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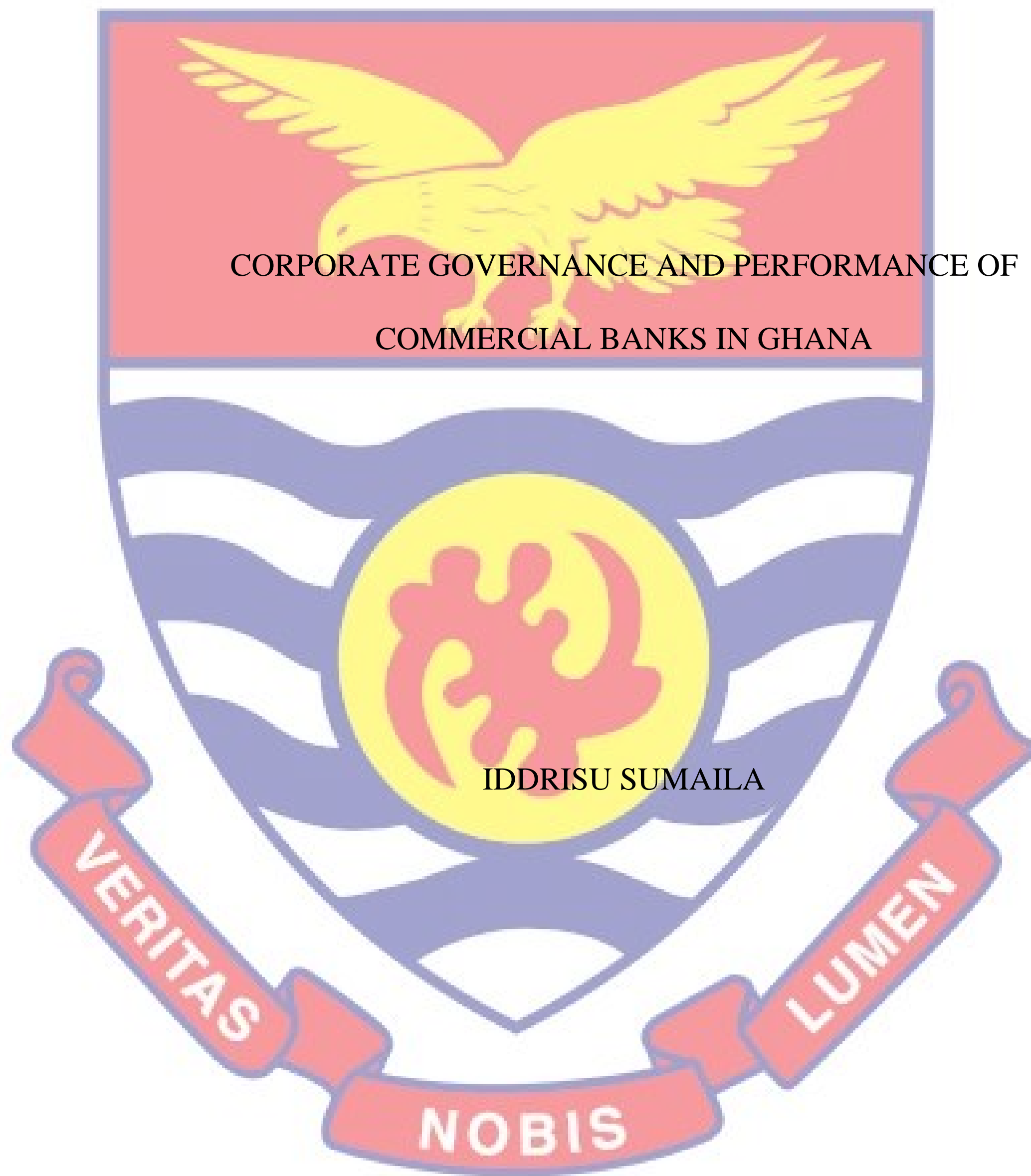

CORPORATE GOVERNANCE AND PERFORMANCE OF COMMERCIAL BANKS IN GHANA

IDDRISU SUMAILA

2022

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CORPORATE GOVERNANCE AND PERFORMANCE OF COMMERCIAL BANKS IN GHANA

BY

IDDRISU SUMAILA

Dissertation submitted to the Department of Finance of the School of Business, College of Distance Education, University of Cape Coast in Partial Fulfilment of the requirements for the Award of Master of Business Administration in Finance

JUNE 2022

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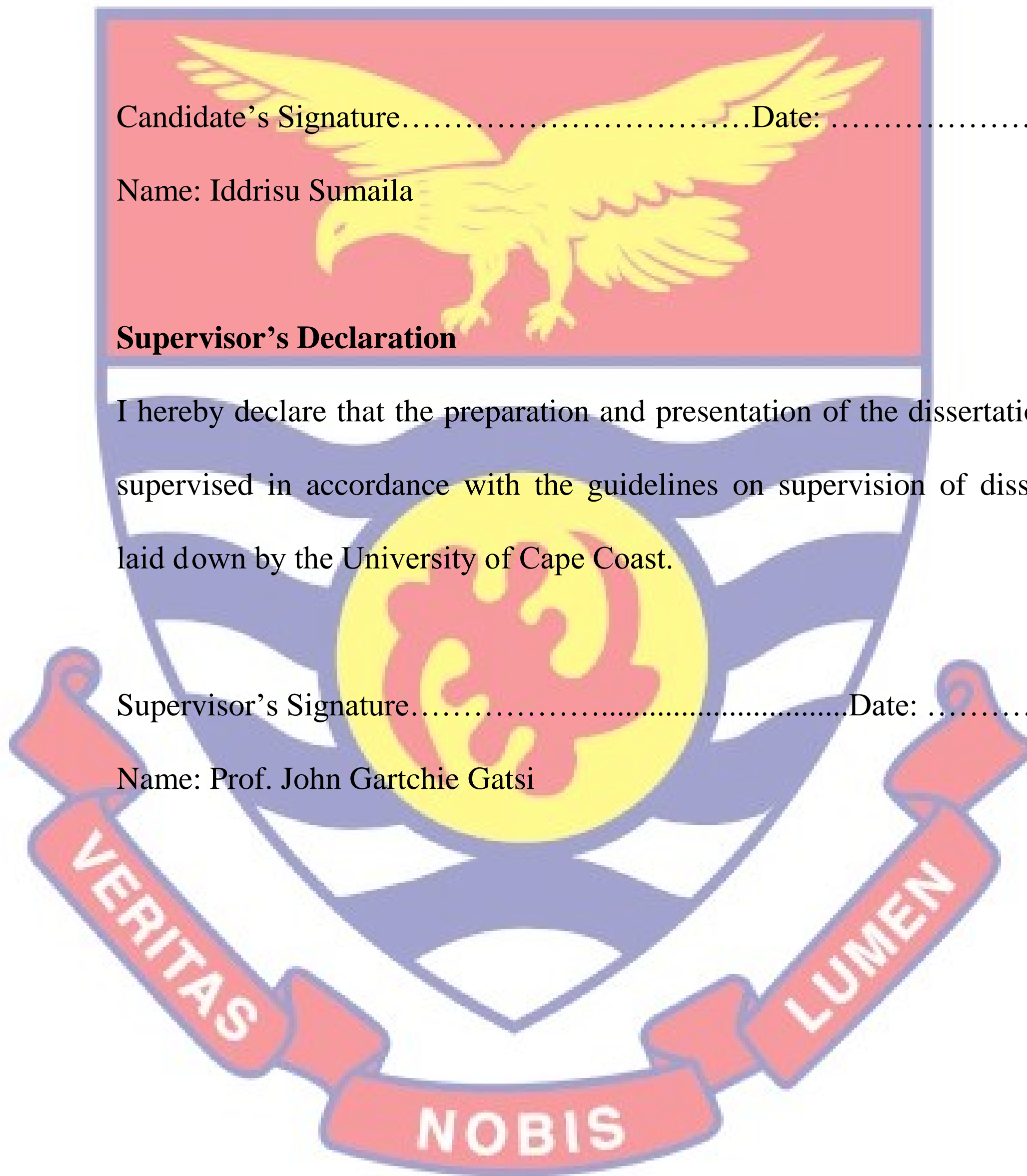
DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.



Candidate's Signature……………………………Date: ……………………

Name: Iddrisu Sumaila

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's Signature………………...............................Date: ………………

Name: Prof. John Gartchie Gatsi

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ABSTRACT

The study examined the effect of corporate governance structures such as board size, board composition, dual chairmanship, and audit committee on the financial performance of commercial banks in Ghana. Compliance with corporate governance codes and guidelines, as well as trends in practice, were also examined. For four years, from 2016 to 2019, the study collected secondary data from annual reports and financial statements of a sample of nine commercial banks. The data were entered into excel and exported to STATA, where they were analyzed using random effect models and descriptive statistics such as mean, percentages, and frequency. The findings indicate that bank compliance with corporate governance rules continues to improve, with average compliance increasing from 64.4 percent in 2017 to 75.7 percent in 2019. Board size, composition, and chairman duality all have a negative but statistically insignificant relationship with ROE, ROA, and DY, according to the random effect regression model. In all three models, the audit Committee has a positive and statistically significant relationship with performance. The study recommends that the Bank of Ghana and the Ghana Securities and Exchange Commission maintain their current corporate governance enforcement to ensure compliance at 100%. Banks should ensure that their audit committees are independent and equipped with the necessary logistics and personnel to function effectively.

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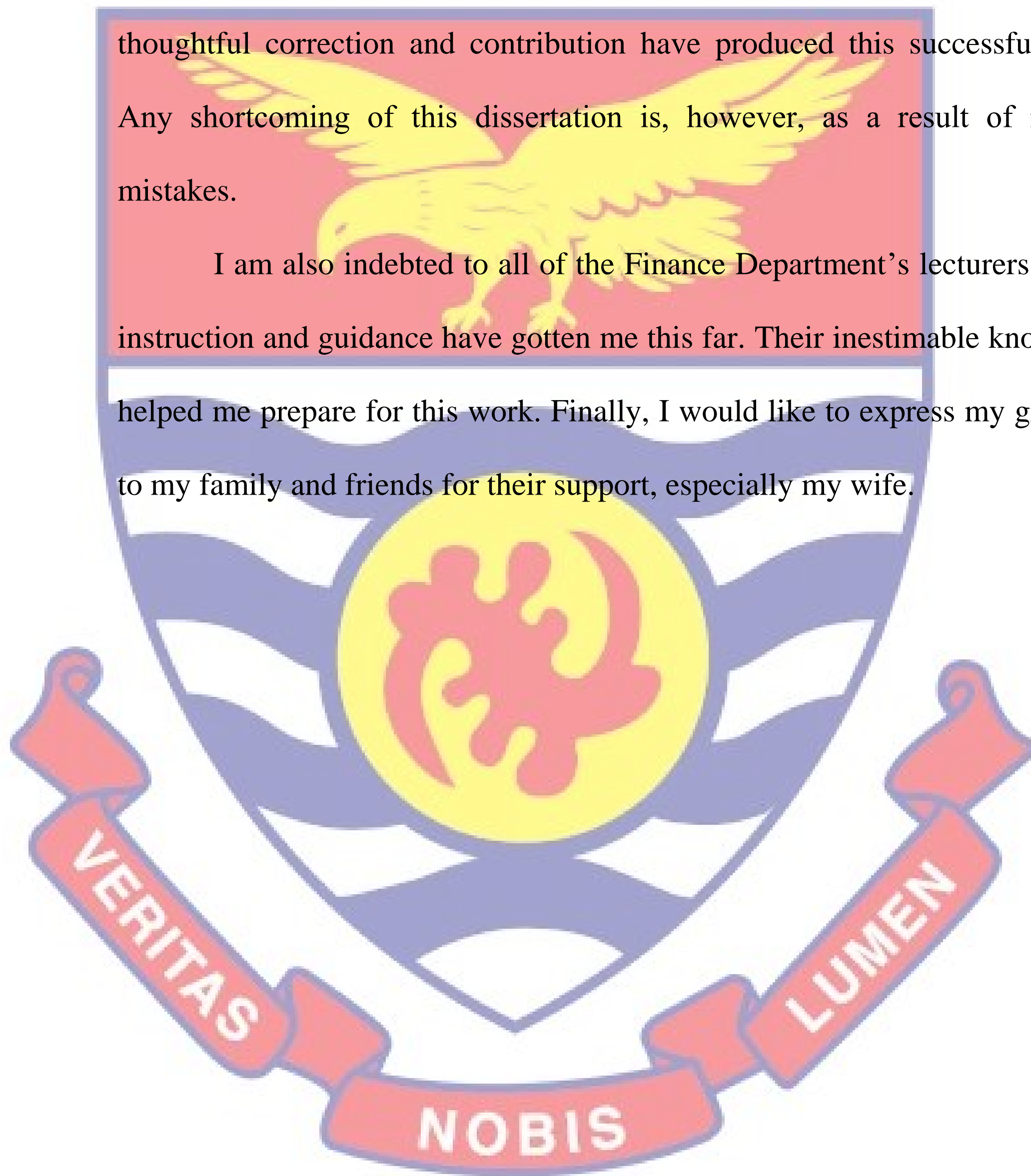
First, I would like to express my gratitude to my supervisor from the bottom of my heart. Prof. John Gartchie Gatse, Dean of the Business School at the University of Cape Coast, for his timely feedback, advice, encouragement, and goodwill with which he guided this work. His generous guidance, thoughtful correction and contribution have produced this successful work. Any shortcoming of this dissertation is, however, as a result of my own mistakes.

I am also indebted to all of the Finance Department's lecturers, whose instruction and guidance have gotten me this far. Their inestimable knowledge helped me prepare for this work. Finally, I would like to express my gratitude to my family and friends for their support, especially my wife.



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DEDICATION

To my entire family and guardians, especially my father. I thank them for their support.

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LIST OF ACRONYMS

BODs	Board of Directors
BoG	Bank of Ghana
CEO	Chief Executive Officer
EPS	Earning per Share
FDIC	Federal Deposit Insurance Corporation
OECD	Organisation of Economic Corporation and development
ROA	Return on Assets
ROE	Return on Equity
UK	United Kingdom

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CHAPTER ONE

INTRODUCTION

In recent years, corporate governance has become a prominent topic in academia and the business world due to several corporate governance issues that have provided in a loss of shareholder value, a loss of investor trust, and, in some situations, massive bank collapses. Corporate failures and financial crises worldwide are commonly attributed to an underlying structural flaw: poor corporate governance. In the United States, huge corporations like Enron and Lehman Brothers, as well as Barings Bank in the United Kingdom (UK) and Parmalat in Italy, all of which were well reported, as well as the 1997 Asian crisis, were attributed to corporate failures (Bavoso, 2012). Post-financial crisis policy regulators worldwide demonstrated commitment to minimising the vulnerability by putting sound corporate governance practices on how companies are managed, by whom and for whose merit.

Background of the Study

"Corporate governance is a collection of relationships between a company's management, its board, its shareholders, and other stakeholders," according to the OECD Principles of Corporate Governance (Gyamerah & Agyei, 2016, p. 24). Using this model, the company's objectives and methods for achieving them can be developed and monitored. Several aspects of corporate governance rely heavily on the board of directors and its relationships with shareholders, top management members, regulators, and auditors (Huq & Bhuiyan, 2012). For financial institutions, corporate governance refers to how a regulated financial institution's board of directors and senior management manage its operations, including how it establishes its

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approach and objectives; how it determines its risk appetite/tolerance; how it conducts day-to-day operations; how depositors' funds are kept safe; and how shareholders' interest is achieved, all while taking other recognized stakeholder interests into account (Bank of Ghana, 2018).

The failures of the Bank for Housing and Construction and the Ghana Cooperative Bank in the early 2000s stimulated Ghana's interest in corporate governance. The government then initiated the Securities and Exchange Commission Code of Best Practices to provide corporate governance ideals to public and private firms incorporated in Ghana, therefore enforcing corporate and financial accountability in the banking sector (Badu & Appiah, 2017). The SEC Code, for example, suggested for board membership of 8 to 16 members. According to the Code, at least a third of the board's members should be independent or non-executive directors, and the board should never have fewer than two non-executive members. These measures were put in place to strengthen board independence as their independence is fundamental to bank performance. One of a non-executive director's duties is to reduce conflict of interests among the inside is as managers, executives, board members, and the shareholders through monitoring and disciplining.

The Banking Act, 2016, a new banking law, was enacted in 2016, replacing the previous Banking Act, 2004 (Act 930). Regulation of bank deposit-taking institutions is governed by Act 673 and the Banking Amendment Act of 2007 (Act 738). The Bank of Ghana can implement banking and deposit-taking reforms under the Act and the capacity to guarantee the financial system is sound and stable, as well as depositor protection.

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Despite these developments, most indigenous commercial banks especially significantly lost fit as the commercial banks recorded poor financial performance. In 2017, Ghana lost seven of its indigenous commercial banks. Bank of Ghana and the 2018 banking sector report attributed the crisis to conflict of interest, high operating costs, including board remunerations, misappropriations, and poor financial management; thus, costing the government over GHS 10Billion to save customers from losing their investments. According to the report, board members, especially the Non-Executive Directors, relinquished their fiduciary responsibilities. Also, shareholders exerted too much influence in determining the banks' day-to-day affairs, usurping the bank managers' responsibilities (Affum, 2020).

According to Chinoda (2014), poor corporate governance contributes to lower business performance and risky financing practices, which leads to macroeconomic crises. The Board of Governors of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (the Banks and Specialized Deposit-Taking Institutions Act, 2016) published a new Corporate Governance Regulation to the banks in operation in 2018 as part of its monitoring role under Section 92 (1) of the Act (Act 930). The purpose of the directive was:

a) to mandate that regulated financial institutions adhere to solid corporate governance principles and best practices to ensure that they can continue to operate sustainably.

b) to improve the performance and accountability of Regulated Financial Institutions in order to protect depositors and other stakeholders' interests.

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c) by creating and maintaining public trust and faith in Regulated Financial Institutions, which are crucial to the banking industry and the economy in general.

Several scholars and business practitioners have supported measures embarked by the Bank of Ghana to curb future corporate scandals and fraud in banking organizations and promoted corporate governance (Adusei, 2011; Al-Hawary, 2011; Nyarko et al., 2017; Zhou, Owusu-Ansah, & Maggina, 2018). It is envisaged that this development will bring to the work of bank boards and management. Boards of directors, according to Dedzo (2015), are the fundamental institution in a bank's internal governance and are anticipated to play a significant influence in strategy formulation, implementation, and execution, as well as implementing corrective changes to the bank's strategy and goals throughout time (Davis, 2012).

Many studies have found that corporate governance positively affects a company's performance (Abor & Adjasi, 2007; Sarpong et al., 2013; Frimpong et al., 2015; Adusei, 2011; Hu & Izumida, 2008; Nyarko et al., 2017). According to the primary concept of corporate governance as a strategy to increase firm success, corporate governance has been shown to have an adverse effect on firm performance (Bathala & Rao, 1995; Hutchinson, 2002). Studies by Shin, Park, Topczewska, Mawdsley, and Appel, (2003), and Young (2003) revealed no link between corporate governance and firm success. For example, Chowdhury's (2012) work directly links excellent corporate governance and market competitiveness and performance (Das, 2017).

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The awareness that good governance structures can result in enhanced performance in bank operations fuels scholars' interest in the subject (Edmans, Fang & Zur, 2012). Another rationale for researching this area is that policymakers and industry participants consider banking a critical sector for economic growth. IMF's 2014 national report and the Ghana Statistical Service's 2014 report showed that banking assets accounted for around 75% of total financial assets in December 2014. As a result, any bank failures in Ghana's economy would be catastrophic. All economic transactions, particularly in emerging and transition economies, are critical to their success (OECD, 2014). An organization's management and control affect its performance, long-term profitability, success, and competitiveness. It establishes the conditions for capital market access and the level of investor confidence (Tomar, & Bino 2012).

While corporate governance and bank performance have been extensively researched in established economies such as the United States, the United Kingdom, and Europe, there has been minimal research on the topic in developing countries such as Ghana. This has habitually restricted the depth of knowledge of governance issues in the banking environment. There are uncertainties in applying findings due to the huge legal and institutional differences between Ghana's developing and developed economies. Banking sector research is widely available in Ghana, including studies from the World Bank (1997), the Begashaw, Fabrizio, Harnack, Leite, Pellechio, & Zanforlin, (2000), Kukah (2007), Buchs and Mathisen (2005), and others. There was little or no attention devoted to corporate governance in these studies; instead, the focus was on the efficiency, stability and accounting performance of banks

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and the performance of bank loans. The purpose of this study is to look into the impact of corporate governance on commercial bank performance in Ghana.

Statement of the Problem

Following the failure of major banks and the subsequent global financial crisis that affected developed economies, governments in collaboration with international regulatory bodies have initiated steps to develop principles and codes of corporate governance to improve the efficacy of organizational governance structures (Penikas, 2015). In the last two decades, Ghana had had a portion of the difficult times related to its inadequate corporate governance procedures, which resulted in a general low corporate profit across the economy. In light of recent high-profile bank failures and crises and generally poor performance in the banking sector, the existing corporate governance frameworks are reexamined. Between 2014 and 2018, seven indigenous banks collapsed, resulting in billions of dollars in capital losses, including the Ghana Cooperative Bank, the Bank for Housing and Construction, and the Securities Discount and Investment Company. Weak business governance procedures result in ineffective board practices, insider credit misuse, inadequate risk assessment, and internal control failures (Amidu, 2007, Bank of Ghana, 2002, 2017, 2018). As cited in Atuahene (2016), The countless incidents of business failure, according to Monks, call into doubt the effectiveness of current corporate governance frameworks. The Bank of Ghana partnered with the government and other stakeholders to strengthen the efficacy of bank governance institutions and reform corporate governance in Ghana's banking sector. In addition to enacting laws like the

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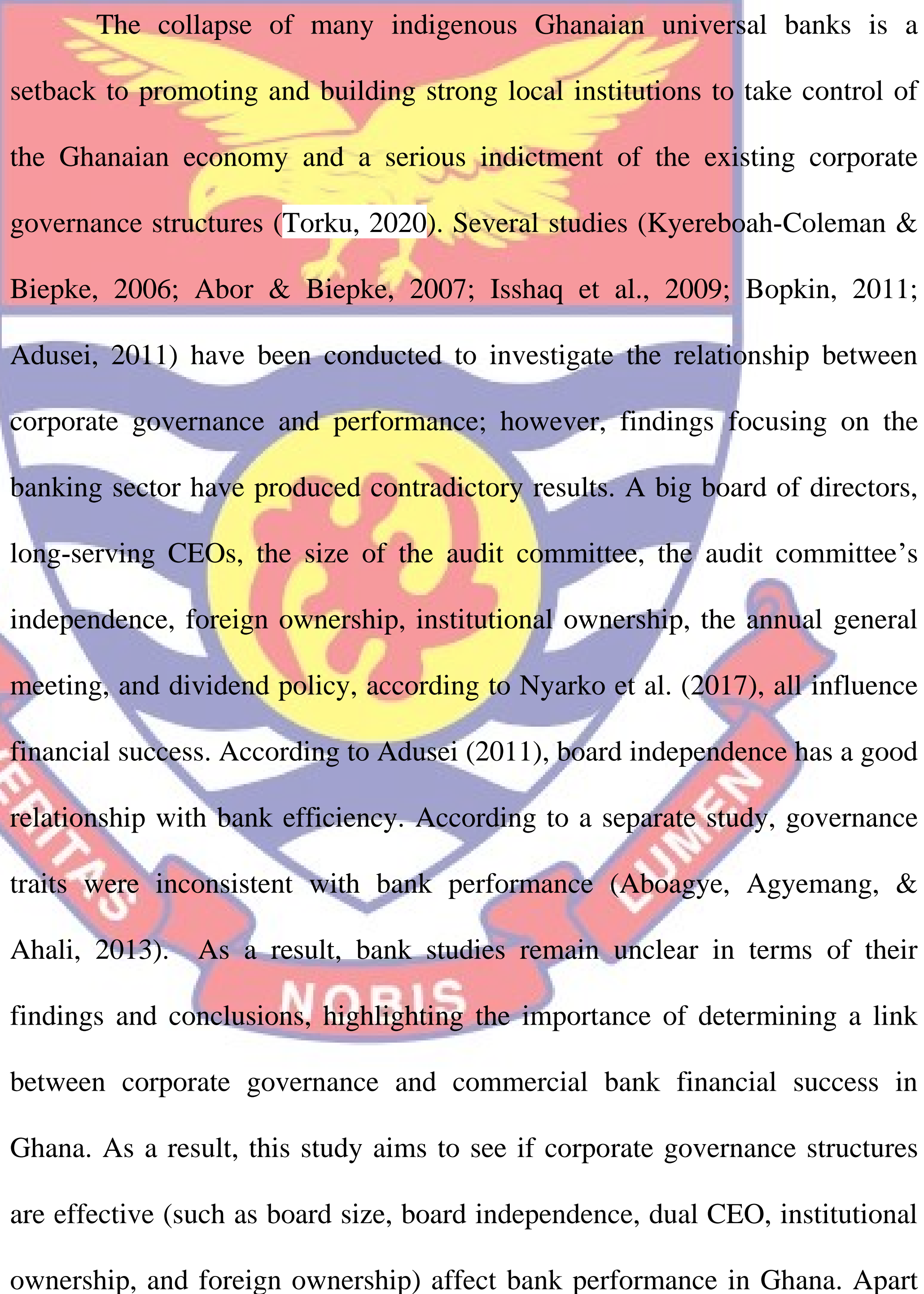
Bank of Ghana Act 2002, Act 612, the Banking Act 2004 Act 673, the Ghana Investment Center Promotion Act 1998, Act 478, the Credit Reporting Act 2006 Act, and the Banks and Specialised Deposit-Taking Institutions Act, 2016, the Bank of Ghana issued a directive in 2018 on a new code of corporate governance to address inherent lapses (Act 930).



The collapse of many indigenous Ghanaian universal banks is a setback to promoting and building strong local institutions to take control of the Ghanaian economy and a serious indictment of the existing corporate governance structures (Torku, 2020). Several studies (Kyereboah-Coleman & Biepke, 2006; Abor & Biepke, 2007; Isshaq et al., 2009; Bopkin, 2011; Adusei, 2011) have been conducted to investigate the relationship between corporate governance and performance; however, findings focusing on the banking sector have produced contradictory results. A big board of directors, long-serving CEOs, the size of the audit committee, the audit committee's independence, foreign ownership, institutional ownership, the annual general meeting, and dividend policy, according to Nyarko et al. (2017), all influence financial success. According to Adusei (2011), board independence has a good relationship with bank efficiency. According to a separate study, governance traits were inconsistent with bank performance (Aboagye, Agyemang, & Ahali, 2013). As a result, bank studies remain unclear in terms of their findings and conclusions, highlighting the importance of determining a link between corporate governance and commercial bank financial success in Ghana. As a result, this study aims to see if corporate governance structures are effective (such as board size, board independence, dual CEO, institutional ownership, and foreign ownership) affect bank performance in Ghana. Apart

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from addressing these research gaps, the proposed study will also contribute to developing bank governance structures in Ghana through policy recommendations. The purpose of this study is to address the gap by examining the relationship between corporate governance and financial performance using data from selected commercial banks in Ghana from 2015 to 2019.

Purpose of the Study

The major goal of the research is to explore the effect of corporate governance on commercial bank performance in Ghana.

Research Objectives

Specifically, the study;

i. assess the level of compliance of the new corporate governance practices by commercial banks in Ghana.

ii. examines the trend in corporate governance practice by commercial banks.

iii. examine the effect of the corporate governance practices on the performance of commercial banks in Ghana.

Research Questions

The following questions help in achieving the objectives one and two:

i. What is the level of compliance of the corporate governance code by commercial banks in Ghana?

ii. What is the trend in corporate governance practices by commercial banks in Ghana?

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Research Hypotheses

Due to the nature of objective three, a research hypothesis was formulated as:

H0: There is no significant effect of corporate governance on the performance of commercial banks in Ghana.

Significance of the Study

The existence of evidence of the effectiveness of corporate governance on bank performance, or the lack thereof, would assist Ghanaian commercial banks in making proper judgments on the right corporate structures to build to improve their performance. Reasons accounting for the need for these supporting facts are what this study sought to fulfill. There is a global awareness of corporate governance as key to the success of banking operations culminating in the issuance of standard principles, codes, regulations and guidelines for best practices by governments and international agencies, including the Cadbury Report, 1992; King Reports, 2002; 2010; BCBS, 2006; 2015; OECD, 2004; 2014, UK FRC, 2012; 2016; Nigeria CBN Code, 2014). Whether banks that adhere to these codes and guidelines will improve their performance is yet to be answered, particularly in the Ghanaian case.

Delimitation

The study investigates the impact of corporate governance on commercial bank performance. The critical components of the corporate governance code will be followed in accordance with the SEC's recommendations. The corporate governance requirements are classified by board size and quantified using a score sheet of principles derived from the SEC's standards. Board makeup; audit committee; dual chairmanship of the

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board. Only licensed commercial banks whose annual reports can be obtained from the website are selected for the study; hence the research will rely on secondary data (annual reports) from 2015 to 2019. To evaluate performance, key financial data, namely return on assets (ROA), return on equity (ROE), and profit, shall be employed (EPS). Higher ROA, ROE, and EPS indicate better bank performance.

Limitations

The study is limited to the banks for which the relevant information for conducting an evaluation has been obtained. As a result, any banks whose yearly reports are not available will be excluded from this study.

Organisation of the study

There are five chapters in the research report: The background, problem statement, objectives, significance, and organization of the research are all covered in the first chapter. A literature review of important theories and principles of corporate governance is discussed in chapter two. The study's methodology was described in the third chapter. The research design, population, sample and sampling processes, and data collection tools were described in detail in this chapter. The study's findings and comments were provided in the fourth chapter. The fifth chapter was devoted to the study's summary, conclusion, recommendations, and suggestions for further research.

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CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter covers both theoretical and empirical literature relevant to the topic under study. Other research papers in the definition of corporate governance, the structure of corporate governance, theories supporting the idea, corporate governance and bank performance, and performance metrics are discussed in detail.

Theoretical Review

Among the theories that underpin corporate governance are the agency theory, the stewardship theory, and the stakeholder theory.

Agency theory

Board directors' corporate governance responsibilities necessitate an understanding of this concept. According to Zahra and Pearce (1989), the agency hypothesis is one of the most frequently used hypotheses in research on board member contributions. Muth and Donaldson (1998) stated that as a business grows, shareholders are unable to govern it effectively; as a result, they hire professional managers with specialized knowledge of organizational operations to assume control. Davis, Schoorman, and Donaldson (1997) refer to the conflict of interest between a corporation's owners (shareholders) and management as agency theory. According to researchers, conflict arises when managers act in their own self-interest at the expense of owners (shareholders) who wish to add long-term value to the business.

According to Muth and Donaldson (1998), managers have the freedom and ability to pursue their objectives as a result of the separation of enterprise

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ownership and management. According to the agency theory, the board of directors concept evolved to oversee management operations in the face of competing interests and manager mistrust. According to Zahra and Pearch (1989), a board's contribution to performance enhancement may help reduce agency costs associated with managers' disobedience of established norms and regulations by communicating the owner's objectives and directing managers' attention to the company's performance. Corporate governance is defined differently by various authors and professionals, including academics, professional organizations, and regulators. The most critical components of corporate governance, according to Vo and Nguyen (2014), are "the structures and processes for the organization's business directions and administration." According to Marashdeh (2014), firms' interest in corporate fraud and financial reporting fraud has resulted in a broadening of the concept of corporate governance in both developed and developing countries.

According to Zahra and Pearch, the four (4) most critical characteristics of a board are its composition, features structure, and decision-making processes (1989). The researchers discovered that agency theory allocates a minor strategic role to the board while directing decision-making toward board performance and the sudden board's monitoring role, all with the goal of reducing agency costs.

According to Muth and Donaldson (1998), in order to maximize performance, the board of directors must be distinct from the management of the corporation. According to some academics, board independence can help companies perform better. For instance, if the independence of a company's board of directors is weakened, the company's performance suffers. According

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to Fama and Jensen (1983), it is critical to understand the distinction between decision making and implementation, as well as decision confirmation and supervision. The investigation of this concept was chosen because it relates to corporate governance and performance issues. The concept examines the distinctions between management and ownership, as well as managers' proclivity to prioritize their own interests over those of the owners. Management's actions and inactions have a direct impact on corporate governance and the performance of the business. The study's second objective is to determine whether separating the CEO (management) from the board chair has an effect on a firm's financial performance.

Stewardship theory

This approach provides only a sliver of insight into how effective boards should be structured. As with agency theory, stewardship theory clarifies the role of managers as stewards, not simply self-interested businessmen. As a result, the fundamental distinction between agency and stewardship theories is that, while agency theory is founded on capitalist ideology and the self-interest drive, stewardship theory reorganizes a variety of managerial non-financial motives. According to stewardship theory, Donaldson and Davis (1991) observe managers as being particularly motivated by achieving high-performance organizational goals and utilizing authority available to operate in the engagement of owners (Shareholders). As a result, aside from self-interest, there are a variety of reasons why opposing interests in separating ownership and control exist. As a result, Zahra, & Pearce (1989) concluded that blanket controls are not always necessary to

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enhance a company's performance or to act in shareholders' best interests (owners).

Additionally, individuals align their interests with those of the organization in order to boost performance. Due to the mutual benefits obtained by managers and owners, there appears to be no conflict between organizational success and self-interest (shareholders). There is also a strong connection between agency theory and stewardship theory, according to some scholars. While agency theory uses market value to measure extrinsic happiness, they asserted that stewardship theory is more concerned with intrinsic rewards such as performance and reputation. According to Zahra and Pearce (1989), managers' interests can be served by acting in the best interests of shareholders in order to achieve high levels of performance.

Additionally, stewardship theory is preoccupied with the board of directors' structure. According to Muth and Donaldson (1998), it is ideal if the board is primarily comprised of insiders because their professional abilities, in-depth knowledge, and technical expertise cannot be overstated. On the other hand, if monitoring and control are performed properly, the corporation's owners may earn the most money. This concept is inextricably linked to corporate governance, as well as to the theory of agency. A stewardship theory examines the organizational structure of boards of directors and audit committees in order to ensure sound corporate governance. As a result, it has become critical to conduct a review in order to gain a better understanding of the subject at hand. Additionally, the study will examine the link between corporate governance and financial success. Corporate governance issues such

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as board size and composition, dual chairmanships of the board, and the audit committee were examined.

Stakeholder theory

Stakeholder theory shifts the emphasis away from management-shareholder relationships and toward all other stakeholders. According to the concept, stakeholders are individuals whose actions have an effect on the firm's performance, either directly or indirectly. The purpose of stakeholder theory is to ascertain which stakeholder groups have the best interests. In an increasingly complex and chaotic world, stakeholder theory advocates for government institutions to take a realistic, efficient, effective, and ethical approach. As a result, stakeholder theory is critical in corporate governance because it enables businesses to balance the interests of multiple stakeholders. Sundaram and Inkpen (2004) assert that this theory adequately addresses the needs of all stakeholders. Stakeholder theory is defined by three fundamental characteristics. Management must identify and monitor legal stakeholders, and they must be considered when making decisions and operating. Smallman (2004) recognizes that identifying genuine stakeholders is challenging and that addressing their needs may encourage corrupt behavior. Second, managers should avoid escalating conflict between diverse groups by communicating and dialoguing openly about issues. According to some proponents of the theory, each stakeholder group should have an equal representation on a board of directors so that whenever a board meeting occurs, it meets the expectations of all stakeholders (Ping, Cheng & Wing, 2011). To avoid the risks associated with an unstable environment, managers must maintain cordial relationships with a variety of public and private entities. These concepts demonstrate how

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to apply stakeholder theory in practice and define the role of stakeholders in a business.

The interests of the company's traditional members (officers, directors, and shareholders) should not be the only ones considered. Internal and external stakeholders are the two types.

- **Internal Stakeholders** - Directors and employees of the organization are directly engaged in the corporate governance procedure.
- **External Stakeholders** - Creditors, auditors, consumers, suppliers, government authorities, and the general public may all be involved.

These stakeholders have a voice but are largely absent from the process. Stakeholder theory emphasizes the importance of all stakeholders resonating with the business in some way in the hope or expectation that the organization will provide the requested or expected level of value. The Bank of Ghana, which regulates the banking industry, is a significant external stakeholder. It is expected that the bank's policy modifications and directives will be followed. Following the mid-2017 bank failures, the Bank of Ghana published the Corporate Governance Guideline in 2018. Compliance with corporate directives by commercial banks was a primary objective, but the trend in corporate practices was also examined. The Bank of Ghana is responsible for ensuring that the banking sector contributes to the economic development of Ghana.

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Finally, the preceding theoretical perspectives discuss how corporate governance affects business performance. Agency theory is concerned with the conflicting interests of principals and agents and with maximising shareholder profits. As a result, independent directors, the board leadership

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structure, and board committees serve as ideal monitors for maximizing firm value. When it comes to management's role in a corporation, Steward theory states that collaboration between the CEO and the board of directors is more likely to increase shareholder wealth (CEO duality). On the other hand, stakeholder theory suggests that the board of directors should include representation from all stakeholders in order to achieve stakeholder consensus. The board of directors is responsible for resolving conflicts and cultivating the necessary solidarity. As a result, effective corporate governance requires that all stakeholder groups be represented on the board of directors (Donaldson & Preston, 1995). For instance, the stakeholder and stewardship theories explain how the board of directors differs from other boards of directors and how it can maximize shareholder wealth and thus increase efficiency, while the stewardship theory explains how the board of directors functions and influences firm performance.

Conceptual Review

Corporate governance practices

The Bank of Ghana published its Corporate Governance Best Practices Guidelines in 2018; as a result, any company approved by the Bank of Ghana as a bank, a savings and loans company, or a financial holding company must adhere to stringent regulations. They are primarily intended to guide businesses and serve as benchmarks against which the governance levels of enterprises can be measured. The Bank of Ghana (2018) identified a number of common characteristics of sound corporate governance, which are being used to advocate for additional changes and improvements to governance systems. (1) Board size and structure; (2) Board qualifications and

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composition; (3) Separation of Chairman and Directors; (4) Board overall responsibility; and (5) Board Subcommittees. These fundamental concerns are addressed in detail in the Bank of Ghana's 2018 recommendations for best practices, which include over a hundred clauses.

Corporate governance structure

Numerous authors and professionals, including regulators, professional organizations, and academics, have defined corporate governance in a variety of ways. According to Marashdeh (2014), emerging corporate challenges such as corporate fraud and financial reporting fraud have piqued interest in the concept of corporate governance, sparking debate among researchers and scholars about its definitions and limitations. Corporate governance, according to Muthuri, Chapple, and Moon, (2009), is the interaction between shareholders, the board of directors, and top management that influences a firm's direction and performance. Although the concept is primarily concerned with monitoring, procedure, independence, and accountability, scholars and practitioners have defined it differently depending on whether they adhere to a narrow or broad school of thought (Salacuse, 2010). Additionally, definitions vary according to the scholar's setting and cultural context (Armstrong & Sweeney, 2002).

This system establishes the parameters for allocating authority and responsibility among various stakeholders, including the board of directors, executive management, and shareholders. Corporate governance is defined by the Basel Committee on Bank Supervision Consistent-BCBS (2006; 2010; 2015) within the OECD and from a banking perspective as the process by which the board of directors and senior management govern the banking

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business and the concerns of an individual bank. Regulators play a critical role in corporate governance in the banking industry. By contrast, the Federal Deposit Insurance Corporation-FDIC (2005) defines corporate governance as a method of policing an organization's activities and ensuring accountability.

According to the FDIC, it entails a variety of activities, including developing corporate goals and objectives, determining risk tolerance, cultivating a sense of community and values, developing internal policies, and evaluating performance. Corporate governance is viewed as a critical component of corporate transparency, accountability, and fairness. The majority of corporate governance researchers believe the concept encompasses much more than the board of directors' active and involved engagement, while those who believe in "democracy" or increased shareholder participation in the company believe the concept encompasses much more (FDIC Outlook, Fall, 2005). Others, on the other hand, advocate for increased shareholder participation or corporate "democracy" (FDIC Outlook, Fall, 2005).

Corporate governance is defined in this study as an examination of how banks manage their systems, strategies, procedures, and practices in order to foster constructive relationships and the exercise of authority when managing their resources (Ranti, 2011). Corporate governance aims to advance the interests of shareholders and other stakeholders while ensuring accountability and transparency in administration. According to this study, corporate governance is defined by the size and structure of the board of directors, audit and dual directorships, and the size of the bank. According to Denis (2001), an effective governance structure necessitates managers being aligned with the goal of increasing shareholder value. Numerous external

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board characteristics, including the board's size, duality, gender composition, and educational qualifications, all have an effect on the board's ability to carry out its supervisory and administrative responsibilities effectively. However, the subject is limited to audit committee composition, board duality, board composition, and board size.

Board chair and director power separation

The board chairman/CEO duality becomes a concern when the CEO also supports the board chairman. CEO duality occurs when a company's CEO also serves as board chairman or acts in that position, according to Cardbury (2002), giving the CEO entire power and raising the issue of dominance. Research on the CEO and board chair jobs has found that when the same person holds both positions, there is an increased risk of an agency problem (Kajola, 2008). According to Tornyeva and Wereko (2012), the two roles are the most influential in the organization, and confining them to a single person may direct to actions that are not in the utmost concern of the shareholders. According to Lam and Lee (2008), the board's primary function is supervisory and to assure the preservation of shareholders' interests. Therefore, separating the board chairman and CEO positions is required to improve accountability since an independent can monitor and influence actions and decisions through joint involvement, ensuring that shareholders' interests are maintained (Monks & Minow, 2004).

Suryanarayana (2005) takes the opposite stance, claiming that combining the two positions fosters strong leadership inside the firm, assuring consistency in incorporating choices and improving corporate performance in the long term. Dahaene, De Vuyst, and Ooghe (2001) suggest that board

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dualism and accompanying management domination generate a direct link between corporate efficiency and performance. Meanwhile, other have indicated that both board dualism and job separation have their own set of costs and benefits. A corporation's decision to divide the CEO and board chair positions must be rigorously analyzed in light of the organization's structure and prior experiences.

Board composition

The percentage of foreigners on a board compared to the total board size at a given time is known as board composition (Enobakhar, 2010). This governance system brings together executive and non-executive directors and independent non-executive directors. The board of directors must include a strong element capable of making independent and fair judgments about company problems, according to Singapore's Business Governance Code (2012). The board's decision-making process should not be dominated by a small group of people. An executive director's knowledge in key company areas is crucial to the board's success.

On the other hand, outside directors do not have executive positions in the corporation and are more concerned with safeguarding their reputation by assuring that the interests of the shareholders they represent are preserved (Weir and Laing, 2001). Non-executive directors, according to Carpenter and Westphal (2001), should have a high level of education, preferably a PhD, because the governance function requires a mix of abilities, competencies, skills, and knowledge to be effective. According to Tornyeva and Wereko (2012), Most of a company's success can be attributed to the right combination of executive and non-executive board members. They say that the

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correct blend will decide the quality and objectivity of judgments and enable the board to monitor and oversee management.

Board size

According to Enobakhane (2010), the size of a corporation's board refers to the total amount of directors represented on a board. Although the board of directors is critical in implementing effective/good corporate governance measures, studies have yet to agree on the topic of the proper and optimal board size. According to research, reducing board size could increase a company's performance because the benefits of larger boards are generally outweighed by poor communication and the resulting delays in decision-making. When a board is too large, there is a greater likelihood for substantial debate of significant issues among directors in their management supervision to be less successful. Mak and Yuanto (2003) discovered that when a board of directors comprises five members, a number considered relatively small in these nations, firm valuation is maximum. As referenced by Arthur (2015), Jensen argues that huge boards raise board costs, redundancy, and the issue of free-riding by inactive board members and unneeded board conflicts resulting from disagreements. Smaller boards limit their ability to draw on a wide range of information, skills, experience and expertise to make possible judgments on behalf of their organization. The board's ability to control powerful executive management, particularly the CEO, is also hindered by this practice.

Audit committee

The Audit Committees, according to Kajola (2008), are a sub-committee of the corporation's board of directors. This is an effective corporate governance component since it aims to improve its financial

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information's reliability, integrity, and public confidence in the financial statement (Tornyeva & Wireko, 2012). Code of corporate governance designated the Audit committee as a crucial body given the oversight role over management in producing the financial statements. The audit committee's independence must be ensured by having at least three non-executive directors. A company's efficiency can be improved by having an audit committee. When it comes to the company's debt financing costs, Klein (2002) found that audit committee independence had a positive impact on the company's ability to control its earnings.

Corporate governance in Ghana's banking industry

Corporate governance matters remain topical in national and international discourse and have continued to be an issue of concern considering the current global financial breakdown. A key purpose of corporate governance is for management and the board of directors to effectively, transparently, and accountably govern an organization's activities. The global financial crisis reaffirmed stakeholders' interests as an essential part of corporate governance for enterprises of all kinds.

Ghana's banking system is unique in the global financial industry, necessitating great attention to the quality of bank governance mechanisms. Banks heavily influence most economies' financial systems, and this effect is much higher in emerging countries like Ghana, where maintaining a healthy financial system is a top priority. According to the IMF and Ghana Statistical Service, banking assets accounted for approximately 75% (GHC 51.4 billion) of total financial assets in 2014. (Atuahene, 2016). As a result, any banking

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sector interruptions or collapses would jeopardise Ghana's economy. Corporate governance is critical for banks in Ghana for a variety of reasons.

- To begin, banking institutions in Ghana are critical to the country's economic stability; hence, any management failure would signal death for the economy as a whole. Banks are critical in the intermediation of savings and investment and providing an efficient payment system to economic agents. Bank failures resulting from ineffective governance would have a catastrophic effect on the economy.
- Banks are also the most common source of financing for the expansion of other sectors in Ghana.
- Additionally, banks in Ghana serve as the primary repository for the economy's savings and facilitate payment. Considering the significance of banks, their governance has taken on a central role. Banks' corporate governance mechanisms must include both shareholders and depositors because of the particular contractual structure of banking.
- While the traditional banking sector's oversight has its place, strong governance ensures that depositors' and other stakeholder interests are protected in Ghanaian banks and promotes public trust and confidence in the sector (World Bank, 2016).
- Finally, Ghanaian banks are particularly vulnerable to liquidity shocks, which can cause instability both inside the institutions and throughout the financial sector. The role and effectiveness of the financial institution supervisor are enhanced by sound corporate governance, which supports prudential supervision and regulation.

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Ghana's banking system has 23 universal banks (Bank of Ghana Banking sector report, 2019). Nine (9) banks are owned by the government, while fourteen (14) are foreign-owned and controlled by investors from other countries. – As of December 2018, there were nine banks on the Ghana Stock Exchange (GSE). At the end of December 2018, the banking sector's total assets were GH107.34 billion, while its total deposits liabilities were GH68.28 billion (Bank of Ghana Banking sector report, 2018). The entire bank's capital was GHC 10.87 billion in December 2018, while shareholders' funds were GHC 16.93 billion. Ghana's financial system is governed by the Ghana Stock Exchange Listing Rules (2006; L I. 1509), the Companies Act 1963 Act 179, the Securities Industry Law 1993 (PNDCL, 333) as amended by the Securities Industry (Amendment Act 2000) Act 590, and the Banking Act 2004 Act 673 as amended by the Banking Act 2007 Act 738. According to the findings of this research, Ghana's financial sector corporate governance regulations can be broken down into six main categories: Board composition, shareholder and stakeholder relationships and shareholder rights, financial affairs/auditing, ownership structure/control and so on.

A corporate entity's board of directors' primary goal is outlined in Section I. The board of directors ensures that the bank is appropriately handled to protect and increase shareholder value. The bank's organization must have effective governance. The board of directors of a bank must adhere to solid corporate governance procedures to accomplish its primary responsibility. Specifically, the board of directors is tasked with the following responsibilities: I offering policy advice to the banking entity in order to achieve its goals; (ii) overseeing and supervising the business's management;

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(iii) developing succession plans for senior management; (iv) supervising and maintaining the business's internal control system.

Section I further explains the dimensions of the board. Board size should be determined to promote board effectiveness and provide sufficient representational needs, it says. A maximum of 8 to 16 directors is mentioned for publicly traded corporations; however, just three directors are required for unlisted banking companies with a minimum of three directors. The board chairperson and the CEO should be separated, according to the provision (Mallin, 2007). Non-executive and non-executive directors, as well as a sufficient number of independent directors, should make up the board to ensure that no single individual or small group of individuals has undue influence over the board's decision-making (Atuahene, 2016).

Section (ii) specified that Board committees might be constituted to assist banks in carrying out their responsibilities if appropriate. Non-executive directors may also serve on audit and risk committees, according to the BOG's draft governance regulation. The board of directors should not employ corporate governance frameworks to benefit stakeholders at the expense of shareholders, as stated in section (iii). This part also highlights shareholder rights. Ownership registration, share transfer, engagement in voting, board selection, and profit-sharing are all included in this. For Section (iv), "financial management," "financial reporting," "price-sensitivity information," "external auditor responsibility," and "variations from standards" are covered. Annual audited accounts of a banking institution are presented to shareholders in Section (v).

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The Bank of Ghana and the Securities and Exchange Commission have taken several measures, including the following:

Establishing a proper fit test for directors' appointments, disqualifying directors who have served time for the conviction, appointing directors who are both qualified and experienced without imposing a cap on their number, allowing relatives of directors to serve on bank boards, and criminalizing insider trading are all important reforms that need to be implemented. Regulations like this may lead to better financial reporting and an improvement in the quality of banking services. In recent years, expanding financial goods in emerging nations such as Ghana has led to a drastic shift in the financial markets. As high-risk activities such as financial market trading and other off-balance-sheet transactions become more prevalent in Ghana, banks must step up their efforts to maintain sound governance (Greuning & Bratanovic, 2003).

Challenges of corporate governance in Ghana

Ghana's banking sector is more important than ever before to develop a sound banking system to have strong governance. Foreign institutions own a significant portion of Ghana's banking sector (ii) both governments and private persons possess a large number of blocks, (iii) a lack of investor participation (iv), and a failure to implement banking and corporate legislation. Government and family-appointed directors predominate on the bank's board of directors, and they set the agenda for board meetings to accomplish their goals. Non-executive directors with family ties to the controlling shareholder group and political affiliations to the controlling shareholder group cannot exercise independent judgment; minority

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shareholders' rights are often neglected; the board and management are closely intertwined (Berglot & Claessen,2004).

Like those in other developing countries, Ghana's private sector banks have long been marred by tensions between board members who are majority owners and minority shareholders (World Bank ROSC, 2005; 2010). Good governance procedures in Ghana's banking sector may be hindered by political appointments, a board controlled by director ownership, and the predominance of majority shareholders over minority shareholders. Several issues, including declining profitability, have afflicted ghana's banking industry, an increase in non-performing loans, increased provisions for loan losses, and a deterioration in credit due diligence; low loan recovery rates; poor asset quality; extensive interference from the government and private domestic bank owners; regulatory arbitrage; and high cost-to-income ratios (IMF Country Assessment reports, 2010; 2011; 2012; 2013). Risk management strategies and accounting and auditing standards lack internal control systems (World Bank ROSC, 2005; 2010). Numerous recent studies by the International Monetary Fund and the World Bank express grave concerns about the banking sector's governance.

According to Boateng (2013), Ghana's corporate governance dilemma is centered on shareholder perspectives, with businesses focused on individuals who own monetary shares in the company, increasing intrinsic value and improving shareholders' return on investment. Corporate governance in Ghana is skewed in favor of institutional investors who own a majority or block of shares (Mensah, & Abor, 2014). Investors and shareholders operate as managers' monitors and controllers, and they can

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aggravate the problem by suggesting whom a financial institution's management should select as essential staff.

Additionally, investors and shareholders have frequent access to the organization's information systems. Controlling shareholders incentivizes management to take actions that promote shareholder value and contribute to resolving agency conflicts (Mensah & Abor, 2014). Companies on the Ghana Stock Exchange have an incentive to observe and control management to ensure that their interests are safeguarded from a wide range of risks. As a result of their influence, large shareholders in Ghana are viewed as crucial to developing effective corporate governance in numerous ways.

Firm performance

Performance can be defined as how a company's (bank's) resources are distributed and utilized to maximise the attainment of stated objectives. According to Heremans (2007), it involves using financial and non-financial metrics to assess the extent to which objectives are met, the bank's contribution to making financial resources available, and the bank's support for investment opportunities. Thus, an organization's performance is defined as the degree to which it meets its stated objective. - Namisi (2012) Both researchers and practitioners generally believe that successful boards of governance result in improved performance. Effective boards can add value to a company from both an internal and external (shareholder) perspective (Epstein et al., 2003).

Measuring bank performance

Ascertaining the variables constituting good performance indicators is a vital precondition for any good assessment of performance. Performance

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indicators must be quantitative and relevant, as well as vital to the organization's overall success (Arthur 2016). In addition, there must be a desirable and cost-effective solution. The efficiency of a business can be assessed in many ways. Indicators derived from accounting, such as return on assets (ROA), are often employed in empirical study on corporate governance and market-based benchmarks, such as market capitalization. There are still disagreements on the most dependable metrics. Accounting and market-based performance indicators indicated that there was an uncertain relationship between a company's performance statistics and corporate governance. Furthermore, no one can agree on which metric is more reliable (Dalton et al., 1998).

Return on assets

Accounting-based measures like ROA are extensively utilized in the governance literature, according to Weir and Laing (2001). Net income divided by total assets is used to compute ROA as a short-term measure of profitability. Efficiencies of assets deployed are evaluated using this metric. (Bonn, Yoshikawa, & Phan, 2004). In Epps and Cereola (2008) views, ROA demonstrates the earnings created by capital assets investments. Asset utilisation efficiency can be measured by an organization's return on investment (ROI). Due to management being responsible for running the company and allocating assets, ROA measures how well an organization's corporate governance structure is working in terms of how well it enhances the level of efficiency to which management is running effectively (Epps and Cereola 2008).

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Return on equity

Any study into corporate governance processes would utilize a return on equity (RoE) to measure an entity's success (Ooghe & De Vuyst, 2011). Epps and Cereola (2008) opined that profit is a primary goal for companies, and shareholders are rewarded for their investment. Shareholders and other stakeholders can see the return on their investments in the form of ROE. Net income is divided by common equity to arrive at this number. There are certain drawbacks to the ROE, such as its insensitivity to risk (for example, the ROE number does not include the institution's long-term strategy or substantial extraordinary aspects). The ROE is a useful tool, but there are some drawbacks. As a result, ROE cannot be utilized in isolation as a performance statistic.

Earnings per share

A company's earnings per share (EPS) is the percentage of profit allocated to each of the company's shares of common stock that are outstanding. The earnings per share (EPS) metric demonstrates a business's profitability (Investopedia, 2015). International Accounting Standard 33, produced by the International Accounting Standards Board, addresses this issue (IASB). Earnings per share are calculated in two ways: in its basic form and its diluted form. Divide the profit or loss attributable to the parent institution's ordinary equity holders by the period's weighted average share count to get the basic EPS. To calculate the weighted average number of outstanding shares, diluted earnings per share consider options and other potentially dilutive common stock, such as convertibles and warrants (Deloitte, 2015).

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Empirical Review

There has been an extensive study in the area of corporate governance. The findings of some of these research works are given;

Structure of corporate governance in the banking sector

Turlea, Mocanu, and Radu (2010) investigated the banking industry's corporate governance. The study's goals were to: (1) elucidate corporate governance about banking; (2) analyse the banking sector's duty and implication; and (3) Describe various features of corporate governance in banks, highlighting the importance of combining the key corporate governance processes (internal audit, audit committee, and external audit). According to the paper, various corporate governance difficulties in the banking industry are similar to those in any entity trading products or services; nevertheless, due to the banking sector's unique characteristics, several distinctive traits can be identified. The study discovered that the banking industry's activity is defined by its complication, which increases asymmetric information and impairs stakeholders' ability to monitor bank managers' actions.

An in-depth analysis of corporate governance in India's banking sector was undertaken by Mridushi (2011). The study found that banking organizations necessitate a wide definition of corporate governance in which banking operations are regulated to protect depositors. Regarding deregulation in developed economies, prudential regulation frequently protects depositors due to a lack of adequately educated supervisors, insufficient disclosure requirements, high capital costs for banks, and distributional cartels. Banks must adapt to changing times by establishing a strong, capable, and dependable board of directors, adhering to their corporate code of ethics,

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advocating the creation of a chairman of the board of directors post and the development of a competent and functioning audit committee, remuneration committee, and nominating/corporate governance committee.

Compliance of corporate governance

Cadbury's compliance with the law and its impact on the performance of publicly traded corporations in the United Kingdom were investigated by Laing and Weir (1999). They chose 115 companies at random from the 1992 and 1995 editions of the Times 1,000. The study examined governance metrics such as non-executive director representation, organizational structure, and board committee composition (remuneration and audit committees). The statistics suggested that compliance was highest among UK-listed businesses and had a considerable impact on performance. Corporate governance principles are critical for enhancing performance and accomplishing organizational goals, not just for survival.

FTSE 100 serial non-compliers from 2000 to 2004 were the subject of research by MacNeil and Li (2006). According to their findings, financiers' patience for non-compliance with the Combined Code is linked to stock price performance. The study then concluded that firms are expected to raise compliance levels with governance recommendations, especially after periods of unfavourable performance.

Clichici (2016) investigated the republic of Moldova's banking sector for deficiencies in corporate governance. The study's objective was to identify flaws in the current banking system's corporate governance arrangements and propose major recommendations for correcting these flaws. An analysis of the legislation that regulates the financial system, as well as the present corporate

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governance code, was conducted in order to attain this purpose. It was revealed that the banking system has several problems with corporate governance, despite some success in implementing IMF recommendations and the excellent results that banks have achieved. These problems include a lack of transparency in the banking system, poor quality of bank boards, and a lack of consideration for essential elements recommended by the Basel Committee in the current code.

In partnership with the World Bank, McKinsey and Company (2000) conducted a series of research on the degree to which a company implements strong corporate governance and how Corporate Governance relates to performance results. The study's findings demonstrated a strong correlation between corporate governance and the performance of large corporations. Companies with a high level of corporate governance compliance had a five-fold greater average return than companies with the lowest level of corporate governance compliance, according to the study. In the study, corporate governance procedures in the United States and the United Kingdom were compared to those in Asia and Latin America. Due to the lack of superior corporate governance norms and compliance in Asia and Latin America. The study provided a suitable foundation for the current study, which compared Ghana's governance norms to the OECD's to address research question one.

Effect of corporate governance on performance

Singh, Rai, Ojha, Gyawali, and Gupta (2018) conducted an empirical study on Corporate Governance and Bank Performance in Nepal. Bank performance indicators such as return on assets and equity and corporate governance indicators include board size, female board members, financial

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institution, CEO Duality, Independent Director, Firm Size, Firm Age, Earnings per Share, and Capital Adequacy Ratio of the firms.

Corporations' ROA and ROE are significantly affected by corporate governance, according to the research. Research shows that an independent board of directors and an organization's size positively impact firm performance, according to the study results. On the other side, for female board members, the board size, composition, and compensation negatively affect business performance as assessed by return on asset (ROA).

51 Indonesian banks were related to corporate governance, risk management, and performance in a study by Tandelilin et al. (2007). Analysis of both primary and secondary data showed that bank ownership directly impacts bank performance and risk management. According to this model, corporate governance does not have a linear impact on bank profitability, according to a subsequent study.

Between 1998 and 2001, Tobin's q. was used to evaluate ownership of Danish listed companies' performance on the Copenhagen Stock Exchange. According to a cross-sectional regression study, more institutional investor ownership has little impact on firm performance. On the other hand, data analysis revealed that the bank's ownership structure had a significant positive impact on performance. Barako and Tower (2007) conducted an empirical study in Kenya to explore the association between bank ownership structure and performance. A multivariate regression model was used to examine data from all Kenyan financial institutions and included variables such as bank ownership, size, and return on assets. The findings provided empirical evidence that ownership structure affects bank attainment. According to

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research, board ownership has a significant negative influence on performance, institutional shareholders have no impact on performance, and foreign ownership has a significant positive impact on bank performance.

In their study, Brown and Caylor (2004) looked at the relationship between corporate governance and business performance. Corporate governance and business results. They evaluated 2,327 enterprises utilising Tobin's Q as their performance criterion. Accounting, the board of directors, legislating, educating directors, director compensation, shareholders, extending operations, and predisposition for collaboration are among the 51 corporate governance-related factors defined by Brown and Caylor into eight categories. According to the findings, strong corporate governance rather than director remuneration has a bigger impact on the firm's yield. Other elements, however, have a direct influence on the company's performance. Furthermore, according to the research, the lack of a defined strategy for auditor replacement was seen as the weakest executive aspect of corporate governance, with over 98% of firms having reward committees rather than audit committees.

An extensive study by Ezazi, Sadeghisharif, Alipour, and Amjadi (2011) found that publically traded companies' share prices were more volatile when their ownership structure was studied. Their study looked at how company governance and performance are affected by ownership structure. Share prices in firms where the largest shareholders own a bigger percentage of the stock may be more volatile, whereas share prices in companies where individual owners own a larger percentage may be less volatile. When it comes to determining a company's share price volatility, investors should pay

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close attention to the ownership of the company's largest shareholders and board members.

Corporate governance from theoretical perspective

The Board of Directors (BODs) is critical in the management of businesses. As one of the most critical governance vehicles, BODs are increasingly being held accountable for business performance. As a result, BODs have sparked interest in a variety of fields, including economics, law, sociology, management theory, and strategic planning (Kiel & Nicholson, 2003). Organizational performance is contingent upon the BOD members carrying out their assigned responsibilities (Jacob, 2011). These are significant and varied responsibilities (Finkelstein & Money, 2003). Johnson, Daily, and Ellstrand (1996) assert that an ideal role for BODs in the literature is control, service, and resource dependency. Directors' control responsibilities include supervising managers in their capacity as fiduciaries to stockholders, appointing and terminating executives, and setting executive compensation. Among the services provided are assisting CEOs with administrative and other managerial challenges, as well as developing a plan (Njoka, 2010).

A third perspective, dubbed resource dependence, views the board as a conduit for acquiring the resources necessary for the company's expansion. According to Hillman and Dalziel (2003), BODs believe that monitoring and allocating resources are critical components of their board's responsibilities. The researchers analyzed BODs using a variety of theoretical frameworks, with agency theory emerging as the most prevalent (e.g., stewardship theory, managerial hegemony theory, stakeholder theory, institutional theory, and resource dependence theory) (Zahra & Pearce, 1999; Daily, Dalton &

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Cannella, 2003). Due to agency theory, BODs are regarded as the primary control environment structure that serves the interests of shareholders and management; thus, these groups constitute the primary internal control structure (Jensen, 1993). Choe and Lee (2003) argue that board composition is critical for effective management oversight and cost containment. While executive directors bring specialized knowledge, competence, and an intimate understanding of the firms' operational policies and day-to-day operations, independent directors bring new perspectives, objectivity, and insight from their diverse professions (Weir, 1997; Firth et al., 2002). As a result, the agency theory advocates for the establishment of non-executive independent boards to monitor managers' self-interested behavior and reduce agency costs (Le et al., 2006; Williams et al., 2006). According to Jensen (1993), having more than seven or eight members on a board is unlikely to produce results. They argue that large boards result in inefficient coordination, communication, and decision-making, as well as a CEO's proclivity for dominance. According to Yoshikawa and Phan, larger boards are less cohesive and more difficult to coordinate as a result of the massive number of potential contacts and conflicts among group members. Additionally, they assert that CEOs typically form large boards because their size distributes authority in the boardroom and impairs directors' ability to act cooperatively, leaving the CEO as the dominant figure.

Conceptual Framework

Like any other concept, corporate governance encompasses several factors; however, The board size, composition, duality of the board chair, and audit committee are all common proxied variables used to describe the

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concept. These findings will be utilized to learn how corporate governance influences the performance of Ghana's commercial banks, as stated in the conceptual framework.

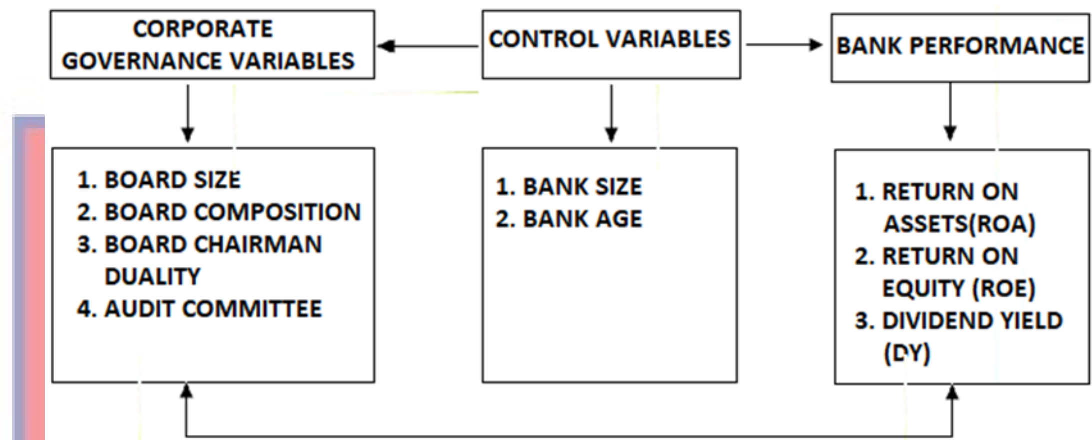

Figure 1: Conceptual Framework

Source: Adopted from Peters, George & Bagshaw, Karibo. (2014)

The board of directors is critical in ensuring that effective/good corporate governance procedures are implemented. The board comprises extremely skilled individuals in their respective fields of specialisation and is charged with monitoring top managers, taking corrective action, replacing underperforming managers, and determining managers' salaries. While some research believes that having a large board of directors benefits businesses by securing key resources and minimising uncertainty (Uadiale, 2010), others identify possible issues. Numerous studies have found no connection between a company's performance and the size of its board of directors, even though they claimed that a smaller board would improve overall performance by encouraging proper cooperation and communication and decreasing the likelihood of free-riding (Mak & Kusandi, 2005; Dung to Thi,2011; Rouf, 2012).

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According to the Cadbury report (Rana, Hoque, & Sharma, 2016), the board of directors must have an effective composition to be viable. According to Beasley, as cited by Ran et al. (2016), having independent directors on the board reduces misleading financial reporting and increases the firm's value. The Sarbanes-Oxley Act of 2012 places a premium on independent directors. According to (Rouf, 2012), the magnitude of independent directors positively correlates with the firm's worth.

The audit committee is a subcommittee of the company's board of directors (Kajola, 2008). A fundamental guideline of the corporate governance code is the supervisory role for management's financial statement preparation. An audit committee is required to improve the dependability and integrity of financial information provided by corporations and public confidence in financial accounts, according to Tornyeva and Wireko (2012). A favorable but minor influence on business value was found by Mukhtaruddin et al. (2014). In contrast, Rouf (2012) could not demonstrate a connection between the values of business indicators and the board of directors' audit committee. Kajola's research (Gokah, 2016) indicated that agency problems are amplified when the same person serves in both capacities regarding board chair duality. According to Tornyeva and Wereko (2012), constraining the organization's two most powerful responsibilities to a single person frequently leads to decisions that are not in the best interests of the shareholders.

Chapter Summary

The relevant literature, theoretical and conceptual review, and the link between corporate governance structure and performance are discussed. Depending on the method utilized, different results are obtained. Corporate

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governance, whether positive or negative, has been demonstrated to have a significant impact on corporate performance. As a result, the importance of examining the relationship between corporate governance and the success of Ghana's banking sector is highlighted in this study.

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CHAPTER THREE

RESEARCH METHODS

Introduction

This isection icomprises ithe isummary iof ithe iresearch imethodology iand ithe iprocesses iof ihow ithis iresearch iwere iconducted. iIt iincludes ithe iresearch idesign, idata icollection imethods iand isources, ipopulation iand isampling itechniques, imodel ispecification iand idata iprocessing iand ianalysis.

Research Design

According to Cooper and Schindler (2013), a study design encompasses a variety of components, including the research methodology, the sampling procedure and size, the data collection tools, and the data processing method. Thus, the study design is viewed as the framework established to elicit responses to the research questions. The impact of corporate governance on the performance of commercial banks in Ghana will be investigated using cross-sectional and analytical research techniques. This method collected data in a single snapshot and examined the relationships between study variables.

Brief Profile of Banks

This section summarises the characteristics of each of the banks included in the study. The highlights of the banks' performance for 2016 to 2019 are shown in Table 1.

Ecobank Ghana Limited

Ecobank Ghana Ltd (EBG) is a banking company that was established in 1990. The bank began as a merchant bank and was given a Universal

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Banking License in 2003, making it the first in Ghana. Ecobank Ghana now operates over 80 branches located throughout the country's length and breadth. It employs over 1463 people. Ecobank Ghana Limited is the largest bank in the country and is publicly traded on the Ghana Stock Exchange.

Fidelity Bank Limited

In June 2006, Fidelity Bank Limited (FBL), formerly Fidelity Discount House, received a universal banking license. Ghana's national bank has granted the bank its 22nd full universal banking accreditation. Ghanaian senior bank executives and institutional investors own a majority stake in the bank. In October 2014, the bank purchased Pro-Credit Savings and Loans Ltd to diversify its asset base and market share. The bank's subsidiaries include Fidelity Asia Bank Ltd and Fidelity Securities Ltd.

Ghana Commercial Bank

GCB Bank Ltd. began as the Bank of the Gold Coast in 1953 to provide financial services to the emerging nation and encourage businesses. Priority was sought for Ghanaian traders, businesses, and farmers who could not access money from international organizations. The Central Bank of Ghana and the Ghana Commercial Bank were renamed after Ghana's independence in 1957 to focus solely on commercial banking activities. With the help of the sixteen regions of the country, GCB branches have since been established.

Republic Bank (Ghana) Limited

Mortgage financing institutions in Ghana have been granted a license for the IDA/SSNIT Pilot Housing Finance Program, previously known as HFC Bank of Ghana (Ghana) Limited. Republic (HFC) was founded as a private

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limited liability company on May 7, 1990, in accordance with the Ghana Companies Code of 1963. (Act 179). It began operations on December 2, 1991, and was awarded a non-bank financial institution licensed by the Bank of Ghana on August 1, 1994. A complete universal banking license was issued to us on November 17, 2003, by the Bank of Ghana. They offer corporate, commercial, retail, investment banking, mortgage banking, and microfinance services as a full-service financial institutions.

Agricultural Development Bank (ADB)

ADB was created as the Agricultural Credit and Cooperative Bank by Act 286 of 1965. Act 286 was amended in 1967, and the institution's name was changed to Agricultural Development Bank. Consumers, corporations, governments/public sector institutions, small and medium-sized enterprises (SMEs), agriculture, and commerce, as well as electronic banking services, are all served by (ADB). Its primary activity is universal banking, with a particular emphasis on agriculture and other high-growth areas. On December 20, 2016, the Bank was successfully listed on the Ghana Stock Exchange (GSE).

Access Bank Ghana

Access Bank is a part of the Access Bank Group, a financial services conglomerate established in Nigeria. Previously known as Access Bank Ghana Limited, the Bank of Ghana has granted full-service commercial banking licenses to Access Bank Ghana Plc and Access Bank Ghana Limited. In 2009, Access Bank Ghana opened its doors. A wide range of customers can use the bank's universal banking services, including institutions, corporations, commercial enterprises, and individuals.

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Société Générale

Société Générale Ghana Limited (SG), formerly known as Social Security Bank Ltd, received its license on September 17, 1976, and began operations on January 17, 1977. Banking and financial services are provided by the bank, which is part of the Société Générale banking group. Retail Banking, Corporate Banking, and Treasury are the three segments through which it works.

Standard Chartered Bank Ghana Limited

Standard Chartered Bank Ghana Limited (SCB) is Ghana's oldest financial institution, opening its doors in 1896. It has around 27 branches and 56 ATMs and is listed on the Ghana Stock Exchange. It now employs more than 1000 people. SCB Ghana is a wholly-owned subsidiary of the internationally recognized Standard Chartered Bank.

Zenith Bank (Ghana) Limited

Zenith Bank (Ghana) Limited (ZBL), a Nigerian subsidiary of Zenith Bank PLC, is now one of West Africa's biggest banking organizations. 2005 marked the beginning of Zenith Bank (Ghana) Limited's activities in Ghana. With 22 branches and seven agencies across Ghana, the bank aims to expand its position in the banking industry by using its superior information technology infrastructure to provide consumers with new and creative products.

Population

According to Bell, and Bryman, (2007), a population is the entire group on whom the research is focused. The term "population" sometimes refers to a wider group of persons with similar visible characteristics to whom

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the study findings are intended to be applied (Fraenkel & Wallen, 2003). Also, Neuman (2003) the term "population" refers to a group of events, entities, or persons that have certain common traits. The total population of banks in Ghana at the time of performing research consisted of 23 universal banks.

Sampling Procedure

The study adopted two criteria in selecting the sample for this study.

a. Between 2016 and 2019, banks that were licensed and were in operation

b. Bank annual reports from 2016 to 2019 can be accessed on the banks' websites or elsewhere on the internet.

As of 2016, all 23 banks operating in Ghana held universal banking status. However, the study could obtain the annual reports of only 9 of the 23 banks from the banks' websites or other internet sources. Therefore, the sample size based on the earlier discussion is 9 banks, namely GCB Bank, ADB Bank, Access Bank, Republic Bank, Absa Bank, Stanbic Bank, Societe Generale, Ecobank Ghana, and Fidelity Bank.

Data Sources

Panel data from 2016 to 2019 covering 9 commercial banks was used for the study. The sample of the 9 out of the 23 banks is chosen based on the accessibility of complete published annual reports for the duration of 2016 to 2019 needed for the study. Accounting data such as total assets, total equities, and net income were gathered from published annual reports on banks' websites. However, data on corporate governance variables such as board size, board composition, audit committee, and director duality was gathered using a scorecard. The scorecard has 20 questions, with correct answers receiving a

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score of 1 and erroneous responses receiving 0 or non-disclosure. The data should be objective based on a total score that reflects compliance with Corporate Governance Guidelines of Best Policies and sound corporate governance processes.

Data Collection Procedures

The primary sources of information were secondary information on corporate governance practices and bank financial performance. Information from annual bank reports was collected using the internet. Since the 2010 development of the Ghanaian Corporate Governance Best Practices Guidelines, the study focused on 2016 and 2019. This helped assess how banks' compliance with the corporate governance principles affected their financial performance for the period.

Measuring Corporate Governance Practices.

Ghanaian banks' corporate governance policies were evaluated using a scorecard method. There are many ways to measure compliance with a corporate governance rule or standard (International Finance Corporation (IFC), 2014). Governing practices are compared to a benchmark in a scorecard. According to the International Organization for Standardization (IOSCO), an organization's total corporate governance level can be determined using a scorecard. Ranking and grading companies based on these results might help you see where your business fits in the overall market. According to the International Finance Corporation, having a local corporate governance code does not guarantee better corporate governance standards. According to them, scorecards based on private sector investors' expertise measuring conformity with national requirements have been employed in this

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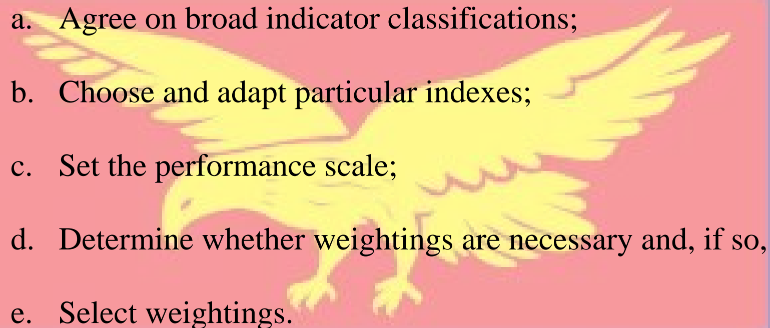
solution. Corporate governance metrics help firms evaluate and improve their performance by allowing them to make better decisions, manage risk, control, and organize themselves (2014) (International Finance Corporation).

The IFC toolbox indicates the following steps in creating a corporate governance scorecard for establishing corporate governance scorecards:



a. Agree on broad indicator classifications;
b. Choose and adapt particular indexes;
c. Set the performance scale;
d. Determine whether weightings are necessary and, if so,
e. Select weightings.

This evaluation is based on the Ghana Securities and Exchange Commission's Corporate Governance Guidelines for Best Practice. The major text of the code is divided into six sections with the following titles and contains 105 principles:

i) The Mission, Responsibilities and Accountability of the Board of Directors,
ii) Committees of the Board,
iii) Relationship to Shareholders and Stakeholders,
iv) Financial Affairs and Auditing,
v) Disclosures in Annual Reports and
vi) Code of Ethics.

A 20-question scorecard was created for this study that could be answered with a yes or no. The check list has been provided in the appendix. Each 'yes' response is worth one point, whereas each 'no' response is worth zero. An annual report that fails to disclose a disclosure-required issue receives a zero

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score. For this reason, the scorecard was created. Appendix I has a questionnaire, whereas Appendix II contains the Corporate Governance Guidelines of Best Practices, referred to in the scorecards. Indicating the bank's successful corporate governance standards, the overall score indicated the bank's compliance with Best Policies' Corporate Governance Guidelines.

Board Size**:** Scorecards based on private sector experience, they claim, are a good idea. Board size in this study is the maximum or a minimum number of directors on a board of directors for an organization or corporation (Enobakhane, 2010). The total number of board members determines the size of the board.

Board Composition**:** Board composition is measured in terms of the number of non-executive directors in relation to the total number of board members (Abdullah 2004; Kiel & Nicholson, 2003). Compared to the overall number of directors, the number of non-executive directors influences the board's makeup.

Board Duality**:** The term "board duality" refers to the CEO's position as the board chair (Cardbury, 2002). An organization with a CEO who also serves as a board chair receives a score of 1. Strong leadership is imposed when the CEO is appointed board chairman, encouraging consistent decision-making to achieve set goals. (Suryanarayana, 2005).

Audit Committee**:** The total number of board audit committee members was used to determine this variable. The size of an audit committee had a significant positive influence on a company's financial performance. According to Wu, Habib, and Weil (2018), a smaller audit committee is more successful at protecting shareholders' interests and ensuring the accuracy of

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financial information. Additionally, a larger audit committee is ineffective, not affecting the firm's financial performance (Aldamen et al., 2012).

Control Variables

Apart from corporate governance rules, many other aspects of a company's operations might influence its performance. Ignoring these factors can lead to an omitted variable bias and, as a result, endogeneity. The study included some control factors influencing a firm's performance to counteract the risk of omitted variable bias. As control variables, the size of the banks (total assets) and the age of the institutions were introduced.

Bank Age**:** The bank age has been used in several research to estimate the number of years a company has been in operation (Boone et al., 2007; Berger and Udell, 1998). When it comes to predicting future growth, they claimed that the age of a business is a reliable indicator. Companies that have been around longer tend to have more liquid trading, more disclosures, more attention from the analyst community, and a wider range of activities that lower the danger of financial difficulties but reduce the company's development potential. The age of a bank has long been considered a barometer for its long-term viability. If a bank has been in existence for a long period, it is likely to perform better than a new bank.

Bank Size**:** Total asset size is assessed in logarithms and is believed to, directly and indirectly, correlate with the bank's financial results. It was often believed that the profitability of a big bank was proportional to its size, on the grounds that larger banks would enjoy greater benefits from economies of scale (Iannotta-et-al., 2007; Mercieca et al., 2007).

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According to the findings of other empirical studies, some researchers have discovered a correlation between the size of a bank and its financial success (Biekpe, 2011). As a bank expands, it becomes more difficult to manage, evaluate, and monitor it; as a consequence, the bank faces increased risk and performs less effectively.

Measuring Performance

Return on equity, assets, and earnings per share are the three ratios used to evaluate bank performance in the study.

Return on Equity (ROE): Several metrics may be used to evaluate the profitability of an organization, but the Return on Equity (ROE) ratio is a common one. The ROE is determined by dividing net income by equity book value. Investors can assess how much profit a firm makes compared to the amount of money they invest using Return on Equity. Dividing net income by the total equity of a company. The formula is: ROE = (Profit after taxes / Shareholdersfunds) x 100%.

Return on assets (ROA)**:** Management's ability to put the company's assets to good use is measured by the return on assets. The formula is ROA = (Profit after taxes / Total assets) x 100%.

Dividend yield (DY)**:** This formula divides the yearly dividend per share by the stock price to calculate the annual dividend per share. This tool is quite handy because it makes comparing the relative attractiveness of multiple dividend-paying stocks a breeze (Raji, 2012).

Model Specification

Multiple regressions are commonly employed in studies on the impact of corporate governance on firm performance. In accordance with Miyajima

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et al. (2003), the model employed in this study has been tweaked: It is claimed in Coleman and Nicholas-Biekpe (2006) that the study used the Miyajima et al. (2003) model to determine the relationship between corporate performance and governance techniques;

$$Y_{it} = \beta_o + \beta_1 G_{it} + \beta_2 C_{it} + e_{it}$$

Where Y denotes firm performance factors at time t for firm i. G is a vector of corporate governance variables, including Board Size (BDS), Board Composition (BDC=number of outside directors/total number of directors), a dummy variable (CEO) to indicate whether the board chairman and CEO are the same people, and e, the error term. C is a set of control variables in a vector.

This model was adjusted in light of research on the effect of corporate governance on commercial bank performance. The following is the model.;

$$PERF_{it} = \beta_o + \beta_1 BS_{it} + \beta_2 BC_{it} + \beta_3 AC_{it} + \beta_4 BCD_{it} + \beta_5 BA_{it} + \beta_6 BZ_{it} + e_{it}$$

Where, PERF = performance measured by Return on assets, return on equity and Dividends Yield Per Share/Price Per Share for banking firms at time t; BS = Size of the Board; BC = Composition of the Board; AC = Size of Audit Committee; BCD = Board Chairman Duality; BA = Bank Age; BZ= Bank Size and et = error term. B_0 = Intercept while $B_1 \ldots B_6$ are coefficients of the variable, and the subscript i represents the different banks and t represents the different years.

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Table 1: Definition and Measurement of Variables

Variables	Description/Measurement
Bank Performance	
ROA	Net income/Average total asset
ROE	Profit after tax/total equity share in issue
DY	Annual Dividends per share/Price per share
Indepentent variables	
BS	Size of the board: the total number of directors on the board
BC	Competiton of the board: the board composition is the ratio of non-executive directors to the total number of directors
AC	Audit committee: The number of directors in the audit committee
BCD	Board chairman duality: dummy of 1 is CEO duables as the chairman and 0 is different person occupying the CEO and board chairman position.
Control variables	
BA	Bange age: number of years the bank have been operating
BZ	Bank Size: the value of the company's asset.

Source: Field data (2020)

Data Analysis

To guarantee that the analysis was complete and reliable, the data were double-checked. The researcher used both descriptive and quantitative

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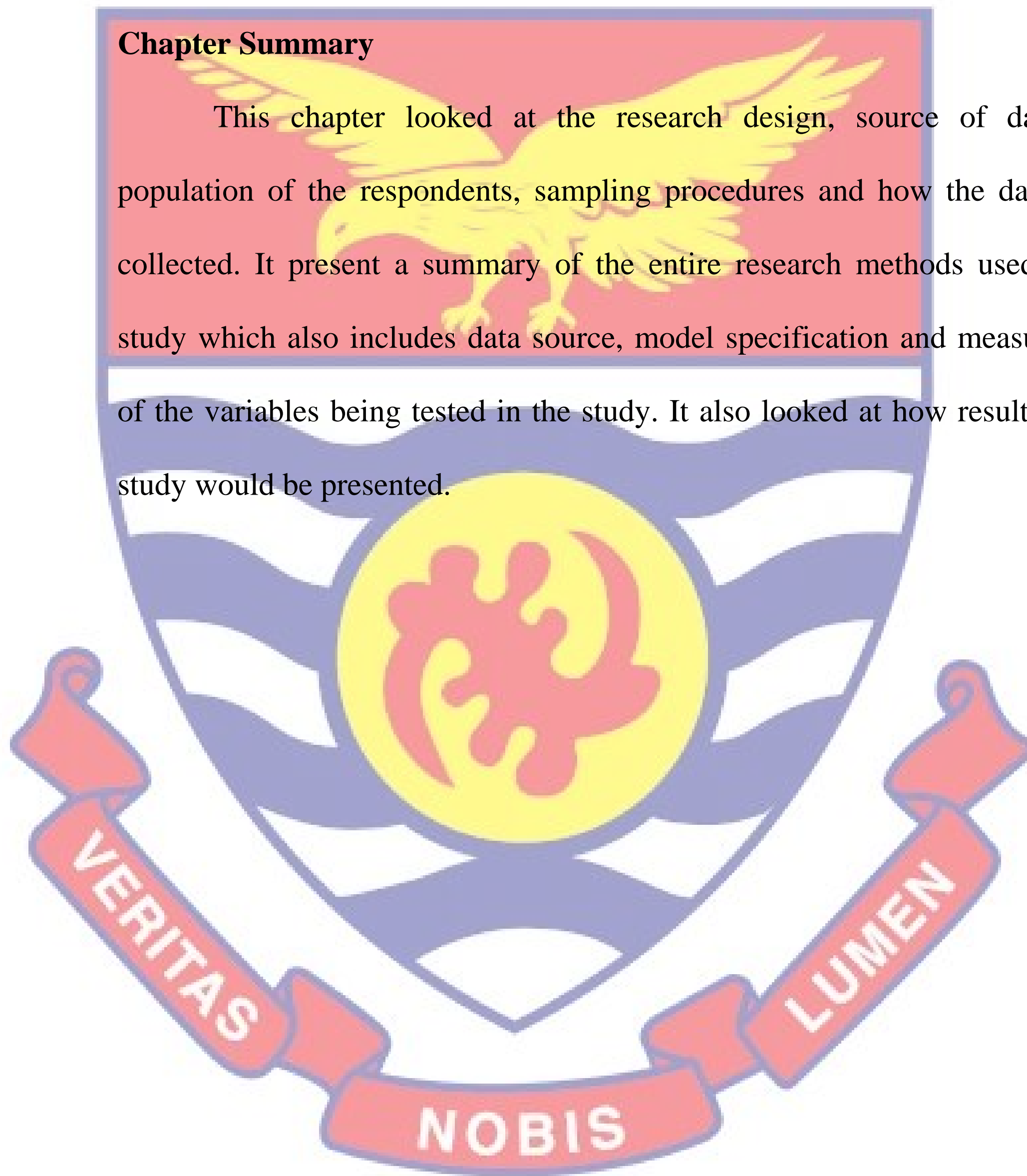
methodologies. The impact of corporate governance on bank performance was investigated using linear regression analysis. Additionally, the mean, median, maximum, and minimum values were applied to aid descriptive analysis. With the assistance of the STATA program, the OLS technique was used to create a linear regression model (version 13SE).

Chapter Summary

This chapter looked at the research design, source of data, the population of the respondents, sampling procedures and how the data were collected. It present a summary of the entire research methods used in the study which also includes data source, model specification and measurement of the variables being tested in the study. It also looked at how results of the study would be presented.



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CHAPTER FOUR

RESULTS AND DISCUSSIONS

Introduction

This chapter summarises the study's findings and conclusions. The discussion of the findings is informed by the research questions that led the study. This study aims to determine the effect of corporate governance on the performance of Ghana's commercial banks.

Descriptive Statistics

Table 2 summarizes the descriptive statistics for the study's dependent and independent variables, including standard deviation, mean, minimum, and maximum values. From the Table, the standard deviation for ROA, ROE and DY is 13. 72, 1.85 and 28.39 respectively. ROA has a mean value of 16.93, meaning that the banks can generate an average of 17% profit on total assets. The ROE has a mean value of 2.50 which means the bank makes an average of 2.5% profit per cedi of equity. DY with a mean of -.1.80 implies the bank makes an average loss of 1.8% per common share. Among the independent variables, bank age has the highest mean of 39.27, and BCD has the lowest mean of 0.05.

Average board director numbers in Ghana are 8.80, according to the country's Corporate Governance Guidelines on Best Practice. The Board Composition has a maximum value of 0.89, a mean of 0.77, and a standard deviation of 0.15. The Audit Committee has a mean of four and a maximum of two members, with a minimum and maximum membership of three and six members, respectively. Chairman of the Board Duality is a dummy variable with values ranging from 0 to 1. The Bank Age has the largest mean and

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standard deviation, with 39.27 and 35.08, accordingly. The youngest bank is seven years old, while the oldest is one hundred and twenty-three years old. With a mean of 22.31 and a standard deviation of 0.52, the log of Bank size has a mean value of 22.31.

Table 2: Discriptive Statistics of Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	36	16.93861	13.7268	-27.35	36
ROE	36	2.502222	1.859627	-3	5.94
DY	36	-1.80778	28.39341	-166	12.98
BS	36	8.805556	1.737312	6	12
BC	36	0.770556	0.152942	0.33	0.89
AC	36	4.027778	0.844685	3	6
BCD	36	0.055556	0.232311	0	1
BA	36	39.27778	35.08814	7	123
logBZ	36	22.31283	0.522499	21.34178	23.3033

Source: Field data (2020)

ROA=Return on Asset, ROE=Return on Equity, DY=Dividend Yield, BS=Board Size, BC=Board Composition, AC=Audit Committee, BCD=Board Chairman Duality, BA=Bank Age, logBZ=log of Bank Size.

Performance of the Commercial Bank for the Period 2016 to 2019

The study measured the performance of banks in terms of Returns of Equity (ROE), Returns to Assets (ROA) and Dividend Yield (DY). Table 3 shows the average values of ROE, ROA and DY for the period 2016 to 2019. Performance in terms of ROE increased from 12.33% to 18.45% but dropped to 16.57% before jumping to 20.39%. The fall in ROE in 2018 can be

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attributed to declining in performance by most of the banks such as Société Générale, ADB, Republic Bank and Standard Chartered Bank. The growth in ROA is rather stable over the period, even though it experienced a slight decline in 2018. The growth of DY is rather the most unstable, recoding a negative of -16.38 in 2016, rising and falling from 3.52 to 2.29 and finally 3.33. The negative value is mainly due to the worst performance of ADB in DY (Earning per Share) of -166 in that year. Details are presented in Table 3.

Table 3: Performance of Banks for the Period 2016 to 2019

	2016	2017	2018	2019
ROE	12.33%	18.45%	16.57%	20.39%
ROA	0.023%	2.72%	2.31%	2.95%
DY	-16.38	3.52	2.29	3.33

Source: Field data (2020)

Compliance of the Corporate Governance Code by Commercial Banks

The study examines commercial banks' compliance with the Bank of Ghana's and the Ghana Securities and Exchange Commission's corporate governance codes (GSEC). The study subjected annual reports of all nine banks between 2016-2019 to the corporate governance guidelines and the results are shown in the appendix. The lowest corporate governance score in 2016 was 30%, but this doubles to 65% in 2017, 2018 and 2019. In 2016, the maximum corporate governance score was 80% but rose to 95% in 2018 and 2019. In general, Zenith bank recorded the highest corporate governance score and Access Bank with the least score. The average score of 75.83% indicates that banks generally perform well in compliance with corporate governance guidelines.

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Table 4: Compliance of Corporate Governance code by Commercial Banks

BANK	2016	2017	2018	2019	Total
ACCESS	30	80	75	80	66.25
ADB	75	80	85	90	82.5
GCB	60	80	90	90	80
ECOBANK	65	65	85	80	73.75
STANDARD	80	80	85	85	82.5
FIDELITY	65	75	95	85	80
REPUBLIC	80	80	85	95	85
ZENITH	60	60	75	75	67.5
SG	65	65	65	65	65
MIN	30	60	65	65	65
MAX	80	80	95	95	85
MEAN	64.44	73.89	82.22	82.78	75.83

Source: Field data (2020)

Trends in Corporate Governance Compliance.

Figure 2 shows the overall aggregate compliance of corporate governance guidelines by the banks for the period between 2016 and 2019. The figure indicates that the compliance level is generally increasing. Adherence to the Bank of Ghana and SEC guidelines rose sharply from 2016 to 2018 and stabilized between 2018 to 2019.

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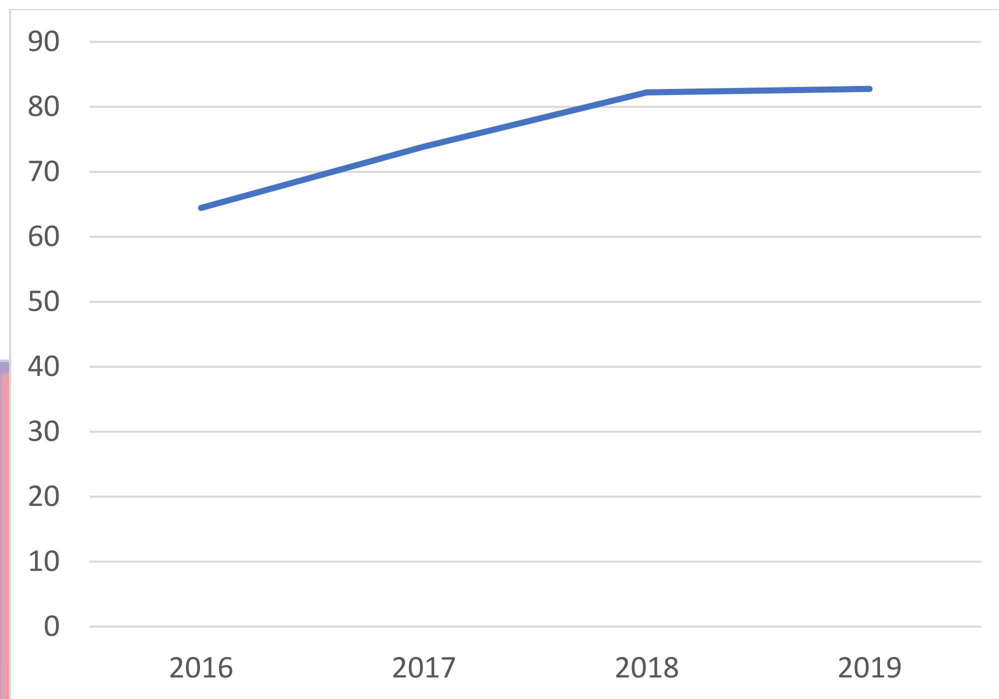

Figure 2: Trends Analysis in Corporate Governance Practices from 2016 to 2019

Source: Field data (2020)

Results on Fixed and Random Effects

Hausman's specification test was used to determine the correctness of the fixed and random effect estimating methodologies. A p-value of 0.7325 was found between the fixed-effect and random-effect models, according to the results. As a result, the null hypothesis is not rejected, and the alternative fixed effect model is rejected. Details are shown in Table 4.

Table 5: Results on Fixed and Random Effects Model

Chi	Probability	Comment
3.59	0.7325	Not significant at 5%

Source: Field data (2020)

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Corporate Governance and Performance

To investigate the impact of corporate governance on bank performance, the researchers used panel data regression analysis. Because the random effect panel regression estimation technique was adequate, it was employed to create models for the analysis. Return on Assets (ROA), Return on Equity (ROE), and Dividend Yield (DY) were all calculated using different methodologies

Regression Results on Return on Assets

Table 5 shows the regression findings for the Return on Assets (ROA) proxied as performance. The result indicates that all the variables are insignificant except Audit Committee and Log of Bank Size, significant at 5% level. The model is significant at 1% and has an R square of 0.5667, indicating that the independent variables jointly explain 56.7% return on assets. The Table indicates that with a coefficient of 1.40, Board Size (BS) is adversely connected to ROA. This suggests that adding one member to the board of directors resulted in a 1.40 unit drop in bank performance, which is statistically insignificant. Board Composition has a negative value of 6.82, which means that adding one non-executive director to the board reduces performance by 6.82. This is possible because outside or non-executive directors may lack understanding about the peculiar nature of the banks and working environment; hence their decision can jeopardize performance.

The Audit Committee's coefficient is 6.52, which is favorably connected to ROE and statistically significant at 5%. This means an increase in the audit committee by one member will raise the performance of banks by 6.52 units. This is because the audit is responsible for assuring the accuracy of

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financial accounts and the bank's control mechanisms, both of which help improve performance. Board chairman, a dummy variable, and bank age negatively affect the bank's performance in terms of ROA with coefficients of 9.7 and 0.02, respectively. Bank size is highly significant and directly related to bank performance.

Table 6: Model 1- Regression Results on Return on Assets

ROA	Coef.	Std. Err.	z	P>z
BS	-1.397169	1.449876	-0.96	0.335
BC	-6.819979	12.34582	-0.55	0.581
AC	6.524073	2.723767	2.40	0.017
BCD	-9.719368	8.270697	-1.18	0.240
BA	-.0162055	.0773456	-0.21	0.834
logBZ	20.1349	4.949935	4.07	0.000
_cons	-439.8709	111.0287	-3.96	0.000
Wald chi2(6)	21.88			
Prob > chi2	0.0013			
Number of obs	36			
R square overall	0.5669			

Source: Field data (2020)

The estimated model is $-439.8709 + 20.1349\ logBZ - .0162055\ BA - 9.719368\ BCD + 6.524073\ AC - 6.819979\ BC - 1.397169\ BS$

Regression Results on Return on Equity

Table 6 shows the result of the independent variables on the performance of banks in terms of return on equity. The model as a whole is significant at a 5% level with an R square of 0.45, indicating that the

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independent variables account for 45% of the variation in the performance of banks. Like the model on ROA, all the independent variables except the Audit committee (corporate governance variable) and log of bank size (control variable) are statistically insignificant.

Table 7: Model 2- Regression result on Return on Equity

ROE	Coef.	Std. Err.	z	P>z
BS	-.0775286	.2082659	-0.37	0.710
BC	.4612599	1.690817	0.27	0.785
AC	.8415769	.3657115	2.30	0.021
BCD	-.8637047	1.142533	-0.76	0.450
BA	.0060657	.0136158	0.45	0.656
logBZ	1.913474	.7453573	2.57	0.010
_cons	-43.44549	16.8034	-2.59	0.010
Wald chi2(6)	12.95			
Prob > chi2	0.0439			
Number of obs	36			
R-sq overall	0.4457			

Source: Field data (2020)

The estimated model is $-43.44549 + 1.913474\ logBZ + .0060657\ BA - -.8637047\ BCD\ + .8415769\ AC + .4612599\ BC\ - .0775286\ BS$

All the coefficients have decreased significantly from that of the previous model on ROA. Another variation worth noting is a change in the coefficients of Board composition (BC) and Bank age (BA) from negative to positive. Board size has a coefficient of -0.078, implying that an increase in

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the board size by one member will reduce performance by 0.078. Large board size could introduce unnecessary bureaucracy and delay decision making which adversely affect performance. Board composition and audit committee both have positive coefficients of 0.46 and 0.84, respectively. An increase in board and audit committee non-executive directors by one person will increase the performance of 0.46 and 0.84 units, respectively and vice versa. Board chairman duality has a negative coefficient and is insignificant. Bank age with a coefficient of positive coefficient of 0.006 is also insignificant. At a 5% level, bank size is substantial, with a positive coefficient of 1.91. In other words, increasing the bank's size by one unit improves the bank's performance by 1.91. Larger banks can have a competitive advantage over relatively smaller ones.

Regression Result on Dividend Yield

The study also estimated a regression of the independent variables on performance in terms of dividend yield and presented the results in Table 7. The results show that the model is not statistically significant though it has an R square value of 0.1275. The independent variables only reveal 12.75% of the variables in dividend yield. The Table demonstrates that audit committee and bank size are significant at 5% and 10%, respectively, while the rest are insignificant. The coefficient of the audit committee is 16. 68, which implies that when one person increases the audit committee, the bank's performance in terms of dividend yield will increase by 16.68 units. Also, bank size is directly related to a coefficient of 25.62, meaning that if bank size increases by a unit, bank performance will improve by 25.62. Although board size, composition,

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dual chairmanship, and bank age are statistically negligible, they indirectly affect bank performance.

Table 8: Model 3-Regression result on Dividend Yield

DY	Coef.	Std. Err.	z	P>z
BS	-3.004569	4.486727	-0.67	0.503
BC	-10.38364	38.02029	-0.27	0.785
AC	16.68051	8.359765	2.00	0.046
BCD	-1.149253	25.47911	-0.05	0.964
BA	-.225043	.2447184	-0.92	0.358
logBZ	25.61714	15.40837	1.66	0.096
_cons	-597.2229	345.7999	-1.73	0.084
Wald chi2(6)	4.79			
Prob > chi2	0.5716			
Number of obs	36			
R-sq: overall	0.1275			

Source: Field data (2020)

The estimated model is $-597.22 + 25.61\ logBZ - 0.225\ BA - 0.1.149\ BCD\ + 16.68\ A - 10.38\ BC\ - 3.005\ BS$

Discussion of Results

Not only does disclosing compliance with best practices help the stock market (Fernández Rodrguez et al., 2004; Goncharov, Werner, & Zimmermann, (2006) or enhance productivity (Bauwhede, 2009; Mallin and Ow-Yong, 2012), but it also helps the government stay on track (e.g., Akkermans et al., 2007). On this basis, the study’s initial objective was to determine the extent to which commercial banks adhere to the SEC and Bank

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of Ghana's corporate governance rules. The aggregate score for banks was 75.8 percent on average, reflecting a generally high level of compliance. The finding contrasts with Tsamenyi et al. (2007), who found that compliance in Ghana is generally low utilizing 22 listed companies on the Ghana Stock Exchange. Regulatory authorities and the individual banks; hence, compliance to governance codes are expected to improve over time. This is consistent with Arthur's (2015) study, which found that Ghanaian banks progressively adhere to the SEC's corporate governance regulation, putting them better to offer corporate governance procedures.

The report also looked into the banking sector's corporate governance trends. According to a trend analysis of the corporate governance ratings, adherence to corporate governance procedures has risen across the research period. According to Arthur (2012), Ghanaian banks' corporate governance procedures have improved over time, with the average corporate governance score rising from 33.8% to 49.0% in 2012. This study suggests that corporate governance practice has improved tremendously, recording a mean score of 75.8%. This is in line with the findings of Chowdhury (2012), who examined whether the Companies Act of 1994 or other regulations (such as corporate social reporting) were being followed in Bangladesh and found an increasing trend in compliance over time when compared to other studies, such as those of Akhtaruddin (2005).

The study employed a regression model to examine the effect of corporate governance on commercial banks' performance to answer the final research question. The return on assets, return on equity, and dividend yield models found that the corporate governance criteria, except for the audit

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committee, were not statistically linked to bank performance. BZ is the only control variable that has a significant positive correlation with performance.

Smaller boards have no statistically significant impact on performance, according to statistics. The findings back with a 2007 study by Aggarwal, Erel, Stulz, and Williamson (2007) showed no link between board size and business success. This means that the company's board of directors, whether large or little, will impact the company's financial performance. The disagreement of literature as to the ideal board size is an affirmation of this finding. For example, Kajola (2008), Tornyeva and Wereko (2012). A statistically significant positive association was shown between board size and performance by Gokah (2016), demonstrating that larger boards are preferable and can greatly increase company performance. Tornyeva et al. (2012) suggest that larger boards of directors should include people with various experiences, talents, and professional competence, broadening the company's knowledge base and improving decision-making. Other studies (Nanka-Bruce, 2009; Gyakari, 2009) found smaller board sizes appropriate with the view that larger inclined to agency and free-rider problems and tend to bigger financial cost implications consuming more company's assets in the form of allowance and benefits than small boards. From the opposing views, either an ideal or optimal board is yet to be found, or board size as a corporate governance variable is irrelevant to financial performance.

On the variable of board composition, the outcome indicated a negative non-significant association. This result is congruent with numerous studies (Agrawal & Knoeber, 1996; Ezzamel & Watson, 2002; Weir & Laing, 2001; Haniffa & Hudaib, 2006; Gokah, 2016) that have concluded that board

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composition does not affect business performance. According to this research, non-executive directors lack dedication due to personal obligations, which keeps them unaware of company-related difficulties. Non-executive directors are thought to be unfamiliar with their companies' operations (Baysinger & Hoskisson, 1990). The findings suggest that businesses should take realistic methods to ensure the effective contribution of non-executive directors rather than just increasing their numbers.

According to the findings, the result confirms that of Carcello and Neal (2000), Dwumah (2016) and Gokah (2016), which view the monitoring function of audit committees as an assurance for qualitative financial reporting and corporate accountability. The findings of Tornyeva and Wereko (2012) and Klein (2002) indicated that independent audit committee members would ensure transparency and enhance effective monitoring.

The variable under control Bank size has a favorable correlation with ROA, ROE, and DY performance. The conclusion indicates that larger banks are more efficient and innovative and more likely to allocate financial resources to higher financial performance. Owiredu and Kwakye's (2020) investigation corroborates this finding. It does, however, contradict the findings of Christensen et al. (2006), MohdGhazali (2010), and San and Heng (2011), whom all claim that smaller enterprises perform better financially.

Chapter Summary

The chapter looked at the results of the various test of the variables. It also addressed the descriptive statistics, correlation analysis and Regression analysis conducted. The various findings were also discussed.

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter encapsulates the summary of major findings, the conclusions drawn from the study, and recommendations for key policy interventions that will have a favorable effect on commercial banks' corporate governance and performance.

Summary of the Study

One of the key objectives of the research is to determine the impact of corporate governance on the performance of Ghana's commercial banks. In this study, nine commercial banks were selected based on the information included in their annual reports submitted during the research period. During the period 2016-2019, all available information on bank corporate governance and performance was gathered. It was recommended by the Ghana Securities and Exchange Commission (SEC) and the Bank of Ghana that the research make use of a scorecard approach to assess the level of corporate governance at the chosen financial institutions (BoG). The bank's performance was evaluated based on its return on equity, return on assets, and dividend yield, among other metrics.

Summary of Findings

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The investigations discovered the following major findings:

According to the findings of the examination of corporate governance scores, there has been an improvement in the compliance with corporate governance norms in recent years. For 2016, the lowest level of compliance was reported at 30 percent, while the maximum level of compliance was

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recorded at 95 percent during the years 2018 and 2019. The average level of compliance increased from 64.44 percent in 2016 to 75.68 percent in 2019, representing an increase of 11.24 percent. Over the course of the time, there has been an overall rising trend in the level of compliance with corporate governance.

With the use of a random effect panel data estimation regression model, the researchers revealed that the size of the board was adversely but insignificantly related with overall performance. Furthermore, the board's composition, which is vital in establishing the board's independence, was shown to be statistically insignificant.

Additionally, the duality of the board chairman was not shown to be substantially associated to performance. Statistically significant relationships were found between the audit committee variable and performance in all three models tested. When it comes to the control variables, it was observed that the size of the bank was highly related to performance. The age of a bank was not shown to be statistically significant in terms of its performance.

Conclusions

The study concludes that banks in Ghana are gradually adhering to the SEC's corporate governance code, resulting in improved corporate governance standards. Furthermore, the study found that board size, composition, and chairmanship are not statistically significant determinants of bank success. The audit committee, like the bank's size, is statistically significant and positively related to performance. The study concludes that when it comes to bank performance, corporate governance is important.

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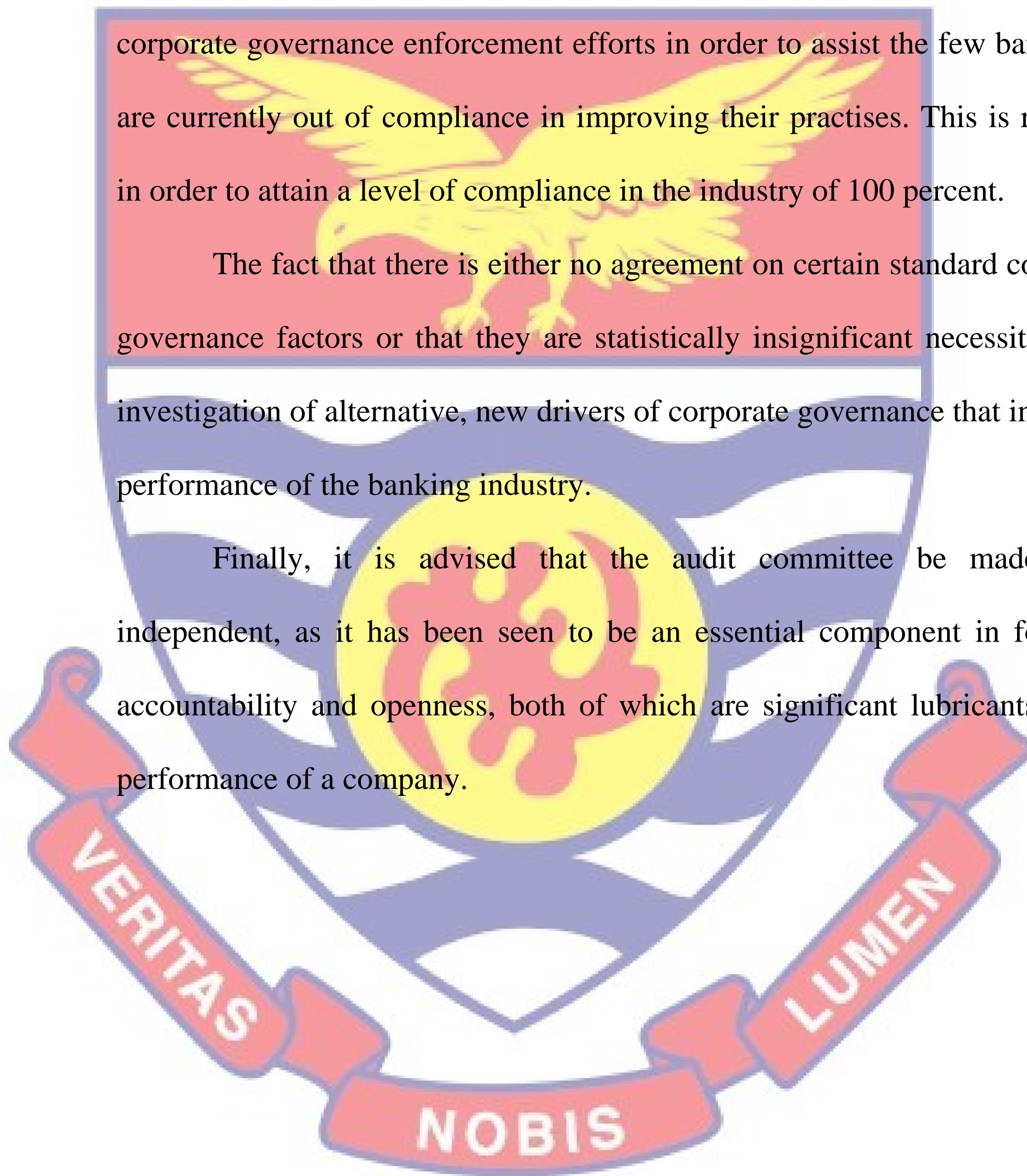
Recommendations

in accordance with the results and subsequent conclusions, the following recommendations are mentioned:

Following the report's recommendations, the Bank of Ghana and the Ghana Securities and Exchange Commission should sustain their current corporate governance enforcement efforts in order to assist the few banks that are currently out of compliance in improving their practises. This is required in order to attain a level of compliance in the industry of 100 percent.

The fact that there is either no agreement on certain standard corporate governance factors or that they are statistically insignificant necessitates the investigation of alternative, new drivers of corporate governance that influence performance of the banking industry.

Finally, it is advised that the audit committee be made more independent, as it has been seen to be an essential component in fostering accountability and openness, both of which are significant lubricants in the performance of a company.



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APPENDICES

APPENDIX A

Questionnaire used for Corporate Governance Scorecard

Pn	Corporate Governance Question	Ref Code	No.in
1	Is the size of the Board 8 or more?	6	
2	Are procedures for appointments to the board formal and transparent?	7	
3	Are shareholders furnished with biographical details of all new directors?	8	
4	Do different people hold the position of chairman and CEO?	14	
5	Is the frequency of board meetings disclosed?	19(a)	
6	Is the attendance of meetings by members of the committees and individual directors disclosed?	20	
7	Is there a balance between executive directors and NEDs? (Balance means NEDs form between 40 80%)	21	
8	Do independent NEDs comprise at least a third of the board or a minimum of 2?	21	
9	Are board meetings held regularly? (Regular will be at least 6 times in a year)	34	
10	Are terms of reference of committees clearly spelled out?	44	
11	Are committees and membership of each committee disclosed in the annual reports?	45	
12	Is there an Audit Committee?	46	
13	Is the majority of the audit committee composed of NEDs?	47	
14	Do most of the audit committee members have a finance/accounting background or knowledge?	48	
15	Is the chairman of the audit committee a NED?	49	
16	16 Does the audit committee perform an annual review of the company's internal controls and report on the same in the annual report?	55	
17	Does the company have a remunerations committee?	56	
18	Are the majority of the Remunerations Committee composed of NEDs?	57	
19	Is the remunerations policy and report disclosed in the annual report?	60	
20	Do reports to shareholders include non-financial information such as employment, environmental issues, social responsibility	75and76	

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APPENDIX B

Corporate Governance Score Card for 2016 to 2019

Qs No	STANDARD				FIDELITY				REPUBLIC				ZENITH				SG			
YEAR	16	17	18	19	16	17	18	19	16	17	18	19	16	17	18	19	16	17	18	19
1	1	1	1	1	0	1	1	0	1	1	1	1	0	0	1	1	1	1	1	1
2	0	0	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	1	1	1	1	0	1	1	0	0	0	0	1	0	0	0	0	1	1	1	1
4	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
5	1	1	1	1	0	0	1	1	1	1	1	1	1	1	1	1	0	0	0	0
6	1	1	1	1	0	0	1	1	0	0	1	1	0	0	1	1	0	0	0	0
7	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
8	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0
9	1	1	1	1	0	0	1	1	1	1	1	1	1	1	1	1	0	0	0	0
10	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
11	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
12	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
13	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
14	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
15	1	1	1	1	1	1	1	1	1	1	1	1	0	0	1	1	1	1	1	1
16	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
17	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
18	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
19	0	0	0	0	1	1	1	1	0	0	0	1	0	0	0	0	0	0	0	0

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20	1	1	1	1	0	0	1	1	1	1	1	1	0	0	0	0	0	0	0	0
Qs No	Access				ADB				GCB				ECOBANK							
YEAR	16	17	18	19	16	17	18	19	16	17	18	19	16	17	18	19				
1	1	1	1	0	1	1	1	1	1	1	1	1	1	1	1	1				
2	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	0				
3	1	1	1	1	1	1	1	1	1	1	1	1	0	0	1	1				
4	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1				
5	0	1	1	1	1	1	1	1	0	1	1	1	1	1	1	1				
6	0	1	1	1	0	0	1	1	0	0	0	1	0	0	1	1				
7	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1				
8	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1				
9	0	1	0	1	1	1	1	1	0	1	1	1	0	0	1	1				
10	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1				
11	0	1	1	1	0	1	1	1	0	1	1	1	1	1	1	1				
12	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1				
13	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1				
14	0	0	0	0	1	1	1	1	0	0	0	1	1	1	1	1				
15	0	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1				
16	0	1	0	1	1	1	1	1	1	1	1	1	1	1	1	1				
17	0	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0				
18	0	0	1	1	1	1	1	1	1	1	1	1	0	0	0	0				
19	0	0	0	0	0	0	0	0	0	1	1	0	0	0	0	0				
20	1	1	1	1	0	0	0	1	0	0	1	1	1	1	1	1				

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APPENDIX C

Highlights of Financial Performance of Banks for the Period 2016 to 2019

Bank	Variable	2016	2017	2018	2019
ADB	Profit after tax	(70,026,000)	26,510,000	5,908,000	14,823,000
	Shareholder's fund	454,778,000	479,013,000	639,711,000	793,384,000
	Total Assets	3,035,493,000	3,545,143,000	3,597,395,000	4,577,659,000
	Returns on equity	(18)	6	0.92	1.87
	Returns on assets	(3)	1	0.16	0.32
	Earnings per share	(166)	11	3	6
Republic Bank	Profit after tax	(38,606,000)	36,923,000	37,440,000	62,557,000
	Shareholder's fund	141,149,000	226,195,000	497,709,000	556,610,000

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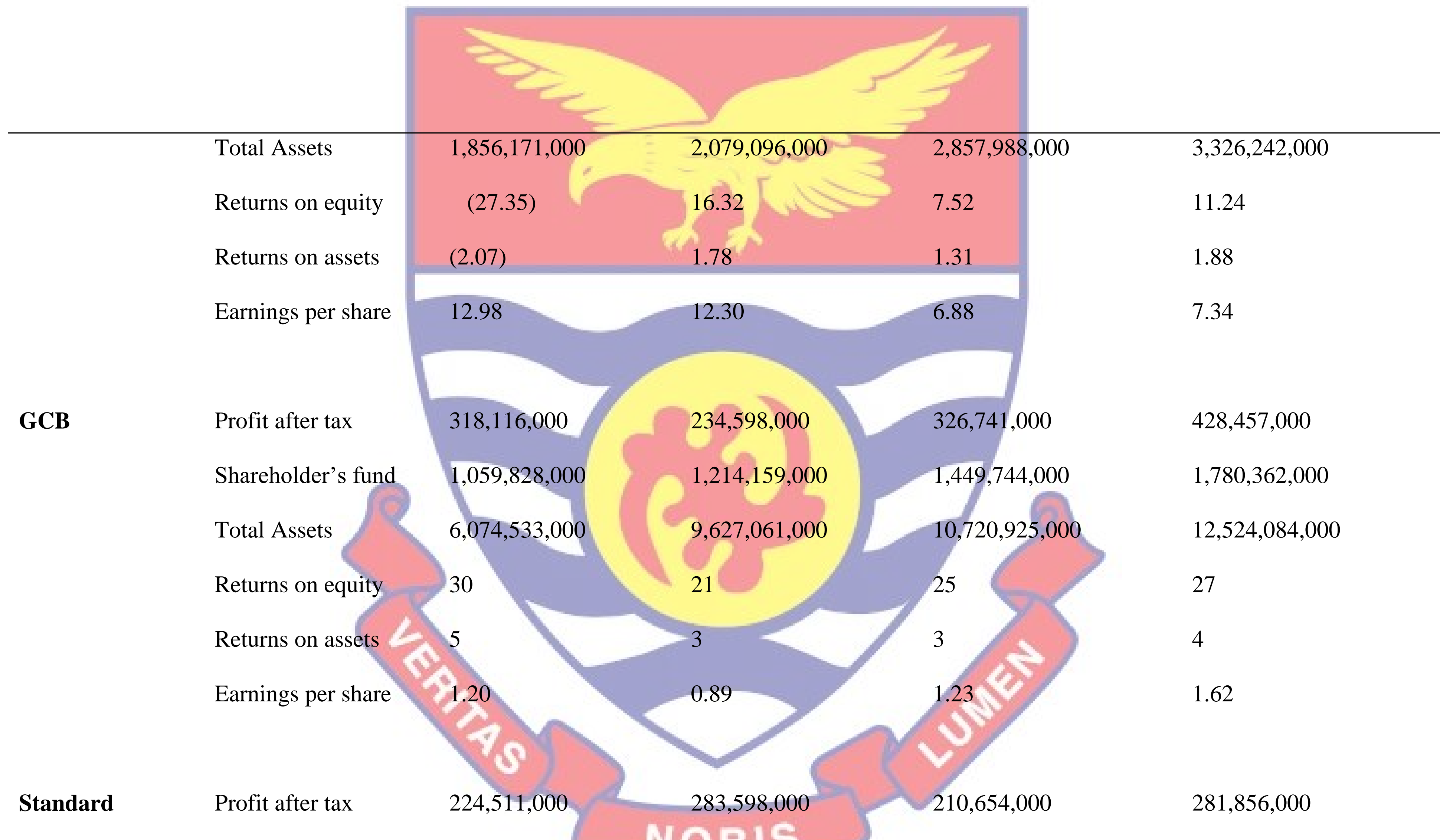

	Total Assets	1,856,171,000	2,079,096,000	2,857,988,000	3,326,242,000
	Returns on equity	(27.35)	16.32	7.52	11.24
	Returns on assets	(2.07)	1.78	1.31	1.88
	Earnings per share	12.98	12.30	6.88	7.34
GCB	Profit after tax	318,116,000	234,598,000	326,741,000	428,457,000
	Shareholder's fund	1,059,828,000	1,214,159,000	1,449,744,000	1,780,362,000
	Total Assets	6,074,533,000	9,627,061,000	10,720,925,000	12,524,084,000
	Returns on equity	30	21	25	27
	Returns on assets	5	3	3	4
	Earnings per share	1.20	0.89	1.23	1.62
Standard	Profit after tax	224,511,000	283,598,000	210,654,000	281,856,000

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Chartered Bank					
	Shareholder's fund	765,216,000	920,756,000	1,047,819,000	1,166,860,000
	Total Assets	4,373,564,000	4,776,984,000	5,961,495,000	7,618,622,000
	Returns on equity	34.00	32.30	21.00	25.50
	Returns on assets	5.13	5.94	3.53	3.70
	Earnings per share	1.92	2.44	1.54	2.08
Societe Generale	Profit after tax	63,899,855	90,507,504	61,972,285	128,542,186
	Shareholder's fund	332,555,424	518,853,023	701,784,900	801,961,431
	Total Assets	2,448,836,201	2,789,742,286	3,431,356,392	4,443,909,209
	Returns on equity	19.21	17.44	8.83	16.03
	Returns on assets	2.61	3.24	1.81	2.89
	Earnings per share	0.17	0.21	0.11	0.18

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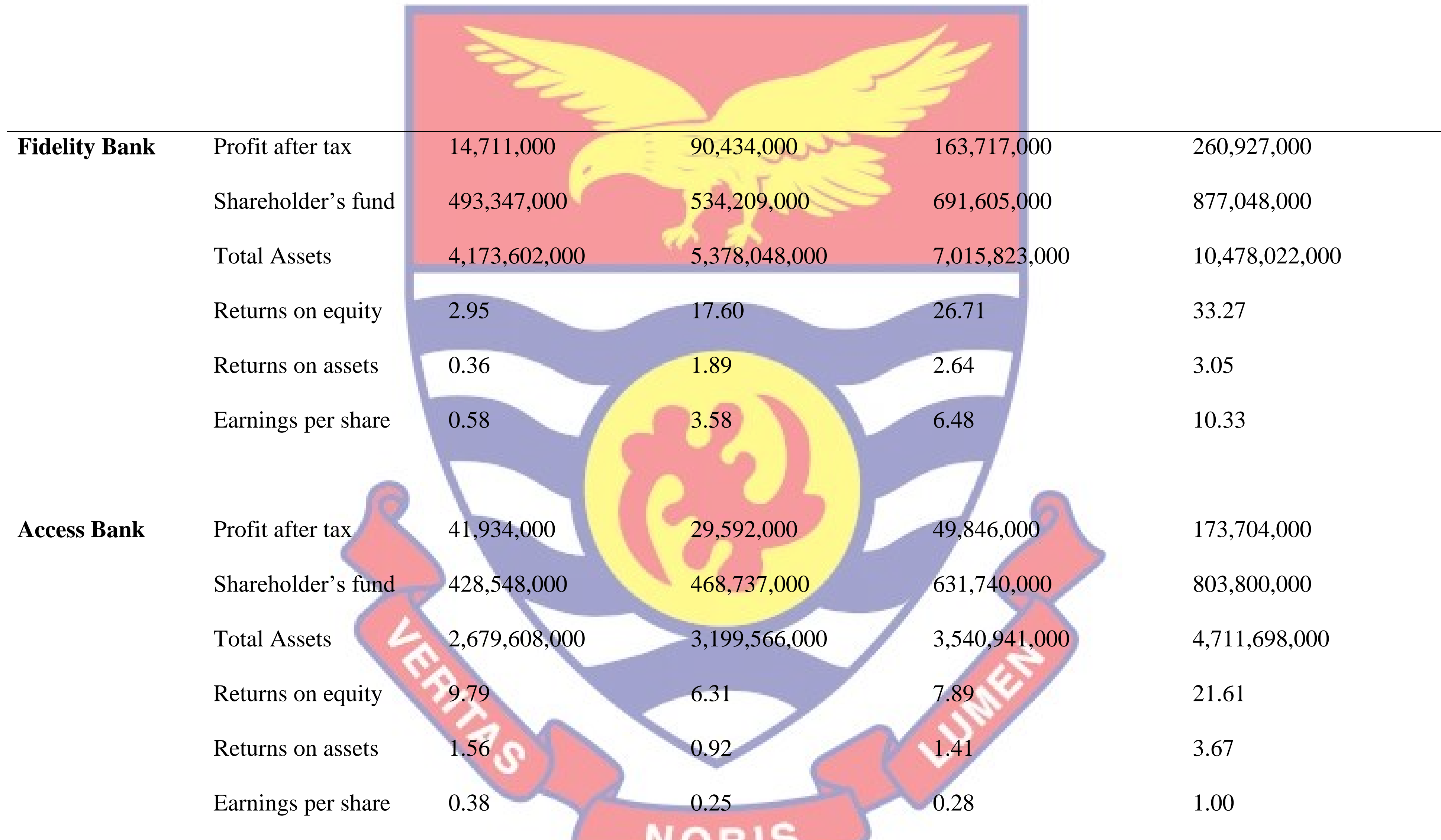

Fidelity Bank	Profit after tax	14,711,000	90,434,000	163,717,000	260,927,000
	Shareholder's fund	493,347,000	534,209,000	691,605,000	877,048,000
	Total Assets	4,173,602,000	5,378,048,000	7,015,823,000	10,478,022,000
	Returns on equity	2.95	17.60	26.71	33.27
	Returns on assets	0.36	1.89	2.64	3.05
	Earnings per share	0.58	3.58	6.48	10.33
Access Bank	Profit after tax	41,934,000	29,592,000	49,846,000	173,704,000
	Shareholder's fund	428,548,000	468,737,000	631,740,000	803,800,000
	Total Assets	2,679,608,000	3,199,566,000	3,540,941,000	4,711,698,000
	Returns on equity	9.79	6.31	7.89	21.61
	Returns on assets	1.56	0.92	1.41	3.67
	Earnings per share	0.38	0.25	0.28	1.00

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Ecobank	Profit after tax	325,594	255,384	337,590	441,947
	Shareholder's fund	952,208	1,026,798	1,313,814	1,765,896
	Total Assets	8,025,510	9,098,692	10,457,596	13,197,574
	Returns on equity	36	26	30	25
	Returns on assets	4.5	3.0	3.6	3.4
	Earnings per share	1.11	0.87	1.09	1.40

Source: Field data (2020)

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