KWAME NKRUMAH UNIVERSITY OF SCIENCE ANDTECHNOLOGY
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EXAMINING THE MODERATING ROLE OF CORPORATE GOVERNANCE MECHANISMS ON THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND FIRM PERFORMANCES IN GHANA

BY

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DECLARATION

I hereby declare that this submission is my own work toward the award of the Master of Science in Finance and that to the best of my knowledge, it contains no material previously published by another person, nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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NYANSAPƆ WƆSANE NO BADWENMA

DEDICATION

I dedicate this work to God and myself.

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I thank the Almighty God for the gift of life, health and the opportunity he gave me to complete this work. My humble acknowledgement goes to Dr. Michael Adusei for making time off his busy schedules to encourage and guide me through this thesis.

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ABSTRACT

The main objective of the study is to examine the moderating effect of corporate governance on the relationship between corporate social responsibility and firm performance. The study uses an explanatory research design and a quantitative research approach. The sample for this study includes sixteen (16) firms who have their data readily available and accessible for the purpose of this research and the data period spans from 2014 to 2019. The sampling technique used for this study is the purposive sampling technique. Based on the findings of the study, it is concluded that corporate social responsibility is harmful to firms in Ghana and that corporate governance mechanisms have no significant effect on the performance of these firms. However, the adverse effect of corporate social responsibility on performance can be reduced by interacting corporate social responsibility and corporate governance mechanisms such as board size and board composition. To the extent that corporate social responsibility hurts the financial performance, it is recommended that firms should limit their spending on corporate social responsibility as this is found to have adverse effects on their performances. Instead, firms should strive to identify effective avenues where their funds could be invested in order to aid in improving their revenue flows as corporate governance activities depletes their earnings. When board composition as a moderator changes the negative effect of CSR to a positive one, it is recommended that, firms must ensure that they improve their board composition by ensuring that there are more independent directors than executive directors as recommended by the corporate governance code. This would lead to better allocation of funds that the company intends to use for CSR activities and hence lead to improving the firm's performance.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Activity in corporate social responsibility (CSR) is increasing globally, independent of whether or not certain companies can move from the indispensable rationale of economic results to proactively solving complicated societal problems (Ajina et al., 2019; van Dick et al., 2019; Ali, Danish and Asrar-ul-Haq, 2020). This has encouraged companies to focus on the assertion that "doing good" contributes to "doing better" because of the possibility that corporate social responsibility will have supportive reactions from stakeholders (Cho, Furey and Mohr, 2017; Lim and Greenwood, 2017). It is on the back of these changes that global companies (MNCs) have been inspired to include corporate social responsibility (CSR) obligations within their national borders, considering their vulnerability to the social concerns of host countries (Crisóstomo, De Souza Freire and De Vasconcellos, 2011; Nyarku and Ayekple, 2018). Corporate social responsibility is largely seen as a western concept owing to robust structures, norms and appeal frameworks that are weak in developed countries (Nguyen, Bensemann and Kelly, 2018; Benyaminova et al., 2019; Panda, D'Souza and Blankson, 2019). Corporate social accountability is being studied to contribute to improved market value or awareness (Mazidi et al., 2016; Maldonado-Guzman, Pinzón-Castro and Leana-Morales, 2017; Mohammed and Rashid, 2018; Salehzadeh, Khazaei Pool and Jafari Najafabadi, 2018; Ramesh et al., 2019), company credibility (González-Rodríguez et al., 2019), loyalty and enhanced revenue (Khan and Fatma, 2019; Chung et al., 2015; M (Mishra and Modi, 2016; Cho et al., 2019).

The association between corporate social responsibility (CSR) and firm success has evoked a great deal of concern among researchers. Although several researches have

shown a good association between the two constructions, (Agyemang and Ansong, 2017; Martinez-Conesa, Soto-Acosta and Palacios-Manzano, 2017; Naseem et al., 2019; Ali, Danish and Asrar-ul-Haq, 2020; Jia, 2020) in the study of Maqbool and Zameer (2018) for example, researchers find that CSR improves firm efficiency when the company's approach stresses value appropriation over value development. A study by Blasi, Caporin and Fontini (2018) showed that participating in CSR typically improves the net return on stocks of companies and decreases financial costs, although this depends on the field of CSR in which businesses participate. There are those that have suggested a derogatory partnership (Bromiley and Marcus, 1989; Wright and Ferris, 1997; Kim and Oh, 2019). Scholars such as (Waddock and Graves, 1997) claimed that CSR-practice firms had a comparative edge because they would not have seen higher costs; reduced income, lower shareholder valuation. In addition to the above, some other scholars contend that there is no association between CSR and firm results (Aupperle et al., 1985; Teoh et al., 1999). These researchers further claim that the two factors are independent of each other and therefore one cannot be seen to influence the other. Although the optimistic association between CSR and firm success has prevailed in several studies (Agyemang and Ansong, 2017; Naseem et al., 2019; Martinez-Conesa, Soto-Acosta and Palacios-Manzano, 2017; Ali, Danish and Asrar-ul-Haq, 2020; Jia, 2020; Orlitzky et al., 2003; Margolis and Walsh, 2003), the findings remain inconclusive (Vogel, 2005; Margolis and Walsh, 2003). Such inconclusiveness provides a framework for further inquiry.

CSR supporters claim that implementing a CSR approach has a direct and indirect effect on company success and minimizes shareholder disputes (Cheng, Ioannou and Serafeim, 2014; Sodhi, 2015) where shareholders are engaged in CSR decision-making

and where there are good corporate governance processes in place (Su and Sauerwald, 2018). Scholars such as (Chijoke-Mgbame et al., 2019) find proof that facets of corporate governance activities such as board size and board independence have a strong positive moderation impact on the partnership between CSR and company results. The scholars, based on the above, suggest that tighter control of CSR interaction should be put in place in order to predict its beneficial effect on firm results. Other scholars have presented evidence indicating that corporate governance (CG) also plays an important role in the economic field of the CSR definition, especially in relation to shareholders and employees (Fernández-Gago, Cabeza-García and Nieto, 2016). According to these researchers, without sound corporate governance processes and interventions, management could follow CSR practices that will not favor shareholders, which is why good governance systems could play a critical role in ensuring that CSR funds are efficiently distributed and therefore the business will have beneficial impact on their results.

Despite these studies on the role of corporate governance in the CSR-performance, there exists no study in Ghana that examines the role played by corporate governance in this relationship. Studies in Ghana focuses on the direct relationship between CSR and financial performance among banks (Ofori and Hinson, 2007), CSR and financial performance of SMEs (Agyemang and Ansong, 2017) or CSR among telecommunication firms in Ghana (Abdulai and Hinson, 2012), and a few on also the role of other factors such as stakeholder engagement in the CSR-performance relationship (Ansong, 2017). This study therefore argues that, corporate governance helps managers to effectively identify CSR opportunities that when funds are invested in, could bring value to shareholders because the shareholders would serve as persons

who would ensure that the funds have been adequately allocated. For this reason, this study is designed to examine the moderating role of corporate governance in the relationship between CSR and firm performance, providing evidence from listed firms and firms on the Ghana club 100 list of 2019.

1.2 PROBLEM STATEMENT

Since the spread of the idea of CSR, there have been differences in opinion as to what CSR is supposed to do for an organization. Foss and Klein (2018) claim that social problems are not the interest of business people, and therefore social issues can be addressed by the unregulated practices of the free market economy. This has contributed to many longitudinal findings on the interaction between CSR and the success of companies across the globe. However, these studies also produced mixed results with some scholars who have found a favorable association between the variables (Agyemang and Ansong, 2017; Naseem et al., 2019; Martinez-Conesa, Soto-Acosta and Palacios-Manzano, 2017; Ali, Danish and Asrar-ul-Haq, 2020; Jia, 2020) and other scholars who have also found unfavourable association (Wright and Ferris, 1997; Bromiley and Marcus, 1989; Kim and Oh, 2019) and a few others, no relationship (Teoh et al., 1999; Aupperle et al., 1985). Ghana has not been left out of CSR and financial results in these researches. For eg, Ofori, Nuur and S-Darko (2014) investigated the CSR and financial output of banks in Ghana using a sample of 22 banks and found a positive relationship between the variables. These results are backed by other CSR scholars and firm output (Abdulai and Hinson, 2012; Agyemang and Ansong, 2017; Ansong, 2017).

While the favorable association between CSR and firm success has prevailed in several studies (Margolis and Walsh, 2003; Orlitzky et al., 2003), the findings remain inconclusive (Vogel, 2005; Margolis and Walsh, 2003). Some scholars (Ansong, 2017; Chijoke-Mgbame *et al.*, 2019) have therefore argued that, this inconclusive finding could be because of the omission of an important variable which could influence this relationship. Chijoke-Mgbame *et al.,* (2019) proposes that, when CSR activities of firms are linked to their corporate governance practices, then their performance could be improved. According to these scholars, without proper corporate governance practices and measures, managers could undertake CSR practices that would not benefit shareholders, for this reason, good governance structures could play a vital role in ensuring that CSR funds are effectively allocated and therefore the company could enjoy positive effects on their performances. However, studies in Ghana concerning the important role of corporate governance in this relationship is lacking. This research is therefore intended to fill this gap in research and examine the moderating role of corporate governance aspects, specifically board size and board composition in the relationship between CSR and firm performance among firms in Ghana.

1.3 OBJECTIVES OF THE STUDY

The main objective of the study is to examine the moderating effect of corporate governance on the relationship between corporate social responsibility and firm performance. In order to achieve this, the following research objectives were set:

1. To evaluate the effect of corporate social responsibility on firm performance.
2. To analyse the effect of corporate governance on firm performance.

3. To examine the moderating role of corporate governance in the CSR-performance relationship.

1.4 BRIEF METHODOLOGY

The main objective of the study is to examine the moderating effect of corporate governance on the relationship between corporate social responsibility and firm performance. The study would use an explanatory research design and a quantitative research approach. The explanatory research design is chosen because the study sought to examine the relationship between two variables believed to be interrelated. The population of the study would be all firms listed on the Ghana stock exchange and firms on the Ghana club 100. Due to the large number of firms, the study would limit its sample to only firms who publish their annual reports online and also have the amount of money they have spent on CSR stated in this annual report. The study would use the amount of money spent on CSR as a measure of the independent variable CSR. Firm performance as a dependent variable would be measured using return on asset (ROA) of the firm within a particular period, and corporate governance would be measured using the independent to dependent board ratio and the number of members on the company's board. The study would include control variables such as firm size, firm age, leverage and liquidity. Annual reports of the various companies would be sourced from Annual Reports Ghana and from the websites of these companies. The data would be analysed using Stata V.15 which is used panel data analysis. The study would analyse the data using the panel data analysis method, specifically, the Ordinary Least Square regression. However, the method of panel data approach to be used whether Fixed or Random Effect, would be determined using the Hausman Test.

1.5 SIGNIFICANCE OF THE STUDY

Several factors underpin why CSR is pursued by many firms and the fears of businesses over the high degree of costs involved with CSR and the resulting costs to companies cannot be ignored. The results of this study will allow the government and policy makers to consider the degree to which CSR and corporate governance processes influence their efficiency and sustainability. This will in turn help to enforce policies that would encourage businesses to bring in place governance processes that would help to strengthen society and then advocate for the introduction of beneficial CSR practices in society. The results of this study will provide companies with an overview into the advantages of incorporating stakeholders into the CSR practice in order to produce further income for the business.

The results will also allow the executives of the organization to recognize that participating in social actions would help handle emerging social threats as an offshoot of their organizational activities. As investors realize the effects of CSR on the financial results of the company, they would be helped to decide how to manage their investments in order to optimize their returns, and this will, in essence, alter the way investors judge the performance of organizations and as a result, their decision-making process will be focused on parameters that would involve ethics considerations. Finally, researching how CSR influences shareholder capital can serve to include further literature on CSR debates and add to current hypotheses that underpin their relationship. This study will allow managers and shareholders to realize if the capital spent in CSR is worth it while corporate governance is regarded or not.

The study will be used to inform international investors on the state of corporate governance on Ghanaian companies. The study can be used as a guide to the decision-making process of international companies who want to invest in the economy of Ghana. Also, the study can be used as a catalyst to improve on the CSR of local companies which at the long-run improve the economy for international investments.

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CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter of the study reviews the literature relevant to this research. The chapter is divided into three main sections, the first section talks about the various concepts and how they have been defined by other scholars. The second section talks about the theories that explain the relationship between the variables being used in the study whiles the final section reviews empirical studies on the research topic.

2.1 CONCEPTUAL LITERATURE

2.1.1 CORPORATE SOCIAL RESPONSIBILITY

There is no universal definition of corporate social responsibility; many authors understand it differently, and because of its context and the subject matter, there are numerous meanings of the word (Bolanle, Olanrewaju & Muyideen, 2012). Kakabadse, Rozuel & Lee-Davies (2005) say that this encompasses corporate social responsibility, economic development, social sector principles, industry transparency in the environment, business citizenship and corporate governance. These varied topics represent both the richness of the concept and the criticality of science and are fascinating (Ougaard & Nielsen, 2002; Carroll, 1999). In the same time, social responsibility definitions range from highly philosophical to very practical or managerial arguments.

Bowen (1953) refers to social responsibility of companies as corporate responsibilities to undertake, take or obey certain policy lines where the company's goals and principles are beneficial. Sethi (1975) also notes that corporate social accountability requires that

corporate conduct is identical to the social ideals, principles and success goals. Jones (1980) describes corporate social responsibility as the notion that in a company, other than shareholders and after that required by law and the union contract corporations have an obligation to constituent groups. Wood's (1991) fundamental premise is that organizations are not independent bodies but individuals, which is why corporate social accountability lies at the core of it. Egels (2005) believes that advocate concepts gradually encompass a variety of topics, such as plant shutdowns, labor relations, civil rights, business ethics, societies and the climate. Ruggie (2002) also believes that corporate social responsibility is a tactic for showing good conscience, social legitimacy and a contribution to finance. Baker (2003) describes corporate social accountability for guiding corporate operations that create an overall beneficial social effect.

The World Business Council for Sustainable Development (WBCSD) (2010) further describes corporate social responsibility as a continuity of corporate involvement in ethical conduct and economic growth whilst enhancing the standard of life of the workforce, the family and the surrounding environment and society as a whole. In a much broader sense, McWilliams & Siegel (2001) define corporate social responsibility as "actions that appear to further some social good, beyond the interests of the firm and that which is required by law". Although the idea of Corporate Social Responsibility has long been utilized by corporations internationally, consensus about how corporate Social Responsibility can be established appears to be a controversial debate between academics, firms and community (Smith, 2011). According to Smith (2011), this disparity continues to create challenges for businesses because in most situations, they

are increasingly forced to reconcile themselves with social expectations thus achieving financial returns.

In view of the roles and concepts suggested on corporate social responsibility in the literature, it seems like with the development of companies and economies, the social responsibility of corporations has come into existence (Bichta, 2003). The "core," as the French Philosopher Rousseau put it is the mutual compact between corporations and companies or societies; the "core" being corporate social responsibility. The bond between business and society is described by Rousseau as a "symbiosis." The social contract represents the connection between corporation and company. Company organisations are hosting their operations inside corporations and in return, companies want them to be liable for facets of the environmental effects of their activities (Bichta, 2000). Society often recognizes and authorizes organizations to make use of the property, natural resources and provide jobs, especially in the light of law. They aim to boost the standard of life of society from a market perspective. The Social Contract can also be claimed by adding that corporations are economically, legally or legally limited to the enhancement of society's standard of life. Simply speaking, companies ought to meet their portion of the 'negotiation' of the social contract by enhancing and contributing back to their neighborhoods.

2.1.2 CORPORATE GOVERNANCE

As a structure which guides and regulates companies, the OESD (2004) defines corporate governance. The corporate governance structure defines the transfer of roles and privileges to different organisation's members, such as the executive Board, managers, shareholders and other stakeholders, and lays down corporate decision

making principles and procedures. It also provides the process by which the organization's priorities are defined as well as the means to achieve and control its performance. Further, corporate management may be described as implementing a collection of powerful micro-political instruments in an enterprise to guarantee a productive and successful use of resources in achieving its key providers' goals, to compete in the competitive market and at the same time, to reduce the negative impact it has on other stakeholders (Castellini & Agyemang, 2012). According to Lamm (2010), corporate governance utilizes formality, thoroughness and openness to form a mixed corporate policy system in order to guarantee that the company takes only responsible risks for the achievement of shareholder equity and business performance. Agyemang et al. (2013) suggest that corporate governance is defined by processes and protocols developed to reduce agency costs within a corporation. Taking into account a stakeholder-oriented understanding of corporate governance, Solomon (2007) redefines corporate governance generally as the regulation and balance mechanism, both internal and external to corporations, ensuring firms meet their obligations and behave in a socially responsible fashion to all stakeholders in all sectors of their industry.

Corporate management structures are a framework for developing corporate responsibility and objectivity for financial reporting management actions, with the overarching goal of aligning management and shareholder priorities and of increasing the integrity of financial reporting quality assurances within a business. For instance, Mullah *et al.,* (2012) describe corporate governance frameworks as sector, organization, and legal environments, shielding external investors from managers or shareholders' opportunist behaviour. Failure of such security allows management to

disallow and expropriate organizational wealth, sometimes on the disadvantage of minority investors, with asymmetries of knowledge and complexity of oversight experienced by foreign investors. Shleifer and Vishny (1997) often regard corporate management structures as economic and legal institutions that can be changed – often for better – through the democratic process.

Company codes, Stock Industry Legislation, listing rules on shares and accounting principles promote good corporate governance frameworks as part of the legal mechanism for effective corporate management activity. According to Agyemang et al. (2013), organizational management guidelines encourage productive resource distribution, enable corporate entities to raise low-cost resources and support corporate organizations to optimize their efficiency and capacity to fulfil their community needs. They often claim that corporate governance is defined by processes and procedures developed to reduce corporate costs. It may be claimed that organizational management systems rely more on responsibility and openness while accountability is only perceived as corporate shareholder accountability. This emphasis is on internal processes for boards and board results through oversight mechanisms such as audit committees, internal audit and risk control (Niamh & Jill, 2008).

2.1.2.1 Corporate Governance Mechanisms

There exist numerous studies, which have indicated several factors, or variables that constitute the measuring rod by which corporate governance can be comprehended in a company. Some of these factors or mechanism include, but not limited to the size of the board, the composition of boards, audit committee, and CEO Duality.

2.1.2.1.1 Board Size

In the adoption of efficient and good governance initiatives, the position of the Board cannot be overemphasized. Members of the Board are individuals who typically have in-depth experience of a particular sector who track managerial practices, take disciplinary steps, rehabilitate non-performing employees and decide which managers are being compensated or encouraged. It is widely accepted that a decrease in the number of members of the board to a specified degree would increase efficiency. The advantage in bigger boards is that the monitoring ratios are greater, and are dominated by weaker communication and decision-making of a wider community. The findings of multiple board size experiments tend to correspond with the conclusion above. The success and the size of a Board have a very negative association. This suggests that a broad board will contribute to poor results because of the lower productivity of the debate of practical problems among managers. The value of the company is greatest, according to Mak and Yuanto (2003), if five (5) directors, who are deemed comparatively limited, are counted. Moreover, the success of a company is positive, relative to broad boards, according to Sanda, Mikailu and Garba in 2005. Taking into account these observations, Lipton and Lorsch (1992) object that the scale of the Board and the company results have a detrimental connection. He claims that management of the business is problematic for the CEO since the teamwork question occurs once the board size grows high.

2.1.2.1.2 Board Composition

According to Young (2003), the director's freedom from the business is intuitively enticing so it is simpler for management to defeat an unfair compensation package that reinforces the motive for the planned acquisition. Tornyeva and Wereko (2012) observe that the share of managers would significantly improve the consistency of the decision-

making since the emphasis and capacity to influence management could be objectivity. John and Senbert (1998) indicated that the executive director is deemed autonomous because executive managers are less than non-executive managers because of their experience with the company's operations and cannot properly supervise and track top management especially when they see a likelihood of being elevated to roles held by inexperienced managers. Fama (1980) also states that non-executive managers should serve as arbiter to ensure that rivalry between management directors encourages behavior in keeping with the profit maximization motive of shareholders.

The stock sector is broadly sensitive to the announcement of the naming of non-Executive Directors according to Wyatt and Rosenstein (1990) by showing substantial changes in corporate share results. Though Bhagat and Black (2002) did not create a constructive relationship with the organizational success between non-managerial managers, they suggested that businesses with low results are more likely to improve their board's independence. Furthermore, Klein (1998) states that the success of the company is largely linked to the outside board. Therefore, non-executive administrators have a mixed interaction with an organisation. However, the value of the Agency principle indicates that corporate governance could lead, owing to better management of managers that leads to cost minimisation, to a longer term rise in inventory price or better efficiency. The agency hypothesis has nothing to tell about the positive partnership between organizational management and corporate efficiency, says Gompers, Ishii, and Metrick (2003). Similarly, the results of Pinteris' (2002) study find that the makeup of the board and its organizational success were not linked to added benefit.

2.1.2.1.3 CEO Duality

The division of CEO and Chairman was investigated in a variety of reports and the department issues were revealed to be greater while the same person holds the two posts. According to Tornyeva and Wereko (2012), roles such as CEOs and board chairs are the two most influential positions of any business organization, so a concentrating of the hands of a single individual which lead to decisions that are not inherently for owners' sakes (shareholders). Yermack (1996) found that companies were more worthwhile and achieved amazingly in leading studies, affecting 452 organizations from 1984 to 1991, if the CEO and the Board of Directors were to take control from numerous persons. Nevertheless, Laing and Li (1999) see it differently. In their research, they noticed no strong connection with organizational success between the separation of CEO and Board Chairman.

2.1.2.1.4 The Audit Committee

Ghana's company Code, 1963 (Act 179) states that the audit committee must consist of at least three (3) directors who should be non-executive members. The members of the audit committee must ideally consist of directors who have enough knowledge in finance, accounting, and fundamental elements of laws under which corporate entities operate. Specifically, the responsibilities of the audit committee include: appointing external auditors of the corporate organization, maintain and ensure quality and effective audit in collaboration with external and internal auditors, they review the appropriateness of internal control system and level of compliance with relevant policies, laws, and code of ethics of the corporate organization, provide required channel of communication directly among the board the, internal auditors, external auditors, accountants and compliance officers of the corporate organization, provide

needed information to the board on issue regard significant financial transaction, and finally to support the board in formulating policies which will enhance control and operating system of the corporate entity.

2.1.3 FIRM PERFORMANCE

This is a measure of a company's success that does not only rely on an enterprise's own productivity, but also on its business. Financial stability or financial wellbeing is also recognized in the financial field. Various financial metrics can be used to determine a company's efficiency. The typical financial metrics are among other measures: income, capital return, asset return, profit margin, growth in revenues, adequacy in capital, liquidity ratio and share rates. Such financial ratios may be more meaningful than others based on the sector in which the business works (Klein, 1998). Total unit sales, asset retention and inventory turnovers can for example, be key ratios to track in a retail business, while for financial companies the key ratios to monitor would be equity values, cash balance, income and organizational revenue. The return on investment and the turnover in inventories will not be important for firms in the consultancy sector since they are not a business with an inventory ratio. Another aspect that should be taken into consideration in determining a business's success is the relative importance of the financial measures of a sector in terms to competitions within the same particular market since each industry is special (Brown and Caylor, 2004). A typical measure of efficiency, which is an asset return (ROA), is used for this analysis since banks are used.

2.1.3.1 Return on Assets (ROA)

The return on assets also referred to as a return on total assets represents a profitability ratio which measures a duration in which net incomes created by total assets are

compared to the average overall assets. In other terms, the ROA tests the productivity of a company's assets in controlling profit over a span. As the main aim of company property is to raise sales and create income, this ratio allows management and investors to see how effectively their expenditure in properties will be turned into profits. This ratio illustrates how well a business does as it measures benefit (net revenue) to money, which it spends in properties. The further the returns, the more effective and profitable management is as economic tools are utilized (Burton, Lauridsen, and Obel, 2002).

2.2 THEORETICAL LITERATURE

2.2.1 Stakeholder Theory

Freeman (1984) describes stakeholders as entities or groups of persons who may directly or indirectly impact or be influenced by a company's operations. Interior and external stakeholders should be recognized. External stakeholders are operating agencies, personnel and stakeholders. Customers, rivals, marketing companies and authorities are external stakeholders (Miller & Lewis, 1991). Different partnerships should be established and values recognized in order to enforce the corporate social responsibility programmes. The vision of and representation of stakeholders as main or secondary is given by Waddock, Bodwell & Graves (2002). The key stakeholders are workers, employers, customers, vendors and shareholders whose continued involvement is essential for company sustainability. They are providers that have necessary facilities. Secondary stakeholders are typically not active and are not necessary for the existence of the principal organisational transactions.

They involve the media, industry groups and NGOs, as well as other stakeholders. Similar pressures and goals relate to main and secondary stakeholders. For example:

"Unhappy clients are less urgent than negative news reports, which can damage businesses," Thomas, Schermerhorn & Dienhart (2004) state Remote stakeholders on the organizational fringes will place strain on operations, calling the credibility and right of the business in doubt (Hart & Sharma, 2004). Mitchell, Agle & Wood (1997) report that its strength, credibility and urgency are the three essential elements for determining stakeholder impact. The right to exert one's will over others is stakeholder control (Schaefer, 2002), while validity issues agreed and projected mechanisms helping to determine which concerns or demands count. On the other side, the mechanisms of stakeholder engagement are time-sensitive (Mitchell et al., 1997). Control and legitimacy can rely on each other but the urgent element lays the stage for complex problem-solving engagement (Maignan, Ferrell & Ferrell, 2005).

Harrison & Freeman (1999) state that the primary players might have various criteria and that a thorough approach may be required to detect even differences in key stakeholder groups such as clients, employees, suppliers and investors." However, Maignan & Ferrell (2004) state that certain particular stakeholders share common standards about market strategies and impacts that are viewed as satisfactory or attractive. They also suggest that some of them plan to join formal organisations that protect certain principles and expectations stronger. Even where these formal organisations are not participants, specific stakeholders can often jointly take up and debate concerns.

The discussions described above illustrate well that the secondary stakeholders cannot be neglected in decision-making and organizational structures, even though they are not crucial in supplying the tools required for the sustainability of organisations in order

to fulfill their interests and principles. Leap & Loughry (2004), in a nutshell, takes this point of view when they suggest, "culturing an interest-bearing culture that responds to these common needs can provide a competitive advantage for a company." This study argues that the business would profit from stakeholders' loyalty by including stakeholders in CSR decisions and carrying out CSR decisions which would benefit these stakeholders, which would further boost its revenue and thus increase its results. Therefore, the beneficial impact of CRS on company performance is clarified by this hypothesis in this study.

2.3 EMPIRICAL LITERATURE

2.3.1 Effect of Corporate Social Responsibility On Firm Performance.

Crisostomo *et al.* (2011) taking account of firm value and financial accounting performance, investigates the partnership between Corporate Social Responsibility (CSR) and corporate performance in Brazil. In order to collect information from two separate outlets, one related to CSR data and the other providing financial data, content research is carried out. The calculation of the regression analysis conducted to analyse the link between CSR and performance was based on CSR indicators and financial performance metrics. The results suggest that in Brazil CSR is destructive as a strong negative association is established between CSR and firm value. By comparison, the reciprocal impact between CSR and financial accounting results is characterized by a neutral partnership.

The relationship between corporate social responsibility (CSR) expenditure and financial percentages in the developing sector is being discussed in Salehi, Dasht Bayaz and Khorashadizadeh (2018). By doing a panel data review of a subset of 159

companies classified on the Tehran Börse between 2010 and 2015, the author checks the hypotheses. The findings reveal, as a consequence of increases in asset returns, that CSR investments are directly and favorably connected to the financial performance of the business. The findings further suggest that CSR investment and corporate finance results are linked positively and dramatically, both in terms of possible increases in asset yields and prospective shifts in operating cash flows, which are scaled by overall assets.

Yu and Choi (2014) examine the mediating effects of organizational confidence on the partnership between assumed corporate social responsibility (CSR) activities and company results. A total of 674 questionnaires were sent randomly to Chinese companies for a total of 168 reliable answers. A confirmatory factor study was performed for a confirmation test and systemic equation modelling was used to test the mediating impact of organizational confidence. Empirical findings indicate that perceived CSR activities have had major direct impacts on employee well-being and organizational success, and that organizational confidence has partly mediated the connection between CSR practices and employee well-being and organizational efficiency.

Wang et al. (2015) use quantile regression and structural equation modelling to investigate the causal linkages between these variables in high-tech Taiwanese companies over the period 2010–2013. The findings of the quantile regression study indicate that the economic component of corporate social responsibility and the reputation engine of brand value are optimistic and important across both quantiles. The Brand Extension Motor has a major positive impact on higher quantiles of firm results. However, the results suggest a substantial negative influence on the firm efficiency of

the client loyalty engine. The results of structural equation modelling indicate that corporate social responsibility and brand value have a positive effect on firm efficiency.

Inoue and Lee (2011) split CSR into five areas focussing on voluntary corporate practice for five primary stakeholder concerns: (1) workforce relations, (2) product performance, (3) community relations, (4) environmental problems, and (5) diversity issues, and examine the impact of each dimension on the financial successes of companies within four tourism industry sectors (airline, casino, hotel, and restaurant). Even though all of the CSR dimensions had positive financial implications, the results indicated that both short-term and potential viabilities were affected differentially by each dimension and that some financial impacts vary across all four industries.

Arendt and Brettel (2010) analyse the impact of corporate social responsibility (CSR) on corporate reputation, appearance and corporate success in a multi-industry environment to reinforce proof that the effects of CSR vary in various industry settings. The research focused on pre-existing CSR scales and, was assessed using data obtained from a survey of 389 European firms. Contingency models demonstrate that CSR stimulates the mechanism of corporate image-building and that its connection to performance differs considerably depending on the scale of the business, the sector and the marketing budget.

Chen and Wang (2011) explore the connection between corporate social responsibility (CSR) and financial efficiency. Subsequently, this paper uses data obtained in 2007 and 2008 from Chinese companies to analyse the connection between CSR and corporate financial performance (CFP) on an analytical basis. The findings suggest that corporate

social responsibility efforts will boost their financial output for the current year, have a major influence on their next year's financial performance and vice versa. The difference between CSR and financial results can also have a major effect on each other.

Mishra and Suar (2010) examine whether the financial and non-financial success (NFP) of Indian companies impacts corporate social responsibility (CSR) on primordial stakeholders. The questionnaire survey produced perceptual data on CSR and NFP from 150 Indian Senior Managers, including CEOs. Findings show that listed companies show corporate accountability and higher FP than non-listed companies. The favourable perception of managements towards CSR is correlated with an increase in company FP and NFP, which controls the confusing impact of market listing, ownership and scale. This is true for six stakeholder groups as a whole as well as for each stakeholder group, when the CSR is measured. Findings show the efficiency and assistance to Indian enterprises in the ethical corporate business with key partners.
Jang *et al.* (2019) examine the influence of social links on the partnership between corporate social responsibility (CSR) and good success in Korea. Social links were assessed by the company disclosures of 318 Korean companies from 2012 to 2015. Matching propensity score and regression analysis were used to explore the moderating impact of social connections on the relationship between CSR and firm results. As a consequence, social links have more detrimental moderating impact on the partnership between CSR and company success in Chaebol firms than in non-Chaebol firms.

Hou (2019) analyses the interaction between Corporate Social Responsibility (CSR) and CFP in Taiwan. The study found that socially aware enterprises would yield better financial results than those in firms which do not follow the CSR initiatives, using CSR

awards as a metric of social responsibility. The findings show that SVI has a positive effect on the CSR-CFP cooperation in electronics following a further differentiation of the survey from electronics and the non-electronic industries. For non-electronic companies, the findings indicate a significant positive effect of the company management on the CSR/CFP partnership and a negative relationship, regardless of whether the company is a family business.

2.3.2 The Effect of Corporate Governance On Firm Performance.

Arora and Sharma (2016) analyse the effect of corporate governance on firm results by a broad representative survey. This empiric research focuses on a vast number of firms representing 20 main sectors in the Indian manufacturing sector for the duration 2001-2010. Several alternate specifications and calculation approaches are used for research purposes, including system-wide methods of moments that successfully solve the issue of endogeneity and concurrent bias. On the one hand, the results suggest that broader boards are correlated with a greater scope of intellectual understanding, which in turn tends to enhance decision-making and improve efficiency. On the other hand, the findings show that the return on equity and performance are not linked to corporate governance metrics. The findings further indicate that the duality of CEOs is not linked to any company success metrics for sampled companies.

The impact of corporate governance on the Saudi bourses' performance of listed companies was measured by Buallay, Hamdan and Zureigat (2017). The study was based on the combined 2012 to 2014 data collected from the Saudi Stock Exchange (TADAUWL). The survey contains 171 corporations listed. In summary, the study indicated that the Saudi stock exchange governance level was 61.4%, which is regarded

as strong as in prior surveys. The results of the test indicate that corporate governance does not substantially impact the company's operational and financial performance in the Saudi stock exchange listed businesses. The study also concluded by analysing Tobin's Q-model that the influence of the shareholder and the freedom of the board of directors in the Group's business performance is not substantially affected. The success of the company in the management and the size of the board of directors was rather greatly affected.

Pillai and Al-Malkawi (2018) analyse the effect of internal corporate governance (CG) processes on corporate efficiency (FP) in the GCC countries. The research uses a firm-level panel data collection of 349 financial and non-financial firms published in the stock markets of the GCC countries for the duration 2005-2012. The Generalized Lowest Squares (GLS) approach is used to approximate model parameters. The findings indicate that governance variables such as government shareholdings, audit form, board composition, corporate social responsibility and leverage have a large effect on the FP in most GCC countries.

In a panel study of 493 non-financial firms in Thailand between 2001 and 2014, Detthamrong et al. (2017) analyse the relation between business management and company performance. They concluded that corporate governance is not tied to financial leverage and good study performance. Leverage has a beneficial influence on the company's output. We find an impact on corporate governance when businesses are split into sub-samples of small and large companies. For large firms, the effect of audit integrity on group efficiency is notable and the audit committee's size is counterproductive to firm outcomes, but for small enterprises only. Furthermore, the

financial leverage mediates the audit committee's effect on big businesses' market performance.

The impact of corporate governance on productivity of the financial institutions mentioned in Sri Lanka are the primary objectives Dsnodhsns and Ravivathani (2019) and recommend successful corporate governance practices to boost the performance of the financial institutions described here. Twenty Five (25) financial institutions listed were selected as sample sizes for the sample period of 2008–2012. According to the study, corporate governance considerations have a significant influence on the outcomes of the business and a beneficial effect on the company's results on the makeup of the board and the audit committee. But the speed is detrimental for the company's production.

Malik and Makhdoom (2016) analyse, including the implications of disparities in geographic regions, the influence of corporate governance policies on Fortune Global's financial performance (USA and non-USA). Data from secondary sources were collected (annual accounts, Edgar applications, and financial statistics from esteemed financial databases such as Yahoo Finance, Bloomberg, Ycharts Statistics, and Morningstar). Eight years of data have been accumulated (2005-2012). The study indicates that corporate governance and firm outcomes have a direct positive relationship. In Fortune Global 500 businesses, smaller board sizes have been identified as delivering better performance. In comparison, the number of Board meetings was shown to be inverse to the performance of the Business. The research encourages the integrity of the Board in order to increase accountability in the decision-making phase of the Board. The CEO's salary has been shown to have an inverse association with the firm's performance.

2.3.3 The Moderating Role of Corporate Governance in the CSR-Firm Performance Relationship

Previous analysis recognizes that increasingly broad boards are connected to a wider spectrum of expertise and experience, which in turn have a positive influence on company reputation and the name (Larkin, 2020; Jizi et al. 2014). Companies with bigger boards provide improved quality management, which can improve the social productivity of companies (Jizi et al. 2014). Seeking links to external resources and information and creating major commercial relationships with less visible stakeholders further expand and extend corporate limits (Pfeffer and Salancik, 2003). Consequently, a range of observational findings underpin the favourable relation between board size and CSR are provided by the literature review. Ntim and Soobaroyen (2013) are in favour of the conclusion that by utilizing a sample of firms from 2002 to 2009, larger boards are allowing companies to invest more on CSR on the basis of the results obtained. Likewise, Jizi et al. (2014) also noticed that the board's scale was positively related to the declaration of the CSR during their survey of major U.S. commercial banks for the duration of 2009 – 2011. The evidence of CSR involvement by businesses with larger boards is presented by Jo and Harjoto (2011).

Although larger Boards can encourage board activities, bigger Boards suffer from coordination and cooperation challenges and thus are experiencing greater difficulties in overcoming members' problems, which can limit their companies' financial performance (Lipton and Lorsch 1992; Jensen 1993). Such guidelines have also been supported by empirical facts to justify the unfavourable connection of the scale of board to the company's financial success (Campbell & Mint-Vera 2008; Campbell and Minguez-Vera 2008) (Lipton & Lorsch 1992; Jensen1993; Yermack 1996; Eisenberg

et al. 1998; Carter et al. 2003; Erhardt & al. 2003). Conversely, when the board's size negatively affects the company's financial results, the negative influence would vanish if broader, well-supervised boards speak about more corporate responsibility concerns in the company and help to boost financial efficiency (Pekovic and Vogt, 2020). In other words, larger boards adhere to corporate rules and directives, such as CSR procedures, which maximize the financial performance of the organization (Ntim and Soobaroyen 2013).

Hung (2011) thus proposes that one of the Board of Directors' main contributions should be to align corporate well-being, culture and the environment. Corporate governance may also be a failure to connect CSR with Corporate Financial performance by efficient application of CSR practices through top-level management input into key operating processes. Pekovic and Vogt (2020) noted a sample of 17,500 indicators over an 11-year Board scale in their study following this allegation.

In addition, gender diversity moderates positively CSR's financial results, and the CSR's relation to ownership concentration negatively affects the company's financial performance. Based on the above arguments, the conceptual framework below is used to illustrate the relationship between the variables:

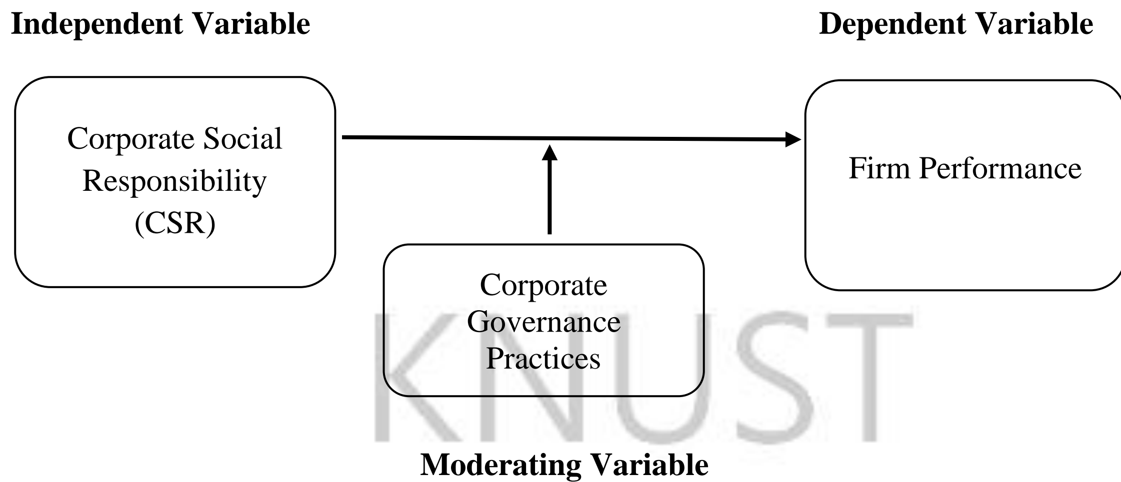

Figure 2. 1 Conceptual Framework.
Source: Authors construct, 2020.

In relation to the conceptual framework, the study uses an explanatory research design and a quantitative research approach. The explanatory research design is chosen because the study seeks to examine the relationship between the study variables believed to be interrelated, thus, CSR, corporate governance practices and performance. While quantitative research approach will enable the researcher examine the effects of variables on each other statistically.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter contains the strategy being used by the researcher for this study. It describes the methods and instruments being used in achieving the objectives of the research. It gives details about the research design, population, sampling techniques, research instruments, data collection method, and data analysis method.

3.1 RESEARCH DESIGN OF THE STUDY

The main objective of the study is to examine the moderating effect of corporate governance on the relationship between corporate social responsibility and firm performance. The study uses an explanatory research design and a quantitative research approach. The explanatory research design is chosen because the study seeks to examine the relationship between two variables believed to be interrelated while the quantitative research approach enables the researcher examine the phenomenon using statistical data being obtained from reliable sources. This research design is being selected because the study focuses on explaining the aspects of the study in a detailed manner as this research design provides more understanding of the problem. Quantitative research approach is dependent on objective facts, numerical data, and its use helps researchers to generate statistics, which can be generalized, and to look at relationships between variables to determine cause and effect.

3.2 POPULATION OF THE STUDY

The population for this study is made up of all firms listed on the Ghana Stock Exchange and the Ghana Club 100 2019 list of top 100 companies in Ghana. The Ghana stock exchange has a total of 37 companies listed on the market while the Ghana club 100 has a total of 100 firms listed on it. This makes the population for the study a total of 137 companies on both platforms.

3.3 SAMPLE OF THE STUDY

Due to the large number of firms, the study limits its sample to only firms who publish their annual reports online and also have the amount of money they have spent on CSR stated in the annual report. More specifically, the sample for this study is sixteen (16) firms who have their data readily available and accessible for the purpose of this research. The sample for this study includes Access Bank, Cal Bank, Fan-Milk, Fidelity, First Atlantic, Goil, MTN, STC, Societe Generale Bank, Standard Chartered Bank, Total Ghana Limited, ADB, Barclays (now ABSA), Bank of Africa, EcoBank and GCB Bank.

3.4 SAMPLING TECHNIQUE OF THE STUDY

The sampling technique used for this study is the purposive sampling technique. This sampling technique is found appropriate for this study due to the objectives of the researcher. The main criteria for the selection of the samples is that the firm should have its CSR written in amounts of Ghana Cedis and also, the firm must have its annual reports available online for easy accessibility. The purposive sampling helps the researcher identify the firms that meets these criteria to be used purposely for this research.

3.5 DATA, SOURCES OF DATA AND DATA COLLECTION METHODS

The study's main data source is secondary data. The data covers the period from 2014 to 2019 across a selection of 16 companies chosen for this study. Coupled with the data period and sample size, this gives a total of 96 observations. The higher number of observations in this panel data analysis is to provide higher degrees of freedom, which could help in efficiently estimating the research model. The independent variable (CSR) of the study is measured using the amount of money spent on CSR within the year. Firm performance as a dependent variable is measured using return on asset (ROA) of the firm within a particular period. The moderating variable, corporate governance, is measured using two specific measures: 1) Board Size: measured as the number of members on the board of the company, 2) Board Independence: measured as the ratio of independent to dependent directors on the board of the company. The study also controls for firm size, firm age, leverage and liquidity. The data for the study is obtained from Annual Reports Ghana and also from the websites of these sampled companies.

3.6 DATA ANALYSIS METHOD

The data would be analysed using Stata V.15 which is used in panel data analysis. The method of panel data approach to be used (i.e. whether Fixed or Random Effect) is determined using the Hausman Test. The general model for the research analysis are stated below:

$Y\ (ROA)_{it} = \beta_0 + \beta_1\ (CSR)_{it} + \beta_2\ (FirmSize)_{it} + \beta_3\ (FirmAge)_{it} + \beta_4\ (Leverage)_{it} + \beta_5\ (Liquidity)_{it} + \varepsilon$ ……………………………………………………………Model 1

$$Y(ROA)_{it} = \beta_0 + \beta_1 (BoardSize)_{it} + \beta_2 (BoardComp)_{it} + \beta_3 (FirmSize)_{it} + \beta_4 (FirmAge)_{it} + \beta_5 (Leverage)_{it} + \beta_6 (Liquidity)_{it} + \varepsilon \ldots\ldots \text{Model 2}$$

$$Y(ROA)_{it} = \beta_0 + \beta_1 (CSR)_{it} + \beta_2 (BoardComp)_{it} + \beta_3 (CSR*BoardComp)_{it} + \beta_4 (FirmSize)_{it} + \beta_5 (FirmAge)_{it} + \beta_6 (Leverage)_{it} + \beta_7 (Liquidity)_{it} + \varepsilon \ldots\ldots \text{Model 3}$$

$$Y(ROA)_{it} = \beta_0 + \beta_1 (CSR)_{it} + \beta_2 (BoardSize)_{it} + \beta_3 (CSR*BoardSize)_{it} + \beta_4 (FirmSize)_{it} + \beta_5 (FirmAge)_{it} + \beta_6 (Leverage)_{it} + \beta_7 (Liquidity)_{it} + \varepsilon \ldots\ldots \text{Model 4}$$

Where, ROA represents return on asset, CSR is corporate social responsibility, CSR*BoardSize represents the interaction between corporate social responsibility and board size and CSR*BoardComp represents the interaction effect between corporate social responsibility and board composition. ß0 is the Constant or Intercept of the regression, ß = Coefficient of the independent, dependent and control variables, and ε = residual of regression analysis.

3.7 ESTIMATION STRATEGY

With respect to the panel regression analysis, the researcher checks the robustness of the standard errors. If the standard errors are robust, then the study needs not add 'robust' to the regression equation when using Stata. To test for that, the study tests whether the data is heteroskedastic or homoskedastic. If the sample is homoskedastic, meaning there is constant variance in the error term, then the study need not use robust standard errors in the regression else the regression will be biased. The opposite is true if the data is heteroscedastic; if the data are heteroskedastic, the study has to use robust standard errors else the results will be biased. To test this, the study uses the Breusch-

Pagan / Cook-Weisberg test for heteroscedasticity. The study performs a Hausman test to see if the fixed effect (FE) regression model is the most appropriate compared to a random effects (RE) model. To do that the study tests whether or not there is covariance between the independent variables and the error term. If the test proves that there is no covariance between the error term and the independent variable, then a RE model would be appropriate. If the opposite is true, then FE would be appropriate.

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CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.0 INTRODUCTION

This chapter of the study analyses data and discusses the results. It begins with descriptive statistics of the data, followed by preliminary analysis such as panel unit root test, correlation analysis, multicollinearity, autocorrelation, and heteroscedasticity. The chapter ends with regression analysis and the discussion of findings.

4.1 DESCRIPTIVE STATISTICS

Table 4.1 depicts the summary statistics of the variables used in the study. The table presents standard deviation, minimum, maximum and means of both the independent and dependent variables.

Table 4. 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	96	5.208537	5.830777	-11.12839	26.87431
CSR	96	13.20017	2.3401	0	16.26666
Board Comp	96	0.8063225	0.1093868	0.5	1
Board Size	96	9.541667	2.087137	6	15
Firm Size	96	21.43488	1.28877	18.11105	23.84043
Firm Age	96	42.6875	27.25448	5	123
Liquidity	96	1.272274	0.6312034	0.5969809	6.671888
Leverage	96	0.075128	0.0889365	0	0.3957246

Source: Author’s Construct, 2020

4.1.1 Return on Asset

From Table 4.1, return on asset (ROA) has a minimum of -11.12839 and a maximum of 26.87431. The table further indicates that the mean ROA observed among the companies is 5.208537 with a standard deviation of 5.830777. This implies that among the selected companies, an average return of 5.208537 percent was made within the

study period. This is on the low side considering Tuffour et al. (2018) shows that the average ROA for all listed banks in Ghana is 8.2164 percent between 2010 to 2018.

4.1.2 Corporate Social Responsibility

Relative to the next variable which is corporate social responsibility (CSR), the study observes that there exists some firms in the study who invested no money into CSR within the study period and observes a maximum of 16.26666 (11,600,000ghs) CSR investment. The table shows a mean CSR of 13.20017 (1,678,124ghs) with a standard deviation of 2.3401 (2,270,437ghs). This implies that on the average, the selected companies invested an amount of 1,678,124ghs into corporate social responsibility activities.

4.1.3 Board Composition

Relative to the board composition, measured as the ratio of non-executive to executive directors on the board, a minimum of 0.5 and maximum of 1 is observed. This implies that in terms of the composition of the board of the selected companies, the minimum of these companies is 50 percent of executive and 50 percent of non-executive directors and a maximum of 100 percent non-executive board. The Table 4.1 depicts that a mean of 0.8063225 and standard deviation of 0.1093868 is observed within the study period. This implies that on the average, a board of any of the companies could comprise of up to 80 percent of non-executive directors. This can be said to be good since this would ensure that agency problems would be minimised due to the number of outside directors being more than the executive directors.

4.1.4 Board Size

For board size, the study finds that a minimum of 6 and a maximum of 15 is observed among the companies. This implies that the lowest number of board members for the companies is 6 members whiles the maximum number of members of board is 15 members. The study however observes that the mean board size is 9.541667 with a standard deviation of 2.087137 which implies that on the average, a board on the selected companies could comprise of 9.5 members.

4.1.5 Firm Size

Relative to the firm size measured as the natural log of total assets, the study observes that the minimum firm size is 18.11105 with a maximum of 23.84043. The panels have a mean firm size of 21.43488 with a standard deviation of 1.28877. This implies that the average natural log of total asset among the selected companies is 21.43488.

4.1.6 Firm Age

The study further observes that relative to the age of the selected firms, the minimum is 5 years old firm with a maximum of 123 years. This indicates that the sample is made up of both older and newer firms. The mean firm age is 42.6875 with a standard deviation of 27.25448 indicating that on the average, the firms used for this study have been in the country for 42.6875 years. This implies that these firms have adequate experiences to be able to effectively manage their resources and corporate issues.

4.1.7 Liquidity

For liquidity, the study finds that the minimum observed among the selected companies is 0.5969809 with a maximum of 6.671888. The mean liquidity among the observations

is 1.272274 with a standard deviation of 0.6312034. This implies that on the average, the ratio of current to non-current liabilities among the selected companies is 1.272274. This is good since it implies that the firms in this study have enough current assets to cover their immediate liabilities.

4.1.8 Leverage

With leverage, the minimum leverage observed is 0 while the maximum is 0.3957246. The mean leverage is 0.075128 with a standard deviation of 0.0889365. This implies that on the average, the ratio of borrowings to total assets is 0.075128 among the study variables.

4.2 PRELIMINARY TESTS

4.2.1 Panel Unit Root Test

In order to effectively estimate the regression model, it is important to ensure that the panel data being used in the study are stationary. To perform the stationarity test, we use the Harris-Tzavalis test for panel unit root which assumes that the number of panels is greater than the observation period. Thus in our study, we have the number of companies being lager than the number of years being used. For non-stationary variables in this study, they are first differenced in order to ensure that they become stationary. The summary of the panel unit root test is presented in Table 4.2 below:

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Table 4. 2: Panel Unit Root Test

Variable	Statistic	z-statistic	p-value	Conclusion
ROA	-0.0556	-5.9437	0.0000	Panels are stationary
CSR	-0.1961	-7.2755	0.0000	Panels are stationary
Board Comp	-0.1845	-2.0013	0.0227	Panels are stationary
Board Size	-0.0481	-5.8722	0.0000	Panels are stationary
CSRBComp	-0.0037	-5.4514	0.0000	Panels are stationary
CSRBSize	-0.0602	-5.9873	0.0000	Panels are stationary
Firm Size	0.8131	2.2904	0.9890	Panels contain unit roots
Firm Size (d1)	-0.3233	-6.7577	0.0000	Panels are stationary at first difference
Firm Age	1.0000	4.0624	1.0000	Panels contain unit roots
Firm Size (d1)	0.0000	-4.1039	0.0000	Panels are stationary at first difference
Liquidity	0.1976	-3.5433	0.0002	Panels are stationary
Leverage	0.3217	-2.3670	0.0090	Panels are stationary

Source: Author's Construct, 2020

From Table 4.2, we observe that, relative to the first variable ROA, the analysis shows overwhelming evidence against the null hypothesis of unit root and hence we conclude that ROA is stationary at level (p=0.000). With the independent variable CSR, the analysis presents vivid evidence in support of the alternative hypothesis and hence we conclude that CSR is also stationary at level.

With respect to board composition and board size, the study finds strong evidence against the null hypothesis of unit root and hence we conclude that board size and board composition are stationary at level. The two moderating variables presents evidence in support of the alternative hypothesis and hence these variables are stationary at level. However, two control variables, firm size and firm age are found to be non-stationary and hence they are first differenced to make them stationary. Relative to the last two control variables leverage and liquidity, the analysis presents evidence against the null hypothesis of unit root and therefore we conclude that leverage and liquidity are stationary at level. The first difference of all the variables that are not stationary at level would be used for the analysis here after.

4.2.2 Correlation Analysis

We then proceed to run correlation and covariance analysis on our data. This is to inform us of the strength of correlation among the variables and to identify if there exist any multi-collinearity among the explanatory variables. The table is presented below:

Table 4. 3: Correlation Analysis

Variable	ROA	CSR	BComp	BSize	CSRB Comp	CSRB Size	FSize	Liq.	Lev.
ROA	1.0000								
CSR	-0.2085	1.0000							
BComp	0.0657	0.0290	1.0000						
BSize	0.0237	0.2174	0.0605	1.0000					
CSRBComp	-0.1393	0.8056	0.6097	0.2201	1.0000				
CSRBSize	-0.0927	0.7080	0.0631	0.8401	0.6024	1.0000			
FSize	0.1576	0.0449	-0.0205	0.0485	0.0195	0.0644	1.0000		
Liq.	-0.0741	-0.1633	0.0752	0.0531	-0.0947	-0.0479	-0.2917	1.0000	
Lev.	-0.2486	0.1081	0.1432	0.1675	0.1681	0.1799	0.0478	0.1610	1.0000

Source: Author’s Construct, 2020

As shown in Table 4.3 above, there is strong correlation between CSRBComp and CSR, CSRBSize and CSR and CSRBComp and CSRBSize due to the fact that they all share a common variable, which is CSR. The rest of the variables however shows weak correlations (coefficients less than 0.50). One interesting thing noticed during the correlation analysis is the fact that the software automatically deleted the control variable Firm Age due to multicollinearity concerns and hence this control variable is excluded from further analysis.

4.2.3 Multicollinearity

Multicollinearity is a problem that occurs with regression analysis when there is a high correlation of at least one independent variable with a combination of the other independent variables. In multiple regression, the variance inflation factor (VIF) is used as an indicator of multicollinearity. In order to confirm if the correlation metrics poses

any serious challenge in the regression analysis, the variance inflation factor (VIF) is used to confirm the presence of multicollinearity among the explanatory variables. According to Hair et al. (1995), the acceptable VIF level is "10" and hence we do not expect both the individual and mean VIFs to be greater than "10". From the Table 4.4, we find evidence to support the fact that there exist no multi-collinearity among the explanatory variables in all four models of the study.

Table 4. 4: Test of Multicollinearity

Model	Variable	VIF	1/VIF
Model 1	CSR (d1)	1.05	0.954525
	Firm Size	1.10	0.905417
	Liquidity	1.17	0.855359
	Leverage	1.06	0.945641
	Mean VIF	**1.09**	
Model 2	Board Comp	1.03	0.975237
	Board Size	1.03	0.967339
	Firm Size	1.11	0.903079
	Liquidity	1.14	0.880872
	Leverage	1.08	0.925789
	Mean VIF	**1.08**	
Model 3	CSR	1.30	0.797783
	Board Comp	1.69	0.591967
	CSR*BComp	2.10	0.476341
	Firm Size	1.11	0.902058
	Liquidity	1.18	0.848267
	Leverage	1.08	0.929256
	Mean VIF	**1.41**	
Model 4	CSR	1.44	0.693086
	Board Size	4.71	0.212326
	CSR*BSize	5.00	0.199986
	Firm Size	1.11	0.899934
	Liquidity	1.17	0.852106
	Leverage	1.08	0.927311
	Mean VIF	**2.42**	

Source: Author's Construct, 2020

4.2.4 Model Determination

In order to ascertain which panel regression model to use for this study, we proceed to conduct the hausman test in order to ascertain if the study should use the random effect

or fixed effect regression model for the analysis. The null hypothesis is that the preferred model is random effects; The alternate hypothesis is that the model is fixed effects. Essentially, the tests look to see if there is a correlation between the unique errors and the regressors in the model. The null hypothesis is that there is no correlation between the two (Bayer, 2002). From Table 4.5 below, it is evident that all four models of the study present lurid evidence in support of the null hypothesis and hence we conclude that all four models are consistent under the Random-Effect estimation.

Table 4. 5: Hausman Test Statistics

Model	Statistics	P-Value	Conclusion
Model 1	1.16	0.8853	Random Effect Model is Appropriate
Model 2	1.03	0.9601	Random Effect Model is Appropriate
Model 3	1.08	0.9826	Random Effect Model is Appropriate
Model 4	2.05	0.9150	Random Effect Model is Appropriate

Source: Author's Construct, 2020

4.2.5 Autocorrelation/ Serial Correlation

Because serial correlation in linear panel-data models biases the standard errors and causes the results to be less efficient, it is important to identify serial correlation in the idiosyncratic error term in a panel-data model. In this study, the Wooldridge (2002) test for serial correlation is used. From table 4.6, the null hypothesis of no serial correlation is strongly rejected. To correct this, we estimate the regression model using the robust standard error which is consistent with and corrects auto/serial correlation.

Table 4. 6: Wooldridge Test of Auto/Serial Correlation

Model	Statistics	P-Value	Conclusion
Model 1	10.803	0.0050	first-order autocorrelation
Model 2	10.512	0.0055	first-order autocorrelation
Model 3	14.391	0.0018	first-order autocorrelation
Model 4	11.115	0.0045	first-order autocorrelation

Source: Author's Construct, 2020

4.2.6 Heteroscedasticity

One of the assumptions made about residuals/errors in OLS regression is that the errors have the same but unknown variance. This is known as constant variance or homoscedasticity and when violated, the problem is heteroscedasticity. To test for the presence of heteroscedasticity, the Breusch Pagan Test (1979). From the Table 4.7 below, we find evidence against the null hypothesis of constant variance and hence we conclude that all four models contain heteroscedasticity. To correct this, the analysis uses the robust standard error for the estimation which is deemed to be heteroscedasticity consistent.

Table 4. 7: Breusch Pagan Test for Heteroscedasticity

Model	Statistics	P-Value	Conclusion
Model 1	6.84	0.0089	Heteroscedastic
Model 2	6.72	0.0095	Heteroscedastic
Model 3	3.87	0.0491	Heteroscedastic
Model 4	4.42	0.0356	Heteroscedastic

Source: Author's Construct, 2020

4.3 DATA ANALYSIS

After testing the various assumptions to ensure that the regression model would be efficient, we proceed to estimating the regression models under the random effect estimation as suggested in the hausman test. The summary of the random effect estimation with robust standard errors to correct for autocorrelation and heteroscedasticity is presented in Table 4.8 below:

Table 4. 8: Random Effect Regression Summary

ROA (dependent)	Model 1	Model 2	Model 3	Model 4
Constant	8.888767*** (p=0.002)	2.216324 (p=0.580)	8.385667*** (p=0.008)	-16.49903 (p=0.196)
CSR	-.3679215** (p=0.023)		-.7872224*** (p=0.006)	1.413274 (p=0.117)
Board Comp		2.053006 (p=0.611)	-9.171976** (p=0.029)	

Board Size		.0221289 (p=0.921)		2.629009* (p=0.098)
CSR*BComp			.5737303** (p=0.020)	
CSR*BSize				-.1838294* (p=0.079)
Firm Size	3.732179*** (p=0.007)	3.610456** (p=0.013)	3.696522** (p=0.010)	3.739634*** (p=0.008)
Liquidity	.394665 (p=0.130)	.4270131** (p=0.030)	.4281007** (p=0.033)	.4311277* (p=0.078)
Leverage	-5.191979** (p=0.025)	-6.387498** (=0.034)	-5.353083** (0.033)	-3.919751 (p=0.143)
Overall R-Squared	0.0989	0.0750	0.1405	0.0647

Source: Author's Construct, 2020

4.3.1 Corporate Social Responsibility and Firm Performance

In the first model of the analysis, we examine the effect of corporate social responsibility (CSR) on firm performance (ROA). From the analysis, it is observed that the model has a constant of 8.888767 which is found to be statistically significant at .05 significance level (p=0.002). This implies that in the absence of all the variables in this model, ROA is expected to increase by 8.888767 units. The study further finds that CSR has a coefficient of -0.3679215 which is however found to be statistically significant (p=0.023). The above implies that CSR has a significant influence on ROA. This implies that a unit increase in CSR amount is expected to result in a 0.3679215-unit decrease in ROA of the firm. The analysis further shows that relative to the control variable firm size, a parameter estimate of 3.732179 is observed which is found to be significant at .05 significance level (p=0.007). This indicates that a unit increase in firm size measured as the natural log of total assets, is expected to lead to a significant 3.732179-unit increase in ROA.

The study further finds that in this model, liquidity as a control variable shows a coefficient of 0.394665 which is however found to be statistically insignificant at .05

significance level (p=0.130). This implies that liquidity in this model has no significant effect on ROA. The final control variable shows a parameter estimate of -5.191797 which is found to be significant (p=0.025). This implies that leverage has a negative effect on ROA and a unit increase in leverage of the firm is expected to result in a 5.191979-unit decrease in ROA of the firm. The analysis shows that the overall r-squared of the model is 0.0989 which implies that overall, this model explains up to 9.89 percent of changes in ROA of the firms used in this study.

4.3.2 Board Composition, Board Size and Firm Performance

In the second model of the analysis, we examine the effect of corporate governance (board composition and board size) on firm performance (ROA). From the analysis, it is observed that in the absence of all other variables in this model, the model has a constant of 2.216324 which is found to be insignificant at .05 significance level (p=0.580). The study further finds that the first independent variable (board composition) has a coefficient of 2.053006 which is however found to be statistically insignificant (p=0.611). This implies that board composition has no significant influence on ROA. Relative to the second independent variable, the study finds that board size has a parameter estimate of 0.0221289 which is also found to be statistically insignificant at .05 significance level (p=0.921). This implies also that board size as a measure of corporate governance, has no significant effect on ROA.

The analysis further shows that the control variable firm size has a parameter estimate of 3.610456 which is found to be significant at .05 significance level (p=0.012). This indicates that a unit increase in firm size measured as the natural log of total assets, is expected to lead a significant 3.610456-unit increase in ROA. The study further finds that in this model, liquidity as a control variable shows a coefficient of 0.4270131 which

is however found to be statistically significant at .05 significance level (p=0.030). This implies that liquidity in this model has a positive and significant effect on ROA and a unit increase in liquidity is expected to result in a 0.4270131-unit increase in ROA. The final control variable shows a parameter estimate of -6.387498 which is found to be significant (p=0.034). This implies that leverage has a negative effect on ROA and a unit increase in leverage of the firm is expected to result in a 6.387498-unit decrease in ROA of the firm. The analysis shows that the overall r-squared of the model is 0.0750 which implies that overall, this model explains up to 7.50 percent of changes in ROA of the firms used in this study.

4.3.3 Moderating Role of Board Composition in CSR-Firm Performance

In the third model in Table 4.8, we examine the moderating role of the first corporate governance indicator, board composition. The interaction effect between corporate social responsibility and board composition is labelled in this analysis as CSR*BComp and represents the first moderating variable. From the model, it is observed that holding all the other variables constant, the model shows a parameter estimate of 8.385667 which is statistically significant (p=0.008). In this model also, we find that CSR has a parameter estimate of -0.7872224 which is statistically significant (p=0.006). This implies that in this model, CSR has a negative effect on ROA and hence a unit increase in CSR amount would be expected to result in a 0.7872224-unit decrease in ROA of the firm. Relative to board composition, the study finds that it has a parameter estimate of -9.171976 which is found to be statistically significant (p=0.029) which implies that in this model, board composition has a significant and negative effect on ROA.

The interacting variable labelled CSR*BComp is found to have a parameter estimate of 0.5737303 which is found to be statistically significant at .05 significant level (p=0.020). This implies that the interaction between CSR and board composition has a positive and significant effect on ROA and hence a unit increase in this interaction would be expected to result in a 0.5737303-unit increase in ROA. In this model, the control variable firm size shows a parameter estimate of 3.696522 which is found to be statistically significant (p=0.010). This implies that a unit increase in firm size is expected to result in a 3.696522-unit increase in ROA. The study further finds that in this model, liquidity as a control variable shows a coefficient of 0.4281007 which is also found to be statistically significant at .05 significance level (p=0.033). This implies that in this model also, liquidity has a significant and positive effect on ROA of the firm. The final control variable shows a parameter estimate of -5.353083 which is found to be significant (p=0.033). This implies that leverage has a negative effect on ROA and a unit increase in leverage of the firm is expected to result in a 5.353083-unit decrease in ROA of the firm. The analysis shows that the overall r-squared of the model is 0.1405 which implies that overall, this model explains up to 14.05 percent of changes in ROA of the firms used in this study.

4.3.4 Moderating Role of Board Size in CSR-Firm Performance

In the final model, we examine the moderating role of the second corporate governance indicator, board size. The interaction effect between corporate social responsibility and board size is labelled in this analysis as CSR*BSize and represents the second moderating variable. From the model, it is observed that holding all the other variables constant, the model shows a parameter estimate of -16.49903 which is however statistically insignificant (p=0.196). We find that CSR has a parameter estimate of

1.413274 which is statistically insignificant (p=0.117). This implies that in this model, CSR has no significant influence on ROA of the firms. With respect to board size, the study finds that it has a parameter estimate of 2.629009 which is found to be statistically significant at .10 significance level (p=0.098) which implies that in this model also, board size has a significant effect on ROA.

The interacting variable labelled CSR*BSize is found to have a parameter estimate of -0.1838294 which is found to be statistically significant at .10 significant level (p=0.079). This implies that the interaction between CSR and board size has a negative and significant effect on ROA and hence a unit increase in this interaction would be expected to result in a 0.1838294-unit decrease in ROA. In this model, the control variable firm size shows a parameter estimate of 3.739634 which is found to be statistically significant (p=0.008). This implies that a unit increase in firm size is expected to result in a 3.739634-unit increase in ROA. The study further finds that in this model, liquidity as a control variable shows a coefficient of 0.4311277 which is also found to be statistically significant at .10 significance level (p=0.078). The final control variable shows a parameter estimate of -3.919751 which is found to be insignificant (p=0.143). The analysis shows that the overall r-squared of the model is 0.0647 which implies that overall, this model explains up to 6.47 percent of changes in ROA of the firms used in this study.

4.4 DISCUSSION OF FINDINGS

4.4.1 The Effect of Corporate Social Responsibility on Firm Performance

The first objective of this study is to examine the effect of corporate social responsibility on firm performance. In order to achieve this objective, the study uses

the random effect regression model with the robust standard errors to control for the presence of autocorrelation and heteroscedasticity. From the analysis, it is observed that corporate social responsibility has a significant and negative effect on ROA of the selected firms. Specifically, CSR has a coefficient of -0.3679215 which is also statistically significant (p=0.023). This is found to be consistent with the arguments of previous scholars that CSR-practice companies would have had higher costs, and since costs lowers profits, this would then lead to reducing shareholder value (Bromiley and Marcus, 1989; Wright and Ferris, 1997; Kim and Oh, 2019).

4.4.2 The Effect of Corporate Governance on Firm Performance

In the second objective, the study sought to investigate the effect of corporate governance on firm performance. The study models corporate governance as board size and board composition. In this analysis also, the random effect regression model is used and the findings indicate that board composition has a coefficient of 2.053006 which is however found to be statistically insignificant (p=0.611) whiles board size has a parameter estimate of 0.0221289 which is also found to be statistically insignificant at .05 significance level (p=0.921). The above indicates the both board composition and board size has no significant effect on firm performance implying that corporate governance in this study has no effect on the performance of these firms being used in this study. These findings correspond with the findings of Gupta and Sharma (2014) who demonstrate that corporate governance has limited to no effect on financial performance.

4.4.3 The Moderating Role of Corporate Governance in the Relationship Between CSR and Firm Performance

In the final objective of this study, we examine the moderating role of corporate governance in the relationship between corporate social responsibility and firm performance. In order to achieve the above, we modelled both measures of corporate governance as moderators in two different models against ROA as a measure of firm performance. From the analysis, it is evident that from model 1, CSR has significant and negative effect on ROA (-0.3679215), however, when the moderating variable (board composition) is introduced, CSR coefficient reduces to have a significant yet negative effect on ROA and also when board size is introduced, the negative effect of CSR on ROA changes to positive though insignificant. Specifically, we find in model 3 that CSR has a parameter estimate of -0.7872224 which is statistically significant (p=0.006) and in model 4, that CSR has a parameter estimate of 1.413274 which is statistically insignificant (p=0.117).

Relative to the third model, the study finds that the interacting variable labelled CSR*BComp is found to have a parameter estimate of 0.5737303 which is found to be statistically significant at .05 significant level (p=0.020). This implies that board composition positively and significantly moderates the negative relationship between CSR and firm performance. The results could be explained by the fact that there should be a balance between independent and internal board members. In other words, in order to reduce the detrimental effect of CSR on a firm's financial performance, the ratio of independent directors should be more than external directors on the board of the company in order to help oversee the use of funds attributable to CSR (Byrd and Hickman 1992; Pelovic and Vogt, 2020).

In model four, we find that CSR*BSize is found to have a parameter estimate of -0.1838294 which is found to be statistically significant at .10 significant level (p=0.079). This also implies that board size negatively moderates the relationship between CSR and firm performance. The findings could be explained that firms should find board sizes that would ensure effective decision making since larger boards could lead to poor decision and inconclusive decision making hence leading to CSR being invested in areas that would lead to poor performance of these firms (Pelovic and Vogt, 2020). While larger board size may facilitate board functions, larger boards suffer from coordination and communication problems and hence face more difficulties in solving the agency problem among the members, which may decrease their firms' financial performance (Lipton and Lorsch 1992; Jensen 1993).

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CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

In this chapter of the study, we focus on providing summary on the findings of the study. The chapter further makes a conclusion based on the findings presented and recommendations are made for both firms and future studies.

5.1 SUMMARY OF FINDINGS

The first objective of the study is to examine the effect of corporate social responsibility on firm performance. From the analysis, it is observed that corporate social responsibility has a significant and negative effect on ROA of the selected firms. With respect to the second objective, the study sort to investigate the effect of corporate governance on firm performance. The findings with respect to this objective shows that both board composition and board size has no significant effect on firm performance implying that corporate governance in this study has no effect on the performance of these firms being used in this study.

The final objective of the study is designed to examine the moderating role of corporate governance in the relationship between corporate social responsibility and firm performance. For board composition as a corporate governance mechanism, the study finds that board composition positively and significantly moderates the negative relationship between CSR and firm performance. In addition, for board size as a moderator, the study finds that board size negatively moderates the relationship between CSR and firm performance.

5.2 CONCLUSION

The main objective of the study is to examine the moderating effect of corporate governance on the relationship between corporate social responsibility and firm performance. The study uses an explanatory research design and a quantitative research approach. The sample for this study includes sixteen (16) firms who have their data readily available and accessible for the purpose of this research and the data period spans between 2014 to 2019. The sampling technique used for this study is the purposive sampling technique.

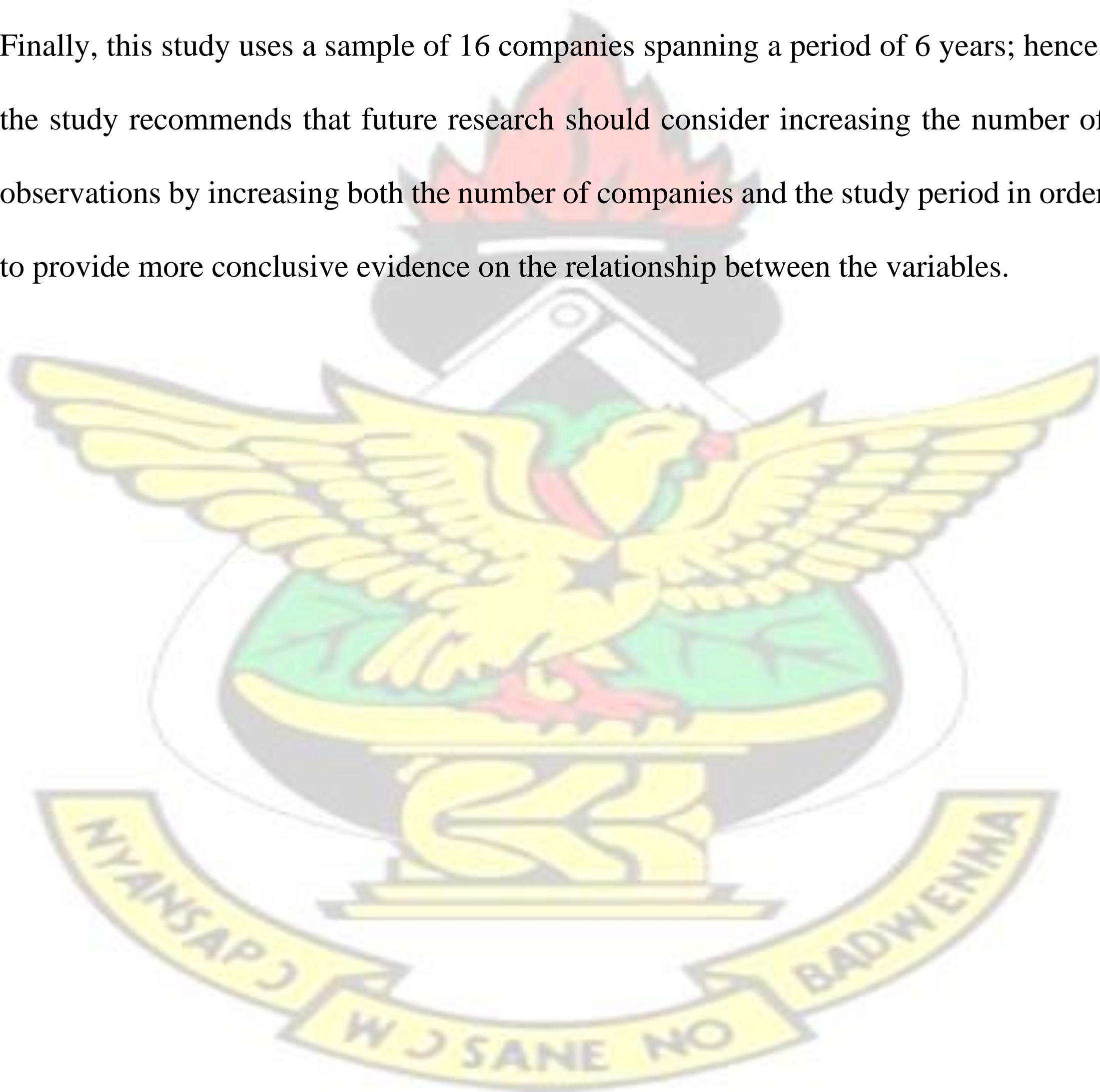
Based on the findings of the study, it is concluded that corporate social responsibility is harmful to firms in Ghana and that corporate governance mechanisms have no significant effect on the performance of these firms. However, the adverse effect of corporate social responsibility on performance can be reduced by interacting corporate social responsibility and corporate governance mechanisms such as board size and board composition.

5.3 RECOMMENDATIONS

To the extent that corporate social responsibility hurts the financial performance, it is recommended that firms should limit their spending on corporate social responsibility as this is found to have adverse effects on their performance. Instead, firms should strive to identify effective avenues where their funds could be invested in order to aid in improving their revenue flows as corporate governance activities depletes their earnings.

To the extent that when board composition as a moderator changes the negative effect of CSR to a positive one, it is recommended that, firms must ensure that they improve their board composition by ensuring that there are more independent directors than executive directors as recommended by the corporate governance code. This would lead to better allocation of funds that the company intends to use for CSR activities and hence lead to improving the firm's performance.

Finally, this study uses a sample of 16 companies spanning a period of 6 years; hence, the study recommends that future research should consider increasing the number of observations by increasing both the number of companies and the study period in order to provide more conclusive evidence on the relationship between the variables.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