KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY, KUMASI, GHANA

EXAMINING THE INFLUENCE OF AUDIT COMMITTEE CHARACTERISTICS ON THE PERFORMANCE OF UNIVERSAL BANKS IN GHANA.

By

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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

MBA ACCOUNTING

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DECLARATION

I hereby declare that this submission is my own work towards the award of the **MBA. Accounting** and that, to the best of my knowledge, it contains no material previously used by another person or any 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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Signature Date

DEDICATION

With much gratitude to the Almighty God, this work is dedicated to my Beloved Family, especially my Wife, my mother and all loved ones who supported and catered for me in diverse ways.

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Unless God builds a house, those who build labor in vain. Unless God watches over the city, the watchman watches in vain. I am grateful to the Almighty God for his grace and mercy throughout this MBA. journey. Although it was not a smooth journey, God was always in control of affairs.

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ABSTRACT

The objective of this study was to examine the influence of audit committee characteristic on the performance of universal banks in Ghana. Explanatory research was the method that was used for this study. Explanatory research was the method that was used for this study, which was conducted in Ghana and looked at the connection between the characteristics of audit committees and the performance of firms. Just 14 out of Ghana's total of 23 universal banks were chosen as representatives for the sample. The 14 were chosen because there was sufficient information that was available to the general public about them; in particular, their annual reports provided information about the make-up of their audit committee as well as the responsibilities the committee had. The method known as convenience sampling was used to select these banks for further investigation. The figures span the years 2009 through 2021 for the time period in question. A random-effects GLS regression was carried out in order to delve further into the nature of the connection that exists between the variables. According to the findings of this research, increasing the size of audit committees at universal banks in Ghana does not assist enhance their performance. Nevertheless, increasing their independence and the amount of compensation they get does help improve their performance. In spite of these assertions, studies demonstrate that the presence of more women on the audit committees of universal banks in Ghana has a detrimental effect on the financial health of these institutions. Among other factors, the study recommended that banks in Ghana could consider increasing the remuneration of their audit committee members, in order to incentivize them to perform their duties more effectively and with greater diligence. This can help to ensure that the internal financial reporting processes are robust, accurate, and transparent, which can contribute to improved performance for the bank.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The public and the government are paying greater attention to the audit committee's discussions because of the committee's growing significance in the context of corporate governance (Al-Okaily and Naueihed, 2019). If an Audit Committee does not already exist, the Board of Directors should establish one. The Audit Committee is accountable for coordinating the efforts of the Internal Audit Committee, the External Audit Committee, the Executive Officers, and the Fund Executives, all of whom report to the Audit Committee (Zhou et al., 2018). The Audit Committee's scope includes risk management, auditing, financial reporting, and the review of such reports (Mohammed, 2018). Trustees are an integral part of any system of governance that seeks to solve agency issues and lessen the impact of knowledge asymmetry. According to Vadasi et al. (2021), members of an audit committee should be credible authority who can be relied upon to be fair and forthright in their dealings. Each of these features contributes to reliable and honest financial reporting, which in turn helps stakeholders make educated decisions for the business. An independent audit committee is essential for the Board of Directors to meet its fiduciary obligations of transparency, prevention and mitigation of unethical corporate actions, and supervision of financial reporting. It also makes it impossible for the Board of Directors to have oversight over the accounting process (Chaudhry et al., 2020).

Only by forming an audit committee can a company guarantee its continued success in the future. The board of directors' audit committee is responsible for formulating long-term financial plans to safeguard the business. This is why the board of directors and the CEO benefit much from the audit committee's examination of the company's financial data (Bhardwaj and Rao, 2015). As a result of its crucial function in overseeing and regulating the company's financial operations, the Audit Committee is an essential member of the board of directors (Mallin, 2007). Accountants, who are tasked with checking that financial statements accurately represent a company's income, assets, and equity worth, must have a solid grasp of the correlation between audit committee traits and business performance (Herdjiono and Sari, 2017).

The size of the committee for audit, the frequency with which it meets, the financial competence of its members, and the firm's overall profitability have all been the subject of several academic studies. The significance of these connections to the company's prosperity has been examined. In many cases, a rise in a company's stock price may be attributed to an improvement in the board's and audit committee's reputation for objectivity and competence (Chan and Li, 2008). As men and women take in and process information in different ways, gender is a factor in the choices they make at work (Peni and Vähämaa, 2010; Alqatamin, 2018). There is evidence that the size of an audit committee influences the credibility of financial reports (Carcello and Neal, 2003; Al-Matari, 2013; Herdjiono and Sari, 2017).

Few studies have examined the size of audit committees, despite the fact that many other elements of corporate governance and the overall number of enterprises in Ghana have been the topic of study (Tornyeva and Wereko, 2012; Darko et al., 2016; Sarpong-Danquah et al., 2018; Ahulu and MacCarthy, 2019). A stringent audit committee is required to keep an eye on management and insure proper financial reporting after the recent collapse of major Ghanaian banks, notably UT

Bank and Capital Bank. One possible explanation for the recent lackluster performance of a number of Ghanaian financial institutions is that such organizations do not conduct adequate internal audits. So, it is very necessary to take into consideration the role that the audit committee plays in companies of this type (Agyei, 2019). The economic environment of Ghana is different from developed economies and hence generalising the findings of studies from developed economies for Ghana might rather hinder performance of these firms. Most empirical literature has mainly focused on either one or two aspects of the audit committee characteristics when exploring the relationship, ignoring some important audit committee characteristics (Zraig and Fadzil, 2018; Kipkoech and Rono, 2016; Bansal and Sharma, 2016). Analyzing audit committee characteristics separately could reduce issues of multicollinearity and hence present a false image of what is happening, however, combining many characteristics of the audit committee into a single analytical model could help for the inclusion of multiple independent variables, which can improve the accuracy of the model by accounting for the effects of other relevant factors (Morrissey and Ruxton, 2018).So, the purpose of this research is to investigate how audit committee traits affect financial outcomes for Ghana's universal banks.

1.2 Problem Statement

Organizations and countries alike feel the effects of unlawfully obtained funds (Hu et al., 2019). When undesirable events occur, investors from all over the globe begin to flee in search of safer investments. We need data from the actual economy if we're going to make sound investment choices. Financial "window dressing," in which numbers are fudged to make it seem like things are better than they really are, is a practice used by certain firms (Larasati et al., 2019). We need the impartiality of the audit committee to see any indicators of wrongdoing immediately. An independent auditing firm has the potential to dramatically increase investor trust (Chaudhry et al., 2020). The effectiveness of an organization's audit committee has direct bearing on the quality of its internal control structure (Herdjiono and Sari, 2017). It validates that the board of directors, management, and both external and internal auditors are all on the same page by reviewing financial data (Bhardwaj and Rao, 2015). Despite the audit committee's importance, research shows contradictory findings (Aguilera et al., 2018; Carcello and Neal, 2003; Al-Matari, 2013; Herdjiono and Sari, 2017;). The majority of these research, however, have only looked at advanced economies (Herdjiono and Sari, 2017; Peni and Vähämaa, 2010; Alqatamin, 2018). Most research done in Ghana focuses on trying to put a number on how beneficial excellent corporate governance is for businesses as a whole (Tornyeva and Wereko, 2012; Darko et al., 2016; Sarpong-Danquah et al., 2018; Ahulu and MacCarthy, 2019).

From what has been said above, it is clear that academics differ over whether aspects of the audit committee really have an impact on the company's performance. The audit committee's ability to enhance Ghanaian banks' competitiveness is little understood. In the context of corporate governance issues, research on the criteria by which audit committees might be judged successful has been sparse (Sarpong-Danquah et al., 2018; Ahulu and MacCarthy, 2019). Although previous research may have touched on the audit committee of a bank briefly, this investigation covers far more ground. Most empirical literature has mainly focused on either one or two aspects of the audit committee characteristics when exploring the relationship, ignoring some important audit committee characteristics (Zraig and Fadzil, 2018; Kipkoech and Rono, 2016; Bansal and Sharma, 2016). Analyzing audit committee characteristics separately could reduce issues of multicollinearity and hence present a false image of what is happening, however, combining many characteristics of the audit committee into a single analytical model could help for the inclusion of multiple independent variables, which can improve the accuracy of the model by accounting for the effects of other relevant factors (Morrissey and Ruxton, 2018). Many banks in Ghana have recently merged or failed, and this trend has been linked to weak corporate governance and inefficient audits (Bank of Ghana, 2019). Agyei (2019) cites a lack of audit committees, external auditors, and the difficulty to replace long-serving auditors as contributing factors to the failure of these organizations. A study therefore into how the audit committee characteristics of firms in Ghana affects their performance would help provide insight into which aspects of audit practices these firms should channel their strengths into. This study therefore fills the gap in the lack of study and Ghana and examines the influence of audit committee characteristics on the performance of universal banks in Ghana.

1.3 Objectives of the Study

1.3.1 Main Objective

The major objective of this study is to examine the degree to which certain features of audit committees have an effect on the overall performance of universal banks in Ghana.

1.3.2 Specific Objective

These objectives are outlined to achieve the overall objective:

1. To evaluate the influence of independence of the audit committee on the performance of universal banks in Ghana.
2. To assess the effect of audit committee gender diversity on the performance of universal banks in Ghana.
3. To explore the influence of audit committee size on the performance of universal banks in

Ghana.

4. To examine the effect of audit committee remuneration on the performance of universal banks in Ghana.

1.4 Research Questions

Based on the objectives, the following questions are asked to help achieve them:

1. What is the influence of independence of the audit committee on the performance of universal banks in Ghana?
2. What is the effect of audit committee gender diversity on the performance of universal banks in Ghana?
3. What is the influence of audit committee size on the performance of universal banks in Ghana?
4. What is the effect of audit committee remuneration on the performance of universal banks in Ghana?

1.5 Significance of the Study

Finding out how the performance of universal banks in Ghana has been influenced by the various characteristics of audit committees is an essential focus of this study. The audit committee of the board of directors need to have as its primary objective the raising of the bank's earnings while simultaneously reducing its operating expenses. The practical validity of these theoretical statements cannot be determined because to the lack of research on the effect of audit features on corporate success. The results of this research will help businesses and their top executives choose members for their audit committees with confidence. The study's findings would supplement the current theoretical framework and give further evidence that variables other than those generally investigated may affect audit committee performance. Businesses will benefit from this study by learning more about the auditing factors that have the greatest impact on their performance. The findings will help Ghanaian authorities better understand how to structure regulations in a way that helps audited firms. Moreover, this study would help to close a gap in the auditing and firm performance literature for Ghanaian enterprises.

1.6 Scope of the Study

The study focuses its scope on universal banks that are registered with and accredited by the bank of Ghana as at March 2022. The study does not use data on any other banks such as rural banks or microfinance since universal banks are its main focus.

1.7 Organization of the Study

The "Introduction" chapter explains why this study was conducted and what it hopes to accomplish. It also details the issue that needs to be solved, the aims, the research questions, the importance, the constraints, and the overall framework. The conceptual framework of the research is explored in Chapter 2's literature review. Theoretical explanations for the observable correlations are also put to the test. In Chapter 3, we discuss our study techniques and the reasoning behind our findings. It describes both the larger study population and the subset being examined, as well as the selection procedures that were utilized to arrive at the final sample size. It details the procedures that would be followed to reliably gather data, as well as the approaches that would be utilized to examine that data. In Chapter 4, we provide the data we gathered and make some comparisons to other research that have used the same or comparable methods. In the last chapter, "Findings and

Suggestions," we summarize the investigation, draw some conclusions, and provide some suggestions based on the data analysis.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this part of the discussion, we will investigate the previous research that has been done on the topic. The study of the relevant literature included not only the concepts and theories that were used to explain the connection between the variables but also the variables themselves. This chapter came to a close with a discussion of how the data presented in this chapter adds to our ever-evolving theoretical framework, as well as a review of some significant empirical investigations.

2.1 Conceptual Review

2.1.1 Audit Committee

Many ideas and works on the subject of corporate administration agree that the Audit Committee is an essential aspect of corporate governance. If your organization values honest and open lines of communication between management and shareholders, then having this instrument in place is essential for strong corporate governance. The term "audit committee" has several meanings, each of which helps to define its range. Based on their findings, Rezaee (2009), Verschoor (2008), and Arens et al. (2010) agree that an audit committee is "the presence of a subcommittee of the main board consisting mainly of non-executive or independent members with tasks for monitoring of auditing activities" (Collier, 1993). For regulatory purposes, the Board of Directors must at all times have at least one fully functional committee. The committee's responsibilities are specified in the laws, regulations, and conventions that apply to it.

The Executive Committee, the Salary Committee, and the Appointment and Nomination Committee are just a few examples of such groups. Yet, the scope of this probe was limited to audit committee-related board of director issues (Mcmullen, 1996). audit committee acts as a gobetween between the Board, IMS, and the External Auditors to ensure that all parties are able to communicate efficiently and freely. The Audit Committee has agreed to hire a third-party auditor for this purpose. The external auditor will perform the audit and then provide their findings to the Audit Committee for review (Alves, 2013).

2.1.2 Characteristics of the Audit Committee

There have been a number of potential indications of an Audit Committee 's capacity to enhance audit quality (Baxter, 2010). Autonomy, expertise, duration, frequency, and size of meetings are the hallmarks of a successful Audit Committee. Accuracy of financial and audit reporting depends on certain Audit Committee features (Mitchell et al., 2008; Ika and Ghazali, 2012; Sulaiman, 2017). The most relevant ones for the purpose of this inquiry are:

2.1.2.1 Audit Committee Size

The quantity of participants on a committee may range widely (Herdjiono and Sari, 2017; Dellaportas et al., 2012). Constant doubt and extra work are claimed to result from the Audit Committee 's colossal dimensions (Adel and Maissa, 2013; Karamanou and Vafeas, 2005;). According to market legislation and CG standards (Samaha et al., 2015; Bédard and Gendron, 2010;), there must be at least three individuals present.

2.1.2.2 Audit Committee Independence

A majority of Audit Committee s must have non-executive directors in order to qualify as such. The fact that the Audit Committee 's board members originate from both within and outside the organization is seen as a threat to its legitimacy by many. As there are a lot of impartial board members, the Audit Committee can't be biased. In order to carry out their duties, boards need to be comprised of both internal and external directors. The oversight provided by the board's outside members helps to avoid disputes between management and shareholders, and technical expertise is required for evaluating and approving the company's long-term strategic objectives (Forker, 1992).

Nonetheless, the Audit Committee 's efficiency and effectiveness may sometimes be considerably impacted by management. If participants of a committee are financially affianced in the firm or have other ties to management, their objectivity may be affected (Forker, 1992). Financial Reporting Council recommends a minimum of three members on an Audit Committee, or two independent nonexecutive directors for smaller organizations (Council, 2015). Hence, in a smaller corporation, the chairman cannot concurrently serve as the chief executive officer.

As it operates independently from the other boards that make up the Executive Board, the Audit Committee is able to perform its functions without having to report to or get permission from any of the other boards. The Audit Committee must operate independently from the rest of the Board of Directors (Kallamu and Saat 2015; Jun-Lin et al., 2008; Al-Matari 2013;). Research shows that having more independent directors on the committee improves the committee's impartiality; hence, the chairman should also be a NED (Barua et al., 2010; Cotter and Silvester, 2003; Hemraj, 2004).

2.1.2.3 Audit Committee Gender Diversity

Women's representation on corporate boards, according to Carter et al., may significantly improve business results. The financial success of a business is connected with the proportion of woman board affiliates. Campbell and Mnguez-Vera (2008) claim that a more diversified board of directors leads to increased profits. Business success has been linked by Miller and del Carmen Triana (2009) to having a diversified board of directors. Productivity rises when a company's staff mirrors the populace at large. Lückerath-Rovers (2013) claims that a company's bottom line will improve if more women serve as board members. By comparing the financial performance of organizations with and without a majority of male CEOs, Lückerath-Rovers (2013) discovered that the former fared better.

2.1.3 Role of the Audit Committee

The Audit Committee's attempts to mitigate the effects of information asymmetry are to the advantage of creditors, shareholders, and other interested parties (Jensen and Meckling, 1976). One of Audit Committee 's main jobs is to prevent breaches of sensitive corporate information and guarantee the security of the organization's highest-ranking leaders and staff (McDaniel et al., 2002). According to Barako et al. (2006), the "investor protection framework" for the capital markets is heavily influenced by regulations concerning audit engagements and financial reporting systems (Lin, 2018). To better reflect and emphasize effective stewardship as the main duty of Audit Committee's, the (FRC, 2015) revised the framework that governs and regulates audit practice. Forker (1992) discovered that boards with more independent executive directors had reduced operational expenses and more transparency.

Internal auditing documentation and status reports should be readily available to the Audit Committee and the board of directors. The Audit Committee's performance of its responsibilities is crucial to the effectiveness and credibility of internal audit. Only if the Audit Committee provides sufficient resources will the internal audit functional units be able to carry out their duties. Despite this fact, it is seldom used in emergency situations (Carcello et al., 2005). It "also assesses the internal auditor's performance" and "monitors the response of management to the internal auditor's findings and recommendations" (Alzeban & Sawan, 2015).

Since regulators see independent auditors as "public watchdogs," it is the Audit Committee's responsibility to oversee the auditors' actions. An Audit Committee's primary role, as stated by Carcello and Neal (2012), is to provide the auditor more authority to resolve issues with management and to protect the external auditors' non-executive position (independence).

When it comes to accounting matters, the board of directors can always depend on the Audit Committee to keep an eye on things. Internal audit findings and the extent to which top management is incorporating audit recommendations are two key areas where the Audit Committee should provide updates (Alzeban & Sawan, 2015). The Audit Committee contributes to good company governance by its oversight of financial data and assistance to internal audit and accountants.

2.1.4 The Concept of Firm Performance

A survey of organizational studies found that performance is the most common factor for evaluation. Yet, organizational performance is among the most abstract and difficult-to-define concepts (Rogers et al., 1998). Measuring an organization's progress is challenging since the indicators of success are fluid (Hubbard, 2006). The effectiveness of a company may be examined by comparing its actual results with its targets. Specifically, Venkatrman and Ramanujam (1986) found that the effectiveness of an organization is affected by three distinct aspects. Market share growth, satisfied returning customers, enthusiastic new customers, and loyal repeat buyers are the hallmarks of a successful relationship marketing strategy. Based on the latest findings, financial/accounting performance, operational performance, and market-based performance are the most often used metrics to evaluate a company's success (Brealey et al., 2001; Carton and Hofer, 2006; Combs et al., 2005).

Many ratios may be calculated to determine the health of a company. Schiuma (2003) proposes the use of ROA, ROE, and ROI as measures by which the success of an accounting firm may be evaluated (ROI). Because of this, they are often used in analyses of corporate performance. Despite the development of more intricate methods like interior rate of return (IRR), DCF-discounted cash flow, and discount rate of return, return on equity (ROE) has been proven beneficial (DRR). Yet, if its only priority is profit for its investors, it risks ignoring a variety of other concerns. It is possible for businesses to engage in accounting and other financial scams to artificially maintain a high ROE, so concealing declining underlying fundamentals. Any possible biases due to covert financial manipulations are eliminated once a ROA is in place. Tobin's Q Ratio is one metric used to measure a business's financial well-being. It is determined by subtracting the cost to replace an organization's current assets from its current market value.

2.2 Theoretical Review

2.2.1 Transaction Cost Economics Theory

In institutional economics, Coase (1937) identified three distinct transaction costs. In order to settle on a price, a rigorous procedure is utilized. Additional costs, such as those associated with pricing transparency and the effort required to negotiate and conclude detachments, are spent for every contract that is traded on the market. Williamson (1985) elaborated on Coase's (1937) transaction cost economy theory by defining direct and indirect costs. Secondary costs include, for instance, those brought on by mandated governmental regulations. On the other hand, direct expenses might include things like paying for time with higher management. Williamson (1985) listed five expenditures as a consequence of this: watchdog fees, legal fees, price haggling, time spent searching for information, and time spent preparing contracts.

So, in order to maximize output, the transaction cost economic theory regulates both internal and external monetary transactions inside an organization (Williamson, 2008). As a result, it is essential for the company to cut down on basic production and administration expenditures. The mission statement elaborates on the core values that drive the organization and its work. Organizational boundary setting and management is also discussed (Williamson, 2008; Kumar, 2012). Brammer and Walker (2007) found that if you weigh your options carefully, you may increase your organization's efficiency. Every potential impact on the company's bottom line should be carefully weighed before any decision is made (Brammer and Walker, 2007). The existence of expenses for a corporation slows both the administrative process and the underlying economics (Tate et al., 2011). It's possible that the audit committee's remuneration might lead to increased output if this hypothesis is correct.

2.2.2 Stewardship Theory

Because agents in Theory of Agency look out for their own interests first and foremost, managers in Stewardship Theory put those of their shareholders and the company first (Donaldson and Davis, 1991). For the sake of the stakeholders, management has the duty to achieve the highest possible profit levels (Boyd et al., 2011). According to Ntim (2009), if top executives were given greater authority and responsibility, the company's bottom line would increase. The concept stems from the Stewardship Theory. This could be because the executive directors know so much about how the business works (Ntim, 2009; Hernandez, 2012) The Stewardship Theory says that it is the steward's job to look out for the best interests of the principal while maximizing the steward's own (Hernandez, 2012).

According to this theory, people are motivated to go to work because they see value in their employment. Compared to agency theory, stakeholder theory places more emphasis on inherently motivating factors. According to Stewardship Theory, in-house directors should have more influence on the decisions made by board subcommittees because of their superior knowledge of the company's operations. Larger audits, audits conducted by many businesses, and audits of diverse types are hypothesized to all contribute to greater efficiency.

2.3 Empirical Literature

In their analysis of the FTSE 100 non-financial public limited companies, Al-Ahdal and Hashim (2022) focus on the external audit and audit committee. Between 2014 and 2019, 74 of the Nifty 100 companies that are not financial institutions were studied using a one-way random effect regression model. They were able to construct an overall audit committee index and an external audit index that we used to calculate the potential financial impact of the Act. According to the findings, leading Indian non-financial listed corporations do not take use of audit committee perks to improve performance. Tobin's Q showed that larger firms and more debt had a more negative impact on financial performance, but that a high-quality external audit had a favorable one.

Shrivastav (2022) examines the role of audit committees in boosting the bottom lines of corporations trading on India's Bombay Stock Exchange (BSE). Tobin's Q examination of stock returns revealed a positive and statistically significant relationship between audit committee attributes (size, independence, and number of meetings) and market performance. Possibility of a better return on equity with a bigger audit committee (ROE). ROE is negatively connected to board committee meetings, but Tobin's Q is favorably correlated with them.

Alzeban (2020) analyzes the role of audit committees (ACs) as a mediator between internal audit (IA) and corporate performance in assessing whether or not IA is successful in achieving organizational goals (FP). There have been 119 responses from stock exchanges as of this writing (UAE). OLS and Mediation Analysis are used to examine the hypotheses (OLS). Nevertheless, no link can be established between FP and IA skills. Similarly, Audit Committee gatherings did not mitigate the detrimental effect IA traits have on FP. All the numbers are re-measured to guarantee their accuracy.

The relationship between financial health (leverage and firm size) and audit committee features including size, independence, and experience was also investigated by Wibawaningsih and Surbakti (2020). Using 309 firm-year observations, this research analyzes the profitability of manufacturing businesses on the Indonesia Exchange from 2016 to 2018. In this investigation, we use an IDX panel data regression model. Companies were ranked based on their profitability. While research shows that larger companies tend to be more efficient overall, greater leverage tends to hurt profits. The results of this research, however, suggest that the efficiency of an audit committee is not necessarily proportional to a company's financial success.

Musallam (2020) also looked at the results of the board, the audit, and the risk management. We utilized the generalized least squares method to analyze data from a pool of 31 Palestinian nonfinancial listed enterprises between 2010 and 2016. Company performance is positively impacted by having an independent board, a big audit committee, a high degree of financial knowledge on the audit committee, and good risk management, and negatively impacted by having a dual CEO and no audit committee.

Considering the company's financial performance, Chaudhry et al. (2020) graded the ACC (Audit Committee Chair in Finance, Monitoring, and Experience) and the NCC (Nominating Committee Chair in Human Resources, Monitoring, and Experience) (FP). Fifty businesses in Pakistan's private sector were subjected to a quantitative survey, and the results were analyzed using e-views for hypothesis testing. A beneficial effect on FP from NCC/ACC monitoring and HR competence was hypothesized but not shown.

In a low-institutionalized African setting, Chijoke-Mgbame et al. (2020) examine how women's engagement and the inclusion of women on corporate boards and audit committees affect financial performance. A statistically significant correlation was observed between the ratio of women on corporate boards and financial performance across 77 organizations. Companies with at least two women board members saw the highest financial benefits from gender diversity. Having women on an audit committee has been demonstrated to be beneficial for company in a number of studies.

The relationship between audit committee traits and business performance was studied by Roohollah and Mahannejad (2020), who looked at the role that ownership structure had in this connection (family or non-family company). From 2015-2019, we analyze data from the Tehran Stock Exchange Market to derive conclusions on the family-owned and non-family enterprises that traded there. Data analysis and hypothesis testing are made possible by using panel data multivariate regression analysis. Family ownership seems to moderate the correlation between an impartial audit committee and financial success (as measured by return on assets). Yet, the relationship between the members of the Audit Committee's independence and financial resources and their contributions to the company's market value remains unchanged regardless of whether the business is family-owned or not.

When it comes to the effect of audit features on business production, Rahman et al. (2019) conduct a similar study. Instead of using the conventional criteria of return on assets, profit margin, and profits per share, this research evaluated company performance based on external audit quality (BIG4), audit committee meeting frequency, and audit committee size. Our study examines the impact of audit characteristics on company performance using data from the Dhaka Stock Exchange (DSE) for 503 company years of industrial enterprises. For our multivariate analysis, we use pooled OLS in this work. Moreover, we do exhaustive verification using a temporal dummy and a lag model of multivariate analysis. In a multivariate regression analysis, it was shown that the quality of external audit committees (BIG4) and the number of audit committees were positively related to the performance of firms. According to the results of this research, audit committee meetings might have a negative impact on a company's bottom line.

Corporate governance (CG) parameters such board size, independence, and competence as well as audit committee size, independence, and profitability are examined by Hasan et al. (2019) in connection to proxy ROA and ROE (ROE). Throughout the research period (2015/16 to 2017/18), all 31 pharmaceutical and chemical companies listed on the DSE in Bangladesh were observed (for a total of 93 company years). One possible interpretation of this research is as an application of agency theory. Using a fixed effects regression, the team analyzed the data using STATA 13's panel data tool. According to the theoretical framework of the academic literature, business size and leverage are two separate variables. From what we can see, having a bigger board, a more knowledgeable board, and an audit committee all go hand in hand. Some factors have less of an impact on profitability.

Orjinta and Evelyn (2018) examined the impact of audit committee composition on the financial performance of non-financial businesses listed on the Nigerian Stock Exchange. These results were attained via the use of secondary data and a cross-sectional, retrospective study strategy. Examining the data required the use of descriptive statistics, Ordinary Least Squares regression. They found a positive correlation between audit committee independence, audit committee meeting frequency, and firm performance. In this study, we found that the features of the audit committee accounted for 76% of the variance in the performance of non-financial businesses, while the stochastic error term accounted for the remaining 24%.

According to Zhou et al., (2018) the financial performance of businesses may be predicted by looking at the make-up of their boards of directors and audit committees. According to the agency hypothesis, businesses that practice ethical corporate governance have a leg up over their less moral competitors. The research found that those with larger boards outperformed those with fewer independent board members. There is no correlation between audit committee qualities and financial performance, however companies with smaller boards and more independent members are more likely to establish an audit committee.

2.4 Conceptual Framework

The framework below demonstrates the relationship between the variables being used in the study:

2.4.1 Independence of the Audit Committee on the Performance

If the monitoring approach that an audit committee employs is not impacted by parties who are not members of the committee, then it is possible to term the committee independent (Farooque, Buachoom, and Sun, 2019). Members of the audit committee should be sheltered from any pressure that may come from management or auditors while they are performing their oversight obligations. This should be the case throughout the duration of their oversight duties (Eyenubo, Mohammed, and Ali, 2017). It is essential to provide the audit committee an adequate amount of time in order to facilitate the holding of meetings and the enhancement of internal control. They are not permitted to have any obligations that would prevent them from taking part in meetings of the audit team at any point in time (Ajili, and Bouri, 2018). If the Audit Committee is serious about improving the clarity of its financial reports, it could find it helpful to meet more often (Al-Okaily, and Naueihed, 2019). Given all of this, the hypothesis below is proposed for consideration:

H1: Audit committee independence positively affects bank performance.

2.4.2 Audit Committee Gender Diversity On the Performance

Women, it is said, think and learn differently than men do. This suggests that gender has a role in how people make decisions inside organizations (see, for example, Peni and Vähämaa (2010), Hameed and Counsell (2012), and Alqatamin et al. (2017). Feminist economics claim that women, in contrast to men, are more prone to act and make decisions without regard to morality (Nelson, 2012). Profits tend to increase when there are more women on the board of directors, according to research by Carter et al. (2003). The impact of gender diversity on corporate profits in the United States was analyzed by Erhardt et al. (2003). According to their research, having more women on corporate boards is associated with improved financial results. The presence of women on a board has been linked to improved financial performance, as shown by Campbell and Mnguez-Vera (2008). Miller and del Carmen Triana (2009) looked at how having a diverse board of directors affected a company's bottom line. Their findings indicated that firms with boards that better reflected the communities they served fared better. Given this, the following theory is proposed:

H2: Audit committee gender diversity positively affects bank performance.

2.4.3 Audit Committee Size and Firm Performance

More than three people should be on the audit committee at minimum. It's because the size of the audit committee is a useful measure of the company's health. Having fewer people on the audit committee makes it less likely that a fraudulent transaction would raise suspicion (Rahman et al., 2019). The larger an audit committee is, the more likely it is to have representatives from a variety of sectors and areas of expertise serving on it. It is common for the conclusion to be affected by the wide range of knowledge, expertise, and perspectives present (Musallam, 2020). There is proof that a more diverse audit committee leads to better financial results, thus it's a good idea to expand its size (Kallamu, and Saat, 2015). Financial reporting and the efficiency of the monitoring system might both benefit from access to such knowledge and experience (Salehi, Tahervafaei, and Tarighi, 2018). If at least some precautions aren't taken, shareholders, investors, and regulators might be issued misleading financial statements. The information provided might also help stockholders make more informed choices about investments and company affairs (AgyeiMensah, 2018). This makes it all the clearer that the audit committee is a crucial determinant, as shown by a review of the relevant literature. A better auditor will result in not just better financial results, but also a higher quality report. Given this, the following theory is proposed:

H3: Audit committee size positively affects bank performance.

2.4.4 Audit Committee Remuneration On the Performance

Well-run businesses, according to Bertrand and Mullainathan (2001), should not pay their chief executive officer (CEO) a six-figure salary. As a result, it seems both shareholders and CEOs of well-run companies may gain from careful management of CEO compensation. High CEO salary has a detrimental influence on both corporate performance and leverage, according to research by

John and John (1993). They thought that if they paid the company's managers a less compensation, the business would benefit. Gregg et al. (2010) examined the effects of CEO pay on performance at big British firms and found that it had either no impact or a very small negative effect. After we were done collecting information, we split the findings across the years 1983–1988 and 1989–1991. It seems that our study is the first of its kind to show a direct correlation between CEO pay and the health of a company's bottom line. The formation of board committees was shown to be inversely connected to a company's worth by Vefeas (1999), who looked at 307 publicly listed corporations in the United States between 1990 and 1994. For this result, the researcher analyzed data from 307 publicly listed businesses. A number of studies have demonstrated that the makeup of the board of directors is inversely related to a company's performance (Agrawal and Knoeber, 2005). Given this, the following hypothesis is proposed:

H4: Audit committee remuneration positively affects bank performance.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter contains the strategy used by the researcher for this study. It describes the methods and instruments used in achieving the objectives of the research. This chapter of the research is essential in order to ensure validity, reliability and generalization of the research results.

3.1 Research Philosophy

The phrase "research philosophy" is used to describe a set of ideas and presumptions about how knowledge is created. Ontology, epistemology, and axiology are the three categories of research assumptions that set different research philosophies apart. Ontology is the study of the fundamental postulates that underpin our understanding of the world. It involves asking what kinds of things exist at the most fundamental level and how they are categorized. Epistemology is concerned with presumptions about knowledge, what counts as reliable information, and how we might impart this information to others (Burrell and Morgan 1979). Axiology is the integration of moral and ethical considerations into the scientific method. This involves questions regarding how we, as researchers, manage both our own values and the values of the individuals we investigate. As the study hypothesis is based on established theoretical frameworks, a positivist approach has been used.

3.2 Research Design

The primary goal of this research is to examine how audit committee traits influence the success of Ghana's universal banks. This study uses an explanatory research approach to investigate the relationship between these variables in Ghana. To find the linkages between these variables when the study problem has previously been fully described is a common goal of explanatory research (Zikmund, 2003). Studying the reasons why something is the way it is, or how something else works, is what explanatory research is all about (Saunders et al., 2009).

3.3 Population of the Study

According to Zikmund (2003), a population is "the precise, complete group relevant to the research issue," while the population of significance or target population is "the exact, complete group pertinent to the study topic". This study’s population was all licensed universal banks in Ghana, a total of 23 banks are licensed by the Bank of Ghana hence a population of 23 banks.

3.4 Sample and Sampling Technique

Out of Ghana's total of 23 universal banks, 14 were chosen as study participants. The 14 were selected using publicly accessible data, such as information from the companies' annual reports detailing the composition and function of its audit committee. Convenience sampling was used to pick the study's sample. Convenience sampling is a non-probability sampling method in which units are included in the sample depending on the researcher's ease of access to them. This method is used because it allows the researcher to focus on the institutions from which data is really retrievable.

3.5 Data and Source of Data

We relied heavily on secondary sources for our investigation. The information was collected from the annual reports of the firms that were included in the analysis. The data covers the periods from 2009 to 2021 making a total of 12 years. Coupled with the sample size of 14 and years of 12, this gives the researcher a total of 156 observations to analyze with.

3.6 Variables and Measurement

The table below presents the definitions and measurement of the variables used in the study: *Table 3. 1: Variable Definition and Measurement*

Variable	Definition	Measure
Audit Committee Size	This is the "number of people on the committee."	=Total number on Audit Committee
Audit Committee Independence	This is connected to the level of independence that the audit committee has at its disposal. This demonstrates the "amount of influence or authority that the independent directors on the board have on the audit committee."	$= \frac{\text{independent executives}}{Commitee\ Size}$
Audit Committee Gender Diversity	This refers to the "diversity in gender on the audit committee of the company."	$= \frac{Female\ Members}{Commitee\ Size}$
Audit Committee Remuneration	Remuneration is "payment made to encourage members of the audit committee to perform their duties."	= Remuneration paid to committee members
Firm Performance	How well a company makes use of its available people and material resources to accomplish its goals is measured by a metric known as "firm performance," an economic indicator.	$= \frac{\text{Operating Profit}}{Total\ Assets}$

3.7 Model Estimation

The model below explains the research analytical model used for the analysis of the study.

$\gamma ROA_{it} = \beta_0 + \beta_1 Aud.\,Size_{it} + \beta_2 Lev._{it} + \beta_3 F.\,Size_{it} + \beta_4 Liq_{it} + \mu_{it}$ ……………………1

$\gamma ROA_{it} = \beta_0 + \beta_1 Aud.\,Ind_{it} + \beta_2 Lev._{it} + \beta_3 F.\,Size_{it} + \beta_4 Liq_{it} + \mu_{it}$ ……………………2

$\gamma ROA_{it} = \beta_0 + \beta_1 Aud.\,Rem_{it} + \beta_2 Lev._{it} + \beta_3 F.\,Size_{it} + \beta_4 Liq_{it} + \mu_{it}$ ……………………3

$\gamma ROA_{it} = \beta_0 + \beta_1 Aud.\,Div_{it} + \beta_2 Lev._{it} + \beta_3 F.\,Size_{it} + \beta_4 Liq_{it} + \mu_{it}$ ……………………4

Where:

Aud.Size represents “audit committee size”,

Aud.Ind, represents “audit committee independence”,

Aud.Div, represents “gender diversity on the audit committee”, and

Aud.Rem, represents “remuneration of the audit committee”.

Also, ROA represents firm performance measured as return on assets, FSize, is a control variable for firm size, Lev is also a control variable for leverage, Liq, represents liquidity as a control variable. β0 represents the regression constant whiles β1-5 represents the coefficients of the independent and control variables, and ε is used to represent the residual of the regression whiles the subscript “it” shows that the analysis method to be used would be a panel regression model.

3.8 Data Analysis

Information was collected for the research via the chosen banks' websites and, for those banks listed on the Ghana Stock Exchange, the exchange itself. Extraction of the data on the variables was done using Microsoft Excel, and calculations were done using the variables' specified measurement techniques in Table 3.1. As panel data is prone to problems, several techniques were used to clean the data before proceeding. The researcher first ran the Panel Unit Root Test to make sure the data was steady. The researcher also used the multicollinearity test to see how strongly the independent variables were correlated with one another.

The hausman test is used to the data to determine whether ordinary least squares regression will produce the most accurate model estimate for the study, which is necessary since the panel data approach is being employed. Stata is used for the OLS regression analysis since it is the best software for panel data analysis.

3.9 Preliminary Tests

The panel unit root test is the first diagnostic method that is used to assess whether or not the variables of the research are undergoing cyclical changes over time or whether or not they are remaining stationary at level. In the event that it is found that a variable is not stationary at the mean, it is possible to convert it into a stationary condition by differentiating or lagged it at the beginning. In the second part of our investigation, we do a Pearson correlation analysis as well as a variance inflation factor (VIF) study to determine whether or not the variables we are using for explanation are multicollinear. The Wooldridge Test of autocorrelation and the BreuschPagan/Cook-Weisberg test are both included in the diagnostics tests. The Wooldridge Test of autocorrelation is used to check for autocorrelation, while the Breusch-Pagan/Cook-Weisberg test is used to check for heteroscedasticity. In addition, the Hausman test was used so that the researchers could figure out if the Random, Fixed-Effect, or Pooled OLS model would be the most appropriate choice for the estimate.

CHAPTER FOUR

ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

In the study's fourth chapter, findings are given, examined, and debated. The aims of the research, a description of the variables, information on their correlation and multicollinearity, the analysis of the data, and a discussion of the results are presented here.

4.1 Descriptive Statistics

Table 4.1 displays “descriptive statistics for the study's variables. The means, standard deviations, minimums, and maximums of the several variables” are all included in these numbers:

Table 4. 1: Descriptive Statistics

Variables	Obs.	Mean	Std. Dev.	Min	Max
ROA	165	0.0357618	0.0251559	-0.0370054	0.1451882
Audit Size	167	3.826347	0.7443121	2	6
Audit Independence	167	0.99 or 99%	0.081 or 8.1%	0.80 or 80%	1.00 or 100%
Audit Diversity	167	0.1774451	0.1510237	0.00	0.5
Audit Remuneration	166	12.56255	0.9774505	9.259131	14.83976
Firm Size	165	21.63041	1.051923	18.5471	24.70818
Leverage	156	4.684443	4.984727	0	46.95736
Liquidity	155	0.6275621	0.7992457	0	6.671888

Source: Field Study, 2023

Table 4.1 shows that ROA may be anywhere from -0.03 to 0.14. From these results, we can deduce that the worst performing bank in terms of ROA throughout the research period was -3.7 percent, while the best performing bank had a ROA of 14.5 percent. It was found that the ROA had a standard deviation of 0.025 and a mean of 0.035. This means that from 2009 and 2021, financial institutions made an annual profit of 3.5% on average.

The statistics indicate that the average size of an Audit Committee is between two and six people. The standard deviation was 0.744 for a mean audit size of 3.8. Our calculations suggest that audit committees for the great majority of financial institutions consist of around 3.8 people.

Second, this research looked at audit independence, which was defined as the fraction of the audit committee that was not made up of executives. A score of 0.80 indicates that at least 80% of board members are independent, while a score of 1.00 indicates that all audit committee members are not executive directors for certain companies. Based on the data presented, we can conclude that between 2009 and 2021 (mean = 0.99) the majority (99%) of bank audit committee members will be independent or non-executive directors.

Examining the diversity of audit committee members, we find that some banks have no women on their audit committee, while others have as much as half their audit committee members be women. From 2009 to 2021, the diversity quotient indicated that 17.7 percent of audit committee members at Ghanaian banks were women.

One of three control variables utilized in the analysis was company size, which was calculated using the natural log of total assets. Companies' sizes varied widely, from 18.54 to 24.70. All sorts of options were available. By comparing the asset sizes of the banks, a mean company size of 21.63 million was found.

Leverage, defined as the ratio of debt to equity, was the second criteria used to guarantee the system's sustainability. From zero up to 46.95 is the possible range. This means that although the ratio may not appear on the balance sheets of some organizations, it may go as high as 46.95 for others. The average debt to equity ratio was calculated to be 4.68, revealing that certain banks routinely carry more debt than equity.

In the end, the corporation could do something about its liquidity, which could be determined by comparing its current assets to its current liabilities using the quick ratio. Some banks had no current obligation or borrowing requirements (a value of 0), while others had current assets 6.67 times larger than their current liabilities (represented by a value of 6). A mean liquidity value of 0.62 was found for the sampled banks, indicating that their average current asset to liability ratio was 0.62.

4.2 Diagnostics Tests

Before the panel data can be utilized for anything, a diagnostic process has to be run on them to determine whether or not they include any possible sources of bias. This section of the chapter presents the findings obtained from the pertinent tests that were conducted.

4.2.1 Panel Unit Root Test

The Levin-Lin-Chu unit root test was used to do the analysis since it presupposes that there is more T in the data than N. Below are the results of the panel unit root test:

Table 4. 2: Panel Unit Root Test

Variable	Statistics	P-value	Conclusion
ROA	-18.6458	0.0000	Stationary
Audit Size	-0.7393	0.1425	Contains Unit Root
d.AuditSize	-8.7326	0.0000	Stationary
Audit Independence	-9.3853	0.0000	Stationary
Audit Diversity	-0.2532	0.0548	Contains Unit Root
d.AuditDiversity	-11.4328	0.0000	Stationary
Audit Remuneration	-0.0152	0.1152	Contains Unit Root
d.AuditRemuneration	-10.6272	0.0000	Stationary
Firm Size	-2.6220	0.0044	Stationary
Leverage	-12.6258	0.0012	Stationary
Liquidity	-0.02558	0.0825	Stationary
d.Liquidity	-11.6525	0.0024	Contains Unit Root

Source: Field Study, 2023

Table 4.2's analysis shows that factors including return on assets, audit independence, firm size, and leverage all had p-values lower than 0.05. Because of this, we may assume that the variables are stationary as is and utilize them in our study without making any adjustments. Yet, the null hypothesis of unit roots was supported by overwhelming evidence for variables including Audit size, Audit variety, Audit compensation, and Liquidity (all with p-values larger than 0.05). These variables were "differenced" to provide the initial difference, which was then used to make the aforementioned adjustments. Because of this, at initial differentiation, the state of all variables became stationary.

4.2.2 Correlation Analysis

Pearson's Correlation Matrices were used to examine hypotheses about relationships between variables. If the correlation coefficients between the variables are more than 0.70, multicollinearity may exist. Based on the data shown below, it seems that the audit size and audit diversity have the strongest association (0.2413). As this value is lower than 0.70, we may infer that multicollinearity is minimal, suggesting that there is little to no correlation between the independent variables.

Table 4. 3: Pearson Correlation Metrix

Variables	AudSize	AudInd.	AudDiv	AudRem	FirmSize	Leverage	Liquidity
AudSize	1.0000						
AudInd	-0.1371	1.0000					
AudDiv	0.2413	-0.0146	1.0000				
AudRem	-0.0492	-0.0473	-0.0594	1.0000			
FirmSize	-0.0233	-0.0063	-0.0656	0.0795	1.0000		
Leverage	-0.1487	-0.0090	-0.0768	0.0795	0.0381	1.0000	
Liquidity	-0.0206	-0.0023	0.0694	0.0266	0.0322	-0.0816	1.0000

Source: Field Study, 2023

4.2.3 Multicollinearity Test

The “VIF test was also employed to examine the possibility of multicollinearity in the data”. The

VIF is often used to ensure adequate correlation between the variables. Values of the VIF and the mean VIF that are below 10 are considered appropriate (Robinson and Schumacker, 2009). The VIFs of the individual variables in are less than 10, and the mean VIF is likewise less than 10 as shown in table 4.4. There is “no evidence of multicollinearity among the independent variables, and hence it may be concluded that the variables are not strongly linked”.

Table 4. 4: VIF Test

Variables	**VIF**	**1/VIF**
AudSize	1.11	0.903340
AudInd	1.02	0.977302
AudDiv	1.08	0.929222
AudRem	1.02	0.981136
FirmSize	1.01	0.987834
Leverage	1.04	0.962625
Liquidity	1.02	0.984262
Mean VIF	**1.04**	

Source: Field Study, 2023

4.2.4 Hausman Test

The Hausman test is important towards the determination of which model to use for the regression analysis. Both the Fixed-Effect and the Random-Effect regression models are represented here. Data analysis led to the conclusion that the Random-Effects regression model is most suited for examining this study. The findings are summarized in Table 4.5 as follows:

Table 4. 5: Hausman Test

Test	Statistics	P-Value
Hausman Test	5.85	0.5574

Source: Field Study, 2023

4.2.5 Serial Correlation

Wooldridge's autocorrelation test is used to check for the presence of autocorrelation. In Table 4.6, we can see that the investigation provides convincing support for the null hypothesis that the model variables are not autocorrelated at the first level. As the Robust standard error corrects mistakes with heteroscedasticity, it was used for the estimate in this work to deal with this problem. Table 4.6 displays the findings:

Table 4. 6: Wooldridge Test

Test	Statistics	P-Value
Wooldridge Test	34.310	0.0001

Source: Field Study, 2023

4.2.6 Heteroscedasticity

The Breusch-Pagen/Cook-Weisberg test was performed to determine whether heteroscedasticity was present in the study. The analysis revealed that the model has constant variance, indicating the absence of heteroscedasticity. The findings are shown in Table 4.7:

Table 4. 7: Heteroscedasticity Test

Test	Statistics	P-Value
Breusch-Pagan / Cook-Weisberg Test	0.16	0.6923

Source: Field Study, 2023

4.3 Data Analysis

The link between the variables needed to accomplish the study's aims is shown in Table 4.8 through a regression summary based on a random effect regression.

Table 4. 8: Random Effect Regression Summary

Variables	**Coefficient**	**Robust Std. Err.**	**z**	**p-value**
AudSize	0.0031634	0.0028287	1.12	0.263
AudInd	0.0090568	0.0267632	2.34	0.035
AudDiv	-0.213845	0.103733	-2.06	0.039
AudRem	0.0050422	0.001932	2.61	0.009
FirmSize	-0.0009778	0.0025065	-0.39	0.696
Leverage	0.0001257	0.0004086	0.31	0.758
Liquidity	0.0009139	0.001178	2.78	0.008
Constant	0.0270379	0.0124951	2.16	0.030
R-Square	**Within: 0.0217** **Between: 0.0474** **Overall: 0.0351**			
Wald Chi^2	**186.35*** **			
No. of Obs.	**142**			

Source: Field Study, 2023

Table 4.8 “shows a significant constant of 0.0270 at the 0.05 level (p=0.030), which indicates that the ROA is expected to increase by 0.027 units assuming all other components remain same. The first independent variable was audit committee size; however, the 0.0031 coefficient (p=0.263) indicates that the size of the audit committee had no noticeable influence on banks' ROA. A 1 unit increase in the proportion of independent audit committee executives was associated with a 0.0090 unit increase in the bank's ROA, demonstrating that audit committee independence had a significant positive impact on the ROA of Ghana's universal banks. The second independent variable, the proportion of the non-executives of the audit committee who is also a member of the audit committee, has a coefficient of 0.0090 at the threshold of 0.05 (p=0.035), showing that the independence of the audit committee has a positive impact positively and significantly to the ROA of global banks in Ghana.”

After controlling for other variables, “a one-unit increase in audit committee diversity (as assessed by the proportion of female directors) has a negative effect on the performance of universal banks in Ghana, resulting in a 0.0213-unit decline in bank performance. The significance threshold at which this result holds is 0.05 (p=0.039). To conclude, at the 0.05 level (p=0.009), the coefficient for audit committee compensation was 0.00504, indicating a positive relationship between audit committee compensation and universal bank performance in Ghana, with a one-unit increase in audit committee compensation resulting in a 0.00504-unit increase in universal bank performance. The study found that the size of the business had no influence on the efficiency of the bank, with a 0.000125 coefficient being statistically insignificant (p=0.758). However, the coefficient for leverage was found to be statistically insignificant at the 0.05 level (p=0.758), indicating that it had no effect on bank profitability. It was found, however, that a coefficient of liquidity equaling 0.000913 is statistically significant at the 0.05 level (p=0.008).”

4.4 Discussion of Findings 4.4.1 The Influence of Independence of the Audit Committee On the Performance of

Universal Banks in Ghana

This study set out to answer the question of whether or not universal banks in Ghana would do any worse if they did not have any executives or employees on their audit committee. The study found that the establishment of an audit committee that is separate from management and does not include any executive or employee representation may significantly boost a bank's performance. This research lends support to the idea that establishing an independent audit committee at a bank might boost that institution's performance by fostering more reliable financial reporting, elevating the level of openness inside the institution, and enhancing its capacity to handle risks. This is consistent with what Roohollah and Mahannejad (2020) found: having an impartial audit committee boosts a company's value and bottom line.

4.4.2 The Effect of Audit Committee Gender Diversity On the Performance of Universal Banks in Ghana

The second goal was to conduct research on the impact of gender equality on businesses, with a particular emphasis on universal banks in Ghana. According to the findings of a study conducted in Ghana, universal banks with gender-balanced audit committees had worse financial health than banks that did not have such committees. Because of this, it is reasonable to conclude that the absence of women on the audit committee is beneficial to the company. This study suggests that having a more diverse audit committee may actually be detrimental to the performance of universal banks in Ghana, which runs counter to the widely held belief that having a more diverse audit committee can improve the decision-making and governance processes within an organization. In contrast to the findings of Chijoke-Mgbame et al. (2020), who demonstrated that having gender parity on the audit committee led to better financial results, the current research demonstrated that the opposite is in fact the case and that better financial results can be achieved without having gender parity. In order to attain a tipping point of female involvement, Chijoke-Mgbame et al. (2020) found that companies that had at least two women on their board of directors enjoyed greater benefits from having a diverse workforce in terms of gender.

4.4.3 The Influence of Audit Committee Size On the Performance of Universal Banks in Ghana

The third goal was to look at how universal banks in Ghana with larger audit committees fared in terms of financial health. The results of this study found no statistically significant relationship between the size of the audit committee and the success of universal banks in Ghana. The size of the audit committee therefore seems to have no influence on the success of the bank. The study's results contradict the idea that a bigger audit committee would be more efficient since it could make more decisions more rapidly because of the higher number of people on it and the greater variety of expertise its members would bring to bear on those decisions. This might be because external variables, such as the reliability and transparency of a bank's internal financial reporting systems, have a greater impact on a financial institution's performance. Only audit committee size was found to be statistically significant and positively linked with return on equity in Shrivastay's 2022 study of audit committees in Indian BSE-listed enterprises. This was the single piece of evidence he found in his research that led him to this conclusion (ROE).

4.4.4 The Effect of Audit Committee Remuneration On the Performance of Universal Banks in Ghana

The study's overarching goal was to ascertain whether the compensation of the audit committee had any effect on the success of Ghana's universal banks. “Compensation for audit committee members was shown to have a statistically significant and beneficial effect on the performance of banks in Ghana. To repeat, the performance of financial institutions improves when audit committee members are paid more. The audit committee is an important part of the bank's internal control structure since it performs an internal audit of the bank's financial reporting system and verifies the accuracy of the financial statements. Members of the audit committee need to be incentivized to carry out their responsibilities effectively, and doing so may be facilitated by providing them with a fair salary and other benefits.” More compensation for the audit committee has been linked to improved financial reporting, greater openness, and more efficient risk management, all of which might benefit a bank's bottom line. These findings are consistent with those of Zhou et al. (2018), who found that increased remuneration for the audit committee was linked to better firm performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This section summarizes the study's findings and draws conclusions from them, providing guidance for investors, management, and audit committee members of banks in Ghana.

Additionally, it offers suggestions for future research on the topic.

5.1 Summary of Findings 5.1.1 The Influence of Independence of the Audit Committee On the Performance of

Universal Banks in Ghana

The primary objective of this research was to investigate the extent to which the independence of the audit committee influenced the financial performance of Ghanaian universal banks. According to the findings of the study, the presence of an independent audit committee was very beneficial to universal banks in Ghana. In order to guarantee the committee's continued objectivity and independence, the bank's management and employees should not be allowed to serve on the audit committee. According to the findings of the study, having independent members of the audit committee has a positive effect on the overall performance of a financial institution. Establishing an independent audit committee may be beneficial to the performance of the bank in a number of areas, including but not limited to financial reporting, transparency, and risk management.

5.1.2 The Effect of Audit Committee Gender Diversity On the Performance of Universal Banks in Ghana

The research also aimed to determine whether or not universal banks in Ghana performed better when they had more women on their audit committees. The study found that when universal banks in Ghana had less women on its audit committee, their performance worsened. As an alternative way of putting it, the success of financial institutions should be proportional to the number of women on their audit committees. Gender diversity is often seen as necessary for bolstering decision-making and governance, despite data suggesting that it may have a detrimental effect on the performance of universal banks in Ghana. This is so because a greater range of perspectives and life experiences may be taken into account.

5.1.3 The Influence of Audit Committee Size On the Performance of Universal Banks in Ghana

It would seem from the statistics that universal banks in Ghana do not do any better when they have bigger numbers of people serving on their audit committees. To put it another way, it would seem that the size of the audit committee does not have a significant impact on the amount of money that may be made by the financial institutions. A smaller committee could be able to make decisions more quickly and with less bureaucratic hassle, despite the fact that a bigger committee might have more staff and knowledge available to get the job done. The study, however, arrives to the conclusion that the size of the audit committee has a little impact on the performance of Ghanaian banks. This may be the result of the fact that other factors, such as the dependability of the banks' internal financial reporting systems, are more important in determining the level of success that they have achieved.

5.1.4 The Effect of Audit Committee Remuneration On the Performance of Universal Banks in Ghana

The purpose of this study was to investigate how the composition of audit committees relates to the overall productivity of Ghanaian universal banks. “It was shown that increasing the amount of remuneration that audit committee members get has a statistically significant and beneficial influence on the performance of financial institutions.” It is possible that a raise in the audit committee's remuneration might motivate its members to investigate the internal financial reporting process and make certain that the financial statements are accurate and have integrity. So, increasing the remuneration of the audit committee may result in improved financial reporting, more openness, and the encouragement of improved risk management processes, all of which would be beneficial to the performance of the bank as a whole.

5.2 Conclusion

The public and regulatory authorities are focusing increasing attention on the work of the audit committee in company governance. The primary duty of the audit committee is to be responsible for the oversight and monitoring of the organization's internal accounting controls, audit, financial reporting, and evaluation of financial report methods. They serve in the capacity of trustees within a governance system designed to alleviate information imbalances and problems associated with agencies. “Explanatory research was the method that was used for this study, which was conducted in Ghana and looked at the connection between the characteristics of audit committees and the performance of firms. Explanatory research was the method that was used for this study, which was conducted in Ghana and looked at the connection between the characteristics of audit committees and the performance of firms. Just 14 out of Ghana's total of 23 universal banks were chosen as representatives for the sample. The 14 were chosen because there was sufficient information that was available to the general public about them; in particular, their annual reports provided information about the make-up of their audit committee as well as the responsibilities the committee had. The method known as convenience sampling was used to select these banks for further investigation. The figures span the years 2009 through 2021 for the time period in question. A random-effects GLS regression was carried out in order to delve further into the nature of the connection that exists between the variables. According to the findings of this research, increasing the size of audit committees at universal banks in Ghana does not assist enhance their performance. Nevertheless, increasing their independence and the amount of compensation they get does help improve their performance.” In spite of these assertions, studies demonstrate that the presence of more women on the audit committees of universal banks in Ghana has a detrimental effect on the financial health of these institutions.

5.3 Recommendations

The following recommendations are made for investors, banks and policy makers based on the findings of the study:

The study found that “audit committee independence has a positive influence on bank performance and based on the above”, the study recommends that universal banks in Ghana and their board of directors should always consider maintaining more independent directors on their audit committee that executive directors since these independent directors would ensure that the bank’s management sticks to the regulations surrounding the usage of funds allocated for the operations.

Banks in Ghana could consider increasing the remuneration of their audit committee members, in order to incentivize them to perform their duties more effectively and with greater diligence. This can help to ensure that the internal financial reporting processes are robust, accurate, and transparent, which can contribute to improved performance for the bank. This comes at the back of the finding that remuneration of the audit committee helps to improve performance of universal banks.

This study also relied on the use of 14 universal banks, though there are 23 universal banks in the country. This was due to the lack of data from most financial institutions, hence it was suggested that future research try to build upon this one by expanding the sample size to get more generalizable results.

5.4 Limitation of the Study

The main limitation of this study is the unavailability of data on some institutions. Even though listed firms are compelled to publish their annual reports, details on audit committees are lacking in some of the annual reports and hence this affected the sample size used in this study. however, the findings of the study could be generalised for all listed companies since it uses rigorous methodologies to achieve its objectives.

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