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EMPIRICAL STUDY ON THE IMPACT OF CORPORATE GOVERNANCE PRACTICES ON PERFORMANCE: EVIDENCE FROM SMES IN AN EMERGING ECONOMY

Augustine Kwasi Amoateng[1], Kwaku Tuah Osei[2], Alex Ofori[1] and Eric Nsiah Gyabaa[2]

[1]Department of Secretaryship and Management Studies, Sunyani Technical University, Ghana
[2]Department of Accountancy, Sunyani Technical University, Ghana

ABSTRACT: *The study examined the impact of corporate governance practices on the performance of SMEs in Ghana. Both descriptive and correlational research design were employed for the study. Convenience sampling technique was used to select one hundred (100) SMEs from two regions in Ghana. The study utilised the annual reports of the SMEs from 2012 to 2016 financial years. Net profit margin (NPM) and return on assets (ROA) were used as proxies for performance and Ordinary Least Square (OLS) regression model was used to estimate the level of impact of corporate governance on the performance of SMEs in Ghana. The study found empirical evidence to support the view that the board size (BS) has a negative impact on NPM, though insignificant. In addition, the evidence obtained indicate that board gender (BG) and management ownership (MO), all have positive impact on NPM. The evidence also showed that role difference for CEO and board chairman (DR) has a negative and positive impact on both ROA and ROE. Similarly, the results showed that board size (BS) has an insignificant negative impact on ROA. Additionally, it was ascertained that board gender (BG) and management ownership (MO) have positive impact on ROA, though the level of impact of board gender (BG) and management ownership (MO) are statistically insignificant. The results further provide evidence that the control variables: firm age (Fage) and industry of the firms (FInd) have a significant positive impact on both NPM and ROA. Generally, the evidence obtained show that corporate governance has positive but insignificant impact on performance of SMEs.*

KEYWORDS: Corporate Governance, Return on Assets, Return on Equity, Ghana Stock Exchange, Manufacturing Firms.

INTRODUCTION

The relevance of corporate governance principles in the management of companies and institutions cannot be underestimated. In the acknowledgment of the key roles that the contemporary firm plays in the economic advancement of any country, and the necessity to ensure good governance of these firms, there has been a worldwide upsurge in activities to give governance standards to the effective administration and control of these firms. The vast majority of these initiatives have featured conspicuously in the developed countries like the UK, US, Canada, France and Germany, among others (Elshandidy & Neri, 2015). As a result, corporate governance has turned into a vital subject, experiencing a significant change in corporations and firms lately. Owners, directors, and corporate supervisors or mangers have begun to understand that there are many advantages that can be obtained from having a good corporate governance structure. Corporate governance has been given a rising awareness or push in the 21st century in both developed and developing economies. According to Michael

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and Goo (2015), the absence of good corporate governance has been the main driving force for the collapse of many companies. Similarly, Berger, Imbierowcz and Rauch (2016) observed that good corporate governance practice results to a significance improvement in financial performance of firms.

According to Bell, Filatotchev and Aguilera (2014), corporate governance is concerned with actions, structures or mechanism in which management is held responsible to those who have a genuine stake in a business. Similarly, Sharma (2015) asserts that corporate governance is about putting in place the arrangement, measures and devices that ensure that the firm is focused and accomplished in a way that augments long-term shareholder value through responsibility of managers. Sharma (2015) maintained that corporate governance entails the legitimate and inherent frameworks that outline the exercise of power within an institution and permit stakeholders to assume their tasks, rights and freedoms.

Corporate governance is on the highest point of motivation for international development because it is asserted that corporate governance is as important as the governance of a nation. There are many empirical evidence that shows that corporate governance results to an improved financial performance of firms, making them more profitable and competitive. Yasser, Entenbang and Mansor (2011) argue that corporate administration is a key component for the improvement of the confidence of investors, improvement of economic growth and increase the competitiveness of corporations. Gupta and Sharma (2014) also contend that good corporate governance practice results to a better share performance and makes it easier to acquire capital and extra investments. Similarly, Elshandidy and Neri (2015) explain that investors are reluctant to loan cash or purchase shares in a company that does not subscribe to good corporate governance structure. The authors further asserted that good corporate governance can avert corporate fraud, scandals and potential criminal and civil liabilities of corporations.

As has been discussed, it is mostly understood that lack of or absence of good corporate governance practice has been the Achilles' heels of many companies, in both developed and developing countries. However, not much is known about the state of corporate governance and its connection with performance among Ghanaian companies. A study of this type is thus critical for the development of corporate Ghana. This is especially valid for the Ghanaian SMEs sector where many of them barely make profit. There have been few studies (Abor and Adjasi, 2007; Bokpin and Isshag, 2009; Adegbite, 2012 and Oppong et al., 2016) on corporate governance practices among firms in Ghana. However, these studies ended with inclusive results and inconsistent findings were observed among the authors. In addition, these studies used different corporate governance indicators. None of the studies however provided evidence on the impact of corporate governance on the performance of firms in Ghana. From this background, this study attempts to examine the impact of corporate governance on performance of SMEs in Ghana.

LITERATURE REVIEW

Overview of Corporate Governance in Ghana

Due to the different corporate governance practiced in different jurisdictions, the term corporate governance has not lend itself to easy definition. According to Sharma (2015), a uniform definition of corporate governance has not been easy to find since every country and

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economy has varied systems of corporate governance that is unique to each other as per their power, strength and influence exercised by the different management and stakeholders. In addition, Okike (2007) contends that different countries have different legal, political, socio-economic and cultural systems that have considerable influence on corporate governance. Nonetheless, some authors have attempted to provide definitions of corporate governance that cuts across different legal, socio economic, cultural and political settings. Yasser et al. (2011) defines corporate governance as a set of relationships that governs the different members of an institution or a company. Cadbury (1992) also defines corporate governance as the structure by which businesses are focused and measured.

Similarly, Adegbite (2012) defines corporate governance as the collection of influential micro-policy tools in an organization to confirm a well-organized and operative usage of assets in attaining the key purposes of its investors, flourish in the marketplace, as well as exploiting its optimistic encouragement on extra investors and at the same time, reducing its adverse influences on them. According to Michael and Goo (2015), corporate governance initiates who the organization is there to assist. The authors explained that corporate governance theory should be seen as the relationship between the organization, its workforces, creditors and the physical atmosphere in which the organization operates. In the view of Berger et al. (2016), corporate governance must move beyond monetary disclosure and agency difficulties to include composition of board of directors, independence of board, presence of audit committee, management involvement in the day to day administration of a firm, ownership structure, minority representation, disclosure, employee's compensation, board procedures and proper financial reporting etc. Essentially, Elshandidy and Neri (2015) content that corporate governance is meant to facilitate the effective and efficient use of corporate resources in order to actualise the aims and objectives of a business. From the foregone definitions and explanations, it can be put that a corporate governance is a prescribed arrangements and procedures to reduce the agency costs in a business organization.

In Ghana, the code of corporate governance covers every part of the business set up right from how assets are created and how they are used. There has been a monitoring structure position put in place to ensure good corporate governance practice in Ghana. This involves the promulgation of various laws, chief among them includes: the Criminal Code (causing financial loss Act 29) 1960; the Companies Code 1963(Act 179); the Economic and Organized Crime Office (Act 408) and the Bank of Ghana regulations. According to Adegbite (2012), these structures have been instituted to promote the cause of good corporate governance. It should however be acknowledged that the world is moving near a common principles of preparation as a results of globalization. Companies in the country cannot however isolate themselves from international drive which is influencing typical doctrines of businesses management. Oppong et al. (2016) opine that like other British colonies, Ghana inherited many rules and regulations left behind by the colonial government. The authors explained that 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.

Similarly, Okike (2007) explained 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. Similarly, Bokpin and Isshaq (2009) explained that the Ghanaian corporate

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governance structure is influenced by the corporate governance systems internationally. This is because, majority of the local firms are either owned by foreign firms or normally seek investments from foreign investors. In this regard, it will be very difficult for companies in Ghana, particularly SMEs to compete both internationally and domestically if they do not accept the ideologies of good corporate governance. Bokpin and Isshaq (2009) further explain that the prospect of firms obtaining investments will be subject to the extent to which these firms in Ghana accept globally acknowledged rules and structures of corporate conduct.

Empirical Literature Review

Empirical evidence provide mixed results on the impact of corporate governance on the performance of firms. In Malaysia, Haniffa and Hudaib (2006) investigated the relationship between the structure of corporate governance and performance of 347 companies listed on the Kuala Lumpur Stock Exchange (KLSE). The study found that board size and shareholding structure were significantly associated with share price and financial performance. The study further established a significant relationship between multiple directorships and share price. In addition, their results found a significant relationship between financial performance and role duality and managerial shareholdings. In India, Mishra and Mohanty (2014) also examined the impact of corporate governance on financial performance. With a sample of 141 companies listed on the Mumbai Stock Exchange, the study used a step-wise regression analysis to evaluate the influence of three corporate governance indicators: legal, board and proactive indicators on the performance of the firms. The study found that the performance of the firms were significantly influenced by proactive indicators. On the other hand, the study reported that legal compliance was not a good predictor of a firm's performance.

In Finland, Eisenberg et al. (1998), used a small sample size and midsize Finnish firms to evaluate the impact of corporate governance on financial performance. The authors established a positive relationship between corporate governance and financial performance. In a similar study in Italy, Fratini and Tettamanzi (2015) found no relationship between corporate performance and corporate structure. In addition, Yasser et al. (2011) conducted a similar study in Pakistan and could not establish any relationship between corporate governance and corporate performance. Additionally, the evidence provided by Monks and Minow (1995) indicated that the size of the board does matter as it affects the extent of monitoring, controlling and decision making in a company. Again, Yermack (1996) used a sample of large US corporations and controlling for other variables, found a significant negative relation between board size and market performance based on Tobin's *Q*.

Similarly, Wanyama and Olweny (2013) investigated the effects of corporate governance on the financial performance of listed insurance firms in Kenya. The study evaluated 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 established that the size of a board negatively affect the financial performance of the firms. In addition, the study established a positive relationship between board composition and financial performance. The study further provided evidence that the segregation of the CEO and Chairman's roles positively influenced the financial performance of the listed insurance companies. In other study, Gadi, Emesuanwu and Shammah (2015) examined the impact of corporate governance on the performance of microfinance banks in Nigeria. The study determined whether board composition and board committees had relationship with the financial performance of the banks. Earnings per Share (EPS) and Return on Assets (ROA) were used as measures of

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performance. The evidence showed a significantly positive relationship between EPS and board composition and board committee. The study could not however establish any impact of corporate governance on ROA. Shahwan (2015) conducted a similar study in Egypt and could not establish any relationship between corporate governance practices and financial performance.

RESEARCH METHODS

Research Design

The study is a survey approach. Additionally, both descriptive and correlational research design were employed for the study. The study also employed secondary data collection technique. As a criteria, the SMEs included in the study were those that: had registered with the registrar general’s department as a limited liability company, prepared annual reports and made annual revenue of at least GHS 300,000. Convenience sampling technique was used to select one hundred (100) SMEs from two regions in Ghana. The regions selected were Ashanti and Brong-Ahafo regions. Seventy (70) SMEs were selected from the Ashanti region whilst thirty (30) SMEs were selected from the Brong-Ahafo region. The study utilised the annual reports of the SMEs from 2012 to 2016 financial years. This would have resulted to the analysis of a total of 500 annual reports. However, some of the SMEs did not have annual reports throughout the five year period. Consequently, 317 annual reports were obtained from the selected SMEs.

Multiple Regression Model

The study used multiple regression model to establish the impact of corporate governance on performance among SMEs. The variables in the model are explained below.

Measurement of Performance: The financial performance of firms has traditionally been measured based a number of accounting metrics and ratios. These accounting measures are many but the most popular among them includes net profit, net profit margin (NPM), gross profit margin (GPM), return on equity (ROE) and return on assets (ROA). However, researchers (Eisenberg et al., 1998; Fratini and Tettamanzi, 2015; Wanyama and Olweny, 2013 and Shahwan, 2015) have mostly employed net profit margin, return on assets (ROA) and return on equity (ROE) as the best measure of financial performance of firms. However, for the purpose of this study, two performance measures, net profit margin (NPM) and return on assets (ROA) were used as the performance measurement metric. Again, the NPM and ROA are the dependent variables of the model.

Measurement of Corporate Governance practices: Like the performance measurement metrics, researchers have used various corporate characteristics to assess corporate governance practices of companies. These corporate characteristics include: the gender composition of the board, board size, independence of board, management ownership, segregation of the roles CEO and chairman’s, number of board meetings in a year and the existence of audit committee. However, gender composition of board (BG), board size (BS), the different roles for CEO and chairman (DR) and management ownership (MO) are used as a measure of corporate governance practices among SMEs in Ghana. These corporate governance practices are the independent variables of the regression model.

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Other potential variables that affect performance: There are other variables that potentially impact on performance. Omitting these variables will result to an omitted variable bias. Consequently, the study added a set of control variables to address the potential of the omitted variable bias. The control variables of the model are: size of firms (proxy for total assets), firm age (number of years of firm's existence), the leverage of the firms (risk) and the industry (Ind) the SMEs belong to.

Based on the foregone discussion, the following regression model are put forward to test the effect of corporate governance practices on the performance of SMEs.

$$NPM = \beta_0 + \beta_1 BS + \beta_2 BG + \beta_3 DR + \beta_4 MO + \beta_5 FSize + \beta_6 FAge + \beta_7 FInd + \beta_8 Risk + \varepsilon$$

$$ROA = \beta_0 + \beta_1 BS + \beta_2 BG + \beta_3 DR + \beta_4 MO + \beta_5 FSize + \beta_6 FAge + \beta_7 FInd + \beta_8 Risk + \varepsilon$$

Table 1: Explanation of variables

Variables	Explanation of Variables	A Priori
NPM and ROA	Net Profit Margin and Return on Assets respectively (Proxies for Performance): Dependent Variables	
BS	Arithmetic Number of Board: Independent Variable	+
BG	Gender of Board/Females on Board: Independent Variable	+
DR	Separate roles for CEO and Chairman: Independent Variable	+
MO	Years the SMEs are managed by owners: Independent Variable	+
FSize	Natural Logarithm of total assets: Control Variable	+
FAge	Age of SMEs (Years of existence of the SMEs: Control Variable	+
FInd	Industry of the SMEs: Control Variable	+
Risk	Leverage of the SMEs (ratio of debt to owners' equity): Control Variable	-
β_0,	Constant	+
$\beta_1, \beta_2, \beta_3, \ldots \beta_8$	Coefficient of slope of the regression line	
ε	The Error Term	

RESULTS/FINDINGS

Descriptive Statistics

Table 2 presents the summary of the descriptive statistics of the SMEs used for the study. From Table 2, it can be obtained that the average net profit margin (NPM) of the SMEs was GHS 13.53% and the minimum and maximum NPM were -27.36% and 62.14% respectively. In addition, the average ROA of the SMEs was 16.86%, with minimum and maximum ROA being -19.94% and 51.65% respectively. Table 2 further shows that the average number of board of directors, female representation on board, independent directors were 3.2, 1.19 and 1.85 respectively. Similarly, the minimum number of board of the SMEs was two (2) whilst the maximum size was seven (7). It was further ascertained that some of the SMEs did not have females and independent directors. From Table 2, it can further be realised that the maximum number females on board and independent directors within the SMEs were three

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(3) and five (5) respectively. Out of 317 firm year observations, there were an average of 87 firm years where the SMEs had different people acting as chairman and CEO and 238 firm years where the SMEs were either wholly or partly managed by owners or part-owners. With regards to the control variables, the average size or total assets, age and leverage of the firms were GHC 920,000.00, 9.6 years and 39.45% respectively.

Table 2: Descriptive Statistics

Variables	Mean	SD	Maximum	Minimum
NPM	13.53	16.675	62.14	-27.36
ROA	16.86	13.543	51.65	-19.94
Size of Board	3.25	1.682	7	2
Female Representation on Board	1.19	0.846	3	0
Independent directors on Board	1.85	1.075	5	0
Firms with different CEOs and Chairmen	87	9.351		
Firms owned or partly owned by managers	238	11.652		
Size/Total Assets of firms (in Cedis)	0.92m	198.652	3.54m	0.063m
Age of firms	8.6	1.862	5	27
Leverage/risks level of firms	39.45	14.581	0.00	89.47

Collinearity Test

Prior to the estimation of the coefficients of the variables in the model, a test for multicollinearity among the variables was done through a Pearson correlation analysis. From Table 3, it can be obtained that the correlation coefficient (r) among majority of the variables are small. However, few variables had positive and relatively strong relationships. For instance, NPM and ROA are positively and strongly correlated. In addition, there are other significant correlation among the variables. For example, the relationships between board size and different roles for directors (r = 0.06) and ROA and DR (r = -0.09) are positive and negative respectively and both are significant at 1%. On the other hand, a negative significant relationship was observed between NPM and BS (r = -0.16) and ROA and BS (r = -0.15) at 1% and 5% respectively. Notwithstanding these, majority of the cross-correlational coefficients for the independent variables are relatively small and insignificant thus posing no multicollinearity problem.

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Table 3: Correlation Analysis

	NPM	ROA	BS	BG	DR	MO	FSize	FAge	FInd	Risk
NPM	1	0.67	-0.16**	0.07	-0.11	0.35	0.42	0.39	0.14**	-0.37**
ROA		1	-0.15*	0.06	-0.09*	0.27	0.31	0.24	0.12*	-0.31*
BS			1	0.25	0.06*	0.17	0.24*	0.15	0.11	0.10
BG				1	0.04	0.08	0.14*	0.09*	0.28*	-0.18
DR					1	0.25	0.22	0.05	0.14	0.06
MO						1	0.31	-0.12	0.27	-0.11
FSize							1	0.26*	0.11	-0.06
FAge								1	0.04	0.08
FInd									1	0.10**
Risk										1

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

Regression Results

Table 4 and 5 presents the results from the regression analysis on the impact of corporate governance on the performance of SMEs. The results on the impact of corporate governance on the NPM of SMEs is presented in Table 4. From Table 4, it can be ascertained that the coefficient of board size (BS) is -0.154. This means that the size of the board of directors has 15.4 percent impact on performance, holding other variables constant. It can further be observed from Table 4 that the board size has a negative and insignificant ($p = 0.073$) impact on NPM, suggesting that when the other variables remain unchanged, an increase in board size leads to a 15.4 percent decrease in the NPM of the SMEs. Similarly, the study found that the gender of board (BG) has a positive and insignificant impact on NPM. The coefficient of 0.075 for board gender means that, all other variables remaining constant, an increased in females on the board result to a 7.5 percentage increase in NPM. However, the level of impact is not significant since the probability ($p = 0.118$) is more than 5% ($p = 0.05$). The result further shows that DR ($\beta_3 = -0.321$) has a negative and significant ($p = 0.042$) impact on NPM. This result means that, when other variables remain constant, a firm with different CEO and chairman can result to 32.1 percent decrease in NPM.

Additionally, the results show that management ownership (MO) had coefficient of 0.286, suggesting that a firm managed by the owner can result to 28.6 percent increase on NPM, provided all the other variables are held constant. However, the level of impact is insignificant since the probability ($p = 0.064$) is more than 5% ($p = 0.05$). With regards to the control variables, it can be ascertained that firm size, firm age and the industry of the firms have positive and significant impacts on NPM. However, the risk or level of leverage of the firms has negative and significant impact on NPM. Table 4 further shows that the R^2 and Adjusted R^2 of the model were 0.725 and 0.669. The R^2 of 0.725 indicates that the variables define the dependent variable (NPM) in the model up to 72.5%.

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Table 4: Regression Results: NPM as Dependent Variable

Variables	Coefficient	Std. Error	t-statistics	Probability
Constant	28.65	3.9845	2.851	0.028
BS	-0.154	0.0210	0.622	0.073
BG	0.075	0.0075	1.518	0.118
DR	-0.321	0.0145	6.845	0.042
MO	0.286	0.0069	2.066	0.064
FSize	0.174	0.0171	3.763	0.051
FAge	0.148	0.0033	1.811	0.047
FInd	0.271	0.0084	2.875	0.039
Risk	-0.384	0.0126	5.451	0.041

$\alpha = 0.05$; $R^2 = 0.725$; Adjusted $R^2 = 0.669$; F-Statistics = 126.63 probability of F-statistic = 0.000

Table 5 also presents the results on the impact of corporate governance practice on the return on assets (ROA) of the SMEs. From the table, it can be ascertained that the size of a board (BSize) has a coefficient of -0.191 which means that the size of the board has a 19.1 percent impact on ROA. Specifically, the result suggests that, when all variables are held constant, an increase in the size of the board result to a 19.1 percent decrease in ROA. The level of impact of board size (BSize) on the ROA is however statistically insignificant (*t = 0.429 and p = 0.065*). In addition, the evidence shows that the gender composition of the board has a positive but insignificant (p = 0.093) impact on ROA. With a coefficient of 0.089, it suggests that an addition of a female to the board will result to 8.9 percent increase in ROA, provided all the other variables remain unchanged. Similarly, the results show different roles played by the CEO and the chairman of the board has a negative and a significant (p = 0.047) impact on ROA. With a coefficient of -0.238, it means that when different individuals play the roles of CEO and board chairman, it result to a 23.8 percent decrease in ROA, subject to keeping the other variables unchanged.

The evidence presented in Table 5 further shows that management ownership (MO) has a positive but insignificant (p = 0.077) impact on ROA. The result shows that MO has a coefficient of 0.207, which suggests that owner management can result to a 20.7 percent increase in ROA. With regards to the control variables, the evidence shows that firm size (FSize), firm age (FAge) and the industry of the firms (Find) have positive and significant impact on ROA. However, the risk level of the firms had a significant negative impact on ROA. It can further be ascertained that the R^2 and Adjusted R^2 of the model are 0.694 and 0.646 respectively. The R^2 of 0.694 means that about 69.4 percent of the variations in the dependent variable (ROA) is explained by the independent variables. Further, the probability of the F-statistic is 0.001, which is less than the 'α' of *0.05*, suggesting that the model is a good fit.

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Table 5: Regression Results: ROA as Dependent Variable

Variables	Coefficient	Std. Error	t-statistics	Probability
Constant	35.97	2.8511	3.055	0.031
BS	-0.191	0.0034	0.429	0.065
BG	0.089	0.0064	2.651	0.093
DR	-0.238	0.0431	1.821	0.047
MO	0.207	0.0188	2.516	0.077
FSize	0.226	0.0045	2.944	0.042
FAge	0.195	0.0057	2.0847	0.038
FInd	0.305	0.0093	3.4210	0.042
Risk	-0.264	0.0097	4.9451	0.037

α = 0.05; R^2 = 0.694; Adjusted R^2 = 0.646; F-Statistics = 142.88; probability of F-statistic = 0.000

DISCUSSION

The study found that gender composition of the board has a positive but insignificant impact on ROA and ROE. This was anticipated because in the management of a business, gender of the board do not count. Even though, ladies are noted have the skills to attract clients to a business. As the result suggests, this would not have any significant effect on performance. The evidence also show that the size of the board of the SMEs has a negative and significant impact on both ROA and ROE. This result is economically acceptable because large board size would mean large cost with regards to allowance for the directors. Similarly, the simplistic nature of SMEs administration do not necessitate large board size. However, it must be indicated that an optimal size of the board will be ideal for SMEs. The point here is that SMEs do not need a large board size in their businesses. These results confirms the findings of earlier studies (Wanyama and Olweny, 2013; Monks and Minow, 1995; Yermack, 1996). Other results conflict with these findings. Particularly, Gadi, Emesuanwu and Shammah (2015) argued that large size of board will bring variety in skills, profession, knowledge and experience which are necessary for the expansion of SMEs. It may be the case that for other industries or countries, board size might be beneficial.

Similarly, the results show different roles played by the CEO and the chairman of the board has a negative and a significant impact on both ROA and ROE. This results was anticipated because the management of SMEs is not complex. Thus it is expected that when different people act as chairman of the board and CEO, it would be a drain on the resources of the SMEs. Similarly, difference roles for CEO and board chairman (DR) would lead slow decision making since the chairman might be tempted to involve him/herself in the daily activities of the business. This also has the likelihood of bringing unnecessary conflict and suspicion. These will definitely have a negative impact on the performance of the SMEs concerned. This result supports the stewardship theory which posits that CEO acting as a chairperson is regarded to have more effective control over a firm. This is because, CEO acting as a chairperson will enable the CEO to have a better understanding of the entire activities of a firm and makes an informed decision quickly. This explains the reason for the negative impact of role difference for CEO and board chairman (DR) on both ROA and ROE. These findings are in agreement with the conclusions of Haniffa and Hudaib (2006), who concluded that role difference for CEO and board chairman (DR) have negative impact on

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both ROA and ROE. However, Wanyama and Olweny (2013) found dissimilar results by providing evidence that the separation of the CEO and chairman's roles positively impact on ROA and ROE.

From the analysis of the results, it was ascertained that management ownership has a positive and insignificant relationship with both ROA and ROE. The reason for this result might be that when owners are in charge of the management of the SMEs, the interest of the SMEs would be placed ahead of the personal interest of the management. This will eventually eliminate or at least, reduce the agency problem and cost. In addition, the presence of the owners as managers will deter other staff from acting against the interest of the firms. Similarly, when owners also act as managers, it will motivate the staff to work hard because, the leadership of the owner-managers will be an example to the other staff. Eventually, the performance of the firms would increase.

CONCLUSION

The study evaluated the impact of corporate governance practices on the performance of SMEs in Ghana. Net profit margin (NPM) and return on assets (ROA) were used as proxies for performance and Ordinary Least Square (OLS) regression model was used to estimate the level of impact of corporate governance on the performance of SMEs in Ghana. The study found empirical evidence to support the view that the board size (BS) has a negative impact on NPM, though insignificant. In addition, the evidence obtained indicate that board gender (BG) and management ownership (MO) all have positive impact on NPM. On the other hand, role difference for CEO and board chairman (DR) has a negative and significant impact on ROA and ROE. Similarly, the results showed that board size (BS) has an insignificant negative impact on ROA. Additionally, it was ascertained that board gender (BG) and management ownership (MO) have positive impact on ROA, though the level of impact of board gender (BG) and management ownership (MO) are statistically insignificant.

The results further provide evidence that the control variables: firm age (Fage) and industry of the firms (FInd) have a significant positive impact on both NPM and ROA. The size of a firm was also ascertained to have a positive impact on both NPM and ROA. However the impact of firm size on NPM was not significant. In addition, it was ascertained that the risk or leverage level of a firm has a significant negative impact on both NPM and ROA. Generally, the evidence obtained show that corporate governance has positive but insignificant impact on performance of SMEs.

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