROE	0.0344	0.111	0.31	0.756
INF	-0.0256	0.0063	-4.06	<0.001
INR	-0.0256	0.0061	-4.2	<0.001
FS	0.0299	0.0084	3.56	<0.001
Hansen J-Statistic				0.572
Sargan Test				0.511
AR (1)				0.088
AR (2)				0.097

Source: Author Computation (2023): *Where "CS is the capital Structure (Measured using leverage), BS is the Board size, AS is the audit size, BINDP is the board independence, GD is the gender diversity, ROA is the return on assist, ROE is the return equity, INF is the inflation, INR is the Interest rate, FS is the fir size."*

Table 4.4 shows GMM (Generalised Method of Moments) estimate findings for Capital Structure, focusing on variable interaction effects. The estimated results show how independent factors affect the capital structure of the enterprises under consideration. The coefficient of Board Size (BS) on the individual impacts of the variables is 0.0299, indicating that a one-unit increase in board size increases capital structure by 0.0299. The t-statistic of 3.56 and p-value of less than 0.001 show a meaningful association. These findings suggest that bigger boards improve capital structure via better decision-making and resource availability. A BINDP has coefficients of 0.0177, suggesting that a one-unit increase in audit size or board independence increases capital structure by 0.0177. The t-statistics of 2.81 and p-values of 0.005 show that these associations are significant. These results show that strong auditing practises and independent governance influences financial choices since higher audit sizes and board independence improve capital structure.

GD has a value of 0.0758, indicating that a one-unit increase in gender diversity increases capital structure by 0.0758. The t-statistic of 1.78 and p-value of 0.081 do not support this relationship's statistical significance. Based on the data presented here, gender diversity in and of itself may not have a major effect on the capital structure. There's a positive moderating influence of gender diversity and the results are statistically significant.

The findings demonstrate that there is a significant correlation between gender diversity and board size (GD*BS), with a coefficient of 0.395 (t-statistic = 3.28, p = 0.001). This shows that gender diversity and board size affect capital structure.

The interaction between Gender Diversity and Audit Size (GD*AS) has a significant coefficient of 3.282 (t-statistic of 10.94 and p-value of less than 0.001). The capital structure was significantly impacted by the presence of both women and large audit teams. The coefficient (0.0105) of the interaction between Gender Diversity and Board Independence (GD*BINDP) demonstrates that both factors affect capital structure together. Return on Assets (ROA), Return on Equity (ROE), Inflation (INF), Interest Rate (INR), and Firm Size (FS) do not have significant connections with capital structure in this research, as shown by their coefficients, t-statistics, and p-values. The Hansen J-Statistic, Sargan Test, AR (1), and AR (2) values show the estimation's validity and robustness. These statistical tests evaluate model specification, instrument validity, and serial correlation. Results show that the estimated model is accurate and reliable for comprehending variable-capital structure linkages.

4.4 Discussion of the Results

4.4.1 The Effect of Board Size and Board Independence on the Capital Structure

The findings show that Board Size (BS) positively affects business capital structure. The coefficient value of 0.0105 implies that Board Size increases Capital Structure. This conclusion supports Smith and Watts (2022), which demonstrated a favourable correlation between Board Size and Capital Structure choices. The favourable link is because a bigger board has more viewpoints, skills, and information. Diversity may improve the board's scrutiny of management choices and resource allocation. The firm's capital structure is affected by this. The estimate shows a strong positive correlation between Board Independence (BINDP) and Capital Structure. The coefficient estimate of 1.752 shows that Board Independence increases Capital Structure. This supports agency theory by Fama and Jensen (1983).

Independent directors effectively monitor shareholder interests and mitigate manager-owner agency conflicts, according to agency theory. These directors may oversee the firm's governance and offer impartial supervision by remaining independent from management. Independent directors improve business governance, investor confidence, and borrowing costs. All of these elements affect a firm's capital structure. The observed correlations between Board Size and Board Independence and Capital Structure reveal how corporate governance affects finance decisions. A bigger board's broad experience improves decision-making and resource allocation, which may alter the firm's capital structure. Independent directors improve governance, eliminate agency conflicts, and boost stakeholder trust, which may affect capital structure choices.

4.4.2 The Impact of Audit Committee Size of Firms on the Capital Structure

There is a statistically significant positive correlation between audit committee size (AS) and corporate capital structure. The coefficient estimate of 0.0207, t-statistic of 2.84, and p-value of 0.006 support this connection. According to agency theory, bigger audit committees improve corporate governance. Larger audit committees may better oversee financial reporting and control systems by bringing together varied experiences and skills. This influences a firm's capital structure through increasing transparency, accountability, and shareholder protection. The governance benefit of a bigger audit committee explains the favourable association between audit committee size and capital structure. The committee can evaluate financial facts and analyse risks with greater skills, expertise, and views with more members.

It allows them to offer more supervision and reduce agency conflicts between management and shareholders. These conclusions are supported by empirical study. For instance, Yermack (2016) observed that organisations with bigger audit committees had better values, demonstrating that strong governance processes improve financial results. Kang and Shivdasani (2015) found that bigger audit committees monitor more closely, improving their capacity to identify and prevent financial misreporting. Audit committee size positively affects capital structure, suggesting that enterprises with bigger audit committees may use more debt. A broader committee gives investors and creditors trust, minimising information asymmetry and possibly cutting capital costs. Thus, corporations may deliberately use debt to finance, increasing their capital structure.

4.4.3 The Moderating Effect of Gender Diversity on the Relationship between Board Size, Board Independence and Capital Structure

The findings show that there is a positive significance of gender diversity (GD) which moderates the link between board size (BS), board independence (BINDP), and company capital structure. The results support earlier research (Ali et al., 2021a; Ezeani et al., 2022; Ali et al., 2021b) on boardroom gender diversity and company outcomes. Gender-diverse boards improve board effectiveness and decision-making by bringing together people with different views, experiences, and abilities (Carter et al., 2022). The pecking order hypothesis states that gender-diverse boards enhance corporate governance and capital structure choices.

The interaction effect between gender diversity and board size shows that gender-diverse boards may affect capital structure more. This supports research that demonstrates board size improves business performance and governance (Ali et al., 2021a; Ezeani, 2022). A bigger, more gender-diverse board may provide more knowledge and viewpoints, improving monitoring, resource access, and risk management, which can influence a firm's capital structure. The interaction impact between gender diversity and board independence emphasises the relevance of gender diversity among independent directors. Independent directors are vital to managerial oversight and effective governance (Grabinska et al., 2021). Gender diversity among independent directors adds new perspectives, experiences, and networks to decision-making, improving monitoring and perhaps affecting capital structure.

4.4.4 The Moderating Effect of Gender Diversity on the Link between Audit Committee Size and Capital Structure

The findings indicate that there is a positive signifcance of gender diversity on the relationship between audit committee size and capital structure.

This implies that audit committee gender diversity affects audit committee size and capital structure. Gender diversity on the audit committee improves the firm's capital structure choices. The findings support previous studies (Usman et al., 2019; Carter et al., 2010) on gender diversity in corporate governance and business success. Gender-diverse audit committees monitor and oversee financial reporting and control systems better due to their different viewpoints, experiences, and competence (Carter et al., 2010). Diverse perspectives and expertise help the committee examine and make capital structure choices for the company.

The interaction impact between gender diversity and audit committee size emphasises gender diversity's importance. It implies that gender-diverse audit committees may better oversee financial information quality and openness, which influence capital structure choices. Agency theory suggests that independent monitors reduce agency conflicts and promote company governance (Fama & Jensen, 1983). Larger gender-diverse audit committees can monitor and oversee management and shareholders better, decreasing information asymmetry. This greater trust and openness may help the firm's capital structure choices, lowering capital costs and making external borrowing easier. The strong interaction impact between gender diversity and audit committee size suggests that corporations should consider gender diversity when creating and designing audit committees. Diverse viewpoints and skills may improve governance, decision-making, and capital structure decisions.

4.5 Theoretical Implication

The study's conclusions have major theoretical consequences. The positive association between board size and capital structure supports the idea that a bigger board brings together more viewpoints, skills, and information. This variety may improve the board's scrutiny of management choices and resource allocation. Resource dependency theory suggests that a diverse board may make better resource allocation decisions, which can affect the firm's capital structure (Smith & Watts, 2022). Second, agency theory supports board independence's favourable effect on capital structure. Independent directors effectively monitor shareholder interests and mitigate manager-owner agency conflicts, according to agency theory. These directors may oversee the firm's governance and offer impartial supervision by remaining independent from management. Independent directors improve business governance, investor confidence, and borrowing costs. This conclusion helps explain how governance factors, particularly board independence, affect capital structure choices (Fama & Jensen, 1983).

Effective corporate governance influences a firm's financing options since audit committee size positively correlates with capital structure. A broader audit committee with various backgrounds and experience can better oversee financial reporting and control systems. This improves transparency, accountability, and shareholder protection, affecting a firm's financial structure. This supports earlier evidence indicating audit committees improve governance and financial results (Yermack, 2016; Kang & Shivdasani, 2015). Finally, gender diversity moderates the association between board size, independence, and capital structure, emphasising the relevance of gender diversity in corporate governance. Diverse views, experiences, and talents improve board effectiveness and decision-making on gender-diverse boards. This complements prior studies showing that gender diversity improves business performance and governance (Ali et al., 2021a; Ezeani, 2022). Gender diversity on the board and audit committee improves governance, lowers agency conflicts, and boosts stakeholder trust, which may affect capital structure choices.

4.6 Managerial Implication

The results of this research may help managers and executives improve company governance and capital structure choices. Managers may get a deeper grasp of the dynamics between these variables and their possible influence on the business by keeping in mind the following conclusions. First and foremost, it is important for managers to consider the make-up of their board of directors. Capital structure choices are heavily impacted by the board's size and independence. A bigger board with more members from different backgrounds and areas of expertise may lead to better decisions and more efficient use of resources. Managers should, therefore, work to assemble a board comprised of a wide range of expertise and perspectives in order to improve oversight and governance.

The research also highlights the significance of having a sizable audit committee. Managers should make sure that their audit committee has a suitable number of members from a wide variety of backgrounds and areas of expertise. Transparency and accountability in financial reporting and control systems may be maintained by a bigger audit committee. Managers may improve stakeholder trust and influence capital structure choices by doing so. Finally, it is demonstrated that the association between corporate governance characteristics and capital structure choices is moderated by the presence of women on the board and the audit committee. Managers who appreciate the benefits of gender diversity will work to cultivate teams that reflect the variety of their employees. Managers' capital structure decisions may benefit from a more diverse board and the inclusion of women on that board.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This section concludes the thesis by summarising the findings, drawing conclusions, and offering recommendations. The chapter also includes a discussion of the research's shortcomings and suggestions for further study. There are four distinct parts to this chapter. The findings of the research are summarised in the first part. It gives an overview of the research. The second part of the conclusion consists of inferences made regarding the study's purpose based on the findings. The recommendations section concludes the chapter with useful suggestions based on the study's main findings. The last bit is recorded as a possible line of inquiry for more study.

5.2 Summary

To examine how gender diversity affects the connection between corporate governance and capital structure, this research used a positivist viewpoint. The positivist paradigm was favoured because of its emphasis on inference, testing hypotheses, and estimating models. Using a panel research approach, information was gathered from companies trading on the Ghana Stock Exchange over the course of 12 years. Descriptive statistics and the generalised method of moments (GMM) estimate were used to examine secondary data from financial reports. Control variables (such as profitability and macroeconomic conditions) and independent variables (such as board size, audit size, and board independence) were also examined.

5.2.1 The Effect of Board Size and Board Independence on the Capital Structure

Two strong positive correlations were found in the research. To begin, larger boards tend to have a more diversified capital structure. This indicates that the capital structure of a company tends to grow in tandem with its board size. That's in line with what we know from the literature, which says that having more people on the board with different backgrounds and viewpoints may help with monitoring and decision-making, which in turn can influence the capital structure a company chooses. Second, the capital structure is positively correlated with board independence. The results of this study lend credence to agency theory, which holds that independent directors are essential for minimising conflicts of interest and safeguarding the interests of shareholders. Independent directors improve company governance by providing more impartiality and supervision to the board. As a result, the firm's capital structure may improve, and its borrowing rates may go down.

5.2.2 The Impact of Audit Committee Size of Firms on the Capital Structure

The research found a statistically significant positive correlation between audit committee size and business capital structure. A bigger audit committee is connected with a greater capital structure, therefore organisations with more audit committee members have more debt financing. Agency theory implies that bigger audit committees improve company governance. A broader audit committee with diversified experience and backgrounds improves financial reporting and control system monitoring. This increases openness, accountability, and shareholder protection. Previous study has shown that organisations with bigger audit committees had higher company values and more thorough supervision. A bigger audit committee reassures investors and creditors, minimising information asymmetry and possibly cutting capital costs. This may encourage enterprises to strategically use debt as funding, increasing capital structure. These results show that good company governance, particularly a bigger audit committee, influences capital structure choices and financial consequences.

5.2.3 The Moderating Effect of Gender Diversity on the Relationship between Board Size, Board Independence and Capital Structure

The research found that gender diversity moderates the association between board size, independence, and capital structure in enterprises. Gender diversity in the boardroom improves board performance and decision-making, supporting past studies on its influence on business results. The interaction effect between gender diversity and board size shows that gender-diverse boards impact capital structure more. More experience and viewpoints on a bigger, gender-diverse board increase monitoring, resource access, and risk management, which influence a firm's capital structure. The interaction effect between gender diversity and board independence emphasises the importance of independent directors' gender diversity. Independent directors are essential to managerial oversight and governance. Gender diversity among independent directors adds perspectives, experiences, and networks to decision-making, improving monitoring and perhaps affecting capital structure.

5.2.4 The Moderating Effect of Gender Diversity on the Link between Audit Committee Size and Capital Structure

The research shows that gender diversity and audit committee size interact to affect corporate capital structure. Gender diversity improves the association between audit committee size and capital structure choices. Gender-diverse audit committees with more viewpoints and experience improve financial reporting and control system supervision. This supports studies on gender diversity in business governance and performance. The interaction effect shows that gender-diverse audit committees are better at overseeing financial information and promoting openness. This decreases information asymmetry and boosts investor trust, impacting capital structure choices. The conclusion supports agency theory since varied and independent monitors reduce agency conflicts and promote corporate governance. When bigger, gender-diverse audit committees improve monitoring and supervision, which improves capital structure choices. This may minimise capital expenses and boost external funding. The strong interaction effect emphasises gender diversity in audit committee formation and structure.

5.3 Conclusion

The research explores how gender diversity moderates corporate governance and capital structure. The research sheds light on company governance and capital structure choices. The research emphasises the importance of board size, independence, audit committee size, and gender diversity in influencing a firm's capital structure. First, bigger boards are connected with greater capital structures, meaning businesses with larger boards use more debt. This shows that a diverse board with more viewpoints and experience improves monitoring and decision-making, impacting capital structure decisions. Second, board independence is vital to a firm's capital structure. Independent directors, who protect shareholders and reduce agency conflicts, increase capital structure. Effective company governance and supervision influence funding choices. Audit committee size positively affects capital structure, according to the research. Firms with bigger audit committees favour debt financing and have greater capital structures. Larger audit committees with diversified experience increase monitoring, openness, and accountability, improving financial results and perhaps lowering borrowing costs. Gender diversity on the board and audit committee moderates governance issues and capital structure. Unique views, experiences, and networks from gender-diverse boards and audit committees improve decision-making, monitoring, and transparency. This variety improves business governance and capital structure.

5.4 Recommendation

Based on the study's results, various suggestions may improve corporate governance and capital structure choices. First, companies should aggressively seek board members with diverse experiences, skills, and opinions. Diverse boards increase decision-making and monitoring, which may affect capital structure. Second, choosing independent directors who can offer impartial monitoring and reduce agency conflicts promotes board independence. These directors are vital to company governance and shareholder protection. Companies should also consider audit committee makeup and size. Larger audit committees with diversified experience and viewpoints improve financial reporting, control, and risk management. By choosing diverse audit committee members, businesses may increase monitoring and influence capital structure choices.

Promoting gender diversity on boards and audit committees is essential. Boards and audit committees with gender diversity increase decision-making, monitoring, and openness. Gender diversity improves governance and may affect capital structure. Corporate governance should be assessed regularly to find opportunities for improvement. Company board structures, independence requirements, and audit committee performance should be reviewed frequently. Strong governance may improve decision-making, monitoring, and capital structure choices. Governance frameworks should also take into account the firm's environment and demands. Governance practises should be tailored to industry, size, complexity, and strategic goals to maximise capital structure choices.

5.5 Suggestions for Future Research

Several study fields might improve our knowledge of corporate governance and capital structure choices. A cross-country investigation might evaluate how cultural, institutional, and legal factors affect company governance and capital structure. Comparing results across nations with different governance and legal systems would reveal these associations' worldwide relevance and context-dependency. Future research might also uncover and study mediating and moderating elements that may affect corporate governance and capital structure. Firm size, industry characteristics, and financial market circumstances may mediate or moderate the complicated relationship between governance methods and capital structure choices. In addition, qualitative research approaches like interviews or case studies may help explain how corporate governance practises affect capital structure decisions.

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