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The Impact of Corporate Governance Practices on Performance of Manufacturing Firms on the Ghana Stock Exchange

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Abstract: **The study estimated the impact of corporate governance on the performance (ROA and ROE) of listed manufacturing firms in Ghana. Quantitative, descriptive and correlational research approaches were adopted for the study. The annual reports of the listed manufacturing companies from 2011 to 2016 were used for the study. The population for the study is made up of all the fourteen Ghanaian listed manufacturing companies as at 31st December, 2016. Ordinary Least Square (OLS) regression model was used to estimate the level of impact of corporate governance practices on the performance (ROA and ROE) of listed manufacturing firms in Ghana. The empirical evidence obtained indicated that three of the independent variables: Size of Board, number of Independent Directors and the presence of Audit Committee had positive and insignificant impacts on ROA. Additionally, the level of impact of Management Ownership on the ROA of the firms was positive and significant. However, all the independent variables: Size of Board, number of Independent Directors, the presence of Audit Committee and Management Ownership had positive and insignificant impacts on ROE. With regards to the control variables, the results indicate that the age of the firms positively and significantly impacts on ROA and ROE. Additionally, the evidence suggested that the size of the firms had a positive impact on both ROA and ROE, however, the level of impact of the size of the firms on ROA was insignificant. Additionally, the risk levels of the firms has a negative and significant impact on both ROA and ROE. Overall, the study provides evidence that there is a positive and insignificant impact of corporate governance on both ROA and ROE of the listed manufacturing firms in Ghana.**

Keywords: **Corporate Governance, Board Size, Ghana Stock Exchange, Firm Performance, Return on Assets, Return on Equity.**

1. INTRODUCTION

Corporate governance has been an item of great importance on the policy agenda in most developed countries for many years. As a result, the impact of corporate governance on the performance of companies has been on the forefront of corporate research agenda. Further to this, the idea of corporate governance is steadily gaining huge recognition in the African continent. Several recent activities have led to the increased pursuit in effective corporate governance policies in all nations. Particularly, the upsurge in failures of companies and the rise of fraudulent dealings in the recent past have resulted to a substantial search in terms of literature and study of governance standards to decide appropriate codes of practice that would enhance the performance and survival of companies. As a result, researchers, policy makers, business managers and regulators have spent substantial amount of time towards an improved corporate governance practices among corporations and businesses (Francis, Hassan & Wu, 2015).

Corporate governance is defined by Ayuso et al. (2014) as the system through which a firm is managed, monitored, guided and controlled with the end goal of striking a harmony between its interests, from one perspective and the interests of other related parties such as lenders, investors, suppliers and clients, as well as the society and environment. Put simply, corporate governance is the extent to which corporations and organisations are managed in an open and honest

manner so as to serve the interests of all stakeholders. Corporate governance has thus turned into a topical issue on account of its immense contribution to the economic development of nations and companies. Various corporate governance systems involving board size, board composition, directors meeting, separation of roles of board chairman and the chief executive officer etc. have been highlighted as vital to the attainment of the strategic goals of every company. It is regularly argued that corporate governance and financial performance move together. For instance, Siddiqui (2015) contends that unless companies grasps and demonstrates good corporate governance practices, they will not have the capacity to succeed.

Different studies have been conducted to examine the connections between corporate governance and financial performance, however the outcomes have been mixed and inconclusive. Generally, literature supports the position that corporate governance has a positive impact on performance of companies. Mamazakis and Bermpei (2015) found a positive relationship between corporate governance and shareholders value of investment banks in the US. Similarly, Hab, Johan and Schweizer (2016) examined the effect of corporate governance on performance of Chinese firms. The result established a positive relationship between corporate governance and performance. However, Fratini and Tettamanzi (2015) found no relationship between corporate governance and performance.

Whilst these studies provide valuable insights into the relationship of corporate governance and performance, the results are mixed and varied. Besides, the results are related to developed countries, where the context might be different from Africa. In Africa however, Abdulazeez, Ndibe and Mercy (2016) and Gadi, Emesuanwu and Shammah (2015) found a positive relationship between corporate governance and performance in Nigeria. Conversely, in Kenya, Wanyama and Olweny (2013) found a negative relationship between board size and performance of listed insurance firms. On the other hand, the results obtained by Shahwan (2015) could not establish a relationship between corporate governance and performance in Egypt. In Ghana, the few studies (Mensah et al., 2003; Bokpin and Isshag, 2009 and Adegbite, 2012) on corporate governance concentrated on the corporate governance practices among specific industries. A literature scan could not obtain any specific studies on the relationship between corporate governance and performance, especially among listed manufacturing companies. There is therefore the need to provide empirical evidence on the impact of corporate governance on performance of listed manufacturing firms in Ghana and this study seeks to do that.

2. LITERATURE REVIEW

2.1 Concept of Corporate Governance:

Cadbury Committee, one of the first bodies to look into corporate governance practices in corporations defined corporate governance as the structure by which businesses are focused and measured (Cadbury, 1992). Hab, Johan and Schweizer (2016) also define corporate governance as the existence of influential micro-policy tools in an organization to ensure an effective and efficient usage of assets in attaining the key purposes of achieving strategic objectives. According to Ayuso et al. (2014), corporate governance is the processes and procedures where all interested parties to a company endeavour to ensure that the management and other insiders take measures that safeguard the interest of the stakeholders. Similarly, Michael and Goo (2015), contend that corporate governance is concerned with actions, structures or mechanism in which management are held responsible to those who have a stake in the business.

From the above definitions, it can be observed that corporate governance basically involves how decision making authority is distributed within a firm as well as how investors are protected from entrepreneurial opportunism (Mamazakis & Bermpei, 2015). This means that corporate governance is how a company arranges its activities such that the owners, suppliers, customers, lenders, the society and all stakeholders would be convinced that their interests are being protected. Abdulazeez, Ndibe and Mercy (2016) therefore posit that corporate governance is a way in which suppliers of finance and other stakeholders assure themselves of receiving a return on their investment. In this way, the authors argued that the corporate governance theory should be seen as the relationship between the organization, its workforces, creditors and the physical environment in which the organization operates. On the other hand, Abor and Adjasi (2007) argued that corporate governance can be thought as a compliance with conventions and the mechanism for creating the nature of ownership and control of institution within an economy.

2.2 Corporate Governance in Ghana:

Hints of the corporate governance in Ghana can be traced to the companies' laws of Ghana right from the colonial days (Adegbite, 2012). The author further explains that the control, regulation and governance of a corporation in Ghana in present times are mostly contained within the provisions of the company legislation which has its root in Ghana's colonial

past. According to Adda and Hinsin. (2006), similar to majority of other past British colonies, Ghana inherited, at independence, many rules and regulations left behind by the colonial government. At the time of the colonialism, British company legislation was introduced into the country; hence Ghana's legal system and corporate governance practices mirrored the UK pattern (Okike, 2007). The author further reports that before Ghana obtained independence, foreigners, generally British, were in control of the operations of business enterprises in many of their old colonies and as a result brought along with them their economic interest and their legislation.

Adda and Hinsin (2006) also reported that Companies Code of Ghana 1963 (Act 179) is largely based on the English Companies Act of 1948. Even though the Ghana's Companies Code of 1963 (Act 179) has witnessed no major changes since its enactment and many attempts at reviewing it have mainly been mere editorial changes, these historical analysis, therefore, confirms and suggest that the Ghanaian system of corporate governance is essentially an 'Anglo-Saxon', or the 'outsider control system' and is a reflection of its colonial heritage (Okike, 2007). Nonetheless, on the wider corporate governance structure in Ghana, there has been a monitoring structure position in place such as: The Criminal Code (causing financial loss) Act 1960 (Act 29); The Companies Code 1963 (Act 179); Economic and Organized Crime Office (EOCO) Act (Act 408) and The Bank of Ghana regulations. These structures have been put in place to champion the cause of good corporate governance but notwithstanding all these measures, the difficulty of ensuring effective corporate governance still remains unanswered.

The Security and Exchange Commission (SEC) of Ghana (2002) identified some common elements that underlie good corporate governance upon which further evolution and developments in governance structures are built upon (Adegbite, 2012). They are: the rights of shareholders; the equitable treatment of shareholders; the roles of stakeholders; disclosure and transparency and the responsibilities of the board. These pillars are explicitly covered in the 2002 code of best practices released by the Ghana Securities and Exchange Commission. The author further explains that the code of corporate governance in Ghana covers every part of the business set up right from how assets are created and how they are employed. The corporate governance is thus described by the Securities and Exchange Commission of Ghana as the administration of the relationships among management, its directors, investors and additional shareholders.

2.3 Elements of Corporate Governance:

As stated, the SEC of Ghana (2002) identified some common elements of good corporate governance upon which further advancement and improvement in governance structures are based upon. The elements of corporate governance practices put forward by the SEC of Ghana are: composition of board, board size, splitting of roles of the chief executive officer and chairman, independence of the board, board procedures, audit committees, responsibilities of the board, etc. The various components of good corporate governance practices are discussed below.

Board Composition: The roles and arrangements of the board of directors have extensively been studied under corporate governance as a result of the importance of the roles the board play in specifying and implementing corporate strategies. According to Gadi et al. (2015), the board of directors are group of chosen individuals who supervise the everyday management of a corporation. The authors further indicated that the board of directors have many duties which comprise: hiring and firing of chief executive officers, reporting the financial performance of a firm to shareholders and help administration to use sound judgment about firm system and engagements. Adegbite (2012) also put forward that the structure of the board of directors is the number of executive directors versus non-executive directors. In addition, Abor and Adjasi (2007) argue that the gender of the board is an important variable with regards to the composition of the board. The authors further indicated that the rules of Ghana Stock Exchange (GSE) states that the board of directors comprises at least, half non-executive directors and at least one-quarter must be independent directors.

Board Size: The board size is the mathematical or arithmetical number of the board of directors of a firm as at a company's reporting date (Ayuso et al., 2014). Arithmetically, the Ghanaian Companies Code (1963) Act 179, provides that the least number of board of directors must be two (2). On the other hand, the Security Exchange Commission of Ghana requires that the least number of board of directors must be eight whilst the maximum is sixteen (16). Studies (Abor & Adjasi, 2007 and Michael & Goo, 2015) posit that smaller size performs better whilst others (Adegbite, 2012 and Gadi et al., 2015) argue that a larger board size is better because it can boost of individuals with diverse knowledge, skills and experience.

Chief Executives Officers and Chairman Split: There is an interconnection between the duties of the CEO and the board chairman. As a result, Abdulazeez, Ndibe and Mercy (2016) report that many institutions and corporations are driving towards the realisation that the positions of the chief executive officer and the chairman of the board must be separated to prevent the chief executive officer from having excessive control over a company. The board of directors

supervises the chief executive officer, which implies that having a single person acting as a chief executive officer and the chairman of the board can expose a company to an agency problem. Gadi et al. (2015) emphasised this by arguing that the corporate governance practices requires that the roles of CEO and board chairman must be performed by separate individuals such that power is not concentrated on one person. This means that dual roles (one person acting as CEO and board chairman) has the likelihood of having the chief executive officer acting in their own interest.

Independent Board: The SEC (2002) of Ghana describes an independent board of directors as directors who have no physical connection with the firm they serve as board members. According to Bokpin and Isshaq (2009), a director is independent when he/she has no relationship whatsoever with the business, its associates or the management, that may affect his or her judgement. However, this definition appear to be confusing and unrealistic. It must be put forward that all directors must have an interest or a relationship of some sort with a firm they serve as directors. The relationship therefore must be limited or defined. It is therefore appropriate to state that a director will be considered independent if they have no business or financial relationship with the firm or its management other than being shareholders. According to Shahwan (2015), the freedom of a director has the likelihood to enable him/her to exert real and competent control over a company. Hab, Johan and Schweizer (2016) also argue that independent directors must account for at least half of the size of the board of directors.

Board Procedures: The structure of corporate governance provides guidelines and procedures for the board of directors of a firm to work with. According to Hab, Johan and Schweizer (2016), these guidelines and procedures comprises: board meetings, minutes, committees, specific board actions, decision making, voting, quorum, code of conduct and notice of meetings. The authors explained that the procedures and processes of the board are planned to check and help the members of the board in a manner they conduct their businesses.

Audit Committees: The Cadbury Report (1992) prescribed the creation of audit committee to all companies or business. According to the Cadbury Report (1992), the audit committee represents the welfare of shareholders. As a result of the significant roles played by the audit committee, Fratini and Tettamanzi (2015) asserted that their independence should be guaranteed. The authors argued that the audit committee must be independent because they are responsible for monitoring the accuracy of the financial recording practices of a firm. Additionally, the audit committee enhances the independence of external auditors because they ensure that the auditors do their duties as expected and that proper relationship exists between external auditors and management whose financial accounts are being audited. Mamazakis and Bermpei (2015) also stressed that all members of the audit committee ought to be independent non-executive directors.

2.4 Prior Studies on the impact of Corporate Governance on Performance:

A literature review on the relationships that exist between different corporate governance practices, particularly board size, board composition, role duality, audit committee etc. and corporate performance shows mixed results. Fratini and Tettamanzi (2015) conducted a study to ascertain the relationship between corporate governance practices and the performance of Italian companies. The authors used regression analysis on a sample size of 182 Italian listed firms. The empirical evidence provided by Fratini and Tettamanzi (2015) showed that the size of board of directors and audit committee were positively related to both return on equity (ROE) and net profit margin (NPM). A similar result was found by Eisenberg et al. (1998) in Finland. Using a small sample size and midsize Finnish firms, the authors established a positive relationship between corporate governance and financial performance. On the other hand, the Fratini and Tettamanzi (2015) reported that no relationship was found between corporate performance and corporate structure. Using Q-ratio, Hermalin and Weisbach (1991) also found no relationship between the size of non-executive directors and performance of US firms.

In Africa, Gadi et al. (2015) investigated the impact of corporate governance on the performance of microfinance banks in Nigeria. Specifically, the study examined whether board composition and board committees had relationship with the financial performance of the banks. The study analysed the annual reports of 23 microfinance banks by using Pearson correlation analysis and Ordinary Least Square (OLS) regression. Using Earnings per Share (EPS) and Return on Assets (ROA) as proxies for performance, the study established a significantly positive relationship between EPS and board composition and board committee. However, the study could not establish a significant impact of corporate governance on ROA. Abdul-Quadir and Kwanko (2012) also conducted a study to ascertain the impact of compliance with corporate governance code on the performance of Nigerian banks that were considered healthy. With a sample size of 12 banks, the study used a t-test and ANOVA to analyse the annual reports of the banks in Nigeria from 2006 to 2010. Abdul-Quadir and Kwanko (2012) found that large board size relates to profitability but does not have any significant impact on financial performance among the Nigerian banking industry.

Similarly, in Egypt, Shahwan (2015) conducted a study to establish whether there was any relationship between corporate governance and financial distress among listed firms in Egypt. First, the study could not establish any relationship between corporate governance practices and financial performance. On the other hand, the study found an insignificant negative relationship between corporate governance practices and the possibility of financial distress. In Kenya, Wanyama and Olweny (2013) investigated the effects of corporate governance on the financial performance of listed insurance firms. Specifically, the study examined the impact of board size, CEO duality, board composition and leverage on the financial performance (ROA and ROE) of the listed insurance firms. The study employed a multiple regression model and established that the size of a board negatively affect the financial performance of firms. On the other hand, a positive relationship between board composition and financial performance was established. On the CEO duality, the study revealed that the segregation of the CEO and Chairman's roles positively influenced the financial performance of the listed insurance companies.

3. RESEARCH METHODOLOGY

3.1 Research Design:

Quantitative, descriptive and correlational research approaches were adopted for the study. The annual reports of the listed manufacturing companies from 2011 to 2016 were used for the study. The population for the study is made up of all the fourteen Ghanaian listed manufacturing companies as at 31st December, 2016. As such, eighty four (84) annual reports were targeted. However, a total of eleven annual reports were not available and thus 73 annual reports were used for the study. All the annual reports were obtained from the websites of the firms.

The corporate governance practices of the firms was studied through a content analysis of the annual reports of the firms. The content analysis is a research technique for making replicable and valid inferences from data according to their context. The content analysis of the annual reports has been acknowledged as the most appropriate method of analysing corporate governance practices. Information of the corporate governance and financial performance variables were retrieved from the annual reports of the companies. The annual reports contained information regarding board of directors, background information and the financial data of the companies.

3.2 Econometric Model:

The study employed an econometric model called multiple regression to test the effects of corporate governance on corporate performance. The dependent variable is corporate performance. Two measurements, namely Return on Equity (ROE) and Return on Assets (ROA), are considered in this study as proxies for corporate performance. These performance indicators have also been used in previous studies on firm performance (Abdul-Quadir and Kwanko, 2012; Siddiqui, 2015; Mamazakis and Bermpei, 2015; Fratini and Tettamanzi, 2015 and Abdulazeez, Ndibe and Mercy, 2016).

The independent variables consist of five corporate governance variables, namely board size (BSize), gender composition of board (BGen), number of independent board of directors (IndD), availability of audit committee (AudCom), managerial shareholdings (MgtOwn). Three other variables, gearing (Risk), company size (Size) and number of listed years (Age) are introduced as control variables. The study therefore uses the following two regression models to analyse the impact of the various corporate governance variables on corporate performance.

$$ROA = \beta_0 + \beta_1 BSize + \beta_2 BGen + \beta_3 AudCom + \beta_4 IndD + \beta_5 MgtOwn + \beta_6 Size + \beta_7 Age + \beta_8 Risk + \varepsilon$$

$$ROE = \beta_0 + \beta_1 BSize + \beta_2 BGen + \beta_3 AudCom + \beta_4 IndD + \beta_5 MgtOwn + \beta_6 Size + \beta_7 Age + \beta_8 Risk + \varepsilon$$

The definition of the variables in the regression models are explained in Table 1.

Table 1: Variable Explanations

Variables	Variable explanation
ROA and ROE	Return on Assets and Return on Equity respectively (Proxies for Performance): Dependent Variables
BSize	Number of Board of Directors: Independent Variable
BGen	Number of Females on Board: Independent Variable
AudCom	Presence of Audit Committee: Independent Variable
IndD	Number of Independent Directors: Independent Variable

MgtOwn	Number of years a firm managed by owners: Independent Variable
Size	Natural Logarithm of total Assets: Control Variable
Age	Age of firm (number of years listed on the GSE): Control Variable
Risk	Leverage of the firms (measured by the ratio of debt to owners' equity: Control Variable
$\beta_{0,}$	Constant
$\beta_{1,}\beta_2, \beta_3, \dots \beta_8$	Coefficient of slope of the regression line
Ɛ	The Stochastic Error Term

4. RESULTS

4.1 Descriptive Statistics:

The summary of the descriptive statistics of the listed manufacturing firms sampled for the study is presented in Table 2. As shown in Table 2, the average return on assets (ROA) and return on equity (ROE) (dependent variables) were 2.08% and 2.62% respectively. In addition, the minimum ROA and ROE were -32.70% and -36.86% respectively whilst the maximum ROA and ROE were 31.00% and 34.71% respectively. Table 2 further shows that the average board size was 8.86 with a standard deviation of 1.2551 and the maximum and minimum size of the board were 11 and 8 respectively. This data indicates that the size of the board of the companies listed on the Ghana Stock Exchange was adequate which indicates a good corporate governance practice. This can be largely attributed to the requirement of the Security and Exchange Commission (SEC) of Ghana which mandates all quoted companies to have a minimum number of board to be 8 and maximum to be 16.

Good corporate practice demands that there should be diversity in the board of directors of companies. As a result, the gender diversity of the board of the manufacturing companies listed on the Ghana Stock Exchange were also ascertained. First, the average number of female directors of manufacturing companies listed on the Ghana Stock Exchange was 1.85 with a maximum of 4 and a minimum of 1. Given the average board size of 8.86, this is clearly very insignificant percentage. Table 2 further indicates that the average number of independent directors was 4.12. In addition, the study ascertained that out of 73 firm year observations, audit committee and management ownership were present in 32 and 65 firm years respectively. Similarly, the average size/total assets, age and risk level of the firms were GHS 78,900,000.00, 19.3 years and 19.6% respectively.

Table 2: Descriptive Statistics

	Observations	Mean	SD	Max	Min
ROA	73	2.08		31.00	-32.70
ROE	73	2.62	14.652	34.71	-36.86
Board Size	73	8.86	1.2551	11	8
Females on Board	73	2.85	1.2726	4	1
Number of Independent Directors	73	4.12	1.5451	7	3
Audit Committee presence	73	32	-	-	-
Management Ownership	73	65	-	-	-
Size/Total Assets of firms (in Cedis)	73	78.9m	125.95	480.7m	1.3m
Age of firms	73	19.3	4.8611	26	11
Risk	73	19.6	145.32	132.5	0.00

Source: Field Work, 2017

4.2 Correlation matrix among variables:

The results of the Pearson correlation analysis among the dependent and independent variables is presented in Table 3. Table 3 shows a relatively weak relationships among the variables. However, the relationship between ROA and ROE (r = 0.56) was strong and significant. Additionally, a positive and significant relationships were observed between industry type and size of board (r = 0.11), size of board and audit committee (r = 0.16), size of board and firms' size (r = 0.22), ROA and age of firms (r = 0.26) and gender of board and age of firms (r = 0.07). It can be observed that the general relationship among the variables is very weak and insignificant thus emphasising the validity of the variables.

Table 3: Correlation Matrix

Variables	1	2	3	4	5	6	7	8	9	10
1. ROA	1									
2. ROE	0.56*	1								
3. BSize	0.13	0.16	1							
4. BGen	0.08	0.11	0.27	1						
5. IndD	0.17	0.19	0.11*	0.08	1					
6. AudCom	0.21	0.22	0.16*	0.12	0.06	1				
7. MghtOwn	0.27	0.16	-0.08	0.09	-0.11	-0.17	1			
8. Size	0.31	0.38	0.22*	0.14	0.14	0.10	0.13	1		
9. Age	0.26**	0.31	0.18	0.07*	0.12	0.09	-0.05	0.28	1	
10. Risk	-0.33	-0.29	0.10	0.13	0.18	0.14	-0.17	0.17	-0.24	1

* = Significant at 0.01 and ** = Significant at 0.05

4.3 Regression Results:

This section presents the regression results on the impact of corporate governance practices on the performance of manufacturing firms listed on the Ghana Stock Exchange (GSE). Here, the performance was measured by two dependent variables: Return on Assets (ROA) and Return on Equity (ROE). In addition, the corporate governance practice of the firms was measured by five independent variables: Board Size (BSize), Gender of Board (BGen), number of Independent Directors (BInd), presence of Audit Committee (AudCom) and Management Ownership (MgtOwn). Additionally, the size/total assets, age and risk level of the firms were introduced as control variables.

4.3.1 The impact of Corporate Governance on Return on Assets (ROA):

Table 4 presents the results on the impact of corporate governance on the ROA of the Ghanaian listed manufacturing firms. It can be observed from Table 4 that the size of a board (BSize) has a 7.25 percent impact on ROA. However, the impact of board size (BSize) on the ROA of the listed manufacturing firms in Ghana is statistically insignificant (*t = 2.654 and p = 0.0571*). Similarly, it can be ascertained from Table 4 that the Gender of Board (BGen), number of Independent Directors (BInd), presence of Audit Committee (AudCom) and Management Ownership (MgtOwn) had 5.51, 5.22, 15.71 and 14.42 percentage impact on ROA respectively. However, as shown in Table 4, the impacts of Gender of Board (*t = 1.356 and p = 0.1057*), number of Independent Directors (*t = 0.962 and p = 0.0742*) and presence of Audit Committee (*t = 0.654 and p = 0.0557*) on ROA were statistically not significant at $\alpha = 0.05$, though all had positive signs. On the other hand, the level of impact of Management Ownership on ROA was statistically significant (*t = 2.651 and p = 0.0571*) at $\alpha = 0.05$.

With regards to the control variables, the study ascertained that the 'Age' of the firms has a positive and significant impact on performance (ROA) whilst and the 'Risk' level of the firms has a negative and significant impact on ROA. On the other hand, the size of the firms had a positive and insignificant impact on ROA. The R^2 and Adjusted R^2 of the model are 0.742 and 0.687 respectively, indicating that more than 74 percent of the variations in the dependent variable (ROA) is explained by the independent variables. It is further noted that the probability of the F-statistic is 0.001, which is less than the 'α of *0.05*', indicating that the model is a good fit. These results however disagree with the findings of earlier studies (Fratini and Tettamanzi, 2015; Abdul-Quadir and Kwanko, 2012 and Wanyama and Olweny (2013). However, the results partly agree with the findings of Hermalin and Weisbach (1991); Holtausen and Larcker (1993) and Gadi et al. (2015).

Table 4: The impact of Corporate Governance on Return on Assets (ROA)

Variables	Coefficient	Std. Error	t-statistics	Probability
Constant	12.36	2.9522	8.659	0.0274
BSize	0.0725	0.0055	2.654	0.0571
BGen	0.0551	0.0101	1.356	0.1057
IndD	0.0522	0.00587	0.962	0.0742
AudCom	0.1571	0.00753	0.654	0.0557
MghtOwn	0.1442	0.5145	2.651	0.0465

Size	0.2328	0.0356	1.524	0.0654
Age	0.2647	0.1065	0.862	0.0385
Risk	-0.3645	0.0846	1.184	0.0421

$\alpha = 0.05$; $R^2 = 0.742$; Adjusted $R^2 = 0.687$; F-Statistics = 144.9; probability of F-statistic = 0.001

4.3.2 The Impact of Corporate Governance on Return on Equity (ROE):

Table 5 also presents the regression result on the impact of corporate governance on the return on equity (ROE) of the listed manufacturing firms in Ghana. The study found that the size of board (BSize) had an insignificant positive impact on ROE. The result shows that the 'BSize' had a 9.5 percent impact on ROE. Additionally, the study observed that the Gender of Board (BGen) had a positive and insignificant impact on ROE. With a coefficient of 0.0051, it means that the Gender of Board (BGen) has a 0.51 percent impact on ROE. Similarly, the number of Independent Directors (BInd) and presence of Audit Committee (AudCom) has a positive impact on ROE, however not significant. A further positive and insignificant impact of Management Ownership (MgtOwn) on ROE was observed.

From the control variables, the results provide evidence that all the two variables: size and age of the firms have a positive and significant impact on performance. On the other hand, the evidence obtained indicate that the risk level of the firms had a negative and significant impact on ROE. These results largely conflicts with the findings of earlier studies, especially that of Wanyama and Olweny, Fratini and Tettamanzi (2015) and Gadi et al. (2015) who found a positive and significant impact of corporate governance practices on ROE. However, the context and industry used in these studies were completely different and thus the results must be compared with caution. The R^2 and Adjusted R^2 of the model were 0.703 and 0.655 respectively. The R^2 of 0.703 indicates that the variables define the dependent variable (ROE) in the model up to 70.3%.

Table 5: The impact of Corporate Governance of Return on Equity (ROE)

Variables	Coefficient	Std. Error	t-statistics	Probability
Constant	15.32	3.2517	6.866	0.0364
BSize	0.095	0.035	2.055	0.0621
BGen	0.0489	0.0051	1.025	0.0935
IndD	0.0751	0.0026	0.893	0.0547
AudCom	0.1354	0.0041	1.785	0.0638
MghtOwn	0.1661	0.2558	2.046	0.0504
Size	0.1985	0.0225	0.755	0.0456
Age	0.2788	0.0535	1.215	0.0408
Risk	-0.2948	0.0159	0.544	0.0314

$\alpha = 0.05$; $R^2 = 0.703$ Adjusted $R^2 = 0.655$; F-Statistics = 144.9; probability of F-statistic = 0.001

5. CONCLUSION

The study estimated the impact of corporate governance practices on the performance (ROA and ROE) of listed manufacturing firms in Ghana. Ordinary Least Square (OLS) regression model was used to estimate the level of impact of corporate governance practices on the performance (ROA and ROE) of listed manufacturing firms in Ghana. The empirical evidence obtained indicated that three of the independent variables: Size of Board (BSize), number of Independent Directors (BInd) and the presence of Audit Committee (AudCom) had positive and insignificant impacts on ROA. Additionally, the level of impact of Management Ownership (MgtOwn) on the ROA of the firms was positive and significant. However, all the independent variables: Size of Board (BSize), number of Independent Directors (BInd), the presence of Audit Committee (AudCom) and Management Ownership (MgtOwn) had positive and insignificant impacts on ROE.

With regards to the control variables, the results indicate that the age of the firms positively and significantly impacts on ROA and ROE. Additionally, the evidence suggested that the size of the firms had a positive impact on both ROA and ROE, however, the level of impact of the size of the firms on ROA was insignificant. Additionally, the risk levels of the firms has a negative and significant impact on both ROA and ROE. Overall, the study provides evidence that there is a positive and insignificant impact of corporate governance on both ROA and ROE of the listed manufacturing firms in Ghana.

6. RECOMMENDATIONS

The study found out that the proportion of females on the board of directors of companies listed on the Ghana Stock Exchange was inadequate. This does not suggests a good corporate governance practice. It is thus recommended that the companies listed on the Ghana Stock Exchange should increase the number of female directors on their board to promote gender diversity.

Again, the study found that only one chairperson of the directors was a female. Again, the gender diversity of the board is thus not fairly balanced. It is also recommended that the companies must increase the number of female chairpersons on their board.

It was further ascertained that some of the companies did not have audit committee to mediate between the management and external auditors of the companies. This could threaten the independence of the external auditors. It is however recommended that all the companies listed on the Ghana Stock Exchange should have audit committee made up of non-executive directors.

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