KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI

EXAMINING THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND PERFORMANCE OF LISTED BANKS IN GHANA.

By

NAOMI DARKWAH (BBA Accounting)

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A thesis submitted to the Department of Accounting and Finance College of Humanities and Social Sciences in partial fulfilment of the requirements for the degree of

MASTER OF SCIENCE IN ACCOUNTING AND FINANCE.

OCTOBER, 2020

DECLARATION

I hereby declare that this submission is my own work towards the award of Master of Science (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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ACKNOWLEDGEMENT

First of all, I thank the Almighty God for enabling me to begin this programme and to bring me to a successful conclusion.

I wish to also extend my profound to my supervisor, Mr. AlexenderAgambilla, I thank you very much for your patience and guidance throughout this work. May the good Lord bless you abundately.

DEDICATION

This work is dedicated to my family.

ABSTRACT

Corporate governance has become one of the topical issues in recent times, following a number of corporate failures in the banking sector with the reported collapsing cases of UT Bank, UniBank and other financial institutions. The fundamental aim of this research was to examine the relationship between corporate governance and performance of listed banks on the Ghana Stock Exchange (GSE). A quantitative approach with a descriptive explanatory sequential design was adopted. Questionnaires were used to collect data on corporate governance practices, compliance with corporate governance code and management assessment of financial performance. A regression analysis methodology was adopted to establish the causality between the variables. The results showed that corporate governance practices and compliance with corporate governance code have a significant effect on financial performance of the banks on GSE and causes 13.4% change in financial performance. Also, compliance with corporate governance codes causes a 35.9% change in corporate governance practices. Compliance with corporate governance code has a higher impact of financial performance; hence for policy implications, the banks on GSE should adhere strongly to the corporate governance codes. However, gender diversity did not have significant effect on financial performance. Recommendations were therefore made that regulations which will make gender diversity more significant be instituted by the Bank of Ghana. Similar research work on corporate governance practices and social corporate responsibility of financial institutions as well as the influence of adoption of disruptive technology on financial performance was also suggested.

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CHAPTER ONE

INTRODUCTION

This section of the study presents the introduction and background of the study, problem statement, research objectives, and research questions, significance of the study,delimitation, and limitations of the study, definition of terms as well as the organization of thestudy.

1.1 Background to theStudy

Efficiency and effectiveness are two key factors influencing any financial institution's ability to keep a competitive edge and remain profitable (Tidd & Bessant, 2018). To achieve this competitive edge, Tidd and Bessant (2018) draw attention to the recent thrust in governance reforms to structurally and operationally make publicly held coperations more effective in relieving the opportunistic behavior of management and other mismanagement practices which are embossed in the literature on accounting and financial earnings management. Although most contemporary financial institutions have devised several strategies to curb mismanagement and opportunistic behavior of top management officials, it is believed that having a good corporate governance structure is the most effective means of ensuring transparency in management devoid of malpractices (Tidd&Bessant, 2018).

Ezzine and Olivero (2018) also argued that the need for a corporate governance structure to combat opportunistic management behavior stems from the fact that the superiority of published financial information is often skewed to some point by managers. In general, it is intended to misinform certain Stakeholders about the underlying economic performance of the company or to manipulate contractual outcomes, provided the published financial statement is available. To prevent such malpractices and other inappropriate management practices, Ezzine and Olivero (2018) further observed that international financial institutions must come up Stakeholders about the underlying economic performance of the company or to manipulate contractual outcomes, with corporate governance codes that measure and determine if financial institutions are abiding by corporate governance practices. The effectiveness of these codes are evident in its global adoption by both financial and non-financial institutions as a means of measuring management effectiveness. According to Macinko et al (2003) "Corporate governance refers to the private and public institutions, including laws, regulations and accepted business practices, which together govern the relationship, in a market economy, between corporate managers and entrepreneurs (corporateinsiders) on one hand, and those who invest resources in corporations, on the other". Corporate governance in its simplest form, therefore, encompasses all the measures and mechanisms put in place to ensure that corporations are managed in the best interest of shareholders and other stakeholders as a whole.

Etzkowitz and Zhou (2017) emphasized that in contemporary businesses, A large group of internal and external stakeholders, such as the Board of Directors (BODs), top management, subordinates, customers, suppliers, debt holders and creditors and shareholders'influence the corporate activities of a firm. This means that the role of the board of directors cannot be under rated as they are responsible for setting the firms's strategic goals. The recent collapse of banks and other financial institutions further underscores the importance of corporate governance (Lane &Milesi-Ferretti, 2017). Blankenburg and Kozul-Wright (2018); Adjei- Dwumfour (2018); Alexandri and

Janoschka, (2018) believe that poor corporate governance in the financial sector is at the root of the collapse and difficulties of many banks and savings and loan companies in the country. Recent research by (Alexandri & Janoschka, 2018) has revealed that some board members of financial institutions are unable to repay loans they take with the institution they are supposed to supervise. Batemanetal (2018)alsoarguedthatmost board members seek personal interest that ends up affecting the expected growth of the company. This has necessitated the Bank of Ghana (BoG) to crack the whip at the banking industry in a bid to restore sanity in theindustry.

Many analysts have conducted research in developed countries to evaluate the connection between corporate governance and financial performance. Some of these researchers claim that there is a positive connection between the corporate governance mechanism and a company's financial performance, while others also argue that the relationship is negative. Melissen et al. (2018) found that in underdeveloped and developing countries like Ghana, successive governments must create an environment conducive to the development of corporate culture and maximize performance in order to motivate board members, entrepreneurs and managers to increase efficiency in order to achieve sustainable success. Melissen et al.(2018) postulate that there is a direct connection between corporate governance and the maximization of corporate profits. Other researchers such as (Owusu& Weir, 2018; Waweru and Prot (2018) also found a similar connection between the mechanism of corporate governance and the financial performance of financial institutions. Likewise the results of the research by Garibaetal (2018) show that, the corporate governance apparatus in sub-Saharan financial institutions are different and subject to the governance of each member country. Gariba et al. (2018) further postulate that improving corporate governance practices is an important element of the escalation towards sustainable economic growth Results from the above survey highlight the essence of effective corporate governance practices, so the purpose of this survey is to examine the impact of corporate governance on the financial performance of banks listed inGhna.

1.2 Statement of the Problem

Globally, ineffective corporate governance has been one of the major causes of firms' crises. Poor corporate governance was manifested in the form of; poor internal control mechanisms, extreme risk taking, overriding internal controls, lack of or failure to comply with legal provisions, lack of risk management systems, abuse of insiders and fraud. This meant thatcompanies lack a robust corporate governance system that impedes public confidence and threatens their financial profitability. Corporate governance has recently discovered a fantastic degree of research focus in growing economies, according to Peng and Luo (2000). The link between corporate governance and overall financial performance in many sectors of these emerging economies, however, remains untested.

Also Ho (2005) indicated that there's non-linear association between economic overall performance and corporate governance practices inclusive of governance training, transparency, and shareholder enter in choices making. On the other hand, big shareholder ownership, kingdom ownership, and the share of impartial administrators are negatively related with economic performance (Bushman et al, 2003). Global financial scandals and the widespread collapse of key business institutions in the United States, Southeast Asia and Europe, such as Adelphia, Enron and WorldCom, have undermined investor confidence in financial Markets and the efficacy of current corporate governance practices in the pursuit of accountability and transparancy.

In Ghana, Corporate governance has become one of the topical issues in recent times as a result of similar cases of corporate mismanagement and poor attitude towards corporate governance practices which has resulted in several corporate failures including the reported collapsing cases of UT Bank, Unibank and other financial institutions. In response to this, the central bank of Ghana reviewed its regulations by increasing the capital requirement of banks from Sixty million Ghana Cedis to Four Hundred million Ghana Cedis. The controversy as to whether corporations are run in the best interests of shareholders and other business stakeholders has been brought into public light by these scandals. Corporate governance system is a more-or- less country-specific set of practices put in place to direct the management ofcorporations.

While scholars in the developed economies have used this basic premise and have developed a considerable amount of literature on the relationship between corporate governance and performance, in Ghana, there have not been adequate studies to investigate the impact of corporate governance practices on performance of corporations, especially in the area of banking sector. Also, the few studies conducted have been limited mostly due to problems with data gathering and a lack of investor awareness of these practices. Informed by this knowledge gap, this study seeks to investigate the impact of corporate governance practices on the performance of listed banks in Ghana.

1.3 Research Objectives General objectives

The research seeks to examine the causality between cooperate governance and performance

ofthelistbankontheGhanastockexchangeanddeterminingthedirectionoftherelationship.

1.3.1 Specificobjectives

The research will examine:

1. Extent to which listed banks in Ghana comply with corporate governancecodes.
2. Factors impeding the implementation of good corporate governance of list banks in Ghana.
3. Causalrelationshipbetweencorporategovernancepracticesandtheperformanceoflisted banks inGhana.

1.4 Research Questions

1. To what extent do listed banks in Ghana comply with corporate governancecodes?
2. What are the possible obstacles to the implementation of good corporate governance of list banks inGhana?
3. What is the relationship between corporate governance practices and the performance of listed banks inGhana?

1.5 Relevance of theStudy

Two main parties interested in the study of Ghanaian corporate governance are the policymakers and the companies. This study will serve as a practical guideline for the policymakersinthebankingindustryofGhanaandvariouspublicandprivatecorporationstobe more proactive towards the establishments and implementation of effective corporate governance systems.

This study is also intended to help investigate how firms,’ especially banks' financial performance can be influenced through the extensive execution of Corporate Governance Systems in the banking industry of Ghana. Also, the findings and suggestions fromthisstudywillhelpfinancialinstitutions,ingeneral,toevaluateandimproveitscorporate governance practices. The study is also intended to add to the already existing knowledge in corporate governance. Finally, the results of this study can also be used by policymakers to take further steps about strengthening corporate governancesystems.

1.6 Scope and Limitations of thestudy

The research focuses on the impact of four corporate governance practices on the financial performance of listed banks in the Ghana Stock Exchange for 10 years (2008- 2018). The period chosen form this study may limit the outcome as different years in different periods may yield different results making this research inapplicable.

Banks and other financial institutions are well known for their conservative attitude. Therefore,gettinginformationfromthemcanbeverydifficultandtiresome.Itisalsopossible that some members of the banks may not be willing to participate in the research for fear of management reaction or distrust for the purpose of the research. Furthermore, due to thebusy nature of banks, most of them may not have the time to provide the information instantly. To mitigate the effect of these challenges on the validity of the research findings, the research will use questionnaires with the question in a Likert scale form to enable the respondents to be able to quickly react to the research questions. Furthermore, all ethical issues will be observe

1.7 Organization of the Study

The study is divided into five chapters. The first chapter includes the introductory section, which sets out the background of the study, the proposed problem, the objectives and importance of the study, and the limitations and organization of the study. Chapter two deals with the review of the literature. The third chapter describes the methodology used for the study: population, sample, research design and data collection tool and data collection procedures, all of which would be primary. The fourth chapter presents the results of the present study. The final chapter contains the conclusions and recommendations based on the analysis carriedout

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the relevant literature on the effects of cooperate governance on the financial performance of listed banks on the Ghana Stock Exchange. The chapter beginswith adiscussionontheconceptsofCooperateGovernanceandpresentsthetheoretical,conceptual and empirical reviews relevant for thestudy.

2.1 Theoretical Review

2.1.1 CorporateGovernance

Thereviewofrelatedliteratureaimstoprovideacontrastingviewofotherresearchfindingin a way that will reveal the research gap as well as justify the essence of this study. The review will not only just make a list of research findings and definitions but would also provide theoretical justification and empirics. The review will be segmented into the theoretical, empirical, conceptual review and conceptualframework.

2.1.2 Definition of Corporate Governance

Theconceptofgovernancemanagementisbroadandreferstoawiderangeofquestionsrelated to organizational and institutional processes (Epstein, 2018; Koliba et al., 2011). Koliba et al. (2011) argued that government governs the operations, customs, guidelines, laws and institutions that regulate the activities and institutional operations of organizations and companies. According to Epstein (2018), the primary purpose of governance is to enable the organization to achieve its goals and manage the relationship between partners, including the board and shareholders. Epstein (2018) goes on to explain that self-regulatory management regulates individual responsibility by way of minimizing the core problem of the agency in the organization, a belief that underpins this study. Epstein (2018) argues that through the use of effective management model management, companies can set important standards to buildthe environmentally friendly environment required to compete in today’s financial markets.

The concept of corporate governance can be defined in a narrow or broader perspective (Murwaningsari, 2019). Murwaningsari's narrow definition of corporate governance focuses on the internal mechanisms of corporate governance to determine the performance of a company and maximize the benefit to shareholders, usually in a single country. For a better explanation, Murwaningsari referred to the much older but generally accepted definition by Shleifer and Vishny(1997), which define dcorporate governance as the way financials ervices companies get a return on their investment. Likewise, the 1992 Cadbury Committee Report defines corporate governance as a system by which companies are directed and controlled. Corporate governance in a broader perspective, according to Murwaningsari (2019), focuses on the external institutional environment that affects thecompany.

The role of the board of directors is central to the whole concept of corporate governance as it influences all aspects of a company as well as the interests of owners Murphy and Smolarski (2018). Theoretically, the concept of corporate governance is supported by agency and management theory and is therefore adopted to support the study. According to Amaeshi and Owolabi (2018), the two theories offer not only an important perspective on corporate governance, but also an important perspective on the functions of the board of directors in relation to size and independence, as well as the functions of the CEO on the performance of thecompany.

Tofurtheremphasizetheimportanceofcorporategovernanceinthefinancialsector,Nakpodia et al. (2018) to the 2004 report of the Organization for Business and Economic Development, which explains Corporate governance must provide the mechanism for setting organizational targets, the means of achieving goals and measuring performance. This definition by Nakpodia confirms that corporate governance not only focuses on the internal structure and profitability of shareholders, but also takes into account the external mechanism of corporate governance and the interests of stakeholders. Finally, Nakpodia et al. noted that it is very important for the banking sector in developing countries to consider the characteristics of board size, board independence and CEO independence as the main mechanisms governance of home affairs, especially in a given country. Likewise, Du Plessis et al. (2018) believes that the significanceof corporate governance principles to the management of financial institutions should not be underestimated,especiallywhentheyarerelatedtotherecentscamsandscandalsintheworld. Du Plessis et al. Said that this fraud and scandal is largely the direct result of the inability of countries' governments to implement legal and regulatory mechanisms for corporate governance effectively. In support of Du Plessis et al., Explanation, Evidence on Nakpodia et al., The Study of Corporate Governance in Developing Countries found that Ghana is a classic example of government failure to apply corporate governance laws and regulations. Andeven when authorities try to enforce laws and regulations, Du Plessis et al. (2018) found that some critical issues were overlooked or deliberately abandoned. Nakpodia et al. Also noted thatthe dividend of good corporate governance is essential for businesses, especially in developing countries. Based on the assertion by Nakpodia et al.

and Du Plessis et al comes to the conclusion that the effectiveness of a bank's corporate governance structure has a significant impact on its properfunctioning.

This is further supported by research findings of Harrison et al (2019) who found that in the banking sector, good corporate governance practice provides valuable knowledge to equity investors and other stakeholders in addition to minimizing data asymmetry.

Harrison*et al.,*(2019) further noted that the dangers of poor corporate governance alluded by Nakpodia*et al*., (2018) relate to (22)'s assertion of the recent collapse of financial institutions in Ghana.

Basedontheaforementionedbenefits,challengesanddangersofcorporategovernanceforthe developed and developing world identified above, Harrison et al. (2019) believes that corporate governance is the application of a set of workable micro-political tools in an organization that includes organizational leadership and the use of capital to replace the main objectivesoffinanciers.Inthefinancialindustry,Harrisonetal.(2019)arguesthatguidelines forcorporategovernanceensurethesuccessofbanksintheseglobalcompetitivemarketsand maximize their positive impact on other stakeholders. Comparing the definition of Kikeri (2018) and Harrison et al (2019) with the perception of Crane et al. (2019), it posits that corporate governance is driven by political interests and procedures for managing agency costs in a business organization.

InaccordancewiththeanswersgivenbyMlamboetal.(2019)isCaiazzaetal.(2018)believes that the application of good corporate governance standards of the legal global general togetherness is important for ensuring good corporate governance in thresholds. These pre-existing visible research gaps that further the problem of the study. The purpose of this study is to promote the causality between corporate governance activities and the performance of list banks and the Ghanaian stock exchanges. The results of the study will serve as the basis upon which we draw, draw, and be drawn, which include the knowledge of business management to manage the functional performance of financial institutions.

The literature above consists of the fact that good corporate governance can include making the financial and other corporations robust institutions that can withstand the management of the Ghanaian economy.

2.1.3 Challenges of CorporateGovernance

Corporate governance is a need of the times. It is concerned with the mechanisms which are employed to attract capital and the best of human resources to enhance the efficiency of the corporate enterprises (Agyei&Owusu, 2014). Some of the significant issues and challenges posed by corporate governance which need to be carefully deliberated to strengthen the functioning of corporate governance have been described by him below:

(i) Unlisted Companies

In Ghana, unlisted companies are not covered by the SEC regulations or any national code of ethics. They are not obligated to follow the rules and regulations of corporate governance as stipulated in the SEC code of corporate governance.

(ii) Family Owned Companies

Family-owned companies have not been affected by the corporate governance revolution. There is a need to subject some aspects of their functioning to better governance practices. The challenge mostly is to develop a mechanism whereby these companies could be enabled to practice good corporate governance.

(iii) Multinational Corporations (MNC's)

The arrival of MNC's in the form of a private company outfits is also an area of challenge. These companies bring millions of dollars but prefer to operate as private limited companies. Their fascination for the private form of organization is born of a desire to steer clear of the imposition of requirements of good governance and to keep their activities shrouded in utmost privacy.

(iv) Internal Control System

The contribution of an effective internal controls system and procedures in promoting financial disclosure is undeniable. What is imperative is an evaluation of their effectivenessby the management and comments thereupon by the statutory auditors. This could make the internal control system and procedure worthy of disclosure and meaningful to its investors.

(v) Performance Evaluation of Board

The Hampel Committee had advocated the need for undertaking performance evaluation of boards. But what kind of procedures should be established for evaluating collective performance? Can self-appraisal be regarded as sufficient? Both these issues are quite important.

(vi) Financial Performance of aFirm

Financial performance is simply defined as a subjective estimation of how effective a business can use its assets and generate income from its core business activities. This term is often used as a general measure of the financial health of a business over a period of time. Generally, the financial performance of a firm can be measured by using ratio analysis. Ratio analysis includes computing the profitability ratios, liquidity ratios and the gearing ratios of a firm and using that as the center of focus for investigating and analyzing the financial strength of the firm. The basis of these ratios is usually the company's profit & loss account and the balance sheet. There are various forms of financial ratios but for this study the researcher will concentrate on one profitability ratio; thus, Return on Equity (ROE) and Return on Asset(ROA).

(a) ProfitabilityRatios

These are measures of financial performance that are designed to measure how efficiently a company is using its assets and how efficiently the company is managing its business. The most commonly used metrics in this category are: net profit margin, gross profit margin, return on investment/equity, etc.

(b) Return on Equity(ROE)

It indicates whether or not a company is generating adequate profits concerning theresources invested in it byshareholders.

(c) Return onAsset

This is another ratio used in determining whether or not a firm is performing wellfinancially. It enables users to check how well a company's corporate governance system is working to improve the efficiency of the company's management.

Theoretical Review

This section presents the main theories that will be adopted to underpin the study.

2.1.4 AgencyTheory

It is one of the most popular and recognized theories in organizational management, largely due to its ability to establish causality between two different but integrated parties, hence the principal (owner) and the agent (manager).) (Wiseman & Gomez-Mejia, 2019). What makes agency theory unique is its ability to examine a relationship from a behavioral and structural perspective (Delbufalo, 2018 & Scherer,2018). In the context of this study, the theory explains that agents (lawyers) behave selfishly in the face of happiness, which can be contrary to the interests of the client (stakeholder) (Chrisman et al. Al, 2004). In such a situation, most researchers agree that the client must put in place structural devices that monitor the agent in order to curb opportunistic behavior and better align the interests of the parties. This aspect of agency theory deals with the 'WHAT' element of a theory.

The 'HOW' element of agency theory is explained by Corbetta and Salvato (2004), who agreed that in order for a company to perform at its best, mechanisms must be in place to minimize costs and ensure greater efficiency in order to achieve the desired result achieve. This means that when the ownership and management of an organization is separated, agency problems arise and agency costs are earned to resolve those problems. This idea is further supported by proponents (Jensen and Meckling, 1976; Honore et al., 2003; Mostovicz et al., 2011) of agency theory. All of these authors agree that the dichotomy between ownership and management is the main element of agency theory. If primary delegates work for the agent, this is the agent's duty to act in the client's best interests.

As part of a solution to the agency problem, the theory suggests two options for the client when examining the agent's opportunistic behavior. First, the theory suggests that the governance structure must be established to allow monitoring and evaluation of the agent's actual behavior. Such a structure according to Kostova et al.(2018), must have strong processes for reporting, additional management or a board of directors. The second choice is to establish a system of governance in which the contract is based on the actual consequence of the actions of the agent. In this context, Kostova et al. (2018) use this mechanism as a compensation that serves as an incentive for high performance. In addition, Boudetal (2018) in a situation where the risk is transferred to the agent, causing the agent's behavior to align with the interests of the client. In addition, the client makes a choice between establishing governance structures based on actual agent behavior or the results of that behavior. Whatever option the customer chooses, he exposes the one proposed by Boud et al. (2018) submitted agency costs. Agency fees are the costs incurred by the client for monitoring and accessing theagent.

2.1.5 StewardshipTheory

This theory equally affirms the what, how, and why elements required of any theory in the context and context of its use. For the WHAT aspect, the stewardship theory shows a remarkable similarity to the agency theory in a sense that describes the working relationship between two parties, the client (owner) and the steward, largely from a behavioral and structural point of view (Davis & Albright, 2004). . In contrast to the agency theory, however, the stewardship theory suggests that stewards behave pro-socially, which is aimed at the interests of the client and thus the organization. According to Davis & Albright (2004) and Newey& Zahra (2009), this behavior is a positive causality between the headmaster, the steward, the work environment and the ideals of the organization. This opinion is strongly supported by Corbetta&Salvato (2004). For the *HOW* element of theories, Davis and Albright (2004) and Tosi (2003) posits that maximum performance in terms of growth or profitability is the desired outcome of a stewardship theory. The theory suggests such an outcome is achieved only if both the principal and the manager in the employment relationship choose to behave as stewards. According to Davis & Albright (2004), such an option makes the principal-steward relationship matter of choice. Therefore, when both parties choose to behave as stewards, the principal's interest is placed first which results in a positive performance as the interest of both parties becomes aligned with the organization's goals (Davis & Albright, 2004, Eddleston & Kellermanns, 2007). Most proponents of stewardship theory (Corbetta & Salvato, 2004) acquiesce to the fact that irrespective of the choices being made, it is always influenced by both psychological and situational factors.

Davis & Albright (2004) agree that essential motivation, a high level of identification, and individual power are the most important psychological factors that influence management behavior choices. Zahra et al. Ryan &Deci (2000), on the other hand, states that the essential motives exist within the individual and bring satisfaction to themselves. For the same reason, Davis & Albright (2004) and Lee and Yoo (2008) found that such a unique factor is the psychological attribute of stewardship theory, as steward managers are motivated by higher intangible rewards. Insisted. This means that those who strongly empathize with the organization are more likely to choose management responsibilities because of their strong sense of belonging to the organization.

Stewardship theory can be observed to apply an individual's perspective of power by explaining power based on interpersonal relationships that develop over time. According to Davis and Albright (2004), this not only influences and empowers managers, but also the psychologicalfactors that facilitate the choice of management, which ultimately leads to a positive impact on organizational performance. In addition, Craig and Dibrell (2014), Davis and Albright (2004), Donaldson and Davis (1991) and Zahra et al. (2008) agree that the management philosophy and culture of an organization cannot be free from situational factors that describe the organizational organization. Structure. In this regard, the theory suggests that distant, low-power, collectivist, and involvement cultures help influence choices in stewardship behavior. In a similar context, Davis & Albright (2004), Eddleston et al. (2012) that in an environment in which employees are given challenges, opportunities and responsibilities and a management philosophy is at the center, implication must beaccepted.

Renewed enthusiasts of stewardship theory (Davis & Albright, 2004; Nicholson &O' Riordan, 2008) posit that in any organization with a strong sense of collectivism, the needs of the many outweigh the needs of the few. The main factors leading to such a performance in the views of Davis & Albright (2004) and Nicholson & O'Riordan (2008) are belonging, identifying and exhibiting loyalty due to the organization's tight-knit social structure. This further supports the fundamental notion of the theory that organizational structures that accommodate and impacts the choice of stewardship performance helps enable maximum performance for thefirm.

2.1.6 Summary of the Two Theories

This section presents the summary of the differences in the two theories used in this study. This is presented in fig. 1. below:

	Agency Theory	Stewardship Theory
What	Based on the principal-manager employment relationship: describes the behavior of the parties and the resulting structural mechanisms of the organization	Based on the principal-manager employment relationship: describes the behavior of the parties and the resulting structural mechanisms of the organization
How	Performance: principal enacts governance mechanisms to curb an agent's opportunistic behavior	Performance: principal creates an environment conducive to facilitating a steward's pro-organizational behavior
Why	Economic model of man: individual/self-serving	Humanistic model of man: collective/other-serving

Figure 1: Summary of Agency and Stewardship Theoretical Elements

2.2.2 EmpiricalReview

The causality amid corporate governance and performance of a firm has received a lot of attention within academic cycles and among practitioners worldwide (Doppelt, 2017). However, although most of the studies suggest a positive correlation (Yip et al, 2018,Bikard, 2018; Hermes, &Hudon, 2018), there are a significant number of research findings that indicates an inverse correlation (Martinez-Conesaetal, 2017; Hermes & Hudon, 2018) did not find any significant relationship. These research findings among others create a level of uncertainty to the perception that good governance leads to the good performance of firms. Such a lack of decisive evidence on this relation and the mixed results further underscore the research gap as such justifies the essence of thisstudy.

In mixed mode research titled Best practice in corporate governance designed to examine the

prominentCorporateGovernanceQuotient(CGQ),Davies,(2016)notedthatthecomposition

of the board of directors was the single most important determinant of key factors in the corporate governance quotient (QGC). A strong link exists between industry-adjusted CGQ scores and financial performance indicators (shareholder return, profitability, payouts, and dividend yields), according to Davies.

Inasimilarstudy,Amuakwa-Mensahetal(2018) tried to examine the nature of the link amid corporate governance ratings and financial performance of commercial banks in Sub-Sahara Africa using data from 50 banks in the region. Assenga et al (2018)'s argument has been debated by renowned proponents (Azeez, 2015; Ibrahim&Samad,2011)ofcorporategovernancewhoearlierarguedthattheadoptionofCEO duality can have an augmenting effect on a firm's performance due to its explicit leadership toformulateandimplementthestrategy.Inlaterresearch,Alexanderetal(1993)outlinefour key challenges that will arise in the event of the non-duality of CEO. Firstly, conflicting actions and expectations of management and the board will increase. Secondly, competition between the president and the CEO will continue to increase. Thirdly, there will be more confusion from two employees. In the end, the CEO's capacity for innovation and entrepreneurship is limited if the board of directors does not trust him. In a similar study. Arulvel and Pratheepkanth (2019) conclude that the duality of the CEO provides a clear direction for goals and operations, while the separation of the CEO and the chairman of the board would result in more costs than benefits, especially for largecompanies.

On the other hand, the results of contemporary empirical studies (Noe& Hollenbeck, 2017, Gond and Chapple, 2017); Grace et al. (2018) on the there is a mixed association between corporate governance indices and organizational efficiency. They illustrate that corporate governance ratings have a major direct effect on market valuation for emerging markets. However, researchers do not agree on the nature of the relationship between corporate governanceratingsforaccountingprinciples.Forindustrializedcountries,theresultsareeven more contradictory. In the United States and Western Europe, McCahery et al. (2016) and Graceetal.(2018)foundastrongcorrelationbetweenmarketvalueandcorporategovernance structures,while Ajili&Bouri(2018)andOrlitzkyetal.(2017)foundonlyweak evidenceofalinkbetweencorporategovernanceratingsandmarketvalue.ResearchbyJohnetal .(2018) alsoshowedthatthenumberofcorporategovernancemeasureshasasignificantdirectimpact on banks' operational performance. John et al. (2018) found no indication of the relationship with the performance of the shares or marketvalue.

Aguilera &Haxhi (2019) have found that businesses have higher corporate governance scores and have less effect in countries with stringent shareholder protection laws and robust corporate governance recommendations compared with countries where shareholder protection regulations are weak. Aguilera and Haxhi's research also found that the connection between corporate governance ratings and performance worsens over time, suggesting that corporate governance does not need to be regulated by law, but can be left in the invisible hands of the market.

Jensen and Meckling (1976) made a proposal decade ago in their research on corporate governanceusingamixed-modeapproachandadescriptiveresearchdesign.Theresultshave been controversial among scholars and practitioners for decades, even in this day and age. Basedontheconceptofagencytheory,JensenandMeckling(1976)postulatethatthereshould be a positive connection between corporate governance ratings and organizational performance. They argued that higher corporate governance ratings should serve as a conduit forbettercorporategovernancepractices,andthereforeforimprovedoperationalperformance and higher market value. According to Jensen and Meckling (1976), this situation forces internal forces to invest in positive wealthy projects and to reduce utility and waste. This ensures that outside investors get more benefits. Although there is sufficient empirical evidence, Bae et al. (2018) do not provide clear evidence that corporate governance ratings have a positive impact on company performance orvalue.

Hermes and Hudon (2018) and Kim et al. (2018) attribute such errors to two main reasons: First, they assume that econometric problems like endogeneity, selection bias or a lack of statistical significance may obscure the relationship. Second, there may not be a relationship, either because corporate governance scores do not measure what they claim to measure, or because a corporation prefers governance practices based on their features, thereby raising the value of the company.Oyelaran-Oyeyinka (2017) discussed theoretical aspects of African governance of financial institutions and concluded that well-governed companies work well. He also concluded that financialinstitutionsbasedindevelopingcountriesarebasedontherealbanonreceivingless determined and certain returns. Such a system promotes entrepreneurship and risk sharing, and emphasizes purity of contracts with adequate governance and supremacy. The research by Gariba et al. (2018), Agyemang et al. (2019), Dreher (2018) and Agyei-Mensah (2018), Hearnet al. (2018) argued that it is important to focus on a stable corporate governance mechanism,asithasbeenshowntobeakeyfactorinaddingvaluetobusinessesindeveloping and developed financial institutions.

2.1.7 Components of CorporateGovernance

(i) BoardSize

It is assumed that the size of the board of directors would have a significant positive impact on the success of the company. In 2018, in 348 of Africa's largest listed firms, Rasmussen et al. investigated the correlation between leadership and business efficiency. They noticed a clear correlation between the board's size and the financial performance of large companies. Hussain et al. (2018) have found a positive association between board size and outcomes in the US banking sector.

Other studies (John &Senbet, 1998; Barkema et al., 1998) have found no major performance effect of board size. However these authors accept that the free rider issue can lead to a broad board size.

(ii) Audit Committee Independence and FirmPerformance

The audit committee is an important corporate governance tool in companies and serves to safeguard shareholder interests and to monitor financial statements. Hamdan et al. (2018) analyzed the relationship between the independence of the audit committee and the business results of 106 financial companies listed on the Amman stock exchange from 2008 to 2009 and concluded that the independence of the audit committee that he examined had a substantial effect on the performance of the company.

(iii) Limitations of Existing Literature and IdentifyingGaps

It shows that more researchers pay more attention to governance and seeks to promote principles of good governance. Other publications focused on compliance with regulatory standards and international principles and assessed the level of implementation of regulatory standards in developing countries. Additionally, some studies have examined challenges that affect business improvement and made recommendations about how to address these issues. Areviewoftechnicalresearchcarriedoutbyvariouscompaniesandorganizationsaroundthe world, particularly in the economic regions of Asia, Europe and America, has found compelling evidence that governments and practices are still weak. and a great deal of effort is required to remedy this challenges.

The main purpose of this study was therefore to examine the relationship between model managementsystems(principlesandmethods)andthedevelopmentbusinessofleasingbanks at the Ghana StockExchange.

2.2 ConceptualFramework

The conceptual structure shown in figure 2 is based on Heracleous (2001), a condensed representation of organizational performance influencing factors and updated to analyze the impact of corporate governance. The paradigm is based on the idea that organizational success is largely affected by the strategic option and most importantly execution by the organization's strategy.

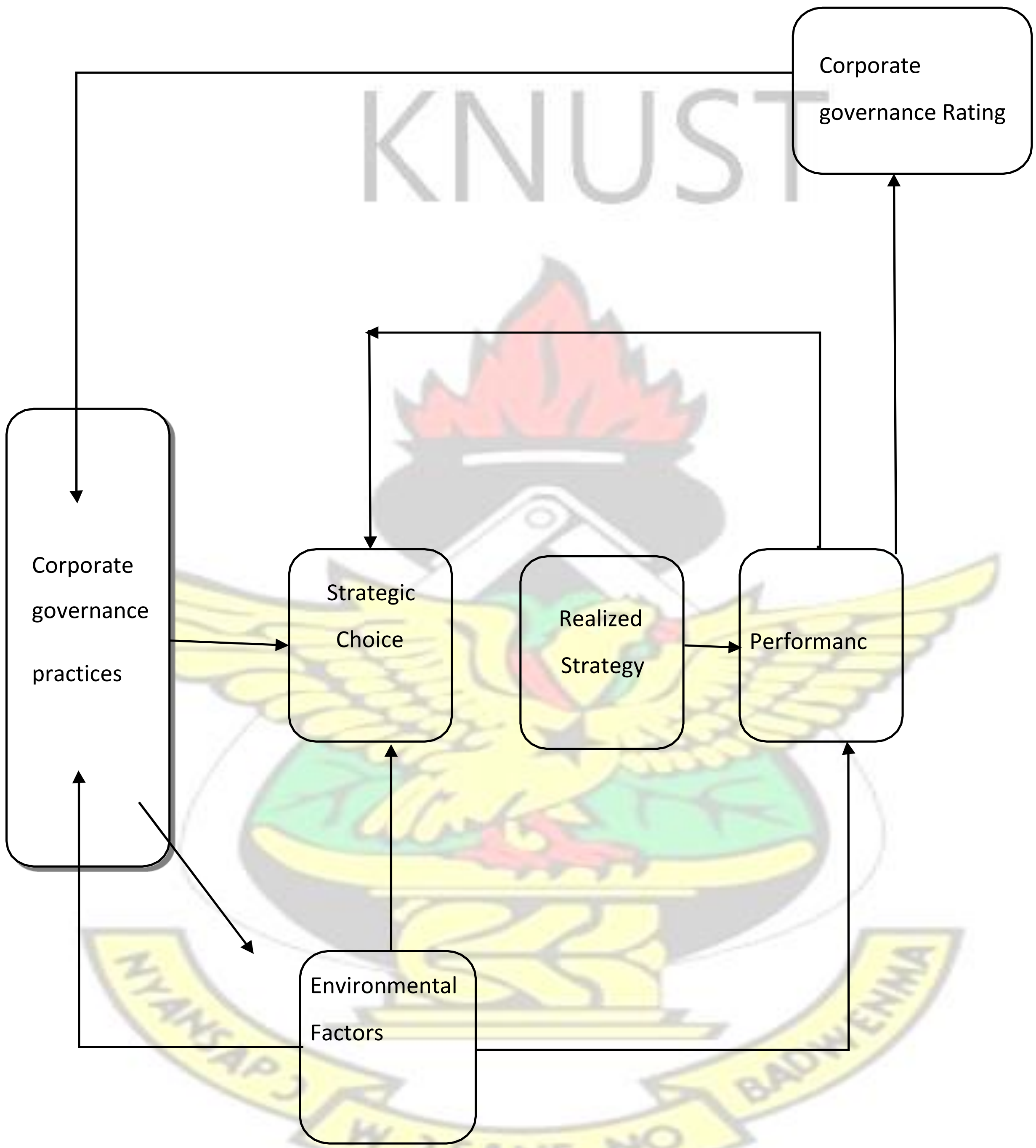

***Figure 2*: The conceptual structure**

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Theresearchseekstoexaminehowcorporategovernancepracticesofcommercialbankslisted on the Ghana stock exchange affect their performance as financial institutions. To achieve this,thechapterpresentstheresearchmethodologyadoptedtoenabletheresearchertodesign, collectandanalyzethedataneededforeachresearchobjective.Thischapterthereforepresents the research design, target population, sample size and sampling procedure, data collection, data source, data collection tools, data analysis procedure, reliability and validity of data as well as ethicalconsideration.

3.1 Research Design

A regression analysis methodology was implemented in this study. This is because the description matched where the inquiry looked at portraying the characteristics of different events, determining the magnitude of individuals who have certain qualities, and building up the idea of linking factors (Cooper and Schindler, 2011). Based on the research approach, the explanatory sequential design was also chosen for the research. According to Hauserman et al (2007), this research design enables the use of a qualitative approach to explaining quantitative results and vice versa. This includes significant, non-significant, outliers or surprising results or to guide to form groups based on quantitative results as shown in fig 3.

Figure 3: Exploratory Sequential Research Design

Source: Nataliya *et al.,* (2007)

3.2 Population of the Study

Based on the information listed on the website of Ghana stock exchange, there were 41 companies listed as in April 2020 of which 9 are commercial banks. These banks are Access Bank Ghana, Agricultural Development Bank, CAL Bank Limited, Ecobank Ghana Ltd, Ghana Commercial Bank Limited, Republic Bank (Ghana) Ltd, Standard Chartered Bank Ghana Ltd, Societe Generale Ghana Limited and Trust Bank Limited.

3.3 Sampling size and sampling procedure

Prior inquiry indicates that the issue of corporate governance, management and operational strategies is handled by the executive level of management of the banks. This means that the corporate management practices are a single procedure decided by executive management, therefore, for this research, the chief executive officer, the general manager, head of the audit, head of accounts and human resource managers of the 9 banks were interviewed. This information was required for the research objectives. Thus, for each bank, five people were invited to participate in the research; this gives a total of 45 respondents. The study will require data from different Banks hence purposive sampling will be used in distributing the questionnaires to each firm.

3.4 DataCollection

3.4.1 Datasource

Data required for a mixed research approach can be sourced from different avenues. Frelsand Onwuegbuzie (2013) recommend that data can be sourced through documentation, archival records, interviews, direct observation, participant observation, and fiscal artifacts. However, for this research, document analysis and questionnaire were used to gather data for the study. The questionnaire was used to collect primary data from the executive management of the nine banks. The research questionnaire was entirely closed-ended based questionnaires. The questionnaires were made easilydeveloped using the closed-ended Likert scale system which helped the officials to easily understand the questions to respond to. This enabled the respondents to indicate the extent to which they agreed or disagreed with a statement or scenario. Document analysis was used to examine the archival records of the bank's performance focusing on key variables that affect performance and profitability. This was acquired through an official request made to the banks for data for the past 10 years i.e. from 2008 to 2018 as shown in theAppendix.

3.4.2 Data CollectionProcedure

Banks just like all financial institutions are very protective of their data particularly data dealing with their performance and profitability. There are many justifiable reasons for this conservative attitude. However, the researcher requested an audience with the target respondentsofeachbank,whowereissuedwiththequestionnaires.Foralltheninebanks,the researcher was given a scheduled date to come for the response. For the secondary data, the researcher reviewed the annual banking survey of Price Water Coopers from 2008 to 2018 and all the information on variables influencing profitability was gathered and organized for furtheranalysis.

3.5 DataAnalysis

Upon retrieval of the questionnaires, the researcher examined the pattern of response, organized the questionnaire and coded it numerically before capturing it using SPSS version 22. The captured data was analyzed using the descriptive analysis to ensure the number of missing values was not affected by the data. For the second and fourth research objectives, factor analysis was used to determine the factors that had a significant impact on each objective. For the first, third and fifth research objectives, Smart-PlS 3 was used to perform partial least square regression to establish the link between corporate governance and perceived performance as well as reveal the factors with the most significant effects. For the secondary data on profitability, STATA version 14 was used to perform fixed and random effect regression on the data from 2008 to 2018. The Hausman test was also used to decide whether to use the fixed effect or the random effect model to draw inferences on the profitability of the banks.

- **Model Specification**

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

$$Y_{it} = \beta X_{it} + \alpha_i + U_{it}$$

Where

α_i (i= 1…n) is the unknown intercept for each entity, Y_{it} is the Dependent Variable (DV), i represents entity and t is time, X_{it} is the Independent Variable (IV), β represents the coefficient for the IV and U_{it} is the error term, α_i is the regression constant.

3.6 Reliability and Validity of Data

It **is** important that data collected and used for the research are reliable and valid. This would ensure that the results are also reliable and valid. In order to achieve this, the researcher used Likert-Scale questionnaire which is suitable for a survey research. This form of data collection instrument contains standard responses and values which can easily be analyzed.

3.7 Ethical Consideration

In order to uphold objectivity, exhibit responsibility, competence and propriety, ethical issues were considered in the study. According to Sarantakos (2005), ethical issues in social research enhances the quality of the study, since relevant research methodology is applied, accurate methods of data collection are employed, and creation and misrepresentation of data among others are avoided. For this and other reasons, ethical issues in social research were given prominence so far as this study was concerned.

The objectives for conducting the study were explained to the respondents about what the study is. The researcher assured the respondents of confidentiality of responds and anonymity of respondents. The consent of respondents were solicited. Respondents participated voluntarily and free from any coercion. Banda (2008) is of the view that, access to delicate cultural information that had not been explicitly authorized for general distribution, as determined by members of the local community or elders in the community was controlled. Again, all works cited was duly acknowledged and reference.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

The primary goal of the study is to examine the causality between co-operating governance and performance of list bank on the Ghana stock exchange as well as the factors impeding the banks' ability to practices good corporate governance practices. Partial least square regression was used to analyses the structural equation model (SEM) designed to consist of the links between corporate governance practices, the bank's compliance with corporate governance code and management's perception of the performance of their banks. Each of these key factors is regarded as a construct in the SEM. Based on the model, the analysis revealed the prominent corporate governance practices, compliances as well as the prominent management's assessment of financial performance. The results further revealed the nature of the relationship and the extent of influence of corporate governance, compliance with corporate governance codes and management's assessment of the performance of their respective banks.

For the factors impeding the banks' ability to practices good corporate governance, factors analysis was used to reduce the variables to the ones with the mode significant effect. The results further indicated the extent of variations in the effect, the reliability of the factors impeding good corporate governance and the significance or otherwise of the joint effect of the variables on each bank.

The third section of the analysis examined the prominent corporate governance rating of the banks and it has affected the financial performance of the banks based on data over the past decade (from 2008 to 2018). To this effect panel data analysis was used to perform two regression analyses. The first which is the fixed effect regression does not consider the time factor that is the time changes in corporate governance practices and financial performance from 2008 to 2018 is eliminated. The second regression method is the general least square random. This method considers the changes in time over the years. To decide which analysis to consider, a Hausman specification test is done to break the tie. This text compares the coefficients of the two analyses to determine whether the fixed or random effect regression analysis is suitable for the data inferences.

The null hypothesis for the Hausman test is that the random regression analysis is suitable for the data and inference whilst the alternative hypothesis is that the fixed regression model. If the P-value is less than 0.05, the random regression is rejected and the fixed regression is used for inferences. If the Hausam test fails to break the tie, then a Breusch and Pagan Lagrangian multiplier test for random effects analysis are done. This gives the closest possible regression to consider. Factor analysis is used to examine the prominent factors impeding good corporate governance among the banks listed on the GSE.

***Table 1*: Prominent Corporate Government Practices, Compliance with Corporate Governance Code and Performance of Banks on GSE**

Factors	**Compliance to Corporate Governance Code**	**Corporate Governance Practices**	**Performance of Banks on GSE**
Audit Committee		0.704	
Board Leadership Structure		0.805	
Board Committee		0.777	
Corporate Culture Values		0.775	
Corporate Report Disclosure		0.740	
Director Remuneration		0.702	
Gender Diversity		0.732	
Board Size	0.807		
Directors Remuneration	0.715		
Corporate Report Disclosure	0.789		
Government Polices	0.812		
Financial Capacity			0.795
Government Policies			0.811
Organizational Structure			0.847
Technical Factors			0.825

Source: Field Survey (2020)

***Table 2*: Uniqueness of Constructs in the Model (Fornell – Larcker Criterion)**

Construct	Compliance to corporate Governance Code	Corporate Governance Practice	Performance of Banks on GSE
Compliance to corporate Governance Code	0.782		
Corporate Governance Practice	0.599	0.749	
Performance of Banks on GSE	0.359	0.274	0.820

Source: Field Survey (2020)

Table 3: Factors Impeding Good Corporate Governance Practices

Factors	Component		
	1	2	3
Bribery and Corruption is the only way to get things done effectively in government institutions.	0.861		
The judicial system is slow, inefficient, expensive and tainted with corruption.	0.839		
Ownership structure of institutions does not favor minority investors	0.831		
The political class exerts a great influence on board of directors		0.902	
The level of level of financial literacy makes it difficult if not impossible for the average Ghanaian to participate actively in corporate governance issues		0.718	

Most foreign companies operate based on the rules and regulations of their native countries bringing about disparities in corporate governance		0.771
Government institutions are unable to implement rules and regulation governing the financial sector	0.679	

Source: Field Survey (2020)

Corporate governance practices of listed banks in Ghana

The results in Table 1 show that Audit Committee, Board Leadership Structure, Board Committee, Corporate Culture Values, Corporate Report Disclosure, Director Remuneration, Gender Diversity, and Board Size are the seven prominent corporate governance practices of the banks listed on GSE. Table 3 shows that these seven practices are 86.9% reliable and the Rho values indicate that they account for 87.4% of corporate governance practices of the banks on the GSE. Also, since the AVE values are greater than 0.5, it means that the seven prominent corporate governance practices of the banks on the GSE have a significant positive relationship among themselves. This means that changes in each variable cause a proportionate change in the other variables.

Furthermore, Table 3 shows that the seven corporate governance practices are 71.5% distinct from the compliance to the corporate governance codes. Thus, it means there are significant variations in the extent of compliance to the corporate governance code and the extent of practices of the corporate governance of the banks on the GSE. This is in line with Ouedraogo (2018) who asserts that institutions comply with corporate governance based on their interest and effectiveness of regulations to enforce corporate governance. Conversely, there is more similarity between corporate governance practices and the performance of the banks on the GSE. This is evident in Table 2 as they are only 31.3% distinct, meaning corporate governance practices and performance of the banks is 69.7% similar. This suggests that there is a smaller variation among the factors influencing corporate governance practices and factors influencing the performance of the banks. This is further confirmed by the results in Table 4.3 where the variable inflation factors indicate there are no issues of multi-co linearity. This also confirms the research findings of Tulung&Ramdani (2018) and Duong et al, 2016

Compliance to the Corporate Governance Codes among the Banks on the GSE

Evidence in Table 1 suggests that board size, director's remuneration, corporate report disclosure, and government policies are the most complied corporate governance codes among the banks listed on the GSE. It can be further observed that they can each influence over 70% of the corporate governance compliance of the banks. However, Table 4.3 shows that they are 78.9% reliable and account for 78.9% of corporate governance compliance of all the banks on the GSE. The AVE of 0.611 > 0.5 indicates there is a significant direct association between the four prominent complied corporate governance codes of the banks on the GSE. This means that an increase in any one of the four factors results in a corresponding increase in the other factors and a decrease in anyone factor results in a corresponding decrease in the other factors.

Table 1 again shows that compliance to corporate governance code and performance of the banks is 43.2% distinct. This indicates a smaller variation in the factor influencing compliance to corporate governance and factors influencing the performance of the banks on the GSE. Nonetheless, the variable inflation factor in Table 4.3 shows that there are no issues of multi-collinearity hence though the variables may be similar; they do not linearly predict each other. This confirms the Research findings of Latif& Abdullah (2015), Chaghadari (2011) and Kajola (2008).

Management's Assessment of Financial Performance of Listed Banks

According to the assessment of the management of the banks on the GSE, financial capacity, government policies, organizational structure, and technical factors are the four main factors influencing the financial performance of their respective banks. Table 1 shows that each of the four factors can influence over 70% of the performance of the banks whilst Table 3 shows that the factors are 83.8% reliable and accounts for 84.3% of changes in the performance of each of the banks listed on the GSE. Also, the AVE being more than 0.5 mean that there is a direct correlation among the four prominent factors influencing the performance of the banks on the GSE. How distinct the performance of the banks is from the other constructs has been defined in the previous two sections. Nonetheless, the variable inflation factor in Table 1 shows that the four factors do not linearly predict each other hence there is no issue of multi-co linearity. These findings are similar to Zadora and Frazil (2018), Mohan and Chandra Mohan (2018) and Nisar et al (2018)

The Relationship between Corporate Governance Practices, Compliance to Corporate Governance Codes and Performance of Listed Banks on the GSE.

The causality between the practices of corporate governance, compliance with the corporate governance codes and performance of the banks on the GSE is shown in Figure 4. It can be observed that 13.4% of changes in the financial performance of the banks on the GSE can be attributed to changes in corporate governance practices and changes in compliance with the corporate governance codes. Furthermore, a unit change in corporate governance practices will cause a 9.2% increase in the financial performance of the banks on the GSE whilst a unit change in compliance with the corporate governance code will cause a 30.4% increase in the financial performance of the banks on the GSE.

Similarly, 35.9% of changes in corporate governance practices can be attributed to changes in compliance to the corporate governance codes and a unit change in compliance with the corporate governance codes will result in a 59.9% increase in corporate governance practices. The equations for the two models are shown in equations 1 and 2.

Financial performance = 0.134 + 0.09 (corporate governance practices) + 0.304 (compliance to corporate governance codes)

Equation 1: Effect of corporate governance practices and compliance with corporate governance codes on the financial performance of Banks on GSE (*Source*: Adam, 2019).

Corporate governance practices = 0.359 + 0.599 (compliance to corporate governance practices)

Equation 2: Effect of Compliance with corporate governance codes on corporate governance practices (Source: Adam, 2019).

Optionally substituting equation 2 into 1; Financial performance = 0.134 + 0.09(0.359+0.599(compliance to corporate governance practices)) + 0.304 (compliance to corporate governance practices).

Financial performance = 0.134 + 0.03231 + 0.05391(compliance to corporate governance practices)) + 0.304 (compliance to corporate governance practices).

Financial performance = 0.16631 + 0.35791(compliance to corporate governance practices)

Equation 3: Effect of compliance to corporate governance codes on the financial performance of Banks on GSE (Source: Adam, 2019).

It can be deduced from equation 3 that when the banks on the GSE do not comply with the corporate governance codes, their financial performance will increase by 0.16631. However, a unit change in compliance with the corporate governance code will result in a 0.35791 increase in the financial performance of the banks. This means that compliance with the corporate governance codes has a higher impact on the financial performance of the listed banks. These findings contradict with John &Senbet, (1998); Eisenberg et al (1998), Conyon& Peck (1998), Loderer&Peyer (002) also failed to establish a significant effect of corporate governance compliance on the performance of firms. The results, however, confirm with Hamdan *et al*., (2018) and Triki&Bouaziz (2012) who established a significant effect of corporate governance on the performance of firms.

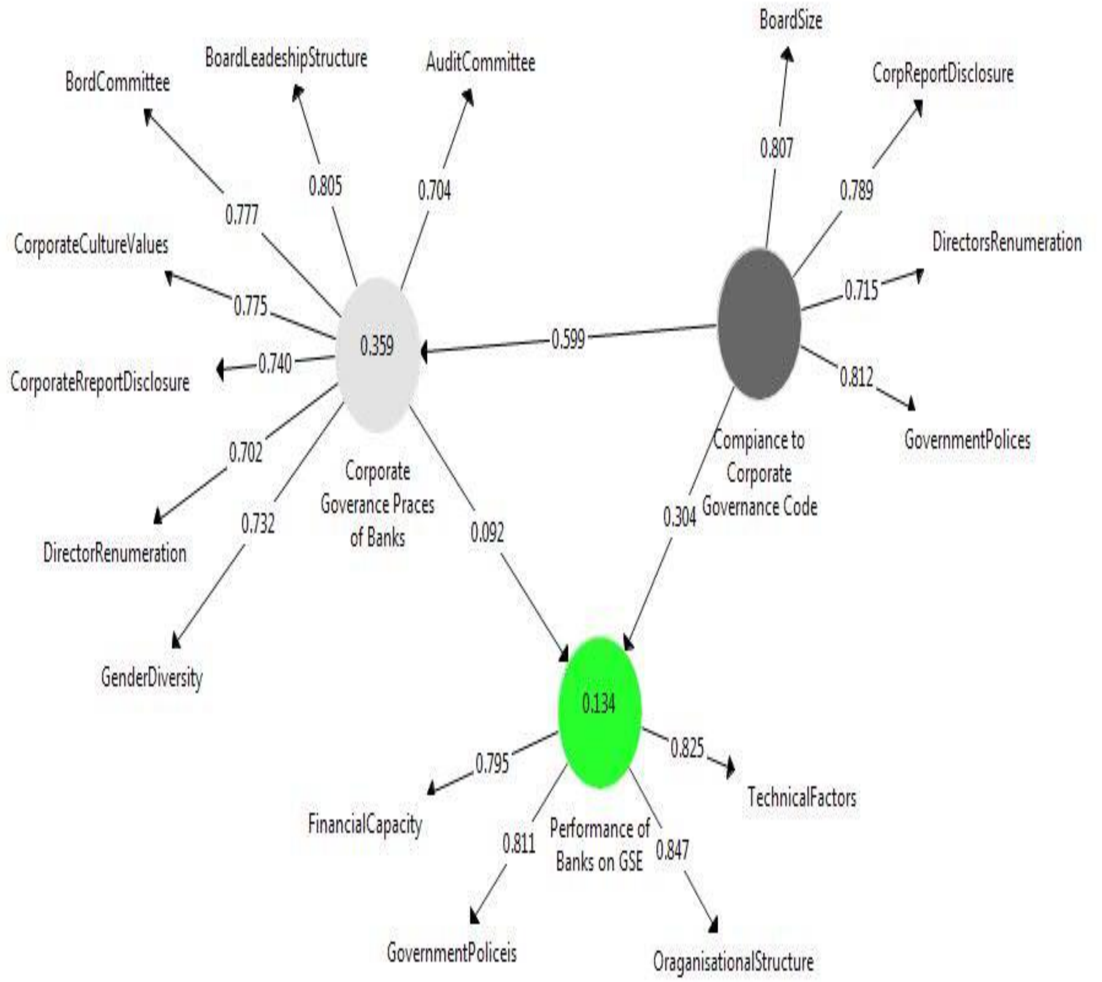

Figure 4:Relationship between corporate governance practices, compliance with corporate governance code and performance of banks on GSE

Source: Field Survey (2020).

To further support the results in equation 3, the f-square effect size analysis in Figure 5 compliance with the corporate governance code is more important in explaining thefinancial performance of the banks listed on the GSE. This means that compliance with the corporate governance code positively augments the financial performance of the banks on the GSE. This assertion is supported by Hamdan et al. (2018) who explained the importance of good corporate governance among organizations. Furthermore, Nisar et al (2018) also found a significant direct effect of compliance to cooperate governance codes on the performance of Banks. Conversely, Martinez-Conesa et al, (2017), Hermes &Hudon, (2018) and Kim, Sheu& Yoon (2018) found a significant and inverse correlation whilst Benton (2016) and Van Grembergen& De Haes (2009) did not find any significant relationship.

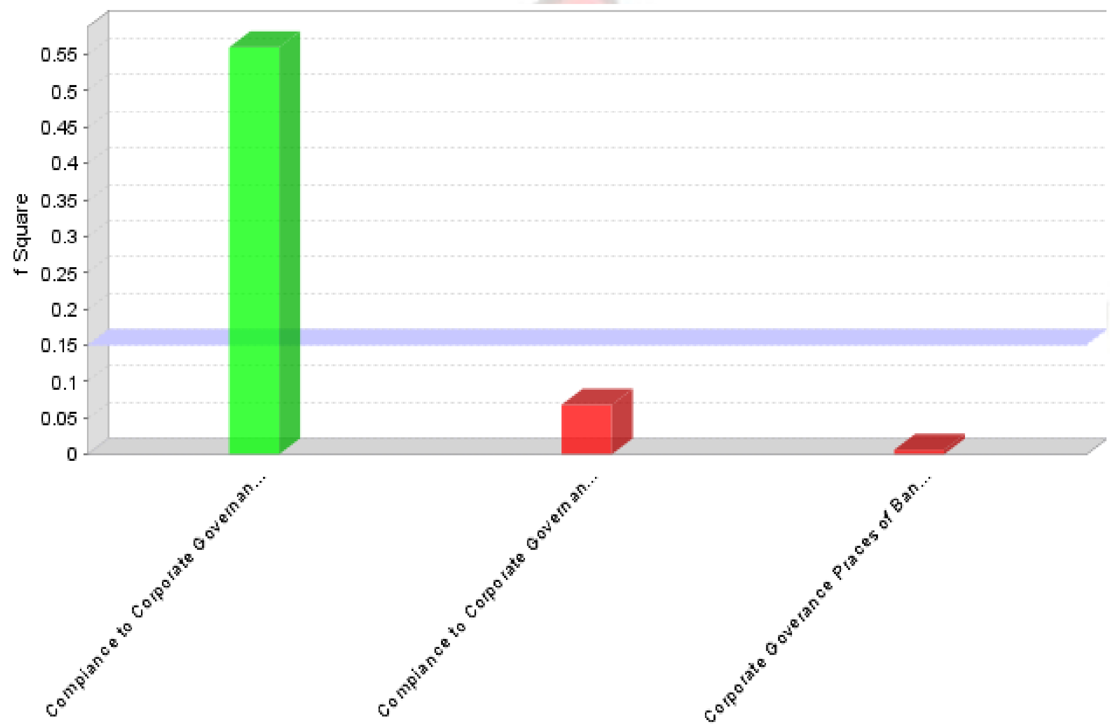

Figure 5:Importance of Corporate Governance Practices and Compliance with Corporate Governance Code in Explaining Financial Performance of Banks listed.

Source: Field survey (2020)

Whilst the results in Table 3 focused on how distinct each construct and its factors influencing it are, it refers to them in isolation, not as a linked unit. Table 2 focuses on how distinct the exogenous constructs (Compliance to Corporate Governance Code and Corporate Governance Practices) and its factors influencing them are from the endogenous construct (Performance of Banks on GSE) and its factors influencing it. Thus, it can be seen that Compliance to Corporate Governance Code and financial performance of the banks are 35.9% distinct in the model (SEM) whilst Corporate Governance Practices and financial performance are 27.4% distinct from each other.

For compliance with corporate governance code, the four factors: board size, directors' remuneration, corporate report disclosure, and government policies are 78.2% distinct in the model whilst for the seven prominent corporate governance practices: audit committee, board leadership structure, board committee, corporate culture values, corporate report disclosure, director remuneration, and gender diversity are 74.9% distinct in the model. For the four-factor influencing financial performance of the banks on the GSE that is Financial Capacity, Government Policies, Organizational Structure, and Technical Factors, they are 82% distinct from each other. This further confirms that the variables in the model do not linearly predict each other hence there are not issues of multi-collinearity

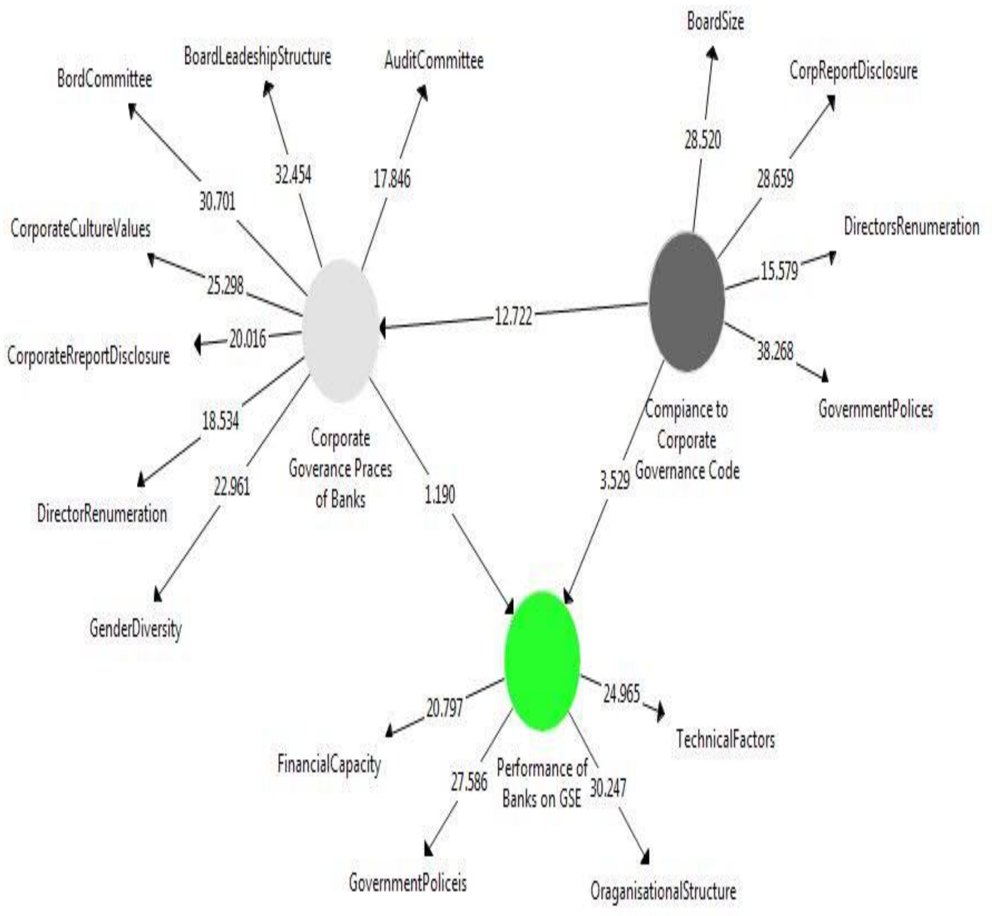

Figure 6*: *Significance of Corporate Governance Practices and Compliance with Corporate governance Codes on Financial Performance of Banks on GSE

Source: Field Survey (2020)

The model in Figure 6 is a rehash of the model in Figure 4. It is a bootstrapping analysis to examine the significance of all the variables in the model. In Figure 4, all the values in the model indicate the impact or level of effect. Figure 6 however, indicates the significance of that impact. The values in Figure 6 are t-values and if it is more than or equal to two ($t \geq 2$)

It implies a significant impact (Oscarsson et al, 2004). Thus, it can be observed that all the path coefficients have a significant effect in the model. It thus suffices to conclude at this point that corporate governance practices and compliance with corporate governance code have a significant effect on the financial performance of the banks listed on the GSE.

Also, the prominent factors indicating corporate governance practices, compliance with corporate governance code and financial performance of the banks have a significant effect on their respective constructs. Furthermore, compliance with corporate governance codes also has a significant effect on the bank’s corporate governance practices. This is in line with the findings of Tornyeva and Wereko (2012). On the contrary, Van Grembergen and De Haes (2018) did not find any significant relationship.

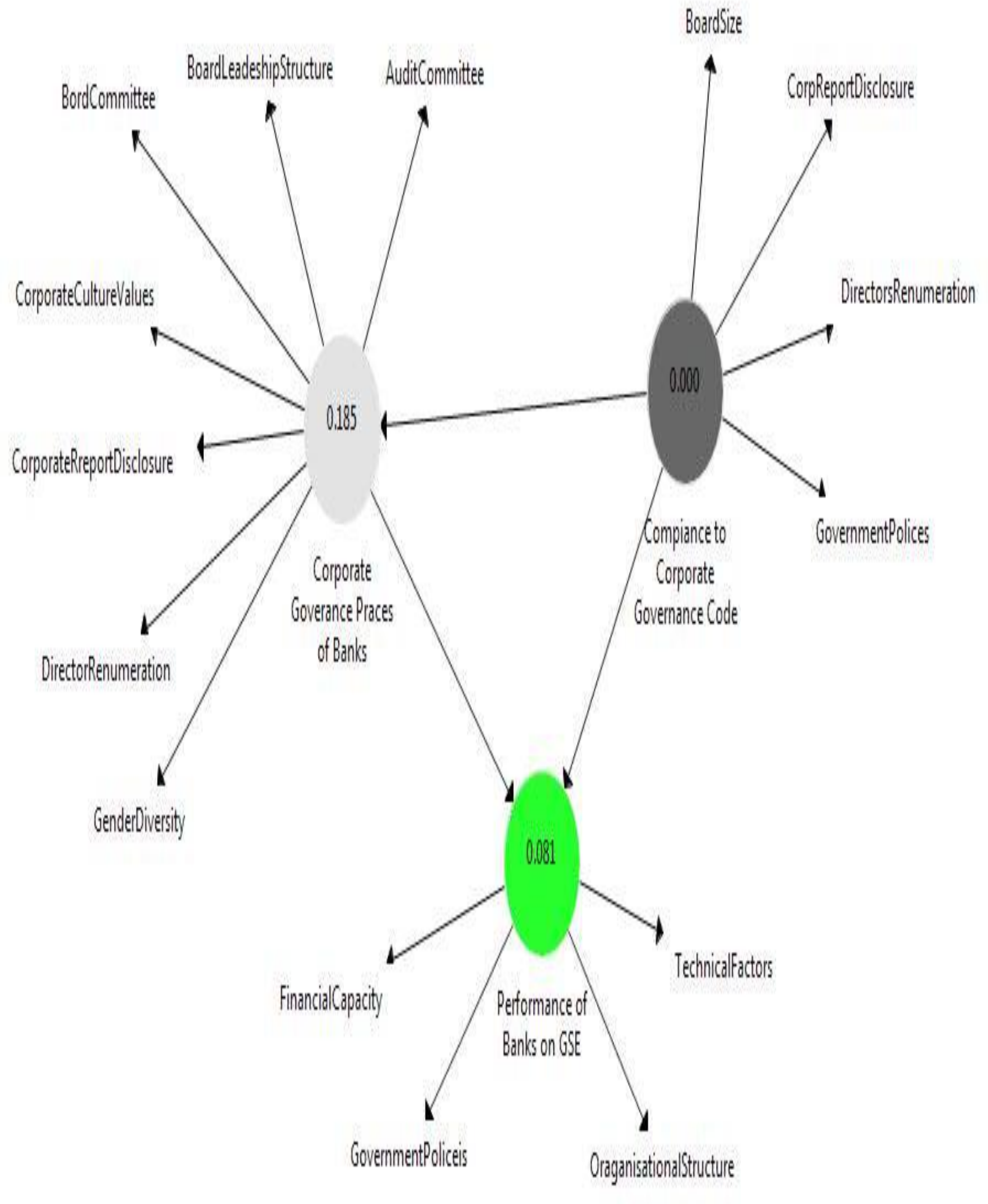

Figure 7: ***Predictive Capacity of Corporate governance practices and Compliance with Corporate Governance Codes on Financial Performance of Banks on GSE***

Source: Field Survey (2020)

It can be observed from the model in Figure 7 that corporate governance practices and compliance with corporate governance codes can predict 8.1% of the financial performance of the banks listed on the GSE. More so, compliance with corporate governance codes can also predict 18.5% of the corporate governance practices of the banks on the GSE. This further buttress the results in equation 4 and Figure 5 that compliance with corporate governance codes is very important in determining the financial performance of banks on the GSE.

Factors Impeding the Implementation of Good Corporate Governance of List Banks in Ghana

The banks were asked to indicate the extent to which the factors listed in Figure 7 impede their ability to implement good corporate governance practices. They were to indicate on a Likert scale of one to five extent to which they agree to the factors in Table 3 with 1 being strongly agreed and 5 being strongly disagree. Based on the mean response and smaller size of the standard deviation values, it suffices to conclude that the banks strongly agree that the factors impede their ability to implement good corporate governance practices. Furthermore, Table 3 shows that the response of the banks is 88.8% reliable for policy consideration in decision making. The F-value of 3.716 and the Sig value of $0.00 < 0.05$ in Table 4 means that the factors in Table 3 together significantly impede the banks' ability to implement good corporate governance practices.

Out of the 10 factors impeding the implementation of good corporate governance practices, the results in Table 3 shows three prominent impediments that significantly inhibits the banks' ability to implement good corporate governance practices. The KMO value shows that the three components account for 78.2% of the challenges the banks are facing concerning implementing good corporate governance practices. Also, Bartlett's Test of Sphericity (Approx. Chi-Square = 273.959, Sig. 0.00 < 0.05) means that the effect of the three components of challenges varies significantly cross the banks listed on the GSE. For the second component, although they account for over 70% of the impediment to the banks' ability to practice good corporate governance, there is an 18.6% of the variation in the bank's inability to implement good corporate governance. For the third component, the two factors account for over 65% of an impediment to the banks' ability to implement good corporate governance but our results shows a 13.1% of variations in the bank's inability to implement good corporate governance. Similarly, Rahman and Haniffa (2005), Abdullah (2010) and Chaghadari (2011) also found a negative association between Ownership structures, corruption and judiciary system on performance.

Effect of corporate governance on performance of banks listed on the GSE

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes the results, conclusions, and recommendations of the study. The study assessed the impact of corporate governance on the performance listed banks in Ghana.

5.1Summary of Key Findings

The main objective of this study is to examine the influence of good corporate governance on the performance of listed banks in Ghana. Based on the objective of this study the following research questions were asked and responded to:

1. To what extent do listed banks in Ghana comply with corporate governance codes?
2. What are the possible obstacles to the implementation of good corporate governance of listed banks in Ghana?
3. What is the relationship between corporate governance practices and the performance of listed banks in Ghana?

Summary of the key findings is therefore necessary to throw more light on the response to these important research questions.

5.1.1Compliance of Listed Banks in Ghana with Corporate Governance Codes

The study revealed that the banks practices are consistent with corporate governance practices such as inclusive leadership structure which is separated from operational level activities, the disclosure of remuneration committee and remuneration policy to their shareholders in the annual reports, the board secretary of the banks serves as an interface between the board and management to ensure the smooth functioning of the board, the boards perform an in-house performance evaluation of the business operation and submit a copy of the result to the shareholders and the number of directors on the board is proportionate to the needs of the banks.

However, the results indicate that the listed banks have no succession plans and there is no equal representative of males and females on the Board of Directors.

5.1.2 Factors Impeding the Implementation of Good Corporate Governance of Listed Banks in Ghana

The study established that bribery and corruption is not the way to get things done effectively in the institutions. Therefore, bribery and corruption impede good corporate governance. Also, the study maintained that, the judicial system is slow, inefficient, and expensive and tainted with corruption which impede good corporate governance.
Furthermore, the study revealed that, the political class exerts a great influence on Board of directors of the banks. The result again indicates that most of the minority shareholders are illiterate and ignorant of the rules guiding the business practices this also has a negative effect on good corporate governance. The study also found low level of financial literacy as the cause of difficulties if not impossible for the average Ghanaian to participate actively in corporate governance issues. According to the result, government institutions are unable to implement rules and regulations governing the financial sector. Moreover, most of the foreign companies use the rules and regulations of their mother countries which bring about disparities in corporate governance and public administration

has not been accountable and does not comply with the rule of law that affects the form of corporate governance practices in the nation.

5.1.3 The Relationship between Corporate Governance and the Performance of Listed Banks in Ghana

The results indicate that, the disclosure of membership of the remuneration committee and remuneration policy to shareholders enhances the performance of the banks. The respondents agreed that the right proportion of the executives of the committee Board enhances the performance of the banks. The study again revealed that regular holding of board meeting in accord with the needs of the banks increase the banks performance.

Also, the study established that the independence of Board of Directors increases the performance of the banks. Majority of the respondents agreed that the Board secretary's role as an interface between Board of Directors and management enhances the performance of the banks. The result again showed that corporate reports and disclosure increases the performance of the banks and proportionate number of directors on the board in accordance with the needs of the banks increases their performance. However, respondents were not sure whether equal representation of males and females on the Board of Directors increases performance of the banks.

The result of the causal relationship test between Banks Performance and all the corporate governance variables (Directors remuneration, Board committee, Boarding Meeting, Gender diversity, Independence of Directors, Role of Board Secretary, Corporate reports and disclosure and Board size) indicates that the null hypothesis that all these corporate governance factors do not Granger cause increase in Banks performance are rejected.

This means that corporate governance plays an important role in enhancing the performance of the listed banks in Ghana. However, the null hypothesis of the Banks performance does not granger causes corporate governance variables is true. This means that all these factors do not Granger cause one another. We conclude that in our study, bank performance in Ghana is influence by good corporate governance.

5.2 Conclusions

5.3.1 Compliance of Listed Banks in Ghana with Corporate Governance Codes

Listed banks in Ghana comply with corporate governance codes by practicing inclusive leadership structure which is separated from operational level activities, disclosing remuneration committee and remuneration policy to their shareholders in the annual reports, ensuring that the board secretary of the banks serves as an interface between the board and management to ensure the smooth functioning of the board, and the boards performing an in-house performance evaluation of the business operation and submit a copy of the result to the shareholders.

5.3.2 Factors Impeding the Implementation of Good Corporate Governance of Listed Banks in Ghana

The study concludes that bribery and corruption impede good corporate governance implementation, judicial system is slow, inefficient, and expensive and tainted with corruption which impedes good corporate governance, and political class exerts a great influence on Board of directors of the banks. Many of the minority shareholders are illiterate and unaware of the laws governing the company practices this also has a detrimental impact on good corporate governance. The study also found low level of financial literacy as the cause of difficulties if not impossible for the average Ghanaian to contribute actively in corporate governance issues. According to the result, government institutions are unable to implement rules and regulations governing the financial sector which impedes good corporate governance processes in the banks. Moreover, most of the foreign companies use the rules and regulations of their mother countries which bring about disparities in corporate governance.

5.3.3 The Relationship between Corporate Governance and the Performance of Listed Banks in Ghana

The study concludes that, corporate governance practices such as disclosure of membership of the remuneration committee and remuneration policy to shareholders, the right proportion of the executives of the committee Board, regular holding of board meeting in accordance with the needs of the banks, independence of Board of Directors, the Board secretary's role as an interface between Board of Directors and management and corporate reports and disclosure influence the performance of the banks.

The study again concludes that, the is a causal relationship between all the corporate governance variables (Directors remuneration, Board committee, Boarding Meeting, Gender diversity, Independence of Directors, Role of Board Secretary, Corporate reports and disclosure and Board size) and banks performance. The study therefore concludes that, corporate governance plays an significant role in increasing the performance of the listed banks in Ghana.

5.3Recommendations

Government- The findings show that the Government of Ghana or the Central Bank of Ghana should be concerned about the degree of corporate governance factors of banks as a means of improving the performance of listed banks in Ghana.

Banks- By enacting rules and regulations, the Central Bank of Ghana should encourage banks to adopt good corporate governance practices. It is recommended that the number of directors on a bank board be kept to a minimum size, as long as that minimum size helps the board to carry out its supervisory activities properly. To boost profitability due to economies of scale, commercial banks should increase their branches as well as their size.

Shareholders- The results also imply that shareholders should actively engage in the development of good corporate governance in the banks they own in order to make better and more sustainable profits.

Others- Financial institutions, as well as the business community, should work towards the formation of formal institutions for the capital market in particular the stock exchange, which improves corporate governance and competition between companies in the country.

5.4Recommendations for Further Studies

Future research should concentrate on examining the structures of corporate governance and corporate performance from the point of view of various stakeholders, such as staff, management, shareholders and depositors of listed banks.

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QUESTIONNAIRE

Kwame Nkrumah University of Science and Technology

Institute of Distance Education

This questionnaire is designed to seek information on the factors that influence corporate governance practices and on the performance of listed banks firms in Ghana. The underlying reason for this questionnaire is to explore factors that contribute to good corporate governance and on the performance of listed banks firms in Ghana. Please note that the information is solely for academic purposes only. This research is part of a fulfilment of dissertation requirement for Master of Science (Accounting and Finance) For the purpose of anonymity, please do not write your name on any of the questionnaires. This exercise is voluntary and therefore you are free to decline participation. It is estimated that answering the questionnaire will take 15 to 25 minutes hence feel free to seek clarification if there is the need.

Section A: Corporate Governance Practices of listed banks in Ghana

Please indicate the extent to which the following influence your corporate governance practices.

1-Strongly Agree, 2-Agree, 3-Indifferent, 4-Disagree, 5-Strongly Disagree

Code	Code Description	1	2	3	4	5
Board Leadership Structure	Our leadership structure is inclusive but separated from operational level activities					
Director remuneration	The membership of the remuneration committee and remuneration policy are disclosed to shareholders in the annual report.					
Board Committees	The board has the right proportion of executives to ensure effective operation					
Board Meeting	The board hold regular meeting in line with firms needs					
Plan for Succession	There is an effective succession system in the firm					
Gender Diversity	There is equal representation of males and females on the board of directors					
Independent Directors	The board directors are able to act independently					
Board Chairperson	The Chairperson of the board is an independent non-executive director and is resident in Ghana					
Role of Board Secretary	The board secretary serves as an interface between the Board and Management to ensure the smooth functioning of the Board.					
Audit Committee	The audit committee is able to execute its operations effectively and consist of the required number of members					
Corporate report and disclosure	The board performs an in-house performance evaluation of the Board and a copy of the results is submitted to the shareholders					
Board Size	The number of directors on the board is proportionate to the needs of the banks					

Section B

Extent of Compliance of Corporate governance of listed banks

These questions are to assess the extent to which listed bank firms comply with corporate governance codes. *1-Contsistently, 2- Based on Market Demands, 3-Indifferent, 4-based on competition, 5-not at all*

Code	**1**	**2**	**3**	**4**	**5**
Board Leadership					
Structure					
Director remuneration					
Board Committees					
Board Meeting					
Plan for Succession					
Gender Diversity					
Independent Directors					
Board Chairperson					
Role of Board Secretary					
Audit Committee					
Corporate report and disclosure					
Board Size					

Section C:

Factors Influencing Productivity of listed banks

Please indicate the extent to which the following factors influence the productivity of your firm

1-Strongly Agree, 2-Agree, 3-Indifferent, 4-Disagree, 5-Strongly Disagree

Factor	**Factor Description**	**1**	**2**	**3**	**4**	**5**
Technical factor	Management ensures the right layout and size of plant and machinery, ideal location, correct design of machines and equipment, automation, and computerization tends to improve productivity.					
Production factor	the function of every department of the workplace is well planned, coordinated, and controlled					
Organizational Structure	Authorities and responsibilities are discharged to ensure conflicts are resolved in the workplace.					
Personnel factor	Productivity is enhanced by selecting the right individuals for suitable posts.					
Finance Capacity	Management ensures better control over both fixed and working capital.					
Management	Composition of management and operational strategies are design to ensure consistent function of the bank.					
Government Policies	Government policies and regulations affects productivity of the bank					
Location	The location of the firms ensures easy access to raw materials and distribution of products					
planning and control	This provides information on costs, time, output rate and resource usage to allow decision making with respect to pricing, production scheduling, purchasing, contracting and delivery scheduling					
Support innovation	Combined with cost data, aids in the evaluation of proposed changes to existing products or processes and the introduction of new ones.					
Problem diagnose	Management examines business trends to helps identify problems before they become crises and permits early adjustment and corrective action.					
Monitoring Performance and provide feedback	Management provides a system to check progress toward an objective.					
Productivity and direct behavior	Management communicates to the worker, the supervisor and others the common expectation from the task.					

Section D

Factor Impeding the Implementation of Good Corporate Governance Practices

Please indicate the extent to which you agree to how the following factors are possible obstacles to the implementation of good corporate governance.

1-Strongly Agree, 2-Agree, 3-Indifferent, 4-Disagree, 5-Strongly Disagree

Factor	**Factor Description**	**1**	**2**	**3**	**4**	**5**
Corruption in government Institution	Bribery and Corruption is the only way to get things done effectively in government institutions.					
Ownership structure of businesses	Ownership structure of institutions does not favors minority investors					
In effective Judiciary system	The judicial system is slow, inefficient, expensive and tainted with corruption.					
Political Influence on Board of directors	The political class exerts a great influence on board of directors.					
Ignorance of minority shareholders	Most minority shareholders are illiterate and ignorant of the rules guiding business practices.					
Low Level of financial literacy	The level of level of financial literacy makes it difficult if not impossible for the average Ghanaian to participate actively in corporate governance issues					
Disobedience of rule and regulations	Government institutions are unable to implement rules and regulation governing the financial sector					
Influence of foreign corporate governance structure	Most foreign companies operate based on the rules and regulations of their native countries bringing about disparities in corporate governance					
Making public governance responsible	Public governance has not been responsible and does not obey the rule of law which affect the type of corporate governance practice in the country					
Need to protect private capital	The lack of good corporate governance practice makes capital to flow else where					