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EFFECT OF CORPORATE GOVERNANCE ON PERFORMANCE OF LISTED BANKS

Deborah Osei-Baidoo, Oscar Agyemang Opoku, Henry Okudzeto
University of Cape Coast, Ghana
Email: maamesioseibaidoo@gmail.com,oscar.opoku@stu.ucc.edu,
henry.okudzeto001@stu.ucc.edu.gh

Abstract

Following the recent corporate scandals and turbulences in the Ghanaian financial sector, a fierce debate on banks and corporate performance nexus has emerged. While literature on banks-corporate performance subject remain highly contested, evidence within the Ghanaian contest is sparse. This paucity of literature has motivated this study to examine the effect of corporate governance practices on commercial banks' performances within the Ghanaian contest drawing evidence from the Ghana Stock Exchange market for the period 2009-2019. Correlational analysis and fixed effect and random effect regression estimator have been employed as the main estimation techniques. Results show that board diversity positively influence corporate performance indicators such ROA and EPS. The study further found that size of the board of directors has negative effects on bank's performance. Another very important discovery from this study was that, composition of board of directors has effects on bank's performance. Thus, independent board of directors have positive effects on bank's performance. Ownership concentration has negative effects on bank's performance in that larger ownership was usually associated with higher risks. As a sequel, policy should aim at enhancing corporate governance practices while females should be given a fair representation on board committees. The study again advises that independent directors should be included in the board to achieve greater firm results. The arrangement of company ownership should be assessed and controlled. Concentrated ownership structure in specific should be promoted and banks should strive to increase the size of the Independent Board to improve results.

Keywords: corporate governance; performance; listed banks

INTRODUCTION

Every nation's socio-economic development is globally dependent on how strong its financial institutions. A strong financial institution forms a good basis for the growth of the country's economy. Financial institutions have been identified as a major role player in terms of the development and growth of every economy (Anbar & Alper,

2011; Appiah et al., 2015; Sarkar et al., 2018). Profitability and performance of the bank are determined by their ability to effectively and efficiently carry out their strategic goals (Atta Mills & Amowine, 2013; Oteng-Abayie et al., 2018)

Banks characterized by effectiveness, strong functioning systems and efficiency are peremptorily having better grounds to resist negative shocks within the economy which might obstruct their performance. However, rural banks and community banks, unlike the commercial bank's performance are not stable due to their low earnings capacity (Oteng-Abayie et al., 2018).

For a number of causes, the global financial crisis has changed the capital market environment (Bagh et al., 2017) . To begin with, it has made obtaining the necessary sum of funds from the stock market more challenging; even those who are better qualified to bear firm losses must still meet obligations. It is also true that the banking sector serves as an economy's bedrock and plays a crucial role in a country's economic creation and development (Bagh et al., 2017). Textiles, cotton, agriculture, small and medium enterprises, manufacturing, and construction are only a few of the sectors that banks serve as an intermediary for. Banks offer start-up capital, tools, and other services to these diverse organizations, all of which contribute directly to national income, growth, and development. However, banks' failure to raise new capital from capital markets in the aftermath of the global financial crisis highlights the continuing need to focus on good corporate governance as an integral part of bank management and growth (Dzigba, 2015).

Corporate governance has developed into a global phenomenon in the aftermath of the recent global recession, which has sparked interest in business and higher education, and which has been exacerbated in part by poor corporate governance in a number of organizations around the world (Agyemang & Castellini, 2015). The financial institutions' devastating losses, which nearly brought the financial system to its knees and caused a significant global downturn, illustrate the importance of corporate governance (Lang & Jagtiani, 2010). Modern financial sector instabilities in Ghana have sparked debate about the importance of adhering to corporate governance norms, as well as the consequences of failing to do so. Financial institutions have lost confidence as an outcome of the lessons learned from the financial crisis across the globe. Barrios et al., (2021), and financial institutions are now the most challenging to trust organizations worldwide Ries et al., (2018), notably in Ghana.

The banking sector in Ghana has recently been rocked by extreme turbulence. The Bank of Ghana terminated over 340 micro finance institutions, including some banks, microcredit firms, and savings and loans companies, due to a lack of adherence to sound liquidity management and corporate governance standards. As a result, customers and the rest of Ghana's unbanked population are prevented from investing in financial markets (Trombetta et al., 2017). Corporate governance is a mechanism for managing and governing a company with the aim of maximizing long-term shareholder value while also considering other stakeholders' interests, business stability, and accountability (Agyemang & Castellini, 2015).

Ghana's corporate governance is carried out in conjunction with the Commonwealth Association of Corporate Governance (CAGG) and through the efforts of certain stakeholders including the Ghana Institute of Directors. Other initiatives to address the country's corporate governance issues have also been introduced. Ghana and other developing countries are gradually welcoming the term of good corporate governance, realizing its value in promoting long-term growth (Agyemang & Castellini, 2015).; (Kyereboah-Coleman, 2007)

However, a systematic review on the corporate governance-bank success nexus in Ghana shows three issues to be concerned about. To begin with, it can greatly benefit banks by inculcating better liquidity management practices and expanding opportunities for growth and performance optimization. Second, large proportion of empirical studies in the field have concentrated on the effects of corporate governance on the performance of small and medium-sized companies (Abor, 2007; Dzigba, 2015), corruption, and the impact of ownership arrangements on firm assessment (Dzigba, 2015). The current fluctuations in Ghana's financial sector have sparked a debate on corporate governance and sound liquidity management in the region, in order to avoid insolvency. Finally, prior studies favored corporate governance, especially among small and medium-sized businesses, at the detriment of Musah & Adutwumwaa, 2021) banks, which are supposed to follow good corporate governance practices. For instance examined the effect of corporate governance on financial performance of rural banks in Ghana. Similarly, Antwi and Binfor, 2013; Adusei, 2011; Aboagye and Otieku, 2010; OECD, 2004 confirmed that good corporate governance contributes greatly on banks performance. The current study analyzed the effects of corporate governance on the performance of banks listed on the Ghana Stock Exchange (GSE) Market against this backdrop in the literature.

RESEARCH METHODS

The study was conducted in an explanatory manner using a quantitative method. According to Leedy and Ormond (2005), explanatory research entails asking questions and tabulating responses to collect information about one or more cohorts of individuals, likely about their distinctiveness, behaviors, beliefs, or prior experiences. In order to describe, predict and monitor phenomena, the quantitative approach is used to answer questions about the relationships of measured variables. The benefit of this approach is that research issues are very specific, subjectivity are eliminated or decreased in decision-making and the original set of research goals are adhered to. The study's participants are all Ghanaian banks. All GSE-listed banks are open to the general public. On the GSE, there are currently twenty-three banks listed. The GSE was chosen for its ability to contribute to Ghana's economy. The use of publicly traded companies is attributed to data availability and reliability, since they are mandated by law to provide financial statements at the end of the year.

Secondary data sources were used as the primary means of obtaining the information for this study. For the period 2009 to 2019, data was gathered from the corporate annual reports and websites of the selected listed banks. The thesis focused on the years 2009 to 2019, owing to the limited availability of data on the variables. For the following purposes, this study restricted its review to the use of firm's annual reports and corporate websites, in line with similar prior studies on corporate governance practices (Adams & Mehran, 2012).

The following model was used to analyze corporate management and bank performance relationships;

As $\mathbf{P_{it}} = \boldsymbol{\beta_0} + \boldsymbol{\beta_1}\,\mathbf{Z_{it}} + \boldsymbol{\beta_2}\,\mathbf{X_{it}} + \boldsymbol{\varepsilon_{it}}$

"Where presents the performance level of individual bank 'i' at time 't' is a vector of unknown parameters and is the error term. Z refers to the corporate governance (board size, independence, board diversity, etc) and X is a vector of bank characteristics that affect the performance level of bank."

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CEO duality is measured as a dummy variable with the values 1 the Chairman of the board is the same as the CEO. That is one person is assigned both portfolios

Board diversity measures the where or not there are females on the board. It takes the values 1 if there are females on the board and 0 otherwise.

Board Size (BS) is measured as a continuous variable consisting of the number of members of the board.

Ownership type measures the firm ownership concentration. It is measured as a dummy variable with values 1 if the firm has large share holders (highly concentrated) and 0 otherwise (less shareholders)

The analysis of the data was based on quantitative methods. In the analysis of quantitative data by descriptive and inferential statistics, the Statistical Package for Social Sciences (SPSS) version 22 was used. This was achieved by modification and coding of SPSS variables to simplify the generation of statistics (Obure, 2002). Correlational analysis, as well as fixed and random effect panel estimations, were used to analyze the results.

RESULT AND DISCUSSION

Descriptive Statistics

The findings and discussion for the analysis are presented in this chapter. It starts with descriptive statistics, then moves on to correlation analysis results, which display the degree of association between the explanatory variables used in the regression model. Following that, the results of diagnostic tests as well as the fixed and random effect panel regression models are addressed.

According to Table 1, Firm age has a mean value of 9.5, meaning that the average age of companies surveyed is ten and a half years, with the minimum and maximum years being eight and twenty-seven years. The total number of workers is 42, with the minimum being 24 and maximum numbers 866. The Board size (BS) is 0,634, which means that 63,4% in the Boards of Directors of corporations are 100% and 0%, respectively, not in the Board of Directors. The norm 0.483 deviation shows that the sample companies vary in board size.

Table 1: Summary Statistics of variables

Variable	Observation	Mean	Std. Dev.	Min	Max
Firm Age	198	9.5	6.136973	8	27
Firm size	198	42	1.44	24	866
BS	198	0.634	0.483	0	1
Bind	198	1.000	0.000	0	1
Ownertype	198	0.310	0.464	0	1
CeoDual	198	1.000	0.000	0	1

"Note: ROA refers to Log of return on asset, BS refers to board size, Bind refers to board independence, Ownertype refers to ownership type and CeoDual refers CEO Duality"

The average value of Board independence (Bind), determined by the ratio between external and external Board membership directors, is 1,00 and implies that at least one-

third of the total Board membership is a relationship between external and internal directors. 1 and 0 are respectively the highest and the lowest values.

The report presents a correlation matrix for bank corporate governance activities and results in Tables 4 and 5. Table 4 provides a correlation matrix for a bank's return on assets (ROA) and corporate governance practices, while Table 5 shows the case for EPS. As shown in Table 4, there is a direct connection between the ROA of a bank and its corporate governance. Table 5 indicates a positive connection to corporate governance practices between a bank's EPS earnings per share. The research examines the causal effect between corporate governance practices and the performance of a bank, since correlations do not imply cause.

Diagnostics Tests

These are various preliminary tests that are conducted in order to ensure validity and reliability. These included normality test, multicollinearity test, autocorrelation among others.

Test for Normality

The Jarque-Bera (J-B) statistic is important in testing the normality of the residuals. If the residuals are normally distributed, the J-B statistic would not be significant. The result is presented in Table 2.

Table 2: Normality Test

Variables	Jarque-Bera (J-B) test	Sign.
Board diversity	3.12255	0.214
Ownership type	1.667	0.435
Board size	2.341	0.154
Firm Age	3.225	0.221
Firm Size	2.889	0.192
CEO	3.11	0.512
EPS	2.532	0.329
ROA	1.899	0.761

Looking at the Jarque-Bera statistic of the various variables in Table 2, they all have p-value greater than 0.05. It was concluded that the model with only the ROA, EPS, and independent factors (board diversity, ownership type, board size, firm age, and firm size) had residuals that were normally distributed. Hence, the study accepted the null hypothesis of normal distribution and concluded that inferences made about coefficient estimates were good.

Multicollinearity Test

Multicollinearity is a problem that arises if some or all of the explanatory variables are highly correlated with one another. If multicollinearity is present, the regression model has difficulty telling which explanatory variables are influencing the dependent variables (Koop, 2013). The degree of Multicollinearity was measured by estimation of Variance Inflation Factors (VIF) and tolerance and presented in Table 3.

Table 3: Multicollinearity Test

Variables	Tolerance	VIF
Board diversity	0.761	1.004
Ownership type	0.343	3.210
Board size	0.116	1.788
Firm Age	0.862	4.227
Firm Size	0.455	5.091
CEO	0.782	1.122

In considering the magnitude of collinearity, when VIF is less than 1.0, then multicollinearity would be high and serious (Gujarati, 2004). In this case, the tolerance values were all less than 1.0 while VIFs for all the exogeneous variables were greater than 1.0 hence there was no evidence of serious multicollinearity. Moreover, a correlation matrix of the transformed series at levels was generated and yielded the results shown in the Table 4.

Table 4: Correlation Matrix for firm ROA and its correlates

	ROA	BD	OT	BS	Firm Age	Firm Size	CEO
ROA	1						
Board diversity	0.0101	1					
Ownership type	0.2858**	0.0319	1				
Board size	0.4464***	0.0832	0.1588***	1			
Firm Age	0.2137***	-0.1423	0.487**	0.3645***	1		
Firm Size	0.184**	0.121**	0.2877**	0.319**	0.0851**	1	
CEO	0.561***	0.215**	0.0464***	0.383**	0.046***	0.0832	1

*** p<0.01, ** p<0.05.

Table 5: Correlation Matrix for firm EPS and its correlates

	EPS	BD	OT	BS	Firm Age	Firm Size	CEO
ROA	1						
Board diversity	0.3101**	1					
ownership type	0.2800**	0.239***	1				
board size	0.284**	0.310**	0.0851**	1			
Firm Age	0.262***	0.311**	0.046***	0.183**	1		
Firm Size	0.302***	-0.303**	0.175***	0.140**	0.5757***	1	
CEO	0.429**	0.201**	0.201**	0.2019	0.2858**	0.0333	

*** p<0.01, ** p<0.05.

Autocorrelation test

This test involved establishing if in the classical linear regression model the error terms, μ_t were correlated or uncorrelated, that is the error term at time, t was not correlated with the error term at time, (t-1) or any other error term in the past. The Durbin-Watson test was used to examine the presence of autocorrelation. The null hypothesis in Durbin-Watson test shows that there is no serial correlation. Table presents the result of the test.

Table 6: Autocorrelation test

Variable	d-statistic/sig
ROA	(6, 192), 0.821
EPS	(6, 192), 0.633

According to Table 6, the Durbin-Watson test shows that the d-statistics of 0.821 and 0.633 for ROA and EPS respectively. Since the d-statistics are greater than 0.05, the study failed to reject the null that there is no serial correlation (at 95% significance level) and concluded that the errors in different observations were not correlated with each other. This was also supported by the correlational matrix as shown in Table 4 and 5. The highest correlation was found between firm age and ownership type which was even less than 0.5. Therefore, the variables were free from multicollinearity as well as autocorrelation.

Effect of Bank's corporate governance and performance

From Table 1, the bank's ownership concentration reduces its ROA and EPS by 24.4 percent and 34.1 percent, respectively, due to its ownership concentration. This suggests that the concentration of a bank's ownership affects its performance negatively.

Table 7:

Panel results on the Effect of Bank's corporate governance on banks performance

	ROA		EPS	
Variables	Fixed effect	Random effect	Fixed effect	Random effect
Board diversity	0.155*** (.006)	0.535*** (.007)	0.251** (.033)	0.353** (.035)
ownership type	-0.244*** (0.005)	-1.0917** (0.002)	-0.341*** (.002)	-.687*** (.007)
board size	-0.312*** (.012)	-0.552*** (.023)	-0.214** (.032)	-0.336** (.011)
CEO	-0.274*** (0.0273)	-0.1173** (0.0250)	-0.376*** (0.001)	-0.541** (0.001)
Firm Age	0.376*** (0.011)	0.441** (0.001)	0.443*** (0.015)	0.451** (0.012)
Firm Size	0.1818*** (0.008)	0.2057*** (0.042)	0.175*** (0.0161)	0.494*** (0.0911)
Constant	0.543** (0.070)	0.589** (0.040)	0.742*** (0.023)	0.3173** 0.0250
Observations	198		198	
R-squared	0.432		0.623	
Number of id	10		10	
Chi2	43.54		54.04	
F- Statistics	89.88		189.10	
p- value	0.000		0.000	
Hausman test	Prob>chi2 = 0.000		Prob>chi2 = 0.000	

Durbin Watson = 2.122 *** p<0.01, ** p<0.05

Similar studies in others countries such as China, Hong Kong and Turkey have shown that focused firms are not linked to better operational performance or a higher firm valuation according to existing literature (Chen et al., 2006; Gunasekarage et al., 2007; Gursoy & Aydogan, 2002). The negative link between concentrated ownership and firm performance may be caused by the strong wish of majority shareholders to transfer the company's control and shareholding to future generations (Bhaumik & Gregoriou, 2010). Power clusters (e.g. families) often use the majority holding of large companies to produce "non-specious profit" in the new developing economies, including "the right to capital according to one's wishes" (Demsetz,1985). Most major shareholders are in a position to have key positions to supervise the management and executive structure of enterprises and may conduct actions in their favour, nevertheless, it may be detrimental to the interests and results of minority shareholders. As a result, the underlying problem of potential nepotism is centralized power.

In addition, ROA and EPS are reduced by 31.2 and 21.4 in the case of each board size increase, because the BS has an inversely effect on company productivity. According to Pathan and Faff (2013), the bank's size was adversely linked to its output. Liang et al. (2013) examined the impact of the size, composition and structure of the Board on the banks' performance using data from Chinese banks from 2003 to 2010. They found that the scale and effect of the board on bank performance is substantial and negative, as ROA and ROE assessed.

Agoraki et al. (2009) found a negative cost-benefits efficiency-measured relationship between executive and bank output. Banks with smaller directors' boards are more successful according to their results. The size and output of the board is unrelated to the Turkish economy (Bektas & Kaymak, 2009). Aygün et al. (2010) and Doan and Yldz (2013) discuss the effect of the Board Size on bank results for the years 2006-2008 and 2005-2010. The findings show that the size of the board is largely adversely linked to bank profitability based on data from 12 BIST banks.

The study also examined CEO duality as a variable of corporate governance. The term "Duality of CEO" means whether the CEO and Chairman of the board of directors are the same individual or not. The effects on firm performance of CEO duality by 27.4 per cent and 37.6 per cent are adverse according to Table 4. The findings of previous studies are supported by this study. In their study of 141 large companies (Fortune 500 firms) from 1978 to 1983 Rechner and Dalton (1991) found that firms on their boards had divided boards more efficient than firms on the duality of the CEO.

Dahya et al. (2016) found, in an analysis of CEO duality for coted firms in UK, that the stock market performs better if both roles are segregated. The effect of CEO duality on company performance for 347 Malaysian publicly traded enterprises was investigated by Haniffa and Hudaib (2016). They state it would lead to better financial results if the two posts were separated. Chahine and Tohme (2009) have examined the connections between initial under-pricing and the CEO duality in a study of 127 initial public bids (IPOs), using a sample from Middle East and North Africa, to conclude that firms that combine two positions are more likely to have under-pricing. These observations agree with the position of the Agency that the separation of the board members will allow them to more efficiently exercise their roles in opportunistic management behaviour supervision.

It was also found that the age of a business has an impact on the results of ROA and EPS. A number of studies used the term "firm age" to describe how many years a business

existed (Boone et al., 2007). They indicated that a company's age is a strong indicator of prospects for future growth. For example, Claessens et al. (2002) noticed that more liquid trading, more transparency, more investor exposure and more varied operations were presented to older and larger firms and led to lower risks of financial distress but fewer opportunity for development. On the other hand, younger and smaller companies can have better prospects of growth but become more susceptible to conditions of the sector. Older firms are unable to respond rapidly to climate change (Borghesi et al., 2007).

Similarly, Lipczinsky and Wilson (2001) noted that new firms are projected to make less profit than older ones because they are less familiar with their businesses and are trying to establish their own presence. On the other hand, older companies are approaching the end of the life cycle. The older companies are more likely to have their high-crowding era, according to Black et al (2006), whereas younger companies are expanding more quickly. As a result, younger companies that have a shorter history have higher potential for growth.

The size of the company has a positive effect on performance as seen in Table 4. For example, as a business increases in size, its ROA and EPS improve accordingly by 18.2% and 17.5%. The relation between company size and efficiency is uncertain according to different studies (Nenova, 2003; Durnev & Kim, 2005). Large enterprises have more chance of generating and collecting funds internally and accessing foreign capital than smaller businesses, according to Joh (2003). Larger businesses will also benefit from creating entry barriers that increase their profitability by making economies of scale. As the size of a company is growing, it is more volatile according to Boone et al. (2007). This means that the company's inherent instability will become more severe.

Moreover, larger businesses also need more representation by the board. Moreover, bigger organizations have more complex practices to carry out business plans more efficiently. Serrasqueiro and Nunes (2008) state that larger businesses are advantageous for production. This is because large corporations have greater resources and diversified strategies to collect money. It has also a wide variety of management of information. Business size has a positive effect on company efficiency, according to Black et al. (2006b).

Other scientists (e.g., Nenova, 2003; Garen, 1994; Agrawal, 1996) have claimed to face more inspections and scrutinises of large companies. This might cost control families the extraction of private income (Nenova, 2003). There is a inversely association between size and success according to Agrawal and Knoeber (1996). They claim that larger corporations are less effective than smaller companies because they have less leverage over strategic and organizational operations as the company's size increases.

Due to the concentration of ownership of the Bank, its ROA and EPS are reduced by 24.4 and 34.1 per cent respectively. This suggests that the concentration of a bank's ownership affects its performance adversely. Various studies in other countries have found that companies with focused ownership are not associated with improved operational performance or a greater company evaluation in accordance with developed literature (Chen et al. 2006, Gunasekarage et al. 2007; Gursoy & Aydogan 2002). The negative effect of concentrated ownership on firm performance may be attributed to the strong desire of the largest shareholders to pass on their power and majority ownership to future generations (Bhaumik & Gregoriou, 2010).

In emerging markets, power clusters (e.g., families) usually produce "non-speaking income," using the majority ownership of major firms, such as "the freedom for capital to fit one's own wishes" (Demsetz & Lehn, 1985). Majority shareholders are able to

influence the management and executive structure of enterprises with key positions; such shareholders are able to perform acts that promote them, but may harm minority shareholders and the performance of the company. Consequently, a possible nepotism is the underlying problem of centralized ownership.

Each board size increase unit (one other member) also decreases the bank's ROA and EPS respectively to 31.2 and 21.4, which means that board size has an adverse effect on the productivity of the company. The size of a bank board was found to be negative in terms, by Pathan and Faff (2013). Liang et al. (2013) examined the effect on financial results and capital adequacy of the banks of the board and found that the BS impacts on bank performance (ROA and ROE), significantly and negatively. In a study of 58 major European banks from 2002 to 2004, Panagiotis et al. (2007) found a negative relation between the size of the Board and profitability.

Banks with smaller director's boards are more efficient according to their results. In the Turkish market there is no relation between the size of the board and the output of banks, Kaymak and Bektas (2008) and Bektas and Kaymak (2009). The effect of the Board size on the Bank's performance is examined for the years 2006-2008 and 2005-2010 by Aygün et al. (2010) and Doan and Yldz (2013). Their findings show that the size of the board is significantly negative in relation to bank profitability based on information from 12 BIST traded banks.

The analysis also examined the CEO duality as a component of corporate governance. The term "CEO duality" refers to whether the CEO and President of the Board of Directors is the same person or not. Table 4 indicates that 27.4 percent and 37.6 percent of the CEO duality have a negative effect on bank's performance. The findings of previous studies are supported in this study. In its study of 141 large companies (Fortune 500 companies) from 1978 to 1983 and find that businesses with divided boards perform better than companies with CEO duality on board. Dahya et al. (2016) discovered that when the two positions are divided, the stock market works better, according to a report on CEO duality in coted companies in the UK.

For 347 publicly traded Malaysian firms, Alleyne et al., (2016) studied the effect of the CEO duality on company performance. They argue that dividing the two places would lead to better outcomes. Chahine and Tohme (2009) used a sample from the North and the Middle-East to analyze the connection between the initial price undercutting and CEO duality in their study of 127 original public offerings (IPOs) companies to find that firms which integrate various posts in the same person are most likely to face lower prices. These results support the Agency's position to allow Board members to perform more efficiently their roles in controlling opportunistic management activity in separating the two positions.

The study also found that an age of a business has a positive effect on ROA and EPS outcomes. A number of studies used the term "firm age" to describe the number of years a business has existed (Udell, 2019). They noted that a company's age is a strong indicator of future prospects for growth. For example, for example, Claessens et al. (2002) found that older and larger firms have more cash trading, higher transparency, more coverage by investors and more varied activities that reduce the risk of financial hardship but lower opportunity for growth. Younger and smaller enterprises, however, are more vulnerable to market conditions and may have better potential for development. The older enterprises are unable to react rapidly to climate change (Borghesi et al., 2007).

Lipczinsky and Wilson (2001) found in the same light that young businesses are likely to make less profit than older companies because they have less market experience

and attempt to establish a personal presence. In the other hand, older companies are approaching the end of their cycle of existence. The older companies are more likely to finish a phase of high growth, according to Black et al. (2006), whereas younger companies grow more rapidly. Thus, the opportunities for greater growth are stronger for younger businesses with a shorter history of integration.

As Table 6 shows, corporate size has a positive effect on outcomes. As a business increases by 18.2% and 17.5% respectively, its ROA and EPS are increased. The connection between company size and productivity is not obvious, according to numerous studies (Durnev & Kim, 2005). Larger companies have more chances of generating and seeking funding internally and gaining access to foreign capital than smaller firms according to Short and Keasey (1999) and Joh (2003). Larger businesses may also benefit from erecting barriers to entry that enhance their profitability. The size of a company becomes more diverse (Boone et al., 2007). This means that the company's inherent volatility will be taken into account. It also requires larger corporations to be represented more by boards.

In addition, larger organizations are linked to more nuanced practices to implement business strategies more efficiently. Larger sizes of companies are beneficial for efficiency according to Serrasqueiro and Nunes (2008). This is because large corporations have greater resources and diversified strategies to collect money. It has a wide variety of management of knowledge. The firm size has a positive impact on corporate performance, as stated by Black et al. (2006b).

Other researchers (Nenova, 2003; Garen, 1994; Agrawal & Knoeber, 1996) say that big enterprises are being further inspected and monitored. This might cost the controling families the extraction of private income (Nenova, 2003). The negative correlation between firm size and performance is recorded by Agrawal and Knoeber (1996). They assert that bigger companies are less productive than smaller companies because they have less control over strategically and operational activities as the company's size increases.

CONCLUSION

While the scope of this study is small, it is obvious that: diverse boards influence the output of banks positively. In that smaller board size added more to the success of the banks as they were more efficient for controlling management activities. The size of the management board has a negative impact on bank output.

Membership of the Executive Board has an effect on the success of the bank. The Independent Committee allows the Board to track managers' self-interested activities and minimize issues in the agency. In support of management theory, self-directed jobs, organizations, which are governed by executive boards, may be best used for free managers from subordination. At least one third of autonomous directorates in boards of directors, for efficient management and for impartial oversight are preferred to theory of stewardship and as has been established.

The concentration of ownership has a negative effect on output of the bank. High concentration of ownership restricts diversification, decreases owners' risk tolerance and needs to be reduced. In keeping with the stakeholder theory, it is essential that the members of firms which contribute or control important, skilled inputs (specific corporate human capital) are raised to the voices and provide ownership incentives and that interest in these critical stakeholders is aligned with the interest of outside, passive shareholder parties.

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