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The Effect of Corporate Governance on The Performance of Financial Institutions. Evidence from Banks in Ghana

By

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MASTER OF SCIENCE IN INDUSTRIAL FINANCE AND INVESTMENT

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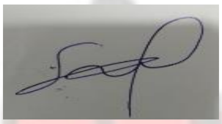
DECLARATION

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

Ebenezer Gregory Adjabasah Tawiah  15th March 2021

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Director, IDL Signature Date

DEDICATION

This thesis is lovingly dedicated to my uncle, Bernard Atter Annor, and my father, Ebenezer Tawiah who lived in peace until death parted them. Their love for each other, despite their conflicting beliefs, inspired me. Also, to my uncle who helped me through my university education, Dr. Bernard Narh Nuertey, you gave me a sustainable future.

And to my three lovely sibblings Abraham Tawiah, Samuel Tawiah and Hogbayoo Mamle Gifty Tawiah, I am proud of you.

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ABSTRACT

The study is conducted to examine the effect of corporate governance on the performance of banks in Ghana. The objectives of the study are to examine the relationship between corporate governance mechanisms and the performance of banks in Ghana, determine the effect of corporate governance on the performance of banks in Ghana and identify extent of transparency and disclosure of information. Panel data was obtained from the annual reports of 17 out of the 23 universal banks in Ghana for a period of five years. The data was collected on the return on assets, return on equity, the size of the board, the number of independent directors on the board, the size of the audit committee, the number of executive directors on the board and the size of universal banks in Ghana. The data was entered into Microsoft Excel and transferred to SPSS and Eviews for analysis. The findings of the study reveal that the size of the board of directors has a positive and significant effect on the return on equity of universal banks in Ghana. The number of independent directors has also been demonstrated to have a positive and significant impact on the return on equity of universal banks in Ghana. However, the number of executive directors has a negative and significant effect on the return on equity of universal banks in Ghana. In relation to the return on assets of universal banks in Ghana, all the corporate governance mechanisms had an insignificant effect on the return on assets of universal banks in Ghana. It is recommended that banks in Ghana should reduce the number of executive directors they have on their boards and increase the number of independent directors on their boards.

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LIST OF ABBREVIATIONS

NPAT	Net Profit After Tax
ROE	Return on Equity
ROA	Return on Assets
CEO	Chief Executive Officer
AC	Audit Committee
CG	Corporate Governance
SPSS	Statistical Package for Social Sciences
BOD	Board of Directors
SEC	Securities and Exchange Commission
DMB	Deposit Money Banks
CBN	Central Bank of Nigeria
NSE	Nigeria Stock Exchange
NPL	Net Profit and Loss
NIM	Net Interest Margin
GCGI	Ghanaian Corporate Governance Index
GMM	Generalised Method of Moments
OECD	Organization for Economic Cooperation and Development

CHAPTER ONE

INTRODUCTION

1.1 Background of the Research

Corporate Governance in Ghana (CG) has highly been recognized in acknowledgement owing to actions from persons and groups with legitimate interest, in collaboration with other organizations representing the Commonwealth Association of Corporate Governance, to introduce Corporate Governance in Ghana (Appiah, Awunyo-Vitor, and Awuah-Nyarko, 2017). Corporate governance has received a remarkable focus in the emerging world in recent times (Tsamenyi, Enninful-Adu, & Onumah, 2007). And in order to develop Corporate Governance in the emerging countries, Reed (2002) employed several measures that need to be taken. First, Equity must be employed instead of debt for growth. Also, the overall Investor assurance and reassurance must be encouraged in the form of governance issues such as improved transparency and shareholder rights. Furthermore, the capital market structures comprising listing necessities and banking reforms must be reinforced. Finally, the competition strategies must be in effective and continuous use in order for domestic firm's performance to rise.

In the past, corporate governance deficiencies were blamed for the demise of high-performing companies such as Enron, Xerox, Parmalat, and WorldCom (Badele and Fundeanu, 2014). Since the global credit crisis of 2008, which resulted in bank defaults and global economic crises, agency problem have gotten a lot of coverage. Since then, a number of international organizations have urged states, regulators, and businesses to investigate the issue further and take constructive action to enforce proper corporate governance procedures (Helena and MacCarthy, 2019). Commercial banks' output has remained weak, with significant disparities in service delivery to private agents, despite financial sector reforms in Africa since the 1990s aimed at improving profitability, production, and competitiveness (Munyambonera, 2013). At the end of 2005, the net interest margin (NIM) had fallen from 9.6% to 6.5 percent. The profitability ratios of DMBs, as measured by return on assets (ROA), return on earning assets (ROEA), and return on equity (ROE), had been steadily decreasing since 2007 (Nkebe and Ustarz, 2015). However, in recent years, the banking industry has remained liquid, solvent, and profitable for a long time (BoG, 2012).

Many contributions have been made, and several actions taken to ensure effective corporate governance. Institute of Directors where formed, and the National Accounting Standards was also established. Also, looking at ensuring an effective Corporate Governance, the Ghana Securities and Exchange Commission formed a Corporate Governance Code of Best Practice which companies refer to as a standard for assessing actions. Economic institutions such as banks have special interest in Corporate Governance. These banks have been classified into a distinct agency hitches which are comparatively managed as other non-regulated businesses. The agency hitches are generated due to the no uniformity of predominant information among investors at the investment sector (Hajer & Anis, 2018). In order to ensure steadiness in management behavior as relating to investors preferences, introducing shareholder concern, as well as implementation of parallel management style is crucial. This is because the absence of such alignment will lead to crooked investors and managers' inclination in terms of risk-taking. From this, Moussa (2019) affirmed that Corporate Governance responsibly achieves the organization hitches resulting from the parting of possession and Control.

Corporate governance helps in making effectiveness checking and efficiency of business control simple (Goel, 2018). Corporate governance activity also recognizes director's roles and that of auditors on shareholders and other stakeholders. The general idea of Corporate Governance is deemed to have reveal ways in which money supplies to corporations guarantees a return on them as investments (Shleifer and Vishny, 1997). Companies that practise corporate governance gain assurance mainly in terms of profit on investment boosts. This serves a great advantage to stockholders.

Corporate governance is a collection of relationships that exist between the management of a corporation, the board, investors and its stakeholders (Maier, 2005). A good Corporate Governance was explained by Organization for Economic Cooperation and Development (1999) to be one that ensures that corporations act by taking into account the eases of a wide range of constituencies, the eases of communities within which they operate, and in making sure their board is answerable to the management and investors of the company.

Magdi and Nadereh (2002) were also of the view that Corporate Governance terms are to ensure a smooth running of a business and to also ensure investors receive a fair share of their investment as returns. Other ways, Corporate Governance is considered to be a measure used by businesses in supporting economic agents as a way of motivating them in taking part in the productive processes with an aim of generating organizational surpluses and in setting up a fair disbursement among partners, on an account of contributions made by those partners (Maati, 1999).

One important thing in Corporate Governance is the structure and composition of the board of directors. The board aspect has progressively constituted program reform and investor contribution. The board structure has with features of size, separated positions for president and CEO, proportion assigned to outside directors and institutional stakeholders and also, outside stakeholders on the board have come to be a very significant deliberation in relation to active corporate governance (Sinha, 2006).

1.2 Statement of the Problem

The actions and responses exhibited by stakeholders who endeavor to agree that managers and other insiders implement measures and introduce machines which can protect the interests of the investors influences Corporate Governance (Sanda, Mukaila and Garba, 2005). A good corporate governance is very crucial in the banking industry, the reason being that bank's decision to subject to good practices incorporate governance, lack of active governance results in bank solvency (Marcinkowska, Monika, 2012). It can be concluded that poor governance portrayed by a bank can lead to lost of confidence or trust in the bank to properly run its assets and liabilities which may result in liquidity crisis, which in worst case scenario, can cause social crisis (Cebenoyan & Strahan, 2001). Findings attributed the recent failure of the banks in Ghana to poor bank governance.

The research on the relationship between corporate governance and financial efficiency yields mixed outcomes (Osei et al., 2019). Studies on corporate governance are gradually gaining grounds in emerging countries. The main concern is the intensity of the impact of different dimensions of CG on corporate performance (Farugi et al.,2019). In Ghana for instance, only a few studies have been piloted so far on Corporate Governance in Ghana. These include those of (Abor, 2007; Kyereboah-Coleman, 2007; Kyereboah-Coleman and Biekpe, 2006; Abor and Biekpe, 2005; Appiah, Awunyo-Vitor, and Awuah-Nyarko, 2017). Most researches in Ghana on corporate governanace practices normally focus on firms other than banking or financial institutions (Osei et al., 2019). Nevertheless, it is identified that most of these papers studied corporate governance without necessarily touching on the problem of the level of transparency in the disclosure of information applying to corporate governance practices. Hence, the present study will address this gap by concentrating on these variables in reviewing the effect of corporate governance.

1.3 Research Objectives

1. To determine the relationship between Corporate Governance mechanisms and the performance of banks in Ghana.
2. To determine the effect of Corporate Governance on the performance of banks in Ghana.
3. To identify the extent of transparency and disclosure of information relating to Corporate Governance practices of banks in Ghana.

1.4 Research Questions

1. What is the relationship between Corporate Governance mechanisms and the performance of licensed universal banks in Ghana?
2. What are the effects of corporate governance on the performance of licensed universal banks in Ghana?
3. What are the extents of transparency and disclosure of information pertaining to corporate governance practices of licensed universal banks in Ghana?

1.5 **Significance of the study**

The significance of the study can be understood from two perspectives: academic and social perspective. From the academic point of view, findings and recommendations will help to ascertain the effects of corporate governance on bank performance in an emerging country as Ghana, thereby filling gaps in literature in the problem area. Additionally, the findings would serve as the source for future studies on the subject to enhance the development of the prevailing knowledge. Moreover, it will serve as a basis for other researchers who would embark on future studies on the effects of corporate governance and performances licensed universal bank.

Socially, it will also help go into the challenges faced by banks in embracing good corporate governance practices. It is for this reason that, stakeholders can be in a better position to address such trials which will in the future enhance their productivity and foster national growth and improvement. It will also aid background information for policy makers decision making on problems related to the field of corporate finance and banking performance.

1.6 **Overview of Methodology**

The population of the study included all licensed universal financial institutions to operate by the Bank of Ghana. The study employed a causal research design to achieve the main purpose of this study. A quantitative research technique was included. The illustration involved all licensed universal banks operating in Ghana. The researcher used secondary data for the purpose of this study. Source of data was from the annual reports of licensed universal banks in Ghana. The independent variables for this study were those that measure the financial performance of licensed universal banks in Ghana. These included: Return on Equity and Return on Assets while the dependent variables measured the corporate governance mechanisms which included: audit committee size, CEO duality, risk committee size and board size. Return on equity and Return on Assets were therefore appropriate to measure performance as compared to profit. After a critical review, it was established that this approach was adopted by key papers and as such was adopted in writing the thesis. The researcher analyzed data using SPSS.

1.7 **Scope and delimitation of the Study**

This study was limited to all licensed universal banks in Ghana. For that matter any other financial institutions such as insurance companies, savings and loans companies, microfinance institutions,rural banks, fund managers and pension fund trustees were not included in the study.

1.8 **Organization of the Study**

The researched data was outlined and classified into five general chapters with subsections to the chapters. The first chapter, chapter one's content, was more of introduction section to the other chapters, which went deep into revealing the fundamental idea of a problem under study, statement of the problem, the purpose for the study of the problem, research questions, and the reason for conducting the research as well as the general limit known and agreed upon in conducting research. The next chapter, chapter two pointed out the theoretical framework and the empirical review of the research in which related researches to the study were placed under review as well as a review of some related literatures. Emphasis was laid upon the method employed in chapter 3, thus examination on research design, population, sampling size and procedure, research instruments and the various procedures for data collection. The chapter four comprised of the total results revealed from conducting the research by first discussing and explaining the findings in relation to the research questions and exposing the findings of the research. The last chapter, chapter five, was for the summary section. Sections in the chapter five was presented to briefly summarize all the research findings from the previous chapters talked about in detail and to lay on all the appropriate recommendations that needs mentions.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The chapter will focus more on reviewing most related studies on the topic "the effect of Corporate Governance on the performances of banks". The chapter is structured into three (3) main sections which are the theoretical review, the empirical review and the conceptual framework. The theoretical literature will cover theories such as the agency theory, the stakeholder theory, and the stewardship theory. The empirical review will also discuss work relating to Corporate Governance in the investment sector and then corporate governance in Ghana.

2.2 Theoretical Review

This section will discuss literatures on the main theories that guided the study. These include the agency theory, the stewardship theory and the shareholder Theory.

2.2.1 Agency theory

The theory of agency is basically as a result of economic theory, and as established by Jensen and Mackling (1976) to consider problem of agency as a part of the older problems that persisted at the very time joint stock companies were introduced. Every organization, in one way or another, encounters the agency problem and therefore attracts the need to get it well examined. With time, agency problem has evolved into many forms (Panda & Leepsa, 2017). The general idea on agency theory is centered around either the principal to agent research (thus principal agent problem) or positivist research (thus governance system or mechanisms) as stated by Bendickson, Muldoon & Liguori, & Davis (2016). Governance seeks to control and track the leader's actions by internal processes, according to the organization principle (Ayadi et al., 2019).

Agency theory relies on two aspects of behavioral conventions. It first agrees that people seek to gain the most out of their utility and it also base on the believe that people are most often beneficiaries to contract incompleteness (Zogning, 2017). Agency theory portrays a general idea of a person known to be the principal to task another person, the agent, into performing an action on the principals behave in return for an agreed fee agenda. Due to the involvement of role-playing constituting both monetary and non-monetary gains and events in agency, inducement problems specifically as a result of doubt and misinformation are likely to occur. From the point made, Namazi (2012) asserted that the events of mismatch in the duties performed by both parties are likely to show, and therefore for example actions that can endanger the principal's benefits may be taken by the agent (Namazi, 2012).

The agency theory sets out the meaning of the relationship that exist between principals and managers. Shareholders and agents form firms or organization's controlling committee. The theory spells out available principals, who are owners of the firm, elected by the administrative committee to run an entire activity of a company. The running of the business function is also delegated to the administrative managers and sometimes, the employees. Agent may divert from the duty required of them from their principal or the owner, thus managers may not act as expected and exhibit some bad character towards performance mostly to satisfy their personal interest and put up dishonest behaviors that contradicts with what is expected of him and the principal's goal. Among some of the main reasons agents can be predicted to impound the principals are due to the search for their own status, job security, and compensation. This will then affect the principal expected value. The results of this is the rise of agency problems.

The agency theory emphasizes or is of the view that while both parties maintain a supportive relationship in carrying out an assignment, they could maintain purposes and attitudes diverse from each other (Jensen & Meckling, 1976). The theory assumes that immediately principals delegate power to agents, it often becomes difficult controlling them, because the agents mostly pursue different goals from that of their principals all because agents often have betterr information disposal than their principals (Kivistö & Zalyevska, 2015). The theory further suggests that in the presence of misinformation, the agent then to pursue agenda that are not favor of the principal or shareholder (Muhanguz, 2019).

In agency theory, the assumption that knowledge asymmetry leads to two major issues: adverse selection and moral hazard. Adverse selection occurs when principals fail to properly check the qualifications or talents that an agent appears to have at the time of recruiting, leaving them unable to choose the right candidate or determine whether or not the agent will succeed. Moral hazard, on the other hand, occurs when agents fail to bring forward the necessary effort in the principal's best interests. Since the principals will not be present, knowledge is required to track and calculate the amount of commitment in order to properly compensate them. When agents exert high effort it is necessary they should be rewarded accordingly but in reality, it is otherwise. Agents who rather underperform get bigger or higher reward resulting into big financial losses and agency costs to the institution. Good corporate governance should help check this. This led to the proposal of mechanisms to effectively control managers to act in the full interest of investors. These have been a major concern in the area of corporate governance and finance (Allen and Gale, 2001).

The Agency theory was propounded in US and UK due to their corporate structures characterized by the extensively detached ownership. Developing countries, on the other hand, do not share the same ownership structure. Therefore, concentrating only on agency theory would hinder the understanding of corporate governance practices in this financial prudence (Yusof, 2016).

2.2.2 Stewardship theory

A person is considered to be a steward if he acts to managing something or property with care on behalf of another person or group of persons. Stewards are expected to carry out their duties characterized with a very precise conscientious attention to the directions given them since justification on their job performance will be periodically undertaken by the owners (Menyah, 2013).

The function of a stewardship denies him or her the legal right to owning a property of another in their care. The theory of stewardship was introduced as a normative substitute to the theory of agency. Subramanaian (2018) stated, the executive manager, under the agency theory, far from being an unscrupulous shirker, targets, mainly to executing a good job in order for him or her to be seen as a good steward to be in charge of corporate assets. Stewardship theory also accepts unselfish move by managers to being on top among his colleagues just as that of their principals (Schillemans & Bju rstøm, 2019). A different alternative form for governance research is promised by scholars since the existing concept looks conflicting (Dicke 2002; Dicke and Ott 2002; Van Slyke 2006; Schillemans 2013; Snippert et al. 2015; Boon 2016).

The stewardship theory explains that individuals are willingly motivated by others and organizations in order to accomplish a task assigned them. Stewardship therefore sets to explain the various managerial behaviors in various types of organizations and the cause of inspiration to exhibiting those behaviors (Men yah, 2013).

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behaviors in various types of organizations and the cause of inspiration to exhibiting those behaviors (Men yah, 2013).

The stewardship behavior also analyses and dwells into the ways of ensuring accountability to a delegated task from principal to an agent. According to a theory (Schillemans &Bjurst, 2019) the study moves away from agency theory in its view on the inspirations of agents. According to Madison (2014) the core idea of stewardship is the suggested notion that the principal-steward relationship is related to an optimal. The stewardship theory proposes a positive effect on performance whenever one party willingly accepts to play the role of a steward. This is because both party under normal sense work together to achieving the same goal (Davis et al.1997).

Chrisman et al (2007 showed that stewardship theory also stands to discussing directors' behavior and their role on achieving company's goals. Stewardship Theory is a particular type of agency that operates in the corporate environment, it varies in that it fundamentally holds that agents/directors who serve as agents will not be disturbed by the advancement of their own economic desires, but will want to act in the best interests of their business and will act in a way that contributes to mutual organizational utility rather than self-service (Keay, 2017). The principle of stewardship also refers to the area of corporate governance, which in addition describes and conceptualizes the position and actions of directors, as well as to the question whether it is appropriate for any establishment to be kept accountable to the boards (Keay, 2017).

2.2.3 Stakeholder theory

The Stakeholder theory, a theory closely related with ideas and approach from the original days (Freeman, Phillips &Sisodia, 2018), with its background and early developments aimed at ensuring an operative business strategy and policy. Meanwhile, the main impression to the theory is not just directed at the narrow scientific effort to finding basic causes of an outstanding performance of a particular company as compared to the poor performance of a relative company. It is however directed at the idea of assisting decision makers in making better decisions.

The stakeholder theory has been put in a best fit to suits organization theories framework of organization (Freeman, 1984; Freema and Gilbert, 1988, 1992; Freeman and Reed, 1983; Mitroff, 1983) and business ethics (Carroll, 1989) as an additional stretch, further than the neoclassic theory where the company's goal is noted to be an expansion of profit, which reserves only company's owners as the only investors to the achieved goals (Argandoña, 1998). Stakeholder theorists have mentioned that each company owns obligation not only to their investors but any person or group of which the companies conduct may affect. Also, a better management of company must be ensured in other to secure the best outcome to their investors (Baumfield, 2016)

Harrison, Freeman & Abreu (2015) suggested the stakeholder theory to be held practical because all firms are expected to manage investors, and as to whether they are good or bad in terms of management is a whole new issue to be looked at. Well-treated stakeholders in return shows a positive response such as willingness to share valuable evidence, customers patronize goods and services of the company, financial institutions are confident in the assisting company financially and providing better finance terms, provision of motivations such as tax break from communities, shareholders willingness to purchase more stock and employees giving their all to help the company achieve its objectives. A basic thesis built in relation to stakeholder-based arguments pointing to the way organizations must be run in accordance with the preference of not only their shareholders but their stakeholders as well (Laplume, Sonpar, & Litz, 2008). Issue on corporate governance on stakeholders points to whether stakeholder role and investor role suit best in corporations and society and a matter of which company board should follow in managing the company's affairs (Sun, 2002). Thedominant paradigm of the traditional Anglo-American model of corporate governance revealed people who invest money in any kind of commercial with risk of losing their total investment or a part of it have high opportunity and obligation to govern the particular business they have invested in (Nwanji & Howell, 2007)

2.3 Meaning of Corporate Governance

Theorist who employs agency theory in their study considers corporate governance as a systematic provision on the level of measure of control and as mechanism over actions of agents such as executive and subcontractors. Agency theorist undoubtedly played a key role in enhancing the structure of policy set to strengthened the public reforms, particularly constituting corporation and privatization programs Marie L'Huillier (2014). According to Barrett (2002), this is related to the way organization deal with their stakeholder. Corporate Governance was explained to be a set of relationships between a company's administration, its board of directors, the investors and other stakeholders (Maier, 2005). Magdi and Nadereh (2002) explained corporate governance as a practice of ensuring a well-managed business and a fair return on what is owed to investors. Roy (2016) was also of the view that corporate governance is simply a set of procedures that guarantees outside stakeholders, a fair share on their investment. Corporate governance is the internal system of procedures, people and standards which provides shareholder's necessities as well as those of other stakeholders by governing business activities with the good objectivity, integrity and practicality (O'Donovan, 2003). Corporate Governance has in simple terms be defined as the extent to which companies are run in an open and candid manner (Aggar wal, 2014). Corporate governance also refers to the moral, ethical and legal establishment values that defend investors' interests (Samaduzzaman, Zaman & Quazi, 2015).

Corporate governance is a consolidation of best practices, creation and expansion of wealth, enhanced liability and investor protection according to Sobhy, Amina and Ehab, K. A. Mohamed and Hussain, Mostaq M., (2017). Saidi (2004) also clarified that corporate governance relates to the system by which companies are governed, operated, and added that the responsibility for corporate governance rests with investors, the board directors (BOD) and the administrators. Blair (1995) also offers a related concept of corporate governance as a whole set of cultural, defined and legal provisions that define what public-trade companies can do, who regulates corporations, how control is carried out and how events, risks and returns are allocated.

Corporate governance, according to Clark and Thomas (2000), is a system of procedures, customs, policies, rules, and institutions that influence how a company is governed, administered, or monitored by management. The corporate governance structure, according to (Adebayo, Ibrahim, Yusuf, & Omah, 2014), specifies the allocation of rights and responsibilities among the different investors in the corporation, such as the board of directors, management, shareholders, customers, and employees, among others, and specifically lays out the rules and strategies for making corporate decisions.

The aim of corporate governance is to make operative checking flexible and in monitoring to ensure efficient control of business (Goel, 2018) and (Omwenga, J., 2019). It also enables identification of the existing roles of directors and auditors on investors and other stakeholders. Corporate Governance boosts investors' confidence on company's ability to deliver a sound return on their investment. The structure of corporate governance is considered to be a more or less country-based structure of cultural, legal and organized factors which turns to influence the patterns of effect investors exert on administration decision making by (Al-Baidhani & Ahmed, 2015). Basically, there seems to be a link between the approach of governance and the performance of organizations, meaning that the way a corporation is directed, organized and organized has some effects on the result the organization realizes in terms of its performance (Denis and McConnell 2003).

2.4 Corporate Governance in the Banking Sector

Banks are regulated and highly leveraged relative to other firms, and thus bank governance requires careful treatment (Adams and Mehran, 2003) and (SUMANI, S. and ROZIQ, A., 2020). The ideal nature of the system of bank governance is very multifaceted and significant compared to uncontrolled non-financial organizations. When a bank refuses to adopt proper corporate governance standards and lacks appropriate governance, these most significant intrinsic factors can jeopardize the solvency of the bank (Marcinkowska, 2012). Subsequently, all economic areas can be vividly affected by disorders in the banking industry, this is because banks are the financial intermediaries attracting citizens' savings in the form of deposits; offering array means of payment for services and goods and supporting the improvement of businesses.

In the sense of the importance of banks for the correct operation of economic activities, particular attention is given to achieving the stability of the banking system. A key role in ensuring the stability of the banks is performed by corporate governance (CG) as reported by Dedu & Chitan (2013). The agency difficulty in the banking sectorr differs from the agency problem in other sectors. For most investors (including depositors), the principal concern is reducing risk. Conversely, investors are perhaps willing to accept further risk that they can spread away. Felício, Rodrigues, Grove & Griner (2018). This implies that banks are separate because their managers have a fiduciary responsibility to (more risk-averse) creditors as well (more risk prone) shareholders and therefore a solution to the "principal-agent problem" directed at optimizing shareholder value is not sufficient (Mullineu x, 2006).

In recent economic sector where the rivalry is at its highest levels, banks are obligatory to make the most operative use of their possessions. Sobhy, Amina and Ehab, K. A. Mohamed and Hussain, Mostaq M., 2017). This compels the bank managers and decision makers in banking sector to relate their bank's activities to other competing banks' activities (Dogan, 2013). Depositor security tends to minimize the risk of universal crises, but at the expense of increasing moral hazard and adverse selection; forcing the government to protect tax payers from excessive risk-taking abuse by banks. The Good Directive, which seeks to limit excessive risk-taking, thus becomes a basis for the good governance of banks. This dispute can be generalized to other financial institutions, given their fiduciary responsibility to both retail savers and investors, Mullneu x (2006).

2.5 Corporate Governance Mechanisms

Corporate governance is a set of inside and outside mechanisms that define how and by whom the organizations are governed, and how a proper receptiveness and information exposé to beneficiaries should be. Zolfaghar Arani, (2016). Corporate governance mechanisms include combined system of administration that ensures and continuous a comprehensive device of monitoring the affairs of corporate entity through introducing procedures, rules and guideline that enhance value formation Kabir (2019). Several studies as discovered have shown that there are many factors or variables that may establish the measuring rod through which corporate governance can be unstated in an institute. Some of these mechanisms are discussed below:

2.5.1 Size of board of directors

The board of directors plays a very vital role in the execution of operative or good corporate governance measures. They are usually very familiar and knowledgeable in specific industries and monitor the top managers, take remedial actions, replace poor performing managers and decide managers' reimbursement (Gokah, 2016).

2.5.2 Board composition

In order for company's goal to be achieved, a composition of a very operative board with the appropriate directors is very keen (Al-Matari et al., 2012). Those companies' activities can directly be influenced by the board structure (Klein, 1998). The board structure mentioned earlier can be defined as the percentage portions of the inner and outer directors (internal and external) who serve on the board. The board of directors constitutes both the executive and non-executive directors. The executive ones is referred to as dependent directors while self-governing or independent directors are also termed the non-executive directors (Ali Shah, Butt & Hassan, 2009)

The non-executive directors who offer checks and balances in order to protect the interest of their investors and that of inside directors who carry on in the day-to-day administration of a company (Petrovic, 2008). In similar context, Forker (1992) argued that including non-executive board enhances the financial disclosure quality and lessens holding information. John and Senbert (1998) made a suggestion that a more independent board is the one with more number of non-executive directors as compared to executive ones. Forker (1992) furtherly explained that executive directors have familiarize themselves with the activities of the organization and could therefore be in a better position to direct and control top administration especially if they perceive the opportunity to be promoted to positions occupied by ineffectual executives.

Young (2003) also indicated that director independence from a firm or its CEO is naturally pleasing since such director will find it non-executive directors, according to Fama (980), could act as “professional referees” to see to it that competition among executive directors excites actions consistent with investor value expansion.

2.5.3 Audit committee

The audit committee’s operative mechanism is employed to solving the parting of corporate possession andregulator results in agency conflict problems. According to Kajola, the audit committee shall form a sub-committee of the board of the company (2008). The establishment of the audit committee has been the most powerful tool for corporate governance with the goal of enhancing the reputation and quality of the firm's financial information and increasing public assurance in the financial statements (Torn Yeva & Wireko, 2012).

And according to Garcia-Meca and Sanchez-Ballesta (2009) a self-regulating audit committee could work on quality enhancement and trustworthiness of financial reporting. Audit committee is one of the committees in a firm to have had the ‘check and balance’ ability and an oversight to a larger extent even over management mainly responsible and direct partakers of groundwork preparation of the financial statements. A committee must constitute only non-executive directors with membership size of not up to three members in order carry on smooth and impartial auditing committee.

The audit commit has a specific role on acting dependently with zero interruptions from executive which yields a proper guarantee of a protected interest and benefits of the shareholders in terms of financial reporting and internal control.

2.5.4 CEO duality

The term CEO duality is named after a situation where by the two highest successive position in a firm is possessed by a single person. Thus, one person holding board chairperson position is at the same time, the CEO. Brickley et al. (1997) suggested that this situation can result in a conflicting problem of interest and higher cost of work. Kajola (2008) also asserted a probable increase in agency problem that can summersault from this situation. Investors interest may be jeopardized when the two most powerful roles in a firm are assigned to one person. Tornyeva and Wereko (2012), further showcase that these positions are the two most powerful position in the corporation, hence, directing them in the hands of one person will often lead to choices that would not promote the interest of the investors.

Lack of individuality in the context of leadership arrangement is a sign that the board chairman position is assigned to different persons (Jensen, 1993). Liang and Li (1999) revealed that there is no positive relationship between separation of the position of CEO and board chairman with corporate performance, therefore the evidence shows a mixed CEO duality. However, Rechner and Dalton (1991) have attempted to show a positive connection between merging the two positions due to their rapidity in decision-making and the potential to reduce excessive red tape and, ultimately, better financial results. In comparison to this, Sandra et al. (2005) observed a strong link in the differentiation of the two positions. However, Daily and Dalton (1992) were unable to infer any substantial association between CEO duality and corporate results.

2.5.5 Block Ownership

An increasingly convincing form of corporate governance is firm ownership (Connell y, Hoskisson, Tihanyi, & Certo, 2010). In deciding the degree to which the interests of owners and managers are related, ownership structures play a central role (Dalton et al., 2003). Block holder refers to owners of a large number of shares or bonds of a corporation who are able to impact the decisions of the board according to the voting rights given to them (Wepukhulu, 2016). Blockholders are identified by the Securities and Exchange Commission (SEC) as any stockholder with more than 5% of the company's equity stake. Chen (2001), also suggests that another type of corporate governance mechanism can be created by the participation of large investors. Shleifer and Vishny (1986), hypothetically, argue that in companies, larger investors will play an important role. Berle and Means (1932) were of the opinion that there was a favorable connection between block possession and firm results. A large shareholding will give the big investor the opportunity to collect data and track the administration, thus avoiding the outdated free rider issue (Grossman and Hart, 1980).

2.6 Empirical Review

2.6.1 Corporate governance in the banking sector

Raheja (2005) and Adams & Ferriera (2007) in their study to reveal the basic obligations of the board of directors came up with the counselling function and monitoring function to be the most important obligation of the board. Therefore, when it comes to an act of encouraging a harmonized interest between managers and investors, the board of directors play the most important role in ensuring that it is fulfilled (Sanda, Garba & Mikailu, 2011).

The size of the board of directors of a firm has a great impact on the firm's performance. A small board size was acknowledged to possibly stipulate serious, intellectual, and genuine participation and discussions among members, leading to operative corporate decision-making which further goes on to checking and enhanced performance (Lawal, 2012). A too big board size is known to be less operative in practical discussion of major issues among directors when practicing their supervision function on management. However, difficulty in identifying a perfect board size is a very crucial issue since too much factors are considered and taken in the director-appointment activity.

Lipton and Lorsch (1992) claimed a small board size consisting 8 to 9 directors should be optimal for coordination and communication purposes since difficulty for a director in a more than 10-member board to express his or her ideas and opinion may persist. However, larger board yields the kind of advantage that spread expert advice and opinions across in a meeting, as compared to a small board (Dalton and Dalton, 2005). A bigger size of board of directors is also anticipated to strengthen the board in terms of experience and expertise, gender and nationality. Nevertheless, Jensen (1993) and Lipton and Lorsch (1992) shared their disapproval with the formally stated theory and proposed that larger boards would be less operational and easier for senior executives to manage

A study purported to examine the various factors of governance and how it influences risk level was employed. The study was conducted on ten banks in Tunisia for eight years period. Questions were laid down and used as guide in conducting experiment to examine the internal system of governance, which is expected at reducing financial risks. A single calculation model thus use of variables which falls under governance and credit risk which supports their estimation was employed in order to mark the impact on banking financials. They study revealed a kind of result that proved internal system of governance to causing separating effects on the credit risk of the banks in Tunisia. It should also be noted that, a good process and model for banking put together to make application work is key.

Another study was conducted by Abdulazeez, Ndibe and Mercy (2016) in Nigeria to examine how corporate governance has influenced the financial performance of every listed money deposit banks. The study was conducted for a period of seven (7) years after consolidation. Data for the research was referred to have been collected from the annual report books of account of those selected banks. Correlation formula (Pearson correlation) was employed for the Multico linearity test and further refined with VIF test. Regression analysis was used for the data analysis which revealed that, the larger the size of a board, the better the performance of money deposit banks in Nigeria. The Code of Corporate Governance reserve the maximum limit of board size that a bank can operate with, and the study highlighted on taking the code in relation to the board size into account.

Okereke, Abu & Anyanwu (2011) also conducted a study on corporate governance. They wanted to reveal the significance of the practices of corporate governance on Deposit Money Banks in relation to their financial performances. In support of this study, questionnaire was conducted on managers in charge of corporate affairs from twenty-four (24) different deposit money banks and data were taken out of the action. Other information from the study were sourced from annual report and financial statements of the Central Bank of Nigeria (CBN) and also from Nigeria Stock Exchange (NSE) fact books. The collected data was grouped and scrutinized quantitatively and the theories tested (test was conducted with Statistical Package for Social Sciences/ SPSS). The regression analysis employed for the data analysis showed that corporate governance correlate with bank performance. A suggestion also made from the study required that the regulatory standards together with DMBs should be used in modelling the various bank roles and, they should both be made to function in all areas of variables relating to corporate governance as it may be of use to the banking industry. Only this way can the planning of an ideal system of governance for the DMBs in Nigeria and beyond be assured.

From empirical perspective, we will then consider Hajer & Anis (2016), their study on the impact of governance, through some interior systems, on banks in emerging country's bank. Kolsi and Ghorbel (2011) also had their say, that the consequence of governance resulting from financial and stock market performance remains unknown. Adjaoud et al. (Journal compilation 15, 2007) also retrieved no response on the financial and stock market, this was as result of the lack of association between measures of governance and traditional performance. A conclusion can be deduced owing to another experimental analysis carried on, with a sample size of eight (8) commercial banks from Tunisia which were listed on the stock exchange over the period of 2000-2011. It can be concluded that no average governance arrangement existed and that its of much importance for each bank to patronize the smooth governance arrangement in order to improve the financial market's performance in general, and specifically, the banking market. This central hypothesis in the Tunisian context confirmation is primarily the fundamental driving force of this study. It is based on this reason, that the results achieved went on to inspire the issue of fluctuating influence on some government variables which resulted from the performance measurement chosen, a deserted theme in the Tunisian context.

Before, during, and after the financial crisis, Orazalin and Mohammed (2019) looked into the impact of various corporate governance (CG) activities on bank results. The study looked at data from all commercial banks listed on the Kazakhstan Stock Exchange for the pre-economic crisis, during crisis, and post-crisis times. The panel regression model is used in this analysis to monitor unobserved time-constant heterogeneity. Since the financial crisis, better CG practices contributed to improved bank operating efficiency, according to the study. Over time, improvements in CG codes, board structures, disclosure requirements, and board member competencies had a substantial impact on CG procedures and, as a result, increased bank operating performance.

2.6.2 Studies on corporate governance in the banking sector in Ghana

Appiah, Vitor & Nyarko (2017) used secondary data collected over primary one in specifically studying relationship between board structure and performance indicators. The secondary data was sourced from sixty (60) firm-year observation, with seven (7) listed banks used as sample size for the study, in the periods of 2004 to 2012. The study employed least squares regression of pooled cross-section approach in determining the impact corporate banking variables imposes on the selected bank's financial performance. The study successfully revealed an adverse statistical relationship in association, between the board structure and the performance indicators, where aside return on equity of the banks, the tenancy of CEO is completely associated with performance indicators of the banks. A policy that will enable an outlined size of outside directors on their boards mainly to make greater, the maximum advantage the practice of good corporate governance can offer.

Dwumah (2017) dwelled into the banking institution's nature of board arrangement for the period under scrutiny. A sample size of five (5) out of a total number of twenty-eight(28) banks listed on the Ghana Stock Exchange, the only available source of data at the time, were chosen from the periods of 2010-2014 . For secondary data, record on meeting frequency, the audit committee, board composition and records of the skills of management were retrieved from the annual report of firms and also the Ghana Stock Exchange facts records. The fixed effect regression method approach was employed in scrutinizing corporate governance influences on banking performance.

Simpson (2016) performed a study to assess if there is a clear association between corporate governance and the success of listed companies on the Ghana Stock Exchange. The solution was to create a corporate governance index, from 0 to 100, using the six OECD Corporate

Governance Concepts as independent sub-variables for a thirty (30) out of thirty-six (36) selected companies, basically considering investigation responses and secondary data, a very important tool. The regression-correlation analysis was used in detecting the key factor of the corporate governance to dissecting performance of listed companies on the Ghana Stock Exchange. The research demonstrates yet another clear positive association between the overall corporate governance index and the firm output measured in Return on Assets (ROA), Return on Equity (ROE) and Tobin's Q, which were rigorous with the related results of the regression analysis. However, all six of the OECD Corporate Governance Concepts formed an index, each of which showed a clear positive association with the three performance parameters. In addition, the analysis attempted to expose the existence of any likely partnership between Ghana's corporate governance system and the OECD corporate governance principles. The results showed a clear and dependent relation between the two frameworks through the use of control variables that had not previously been used in other studies. Joint control variables positively interlinked with output variables that have been shown to be statistically relevant.

The subject on corporate governance and risk management was taken and researched into by Perl-Kumah, Sare and Bawuah (2014). They realized a positive connection that existed between risk management practices and risk comprehensiveness, in addition to risk identification and risk monitoring and control, whiles measures, taken on the study of selected banks' risk management practices, positively correlated with valuation of risk and analysis. It was discovered that almost all the banks chosen for the study had it in mind that the board of directors are not directly responsible for risk management and that senior administration and risk possessors alone are openly liable for risk management. Also, from the study, it was made clear that the board do not bear the burden of direct duty for risk management, rather its governance activities contribute expressively to operating risk management.

A study was conducted by Dedzo (2015) to focus on the various compositions of the board of directors and the effects it inferred on service delivery ability and business performance in the Ghanaian banking industry. Dedzo (2015) adopted a cross-sectional panel survey in creating a sample size of fourteen banking businesses over the period of 2008 and 2013. Firm performance, as well as service delivery was measured with ROA, ROE, Net Interest Margin (NIM) and Fees Operation Income (FEEOP). The use of Spearman correlation method also validated and supported the relevance of corporate governance to firm performance in the Ghanaian banking industry. With the use of Gaussian Mixture Model (GMM), fixed and random effect econometric models, board size and independent non-executive directors were considered to positively impact. Meanwhile the board member political attachment in a sense was discovered to have had a profound substantially contra influence on business performance. It additionally showed combination of female members and foreign national existence, which encouraged business effectiveness, to have proved inconclusive on whether age, business and economic competency other than experience and skill diversity is responsible for enhanced performance. However, there were no significant differences observed between possession identity and firm performance.

Asante (2017) also published research on the effects of corporate governance on the outcomes of Ghanaian companies' corporate investment decisions. Multiple regression analysis was used to focus on obtaining a precise approximation of the relationship between corporate governance and the outcome of investment decisions. Ghanaian firms were also split into local and foreign companies. The study's measure of corporate governance included independent variables such as firm and board size, board independence, CEO duality, audit committee size, and audit committee independence. The study revealed that Board Size, Board Independence, and Audit Committee Size are independent variables suitable for making detailed investment conclusions common to all nineteen (19) Ghanaian firms chosen, and whose benefits businesses will reap for a number of years. The factors have varying effects on domestic and foreign businesses. The size of the board of directors, the independence of the board of directors, and the independence of the audit committee all have a good relationship with the results of investment decisions in local companies. Meanwhile, for foreign companies, board independence, audit committee size, and audit committee independence are the factors that have a good relationship with investment decisions.

Owusu and Weir (2016), on the other hand, looked at the impact of corporate governance, as measured by the governance index, on the performance of listed companies in Ghana's developing economy. They established the Ghanaian Corporate Governance Index (GCGI) and used thirty-three (33) provisions to measure corporate governance consistency in the pre-code and post-code periods. The study evaluated governance-performance relationships using a panel of analytical evidence on the system and Fixed Effect Regressions. Since controlling for endogeneity, researchers found a statistically important and optimistic link between the GCGI and firm presentation. In the pre-2003 sub-period, there was a statistically significant improvement in the degree of agreement with the Ghanaian Code, compared to the post-2003 sub-period. In the other hand, not all facets of corporate governance have a clear impact on company results.

Glover-Quartey (2019) conducted research to see how corporate governance policies impact commercial bank success in Ghana, with an emphasis on solvency and liquidity. For this study, a quantitative testing technique was used. The financial statements of five selected commercial banks in Ghana from 2012 to 2017 were used as a secondary data base. The study discovered that board size has a substantial negative impact on both the financial efficiency and solvency of Ghanaian commercial banks. In addition, the study discovered that committee independence and board diversity have a substantial positive impact on the financial success of Ghanaian commercial banks.

2.7 Conceptual Framework

The theoretical basis for the thesis is taken from the work of Wepukhulu (2016). It assumed that the performance of banks was strongly influenced by the following aspects of corporate governance: internal corporate monitoring mechanisms (management independence and board size) and ownership monitoring mechanisms (block holdings, institutional ownership).

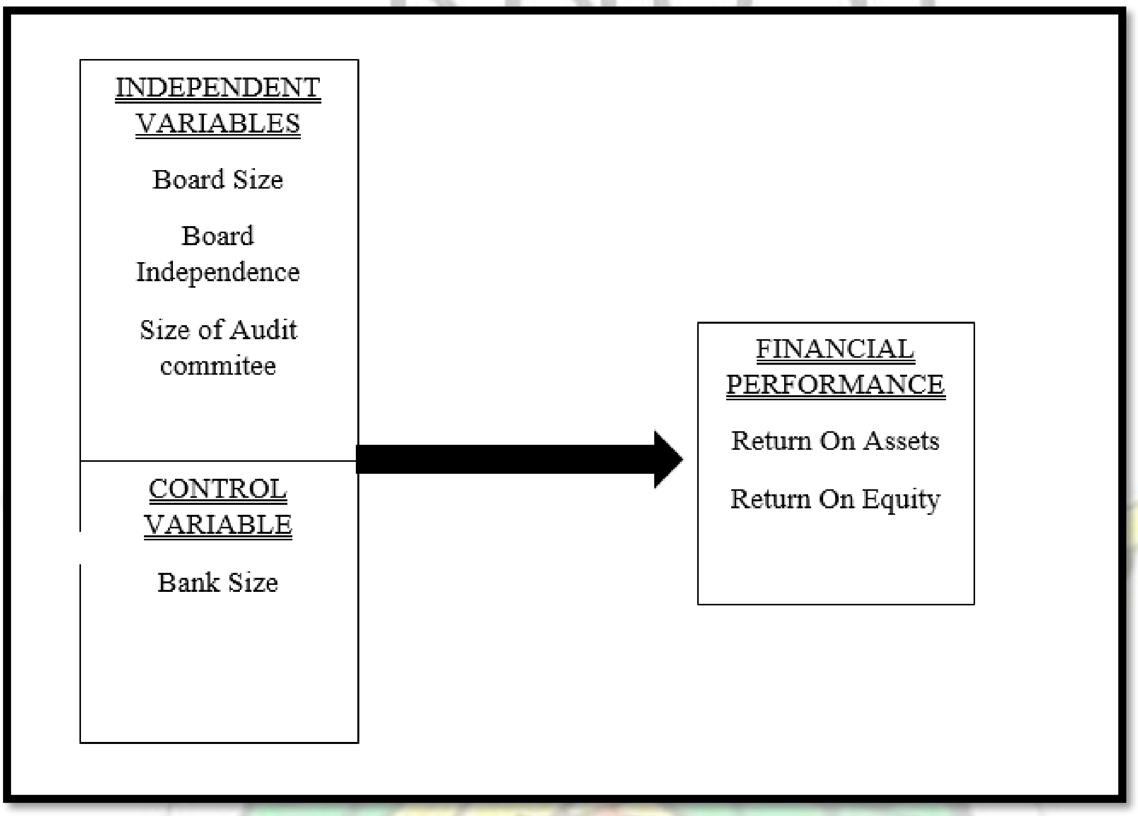

Figure 1.1: Conceptual framework on the effects of corporate governance on bank performance

Source: Author (2016).

2.8 Chapter Summary

The literature on corporate governance and banking performance was updated in this chapter. Corporate governance is influenced by agency theory, stakeholder theory, and stewardship theory, according to the literature. Corporate governance mechanisms, such as the size and composition of the board of directors, the size and composition of the audit committee, the division of the CEO and the chairman of the board of directors, and block ownership, all had an effect on bank perormance according to the report.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discussed the methods utilized to gather data in order to analyze the effects of corporate governance on the performance of banks in Ghana. It defined the Research Paradigm, Research Strategy, Research Approach, Population, Sampling Technique, Data Collection Instruments, Data Collection Techniques and Ethical Consideration. It also focused on the methods of data processing and analysis.

3.2 Research Paradigm

Research paradigm denotes the set of assumptions and conventions about the proper methods for any specific survey. It refers to choice of what is to be studied, how the research is conducted, what should be studied, what data are collected and how it should be interpreted. A positivist research model was used to evaluate the influence of corporate governance on bank results. Positivism implies the assumption that researchers should concentrate on evidence, seek causality and basic rules, minimize phenomena to their simplest elements (reductionism), formulate hypotheses and then try them. Positivists assume that knowing phenomena in the natural world must be evaluated and validated by proof and that these observations have a high quality level of validity and reliability and must be applied to a broad population. Positivist scholars are objective observers, and the focus on positivism is on quantifiable observations which bind themselves to statistical evaluation. With a positivist research theory or model, the relation between a self-determining (independent variable) and one or more dependent variables will be uncovered by causal inferences as the results of the experimental designs are completely decided by how researchers optimize the effect of the self-determining (independent) variable on the dependent variable and events via this process (Pham, 2018) (Pham, 2018). This research paradigm was consistent with the recent study on the effects of corporate governance on bank performance in Ghana, as bank performance had been described as a dependent variable that was affected by corporate governance frameworks such as duality of CEOs, size of boards, diversity of boards and blockholdings. These variables were computable and could be used to perform logical reasoning as supported by the positivist research paradigm.

3.3 Research Strategy

Qualitative and quantitative analysis are two of the most common types of strategies. Both strategies have advantages and drawbacks, but there are times when one is more effective than the other, and other times when both are. Quantitative methods are used to forecast and calculate outcomes in order to arrive at a final course of action, while qualitative methods are used to comprehend feelings, perceptions, and provide a foundation for decision-making. The decision to use a specific approach is based on the study's intent, as well as the type and availability of data for the analysis (Naoum, 2002). The current research employed a quantitative strategy by using secondary data from all universal banks' financial reports. Similarly, in ascertaining the effect of corporate governance practices on performance of commercial banks in Ghana, Glover Quartey (2019) employed the quantitative strategy. The quantitative strategy was appropriate for this study since the researcher wanted to evaluate respondents' views using a scientific (positivist) approach.

3.4 Research Design

To examine the effect of corporate governance on bank performance, a casual study design was assumed. The causal research design supported the positivist research paradigm by helping discover the connection between variables of the study. The causal research design also known as the explanatory research design would help clarify the causal and effect connection between corporate governance practices and the performance of licensed universal banks in Ghana.

3.5 Research Approach

The Deductive and Inductive research approaches have been identified as the two major approaches. The Deductive approach deals with current hypotheses or concepts about a topic by defining the hypothesis and checking it by experimentation to validate it (Creswell, 2013). In order to establish a system of procedures, the inductive approach summarises raw data and highlights a strong nexus between assessment of research goals and overview of results (Thomas, 2006). The abductive technique, on the other hand, employs both inductive and deductive analysis methods (Saunders et al, 2016). This study took a deductive approach, which entails combining current ideas with quantitative approaches to derive conclusions about corporate governance and financial results. That is, the thesis first conducted a literature review to serve as a theoretical reference before gathering data from participants. Following that, statistical methods could be used to derive various definitions and classify them within the context of the theoretical framework already in place.

3.6 The Study Population

The population for the study consisted of all licensed universal banks in Ghana. According to data from the Bank of Ghana, there are currently 24 banks operating in Ghana. These are: Absa Bank Ghana Limited, Access Bank (Ghana) Plc, Agricultural Development Bank Limited, Bank of Africa Ghana Limited, CAL Bank Limited, Consolidated Bank Ghana Limited, Ecobank Ghana Limited, FBNBank (Ghana) Limited, Fidelity Bank Ghana Limited, First Atlantic Bank Limited, First National Bank (Ghana) Limited, GCB Bank Limited, GHL Bank Limited, Guaranty Trust Bank (Ghana) Limited, National Investment Bank Limited, OmniBSIC Bank Ghana Limited, Prudential Bank Limited, Republic Bank (Ghana) Limited, Societe General (Ghana) Limited, Stanbic Bank Ghana Limited, Standard Chartered Bank (Ghana) Limited, United Bank for Africa (Ghana) Limited, Universal Merchant Bank Limited, and Zenith Bank (Ghana) Limited.

3.7 Sample and Sampling Tecnique

The study used a census approach. That is, data on all the banks in Ghana was collected from the period of 2015 to 2019 to make the study illustrative. The data was a panel data over the four-year (4) period. The purposive sampling technique was employed to select relevant data from financial statements of universal banks.

3.8 Data Collection Methods

Panel data was employed for the study. Ayadi et al. (2019) used panel data to estimate the relationship between governance internal mechanisms, capital regulation, and banking performance, which has a range of advantages .The secondary data helped test the relationship between corporate governance and firm performance. It helped to ascertain the corporate governance disclosure index, the relationship between commercial supremacy exposé and the performance of banks as well as the effect of corporate governance on the performance of banks in Ghana. The secondary data was collected from the annual reports of all licensed universal banks in Ghana. That is a panel data was collected on the banks in Ghana from their financial statements from 2015 to 2019. This data was used to measure variables such as firm performance (Return on Assets and Return on equity) and corporate governance mechanisms (board size, board composition, size of audit committee, block holding, CEO duality and Bank Size). That is a multiple regression was used to explain the connection between firm performance and the variables that measure corporate governance mechanism. To be precise, the Least Square Dummy Variable Method was used. This approach is also known as the Fixed Effect Model.

3.9 Model Specification

Two models were used to measure or determine the effect of corporate governance on bank performance. The model specifications are indicated as follows:

$ROA_{it} = \beta_0 + \beta_1$Board Size $_{it}$ $+ \beta_2$Board Composition $_{it}$ $+ \beta_3$Audit Committee $_{it}$ $+ \beta_4$ CEO Duality$_{it}$ $+ \beta_5$Block holding $+\varepsilon_{jt}$

Where:

ROA = Return on Assets

β_0 = is the constant term or the intercept

β_1 = the coefficient of the variable Board Size

β_2 = the coefficient of the variable board composition

β_3 = the coefficient of the variable the audit committee

β_4 = the coefficient of the variable CEO duality

β_5 = coefficient of the variable block holdings

ε_{jt} = residual or the error term

$ROE_{it} = \beta_0 + \beta_1$Board Size $_{it}$ $+ \beta_2$Board Composition $_{it}$ $+ \beta_3$Audit Committee $_{it}$ $+ \beta_4$ CEO Duality$_{it}$ $+ \beta_5$Block holding $+\varepsilon_{jt}$

Where:

ROE = Return on Equity

β_0 = is the constant term or the intercept

β_1 = the coefficient of the variable Board Size

β_2 = the coefficient of the variable board composition

β_3 = the coefficient of the variable the audit committee

β_4 = the coefficient of the variable CEO duality

β_5 = coefficient of the variable block holdings

ε_{jt} = residual or the error term

3.10 Data Analysis and Interpretation

Data gathered was treated and collated for easy understanding. The raw data was carefully edited and cleaned to eliminate discrepancies and errors such as typographical errors, wrong replies, incompleteness of entries and inconsistency of entries, the data was oblique to ease enumeration and addition. The coding allowed the researcher to aggregate responses into a restricted list of classes for easy examination. Data was examined with the aid of Microsoft Excel and Eviews. Data was displayed in tables and graphs using descriptive and inferential statistical methods.

3.11 Ethical Consideration

Respondent cooperation during data processing is heavily influenced by ethics (Saunders et al., 2019). When designing data collection methods, ethical considerations were taken into account. The Graduate Students' Handbook and the Guide for the Preparation and Evaluation of Higher Degree Research Thesis at Kwame Nkrumah University of Science and Technology (KNUST) were consulted for ethical issues (2016). The banks' permission was requested in advance. Banks had complete freedom to report or fail to disclose, to participate or not participate, as long as they were included in the study's sample frame. To avoid plagiarism, any text used for the research was properly cited.

3.12 Chapter Summary

The chapter outlines the approaches used to collect data to analyze and answer the research questions relating to the study. The study is based on the positivist research paradigm. A causal research design was also engaged and secondary data was collected from the annual reports of all banks for the study. The secondary data was panel data collected over a period of four (4) years from 2015 to 2019. The data was analyzed with the help of Microsoft Excel and Eviews.

CHAPTER FOUR

ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

The aim of the research is to scrutinize the outcome of corporate governance on the performance of licensed universal banks in Ghana. This chapter presents the analyses of results after data was collected on licensed universal banks in Ghana. Descriptive analysis on the variables employed for the study are first presented and then analysed pertaining to the questions the research seeks to answer. The concluding part of the chapter discusses the discoveries in relation to previous experimental works conducted.

4.2 Descriptive Statistics on Variables used for the Data

This section presents the expressive data on the variables used for the research. These variables are those that measure performance of licensed universal banks, the corporate governance mechanisms and the total deposits being held by the licensed universal banks. Performance is measured by the return on assets, return on equity and net profit after tax of the licensed universal banks in Ghana. The variables used to measure corporate governance mechanisms include the size of the board of directors, the size of the board audit committee, the number of independent directors on the board, the number of independent directors on the board and the existence or otherwise of CEO duality. An expressive statistic is also presented on total assets and the bank size in Ghana. The bank size was measured as the natural logarithm of the total assets of licensed universal banks in Ghana.

Table 1: Descriptive statistics on ROA, ROE and NPAT

	ROE	ROA	NPAT GHC 000
Mean	15.30828	2.605624	120578.8
Median	17.52193	2.750000	89315.00
Maximum	56.00000	9.420000	386173.0
Minimum	-27.35000	-9.631033	-70026.00
Std. Dev.	15.78754	3.387882	116988.7
Skewness	-0.308706	-0.890141	0.547819
Kurtosis	3.657261	5.292008	2.256228
Sum	796.0305	135.4924	6270098.
Sum Sq. Dev.	12711.56	585.3650	6.98E+11
Observations	52	52	52

Source: Field Data (2020)

ROE is Return on Equity

ROA is Return on Assets

NPAT is Net Proft after Tax

From the Table 1, the mean score for the return on equity of licensed universal banks used for the study is 15.30828. The mean score disclosed a degree of variability measured using standard deviation is 15.78754. The minimum return on equity recorded for the banks used for the study was -27.350 and the maximum return on equity recorded for the banks used for the study is 56.0000. The statistics suggest that licensed universal banks are profitable when measured using return on equity.

From the Table 1, the mean score for the return on assets of licensed universal banks used for the study is 2.605624. The mean score showed a degree of inconsistency measured using standard deviation is 3.387882. The minimum return on assets recorded for the banks used for the study was -9.631033 and the maximum return on assets recorded for the banks used for the study is 9.420000. The statistics indicate that licensed universal banks are profitable when using return on assets measured.

From the Table 1, the mean score for the net profit after tax of licensed universal banks used for the study is 120578.8. The mean score showed a degree of variability measured using standard deviation is 116988.7. The minimum net profit after tax recorded for the banks used for the study was -70026.00 and the maximum net profit after tax recorded for the banks used for the study is 386173.0. The statistics imply that licensed universal banks are profitable.

Table 2: Descriptive statistics on Corporate Governance Mechanisms

	SIZE	AUDIT	CEO	EXECUT	INDEPE
Mean	8.900000	3.780000	1.000000	2.140000	6.760000
Median	8.500000	4.000000	1.000000	2.000000	7.000000
Maximum	15.00000	6.000000	1.000000	4.000000	11.00000
Minimum	5.000000	2.000000	1.000000	1.000000	3.000000
Std. Dev.	2.111678	0.910035	0.000000	0.926041	1.697056
Skewness	0.382254	0.610404	NA	-0.124233	0.254333
Kurtosis	2.865099	2.633567	NA	1.492886	2.824396
Sum	445.0000	189.0000	50.00000	107.0000	338.0000
Sum Sq. Dev.	218.5000	40.58000	0.000000	42.02000	141.1200
Observations	50	50	50	50	50

Source: Field Data (2020)

SIZE Refers to the Size of the board

AUDIT Refers to the size of the audit committee

CEO is CEO duality

EXECUT Refers to the number of the executive directors

INDEPE Refers to the number of the independent directors

From the Table 2, the mean score for the magnitude of the board of directors of licensed universal financial institutions used for the study is 8.900000. The mean score showed a degree of variability measured using standard deviation is 2.111678. The least size of the board recorded for the banks used for the study was 5.000000 and the maximum size of the board of directors recorded for the banks used for the study is 15.00000. The statistics indicate that licensed universal banks are have about nine 9) members on their boards on the average in licensed universal banks in Ghana.

From the Table 2, the mean score for the variable that measured the size of the audit committee of licensed universal banks used for the study is 3.780000. The mean score showed a degree of variability measured using standard deviation is 0.910035. The minimum number of members on the audit committee for the banks used for the study was 2.000000 and the maximum number of members on the audit committee recorded for the banks used for the study is 6.000000. The statistics imply that universal banks have about four (4) members on their audit committee on the average in Ghana.

From the Table 2, the mean score for the variable CEO duality of licensed universal banks used for the study is 1. The mean score showed a degree of variability measured using standard deviation is 0.0000. this indicates that all licensed universal banks for the study separate their board chairman and CEO functions.

From the Table 2, the mean score for the variable that measured the total of executive directors on the board of licensed universal banks used for the study is 2.140000. The mean score showed a degree of variability measured using standard deviation of 0.926041. The minimum number of executive directors on the board of the banks used for the study was 1.000000 and the maximum number of executive directors on the board for the banks used for the study is 4.000000. The statistics imply that universal banks have about two (2) executive directors on their boards on the average in Ghana.

From the Table 2, the mean score for the variable that measured the number of independent directors on the board of universal banks used for the study is 6.760000. The mean score showed a degree of variability measured using standard deviation of 1.697056. The minimum number of independent directors on the board of the banks used for the study was 3.000000 and the maximum number of independent directors on the board for the banks used for the study is 11.00000. The statistics imply that licensed universal banks have about 2 independent directors on their boards on the average in Ghana.

Table 3: Descriptive statistics on Bank Size and Total Assets

	BANK SIZE	TOTAL ASSETS GHC 000
Mean	15.01015	4098576.
Median	15.08051	3543079.
Maximum	16.18771	10720925
Minimum	12.46957	260294.0
Std. Dev.	0.751440	2486952.
Skewness	-1.294935	0.965314
Kurtosis	5.772249	3.477816
Sum	810.5480	2.21E+08
Sum Sq. Dev.	29.92707	3.28E+14
Observations	54	54

Source: Field Data (2020)

From the Table 3, the mean score for the variable that measured the size of licensed universal banks used for the study is 15.01015. The mean score showed a degree of variability measured using standard deviation 0.751440. The minimum size of the banks used for the study was 12.46957 and the maximum size recorded for the banks used for the study is 16.18771.

From the Table 3, the mean score for the total assets of licensed universal banks used for the study is 4,098,576,000.00 The mean score showed a degree of variability measured using standard deviation 2486952. The minimum total assets for the banks used for the study was GHC 260,294,000.00 and the maximum number of total assets recorded for the banks used for the study is GHC 10,720,925,000.00 The statistics imply that universal banks have about GHC 4,098,576,000.00 on the average in Ghana.

Analysis Pertaining to Research Questions: The connection between corporate governance and performance

Table 4: Pearson Correlations on Performance and Corporate Governance

	BKSIZE	EX	IN	BDSIZE	AC	ROA	ROE
BKSIZE	1	.375**	.289*	.397**	.067	.577**	.526**
		.006	.036	.003	.646	.000	.000
EX	.375**	1	.216	.608**	.037	.145	.182
	.006		.121	.000	.797	.299	.201
IN	.289*	.216	1	.906**	.269	.003	-.127
	.036	.121		.000	.059	.984	.374
BDSIZE	.397**	.608**	.906**	1	.233	.065	-.022
	.003	.000	.000		.104	.640	.878
AC	.067	.037	.269	.233	1	-.120	-.032
	.646	.797	.059	.104		.408	.826
ROA	.577**	.145	.003	.065	-.120	1	.779**
	.000	.299	.984	.640	.408		.000

	54	53	53	54	50	54	52
ROE	.526**	.182	-.127	-.022	-.032	.779**	1
	.000	.201	.374	.878	.826	.000	
	52	51	51	52	48	52	52

Source: Field Data (2020)

ROE Refers to Return on Equity

ROA Refers to Return on assets

NPAT Refers to Net Proft after Tax

SIZE Refers to the Size of the board

AC Refers to the size of the audit committee

CEO is CEO duality

EX Refers to the number of Executive Directors

IN is the number of the independent directors

From the table 4, a positive weak and substantial connection exists in bank magnitude and the total executive directors on the board of licensed financial institutions in Ghana. Also, there is a positive weak and substantial connection between the size of licensed financial institutions and the total of independent directors on the board of the licensed financial institutions in Ghana. A weak positive and substantial connection is also seen between the size of licensed financial institutions in Ghana and the magnitude of the board of licensed financial institutions in Ghana. However, a positive moderate and insignificant relationship was found between the magnitude of universal banks and the size of the audit committee of licensed financial institutions in Ghana. A positive moderate and significant relationship existed between the magnitude of licensed financial institutions in Ghana and return on assets among universal banks in Ghana. Also a positive moderate and significant relationship existed between the magnitude of licensed financial institutions and the return on equity on licensed financial institutions in Ghana.

From the table 4, a positive weak and immaterial connection exists between the total of independent directors and the total of executive directors on the board of licensed financial institutions in Ghana. There is also a true moderate and substantial relationship between the board magnitude of licensed financial institutions and the total of executive directors on the board of the licensed financial institutions in Ghana. A weak positive and immaterial connection is also seen between the number of executive directors and the magnitude of the audit committee of licensed financial institutions in Ghana.

A positive weak and immaterial connection existed between the total of executive directors of licensed financial institutions in Ghana and return on assets among licensed financial institutions in Ghana. Also a positive weak and immaterial connection existed between the total of executive directors of licensed financial institutions and the return on equity on licensed financial institutions in Ghana.

From the table 4, a positive strong and important connection exists between the total of independent directors and the board magnitude of licensed financial institutions. A weak positive and immaterial connection is also seen between the total of independent directors and the magnitude of the audit committee of licensed financial institutions in Ghana. A positive weak and immaterial connection existed the number of independent directors of licensed financial institutions in Ghana and return on assets among licensed universal financial institution in Ghana. Also a negative weak and immaterial connection occurred between the total of independent directors of licensed financial institutions and the return on equity on licensed financial institutions in Ghana.

A weak positive and immaterial connection is also seen between the board size and the size of the audit committee of licensed financial institutions in Ghana. A positive weak and immaterial connection existed the board magnitude of licensed financial institutions in Ghana and return on assets among licensed universal banks in Ghana. Also a negative weak and insignificant relationship existed between the total of independent directors of universal banks and the return on equity on universal banks in Ghana.

A negative weak and insignificant connection occurred the size of audit committee of licensed financial institutions in Ghana and return on assets among licensed universal banks in Ghana. Also a negative weak and insignificant connection existed between the size of audit committee of licensed financial institutions and the return on equity on licensed financial institutions in Ghana.

A positive strong and significant connection occurred between the return on assets of licensed universal banks and the return on equity on licensed financial institutions in Ghana.

4.3 The effects of corporate governance on the performance of universal banks in Ghana.

To measure the consequence of corporate governance on the performance of licensed financial institutions in Ghana. A fixed effects panel least squares regression was conducted over a tree year period with 17 cross sections. The fixed effect regression model was conducted four times. The first model regressed corporate governance mechanisms namely board size, size of the audit committee and the board independence (number of independent directors on the board) against the return on equity of licensed universal banks in Ghana. The second model regressed corporate governance mechanisms namely board magnitude, magnitude of the audit committee and the board interdependence (number of executive directors on the board) against the return on equity of licensed financial institutions in Ghana. The third model regressed corporate governance mechanisms namely board magnitude, magnitude of the audit committee and the board independence (total of independent directors on the board) against the return on assets of licensed universal financial institutions in Ghana. The third model regressed corporate governance mechanisms namely board magnitude, magnitude of the audit committee and the board interdependence (number of executive directors on the board) against the return on assets of licensed universal banks in Ghana.

Table 5: Effect of Corporate Governance on Return on Equity of Banks

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CONSTANT (C)	-12.76162	14.00226	-0.911397	0.3712
BOARD SIZE	-2.857630	3.214046	-0.889107	0.3824
AUDIT COMMITTEE	4.119818	3.516024	1.171726	0.2524
INDEPENDENCE	7.082366	3.168626	2.235154	0.0346
BANK SIZE	24.04604	12.88855	1.865690	0.0739

Source: Field Data (2020)

Effects Specification

Cross-Section Fixed (Dummy Variables)

Period Fixed (Dummy Variables)

R-squared	0.844507	Mean dependent var	16.28363
Adjusted R-squared	0.707672	S.D. dependent var	15.80648
S.E. of regression	8.546143	Akaike info criterion	7.434845
Sum squared resid	1825.914	Schwarz criterion	8.331463
Log likelihood	-155.4363	Hannan-Quinn criter.	7.773678
F-statistic	6.171750	Durbin-Watson stat	2.681338
Prob(F-statistic)	0.000014		

From Table 4.5, the regression output shows a coefficient of determination measured through the R square of 0.844507. This means that 84.4507 percent of the variation in performance in terms of return on equity of licensed universal banks in Ghana can be clarified by corporate governance mechanisms such as Board Magnitude, magnitude of the Audit Committee, the Independence of the board (total number of independent directors on the board). The rest of the variation in the return on equity of licensed universal banks can be explained by other factors. The adjusted R Square value of 70.7672% indicates the model is a good fit after adjusting for other factors.

The result of the F statistics, from Table 4.5, clarifies whether disparity in the dependent variable can be clarified by the regression model or equation. The F-statistic reported in the regression output is 6.171750. The F statistics has an accompanying Probability value of (F-statistic) 0.000014. This implies that the model can be projected.

From the results, the coefficient of the constant term is -12.76162. The constant term has a t statistic of -0.911397 and a sig value of 0.3712. This means that holding all other factors constant or equating all other variables to zero, the average performance of licensed universal financial institutions in terms of return on equity would be -12.76162. However, this constant term is negative and insignificant as indicated from the F statistic and the probability value.

From the results, the coefficient of the variable Board Size is -2.857630. Board Magnitude has a t statistic of -0.889107 and a sig value of 0.3824. This means the magnitude of the board of directors has caused a fall in the performance of licensed universal banks in Ghana. However, this finding is insignificant as indicated from the F statistic and the probability value.

From the results, the coefficient of the magnitude of the Audit Committee is 4.119818. Audit Committee Magnitude has a t statistic of 1.171726 and a sig value of 0.2524. This means the magnitude of the audit committee has caused an increase in the performance of universal banks in Ghana. However, this finding is immaterial as indicated from the F statistic and the probability value.

From the results in Table 4.5, the coefficient of the total of independent directors on the board of licensed universal banks in Ghana is 7.082366. Board independence has a t statistic of 2.235154 and a sig value of 0.0346. This means the total of independent directors on the board of licensed universal financial institutions (banks) in Ghana causes an increase in the performance of universal banks in Ghana. This finding is significant as indicated from the F statistic and the probability value.

Table 6: Effect of Corporate Governance on Return on Equity of Banks

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CONSTANT (C)	-12.76162	14.00226	-0.911397	0.3712
BOARD SIZE	4.224736	1.905099	2.217594	0.0359
AUDIT COMMITTEE	4.119818	3.516024	1.171726	0.2524
INTERDEPENDENCE	-7.082366	3.168626	-2.235154	0.0346
BANK SIZE	24.04604	12.88855	1.865690	0.0739

Effects Specification

Cross-section fixed (dummy variables)

Period fixed (dummy variables)

R-squared	0.844507	Mean dependent var	16.28363
Adjusted R-squared	0.707672	S.D. dependent var	15.80648
S.E. of regression	8.546143	Akaike info criterion	7.434845
Sum squared resid	1825.914	Schwarz criterion	8.331463
Log likelihood	-155.4363	Hannan-Quinn criter.	7.773678

F-statistic	6.171750	Durbin-Watson stat		2.681338
Prob(F-statistic)	0.000014			

Source: Field Data (2020)

From Table 4.6, the regression output shows a coefficient of determination measured through the R square of 0.844507. This means that 84.4507 per cent of the variation in performance in terms of return on equity of licensed universal banks in Ghana can be clarified by Corporate Governance mechanisms such as Board Magnitude, magnitude of Audit Committee, the Interdependence of the board (magnitude of executive directors on the board). The outstanding variation in the return on equity of licensed universal banks can be explained by other factors. The adjusted R Square value of 70.7672% indicates the model is a good fit after adjusting for other factors.

From Table 4.6, the result of the F statistics clarifies whether variation in the dependent variable can be explained by the regression model or equation. The F-statistic reported in the regression output is 6.171750. The F statistics has an accompanying Probability value of (F-statistic) 0.000014. This implies that the model can be projected.

From the results, the coefficient of the constant term is -12.76162. The constant term has a t statistic of -0.911397 and a sig value of 0.3712. This means that holding all other factors constant or equating all other variables to zero, the average performance of banks in terms of return on equity would be -12.76162. However, this constant term is negative and immaterial as indicated from the F statistic and the probability value.

From the results, the coefficient of the variable Board Size is 4.224736. Board Size has a t statistic of 2.217594 and a sig value of 0.0359. This means the size of the board of directors has causes an increase in the performance of licensed universal banks in Ghana. This finding is significant as indicated from the F statistic and the probability value.

From the results, the coefficient of the size of the Audit Committee is 4.119818. Audit committee size has a t statistic of 1.171726 and a sig value of 0.2524. This means the size of the audit committee has causes an increase in the performance of universal banks in Ghana. However, this finding is immaterial as indicated from the F statistic and the probability value.

From the results from Table 4.6, the coefficient of the total of executive directors on the board of licensed universal banks in Ghana is -7.082366. Board interdependence has a t statistic of -2.235154 and a sig value of 0.0346. This means the total of executive directors on the board of licensed universal banks in Ghana cause a fall in the performance of licensed universal financial institutions (banks) in Ghana. This finding is significant as indicated from the F statistic and the probability value.

Table 7: Effect of Corporate Governance on Return on Asset of Banks

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CONSTANT (C)	-16.42888	35.45338	-0.463394	0.6468
BOARD SIZE	-0.401473	0.628377	-0.638906	0.5283
AUDIT COMMITTEE	1.060839	0.693867	1.528881	0.1379
INDEPENDENCE	0.700555	0.621427	1.127332	0.2695
BANK SIZE	0.933573	2.258545	0.413351	0.6826

Effects Specification

Cross-section fixed (dummy variables)

Period fixed (dummy variables)

R-squared	0.860072	Mean dependent var	2.787639
Adjusted R-squared	0.746056	S.D. dependent var	3.388921
S.E. of regression	1.707775	Akaike info criterion	4.212073
Sum squared resid	78.74534	Schwarz criterion	5.091604

Log likelihood	-82.30183	Hannan-Quinn criter.	4.547003
F-statistic	7.543448	Durbin-Watson stat	3.058732
Prob(F-statistic)	0.000001		

Source: Field Data (2020)

From Table 4.7, the regression output shows a coefficient of determination measured through the R square of 0. 0.860072. This means that 86 percent of the disparity in performance in terms of return on equity of universal banks in Ghana can be explained by corporate governance mechanisms such as Board Size, size of the Audit Committee, the Independence of the board (total number of independent directors on the board). The remaining disparity in the return on equity of licensed universal banks can be explained by other factors. The adjusted R Square value of 74.6056% indicates the model is a good fit after adjusting for other factors.

The result of the F statistics explains whether disparity in the dependent variable can be explained by the regression model or equation. The F-statistic reported in the regression output is 7.543448. The F statistics has an additional Probability value of (F-statistic) 0.000001. This implies that the model can be projected.

From the results in Table 4.7, the coefficient of the constant term is -16.42888. The constant term has a t statistic of -0.463394 and a sig value of 0.6468. This means that holding all other factors constant or equating all other variables to zero, the average performance of banks in terms of return on assets would be -16.42888. However, this constant term is negative and insignificant as indicated from the F statistic and the probability value.

From the results, the coefficient of the variable Board Size is -0.401473. Board Size has a t statistic of -0.638906 and a sig value of 0.5283. This means the size of the board of directors has causes a fall in the performance of licensed universal banks in Ghana. However, this finding is immaterial as indicated from the F statistic and the probability value.

From the results, the coefficient of the size of the Audit Committee is 1.060839. Audit committee Size has a t statistic of 1.528881 and a sig value of 0.1379. This means the size of the audit committee has causes an increase in the performance of licensed universal banks in Ghana. However, this finding is insignificant as indicated from the F statistic and the probability value.

From the results Table 4.8, the coefficient of the total of independent directors on the board of licensed universal banks in Ghana is 0.700555. Board independence has a t statistic of 1.127332and a sig value of 0.2695. This means the total of independent directors on the board of licensed universal banks in Ghana causes an increase in the performance of licensed universal banks in Ghana. This finding is immaterial as indicated in the F statistic and the probability value.

Table 8: Effect of Corporate Governance on Return on Asset of Banks

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CONSTANT (C)	-16.42888	35.45338	-0.463394	0.6468
BOARD SIZE	0.299082	0.379278	0.788555	0.4372
AUDIT COMMITTEE	1.060839	0.693867	1.528881	0.1379
BANK SIZE	0.933573	2.258545	0.413351	0.6826
INTERDEPENDENCE	-0.700555	0.621427	-1.127332	0.2695

Effects Specification

Cross-section fixed (dummy variables)

Period fixed (dummy variables)

R-squared	0.860072	Mean dependent var	2.787639
Adjusted R-squared	0.746056	S.D. dependent var	3.388921
S.E. of regression	1.707775	Akaike info criterion	4.212073

Sum squared resid	78.74534	Schwarz criterion	5.091604
Log likelihood	-82.30183	Hannan-Quinn criter.	4.547003
F-statistic	7.543448	Durbin-Watson stat	3.058732
Prob(F-statistic)	0.000001		

Source: Field Data (2020)

From Table 4.8, the regression output shows a coefficient of determination measured through the R square of 0. 0.860072. This means that 86 percent of the variation in performance in terms of profit on equity of licensed universal financial institutions (banks) in Ghana can be explained by corporate governance mechanisms such as Board Size, size of Audit Committee, the Interdependence of the board (total of executive directors on the board). The remaining variation in the return on equity of licensed universal banks can be explained by other factors. The adjusted R Square value of 74.6056% indicates the model is a good fit after altering for other factors.

The result of the F statistics explains whether variation in the dependent variable can be explained by the regression model or equation. The F-statistic reported in the regression output is 7.543448. The F statistics has an accompanying Probability value of (F-statistic) 0.000001. This implies that the model can be projected.

From the results Table 4.8, the coefficient of the constant term is -16.42888. The constant term has a t statistic of -0.463394 and a sig value of 0.6468. This means that holding all other factors constant or equating all other variables to zero, the average performance of banks in terms of return on assets would be -16.42888. However, this constant term is negative and insignificant as indicated from the F statistic and the probability value.

From the results, the coefficient of the variable Board Size is -0.401473. Board Size has a t statistic of -0.638906 and a sig value of 0.5283. This means the size of the board of directors has causes a fall in the performance of licensed universal banks in Ghana. However, this finding is immaterial as indicated from the F statistic and the probability value.

From the results, the coefficient of the size of the Audit Committee is 1.060839. Audit committee Size has a t statistic of 1.528881 and a sig value of 0.1379. This means the size of the audit committee has causes an increase in the performance of licensed universal banks in Ghana. However, this finding is insignificant as indicated from the F statistic and the probability value.

From the results, the coefficient of the total executive directors on the board of licensed universal financial institutions (banks) in Ghana is -0.700555. Board interdependence has a t statistic of -1.127332 and a sig value of 0.2695. This means the number of executive directors on the board of licensed universal banks in Ghana causes a decrease in the performance of licensed universal financial institutions (banks) in Ghana. This finding is insignificant as indicated from the F statistic and the probability value.

4.4 Disclosure Practices of Banks in Ghana

To measure the disclosure practices of licensed universal banks in Ghana, a disclosure measuring instrument was adapted from earlier studies. Data on the disclosure practices were then coded, analysed and reported below.

Table 4.9: Descriptive statistics on the disclosure practices of universal banks in Ghana

DISCLOURE INDEX	
Mean	57.85714
Standard Error	4.34483
Median	60
Mode	68.57143

Standard Deviation	12.28904
Sample Variance	151.0204
Kurtosis	-0.8642
Skewness	-0.60144
Range	34.28571
Minimum	37.14286
Maximum	71.42857
Sum	462.8571

Source: Field Data (2020)

From Table 4.9, the mean measure of disclosure of corporate governance practices among banks in Ghana is 57.85714, the maximum level of disclosure of corporate governance practices among licensed universal banks in Ghana is 71.42857 and the minimum level of disclosure of corporate governance practices among licensed universal banks in Ghana is 37.14286. This implies that banks in Ghana have a reasonable level of disclosure of corporate governance practices.

4.5 Discussion of Results

4.5.1The Relationship between Corporate Governance and Performance of Universal Banks in Ghana

A positive reasonable and important connection existed between the size of licensed universal banks in Ghana and return on assets among licensed universal banks in Ghana. Also a positive reasonable and important connection existed between the size of licensed universal banks and the return on equity on licensed universal banks in Ghana. A positive weak and immaterial connection existed between the number of executive directors of universal banks in Ghana and return on assets among universal banks in Ghana. Also a positive weak and unimportant connection existed between the number of executive directors of licensed universal banks and the return on equity on licensed universal banks in Ghana. A positive weak and immaterial connection existed between the number of independent directors of licensed universal banks in Ghana and return on assets among licensed universal banks in Ghana. Also a negative weak and immaterial connection existed between the number of independent directors of licensed universal banks and the return on equity on licensed universal banks in Ghana.

A positive weak and immaterial connection existed between the board size of universal banks in Ghana and return on assets among licensed universal banks in Ghana. This finding is consistent with that of Abdulazeez (2016) who found that the larger the size of a board, the better the performance of money deposit banks in Nigeria. Also a negative weak and immaterial connection existed between the number of independent directors of licensed universal banks and the return on equity on licensed universal banks in Ghana. This finding is however inconstant with that of Lawal (2012) who expressed that a small board size was acknowledged to possibly stipulate serious, intellectual, and genuine participation and discussions among members, leading to operative corporate decision-making which further goes on to checking and enhanced performance.

A negative weak and immaterial connection existed between the size of audit committee of licensed universal banks in Ghana and return on assets among licensed universal banks in Ghana. Also a negative weak and immaterial connection existed between the size of audit committee of licensed universal banks and the return on equity on licensed universal banks in Ghana.

The results are conflicting with those of Nyarko, Yusheng and Zhu (2017) who investigated the relationship between corporate governance and the performance of banks in Ghana in terms of their financial performance, and the results suggest that large-scale boards, long-standing

CEOs, size of the audit committee, independence of the audit committee, external ownership, institutional ownership, the end-of-year general meeting and dividend policy are positively correlated and linked to the financial performance of licensed universal financial institutions (banks) in Ghana.

4.6 The Effect of Corporate Governance on the Performance of Universal Banks in Ghana

The results of the study revealed that the magnitude of board of directors have a positive and substantial effect on the return on equity of licensed universal banks in Ghana. The number of independent directors has also been demonstrated to have a true and substantial influence on the profit on equity of licensed universal banks in Ghana. However, the number of executive directors has an adverse and substantial effect on the return on equity of licensed universal banks in Ghana. In relation to the return on assets of licensed universal banks in Ghana, all the corporate governance mechanisms had an immaterial effect on the profit on assets of licensed universal banks in Ghana.

The results are in accordance with Abdulazez, Ndibe and Mercy (2016) who noticed that the larger board size makes a positive and meaningful contribution to the financial success of deposit money banks in Nigeria. It also promotes Gokah (2016) which has shown that there is a real positive relation between the magnitude of the board and the firm results. It is contradictory with Tomar & Bino (2012) who claims that the magnitude of the board has no impact on the success of the bank.

The findings counter the work of Gokah (2016) whose result was not statistically significant and negative for the effect of board composition (independence) and firm performance. It is however reliable with Appiah, Vitor & Nyarko (2017) who suggested a negative statistical substantial association between board composition and the performance indicators, except for return on equity of the banks. It also supports Dedzo (2015) who argues that board size and the presence of independent non-executive directors were observed to have substantial positive effects.

In terms of the size of the audit committee the findings are inconsistent with Gokah (2016) who revealed that audit committee both in magnitude and independence are important element to promoting accountability and transparency. It also does not support Dwumah (2017) who found positive and substantial connection was found in the case of audit committee and management skills.

4.7 The Extent of Transparency and Disclosure of Information Pertaining to Corporate Governance Practices of Banks in Ghana

From study the mean level of disclosure of corporate governance practices among banks in Ghana is 57.85714. This implies that banks in Ghana have a reasonable level of disclosure of corporate governance practices. It also follows Gokah (2016) which has shown that there is a real positive relation between the magnitude of the board and the firm results. It is inconsistent with Tomar & Bino (2012) who argues that the magnitude of the board has no impact on bank results. Although there was a decrease in the CG score to 85 from 89 (2007-2008).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter concludes the study on the effect of corporate governance on the performance of financial institutions in Ghana. The chapter discusses the summary of the major findings, the conclusion and recommendations of the study. It also provides suggestions for further research.

5.2 Summary of Major Findings

Corporate governance has been debated to affect the performance of financial institutions globally. It has been contended that weak corporate governance practices are accountable for the challenges faced by most financial institutions in Ghana. This has generated the need for research into corporate governance practices and mechanisms of financial institutions in the country. In lieu of this, the present study is conducted to scrutinize the consequence of corporate governance on the performance of licensed universal financial institutions (banks) in Ghana. Panel data was obtained from the end of year reports of 17 out of the 23 licensed universal banks in Ghana for a period of four (4) years. The data was collected on the profit on assets, profit on equity, the magnitude of the board, the number of independent directors on the board, the size of the audit committee, the total of executive directors on the board and the magnitude of licensed universal banks in Ghana. The data was entered into Microsoft Excel and transferred to SPSS and Eviews for analysis. Pearson Product Moment Correlation analysis was used to measure the relationship between corporate governance mechanisms and then a fixed effect panel regression model or the least square dummy variable method was used to analyse the consequence of corporate governance on the performance of licensed universal banks in Ghana. The conclusions of the study revealed that the size of the board of directors have a positive and substantial effect on the profit on equity of licensed universal banks in ghana. The number of independent directors have also been demonstrated to have a positive and substantial impact on the return on equity of licensed universal banks in Ghana. However, the total of executive directors have adverse and substantial effect on the return on equity of licensed universal banks in ghana. In relation to the return on assets of licensed universal banks in ghana, all the corporate governance mechanisms had an immaterial effect on the profit on assets of licensed universal banks in Ghana.

5.3 Conclusions

The research concludes that a positive reasonable and substantial connection existed between the size of licensed universal banks in Ghana and return on assets among licensed universal banks in Ghana. Also, a positive reasonable and substantial connection exist between the size of licensed universal banks and the return on equity on licensed universal banks in Ghana. A positive weak and immaterial connection existed the number of executive directors of licensed universal banks in Ghana and return on assets among licensed universal banks in Ghana. Also a positive weak and immaterial connection existed between the number of executive directors of licensed universal banks and the return on equity on licensed universal banks in Ghana. A positive weak and immaterial connection existed the number of independent directors of licensed universal banks in Ghana and return on assets among licensed universal banks in Ghana. Also a negative weak and immaterial connection existed between the number of independent directors of licensed universal banks and the return on equity on licensed universal banks in Ghana.

A positive weak and immaterial connection existed between the board size of licensed universal banks in Ghana and return on assets among licensed universal banks in Ghana. Also a negative weak and immaterial connection existed between the number of independent directors of licensed universal banks and the return on equity on licensed universal banks in Ghana. A negative weak and immaterial connection existed between the size of audit committee of licensed universal banks in Ghana and return on assets among licensed universal banks in Ghana. Also a negative weak and immaterial connection existed between the size of audit committee of licensed universal banks and the return on equity on licensed universal banks in Ghana.

The study also concludes that the magnitude of the board of directors has a positive and substantial consequence on the return on equity of licensed universal banks in Ghana. The number of independent directors has also been established to have a positive and substantial influence on the return on equity of licensed universal banks in Ghana. However, the number of executive directors have adverse and significant effect on the profit on equity of licensed universal banks in Ghana. In relation to profit on assets of licensed universal banks in Ghana, all the corporate governance mechanisms had an immaterial effect on the return on assets of licensed universal banks in Ghana.

The research further concludes that the level of transparency and disclosure of corporate governance practices of licensed universal financial institutions (banks) in Ghana was moderate.

5.4 Recommendation

The study discovers that the total of executive directors on the board of banks in Ghana have adverse and substantial effect on the profit on equity of the banks whereas the number of independent directors have a true and substantial effect on the return on equity of banks. Based on this finding, it is recommended that banks in Ghana should reduce the number of executive directors they have on their boards and rather increase the number of independent directors on their boards. This would help them improve their profit on equity in the long run.

The conclusions of the study also show that the magnitude of the board of directors of licensed universal banks in Ghana have a positive and substantial effect on the profit on equity of banks in Ghana. Based on this, it is recommended that banks with smaller board sizes increase the number of directors or managers on their boards to increase their profitability in terms of return on equity.

5.5 Suggestion for Further Research

Based on the conclusions and findings of the study the following areas are suggested for further research:

1. The effect corporate governance has on the performance of insurance companies in Ghana
2. The effect corporate governance has on the performance of savings and loans companies.

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