Corporate Governance Practices and Microfinance Institutional Performance in Ghana

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Abstract

Microfinance is one effective way of alleviating poverty by providing access to credit and financial services to the unbanked who do not have access to these services from mainstream banking institutions. The failure of microfinance institutions (MFIs) in recent times has shifted the attention to the corporate governance (CG) of MFIs. CG is a system in which MFIs are governed and controlled in achieving their double-bottom objectives of financial and social performance. Stakeholders in the microfinance literature have attributed the failures of MFIs to poor CG practices in Ghana. Thus, this study critically examines the perceptions of corporate governance practices in Ghana and the relationship between CG mechanisms on the performance of MFIs. The study is quantitative and adopts both primary and secondary data. Questionnaires were used on a sample of 122 stakeholders (managers/deputy managers, board members, accountants, internal auditors, and other senior staff) of 17 MFIs across 5 regions in Ghana. A second set of questionnaires was used to collect CG mechanisms and social performance information from the 17 managers. Financial statements for the 2019 -2020 fiscal year were used to calculate ratios as financial performance indicators. Purposive and convenient sampling techniques were used. The study employed – Panel Ordinary Least Square (OLS) regression analysis to examine the relationship between CG mechanisms and MFI performance in Ghana. Descriptive statistics were used to examine the implementation of CG principles, challenges, and factors impacting the implementation of CG in MFIs in Ghana. The study found that MFIs in Ghana largely implemented Organisation for Economic Cooperation and Development (OECD) CG principles. The study identified challenges to CG implementation as well as factors that could impact the implementation of CG in MFIs in Ghana. The study uncovered a mixed result that board size has a significant negative association with (ROA and ROE) and a significant positive association with (OCR and YoGLP) of MFIs' financial performance. Board size has a significant negative relationship with MFIs' social performance measures (breadth of outreach and female borrowers). Board composition has no significant relation with MFIs' financial or social performance in Ghana. Female director presence on MFIs board is statistically positively associated with MFIs social performance (breadth of outreach). Based on the findings, the study suggests stringent monitoring regime and training for MFIs on CG, establishment of a central database for MFIs in Ghana to facilitate CG research in MFIs, facilitation of merger of selected MFIs to make them efficient and sustainable in their operations, a quota of female board member representation in MFIs among others. Finally, the study developed a CG model to aid the review of the Bank of Ghana CG Directive 2018 and the establishment of a national CG code in Ghana to promote economic development in Ghana. The major contribution of this study is the examination of CG in MFIs in Ghana. This research contributes to closing a significant gap in the literature about corporate governance practices in MFIs in Ghana. Undoubtedly, this study not only contribute to knowledge in Ghana but also to other developing countries with similar socio-economic and cultural environment.

Dedication

This thesis is dedicated to my beloved wife Iddrisu Ayisha (late 2005) and all my family members.

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List of Abbreviations

Association of Financial NGOs	ASSFIN
Bank of Ghana	BoG
Consultative Group to Assisted the Poor	CGAP
Corporate Governance	CG
Financial Non-governmental Organisations	FNGOs
Ghana Association of Savings and Loan Companies	GHASALC
Corporate Governance Directive	CGD
Ghana Cooperative Credit Union Association	CUA
Ghana Microfinance Institutions Network	GHAMFIN
Microfinance Institutions	MFIs
Microfinance Action Research Network	MFARN
Microfinance and Small Loans Centre	MASLOC
Micro -Credit Association of Ghana	MCAG
Non-bank financial institutions	NBFIs
Non-Performing Loans	NPLs
Operating Cost Ratio	OCR
Operating Self-Sufficiency Ratio	OSS
Organisation for Economic Cooperation and Development	OECD
Return on Assets	ROA
Return on Equity	ROE
Savings and Loan Companies	S & L
United Kingdom	UK
United Nations	UN
United States	US
Yield on Gross Loan Portfolio	YOGLP

Chapter 1: Introduction

1.1 Background of the Study

Poverty is the most critical issue that desperately needs a permanent solution for the sake of the self-existence of humanity in the 20th century as in previous ones (Davutoğlu, 2013). Regardless of whether it is rural poverty, urban poverty, total poverty or relative poverty, millions of people in various parts of the world face it daily, making the problem a global issue. Particularly from the 'responsible' countries of the developed North, there have often been attempts to address the causes and effects of the problem in undeveloped countries. What these attempts have in common is that they have the power to establish the key tenets and rationale of the so-called Poverty Reduction Programmes. Poverty, if not tackled in terms of sustainable strategies, would continue to be a global problem for centuries to come.

Microfinance is the provision of credit, rendering of micro services such as savings, insurance, fund transfer services by microfinance institutions (MFIs) in return for interest income while microcredit is the provision of small amount of loans to the productive poor people to undertake economic activity in return for interest income by MFIs (Djan and Mersland, 2017; Hussain et al., 2022). Microfinance is a form of financial credit with roots that have a primary aim to alleviate poverty (Barr, 2004; Hussain et al., 2022). In the 1970s, when Muhammad Yunus began his micro-lending programme in Bangladesh in response to increased levels of poverty, the idea of microfinance formally emerged (Daher and Le-Saout, 2013; Igbal et al., 2018).
Microcredit and microfinance have undoubtedly received widespread recognition in the last four decades of the world's life as a strategy for poverty reduction and economic empowerment of the economically active poor among governments around the world, particularly developing economies including Ghana. Though microfinance is not the only economic policy aimed at poverty reduction in Ghana, it is certainly one successful instrument among many in recent times for poverty reduction and eradication.

For the reasons set out above, in many countries such as Bangladesh, Ghana, Kenya, Nigeria, India, Pakistan, Bolivia to mention but a few MFIs have been set up to play an intermediary role between the providers of funds and the economically active poor. This is significantly important as De Soto (2004) asserted that the assets of the productive poor cannot be readily

converted into capital, widely traded, or used as collateral for a loan from formal banking institutions. Poverty eradication by delivering financial services to as many poor people as possible is the primary goal of MFIs, as demanded by donors and investors. However, the need for MFIs to be financially viable has arisen, given that donor resources are limited and monitored. MFIs must also be profitable to do this, because that is the only way out for these MFIs to stay operational without donor support. The dilemma MFIs face is how to lend to a large number of the poor without undermining the need for financial institutions to be competitive and sustainable (Aveh, 2011).

The government of Ghana has made several efforts in using microfinance to eradicate poverty in Ghana and as a result, several ministries, departments, and agencies (MDA) have developed desks for microfinance activities. In Ghana and the rest of the world, MFIs have been built primarily in response to the prevailing conditions of poverty and have played a major role in economic and financial growth. As most MFIs provide services exclusively to women, women's empowerment and gender equality are brought about by them. In regions where the majority of the population lives below the poverty line, financing education for children, better health and living conditions and increased employment levels are other benefits of microfinance (Brau and Woller, 2004; Hulme and Mosley, 1996; Igbal et al., 2019).

However, the microfinance sector in Ghana was to a larger extent unable to fulfil its promise of reducing poverty and remaining profitable as it initially promised. This is largely due to poor corporate governance (CG) practices in the financial services sector in Ghana and in particular the MFIs (BoG, 2019). The aim of MFI is not achievable if the microfinance industry remains poor, lacks resources and uses the scarce funds available inefficiently and ineffectively without following proper governance framework (Thrikawala et al., 2016). As a result of perceived poor governance of MFIs in Ghana, many of the MFIs have folded up their operations due to unsustainable investments with depositors' funds. While some of these institutions could not meet their operating expenses with operating incomes and collapsed naturally, in other cases the Bank of Ghana (BoG, 2019) had to intervene in liquidating MFIs with severe liquidity concerns putting the depositor's savings at risk.
The BoG revoked the operating licenses of a significant number of MFIs for several reasons including undercapitalisation, poor lending and risk management practices, and poor CG

practices accounting for poor financial performance and subsequent collapse of the MFIs (BOG, 2019). A total of 192 MFIs had their licenses revoked by the regulator and a receiver appointed to liquidate them. The collapse of the MFIs led to most depositors losing their funds between 2016 and 2019 with a few of them committing suicide. This is not only peculiar to Ghana as Igbal et al. (2019) indicated that suicides caused by microfinance in India in 2010 have shown that the poor CG structure in MFIs can have serious consequences. This phenomenon has degenerated political debates and several demonstrations by aggrieved customers across major cities in Ghana. The government was forced to pay some customers at the expense of the taxpayers' funds. This has also influenced regulation of the microfinance sector as the BoG issued a new CG Directive in 2018 applicable to all deposit-taking institutions including the MFIs.

The activities of MFIs are relevant to economic growth and development only if MFIs achieve their dual mission of reducing poverty among the world poorest population and at the same time being able to achieve financial self-sufficiency. Strong CG is considered a good building block for MFIs as it is assumed to help them achieve their social and financial objectives (Hussain et al., 2022; Igbal et al., 2019). Therefore, to be able to attain these dual objectives means that the operations of MFIs must be efficient and effective by practicing good CG principles and mechanisms. Good CG is significant in helping MFIs attain their dual mission of achieving social objective in poverty alleviation while at the same time remain financially sustainable in their operations.

The term 'governance' was first used in the sense of microfinance by Consultative Group to Assisted the Poor (CGAP) in 1997 as a mechanism for checks and balances in an organisation where a board serves as a supervisory body. CG refers to the way organisational resources are managed and directed to the realisation of institutional objectives. CG is the system by which companies are directed and controlled (Cadbury, 1992; Gyamerah and Agyei, 2016).CG is a set of relationships between company's board, its shareholders, and other stakeholders (Organisation for Economic Cooperation and Development (OECD) (2004). CG practice is regarded as an internal mechanism for monitoring management and as an effective tool for assisting an organisation to attain better and improved performance (Ghabayen, 2012; Otman, 2014).

The field of CG arises in a context where agency conflicts are present. Agency theory states that managers are the controllers of the firm while shareholders are the owners, and a conflict

is present between their interests. CG provides a solution to the problems arising from agency conflicts and is defined as the mechanism which forces managers to act in the best interest of shareholders (Igbal et al., 2019:2). The stakeholder theory also plays an essential role in explaining governance structures because companies are made aware of all stakeholders rather than only the shareholders (Freeman, 1984; Otman, 2014).

Failure to comply with good CG practices by MFIs is regarded as one of the most pressing risks faced by the microfinance sector. Microfinance Banana Skins (2008, 2012) argue that CG affects the quality of decision-making by management, thus affecting prospects for future MFI growth. Failure to enforce good CG practices can lead to or undermine the efficacy of MFIs due to poor decision-making, reduced access to funds in the form of capital or donations, and undermined goodwill and confidence (BBVA Microfinance Foundation, 2011a; 2011b; Igbal et al., 2019).CG has gained a lot of attention from MFI stakeholders in the last few decades since many MFI failures are related to poor governance structures (Igbal et al., 2019). However, CG measurement and detailed analysis of the CG and financial performance (FP) nexus remains an underdeveloped field, particularly regarding Ghanaian MFIs. The general CG literature emphasises the significance of examining the relationship between company performance and CG.

Given the level of poverty incidence still prevailing in Ghana, the failure of MFIs with its social and political impacts to government of Ghana, and the response from the BoG in cleaning-up and recapitalising the sector to ensure financial stability, this current study focuses on examining perceptions regarding CG practices in Ghana and the influence of CG on the performance of MFIs. The focus of the study is to examine the current state of CG practices among MFIs in the post recent financial services sector reforms in Ghana.Therefore, the motivation for this study is the increase in the microfinance institutional failure in Ghana and the lack of adequate empirical research examining CG practices in these institutions. Baydoun et al. (2013) indicate that the increase in financial scandals have necessitated increased demand for sound CG practices among organisations in recent times.

1.2 Problem Statement

The inadequacy and poor CG practices among some MFIs in Ghana have resulted in the collapse of some of MFIs (BoG, 2019). This phenomenon has resulted in the BoG, the industry regulator of the financial services sector in Ghana to undertake reforms in the sector in recent

times (2016 – 2018). This study is important for addressing the research gap of limited governance studies in microfinance studies in Ghana (Kyereboah-Coleman, 2006; Kyereboah-Coleman, 2007; Kyereboah-Coleman and Biekpe, 2006; Kyereboah-Coleman and Osei, 2008; Ofoeda, 2016). This phenomenon of lack of compliance of CG practices by some MFIs is a major challenge which has resulted in Non-Performing Loans (NPLs) and ultimately affects the efficiency and performance of MFIs in Ghana.

Microfinance literature has consistently claimed that the lack of access to credit and other financial services is a major barrier to the development of poor people in developing countries (Hermes and Lensink, 2007). As indicated by Sarpong (2018), the performance of MFIs in Ghana has not, to say the least, created the much-touted messianic role it was meant to play, and the scale of financial malfeasance in microfinance sector in the last 5 years has been quite steep. The author further states that "loose regulations, massive failure of governance, both within the sector itself and at the level of the regulators and supervisors, poor supervision, inadequate enforcement, perverse incentives, and other practices bordering on sheer criminality have constituted the main problems slashing away the gains of this sector". The study will therefore develop a CG model that prompts a review of CG directive and inform the national code of CG in Ghana to help tackle the problem of bad governance among MFIs that has derailed the accomplishment of their dual financial and social objectives (BoG, 2019).

1.3 Aim of the Study

The aim of this study is to critically examine the perceptions of corporate governance practices in Ghana and the relationship between CG mechanisms on the performance of MFIs from a theoretical and practical perspective.

1.3.1 Research Objectives

To achieve the above aim, the following specific objectives are considered:

1. To critically examine stakeholders' perceptions of the implementation of corporate governance principles within MFIs in Ghana.
2. To critically assess the implementation challenges of corporate governance within MFIs in Ghana.
3. To evaluate the factors that impact the implementation of corporate governance in MFIs in Ghana.

4. To critically analyse and determine the relationship between corporate governance mechanisms and the performance of MFIs in Ghana.

1.3.2 Sub- research Objectives

To achieve specific research objective 4, in the context of MFIs governance literature, the following sub-objectives are relevant:

i. To critically investigate the relationship between board size and the performance of MFIs in Ghana.
ii. To critically investigate the relationship between CEO duality and the performance of MFIs in Ghana.
iii. To critically investigate the relationship between board composition and the performance of MFIs in Ghana.
iv. To critically investigate the relationship between internal audit and the performance of MFIs in Ghana.
v. To critically investigate the relationship between female board member representation and the performance of MFIs in Ghana.

These objectives were informed by the gaps in existing literature as stated in section ***3.15 in Chapter 3 (p.114).***

1.4 Research Questions

The general research question that shapes this study is stated as below:

What is the relationship between corporate governance mechanisms and the performance of MFIs in Ghana?

1.4.1 Specific Research Questions

To answer the general research question, the following specific questions are relevant:

1. What are stakeholders' perceptions of the implementation of corporate governance principles within MFIs in Ghana? (see P. 79).
2. What are the implementation challenges of corporate governance within MFIs in Ghana? (see P. 82).
3. What are the factors that impact the implementation of corporate governance in MFIs in Ghana? (see P. 89).

4. Is there a relationship between corporate governance mechanisms and the performance of MFIs in Ghana?

1.4.2 Sub-research Questions

To achieve the research question 4, the following specific research questions were derived from the MFIs governance literature (See Chapter 3, p.90 -111):

1. What is the relationship between board size and the performance of MFIs in Ghana?
2. What is the relationship between CEO duality and the performance of MFIs in Ghana?
3. What is the relationship between board composition and the performance of MFIs in Ghana?
4. What is the relationship between internal audit and the performance of MFIs in Ghana?
5. What is the relationship between female board member representation and the performance of MFIs in Ghana?

1.5 Scope of the Study

The scope of this study is limited to MFIs that are regulated in Ghana and are required to submit financial information to the Bank of Ghana after the recent financial sector reforms undertaken by the BoG. The reason for this scope is to be able to access relevant data for the analysis of CG practices and its influence on the performance of MFIs in Ghana. The scope was also necessitated by the weak governance in MFIs that has resulted in the collapse of many of the MFIs in Ghana. Therefore, to have a deeper understanding of the MFI governance process by researching the relationship between CG and the institutional performance of microfinance in the Ghanaian context is appropriate and will contribute to shaping policy reforms in the sector. In improving the general performance of MFIs, CG plays a critical role (Labie and Mersland, 2011).

Ghana has an estimated population size of over 30 million (Ghana Statistical Service, 2020). The capital city is Accra, located in the Greater Accra Region of Ghana. In terms of the geographical scope, the study covers Greater Accra, Northern, Eastern, Bono East and the Ashanti regions of Ghana. The study was limited to these regions because of budget constraints on the part of the researcher. Although Ghana has 16 administrative regions the researcher could not study all of them due to excessive cost of data collection. The northern part of Ghana has a high rate of poverty compared to the Southern part of Ghana due to the fact that it has

only one raining season usually from April -September every year whereas the Southern Zone of Ghana have two raining seasons.

As a result of the high prevalence of poverty in the regions in the north most institution into the activities of microfinance have operational presence there which is why the region is part of the scope of the study. The Greater Accra Region and the Ashanti Region are chosen due to the fact that majority of the MFIs have their headquarters in these regions and their experience and senior management staff work in these regions. In addition, these regions are densely populated, and the big MFIs have majority of their clients there. Figure E depicts the study areas on the map of Ghana (**See Appendix E**).

1.6 Significance of the Study

There have been studies on CG of MFIs performance in different countries due to the importance attached to the role of governance and the sustainability of MFIs (Basem, 2009; Galema et al., 2012; Hartarska and Mersland, 2012; Igbal et al., 2018; Melkamu, 2016; Mersland and Strom, 2008; Ssekiziyivu et al., 2018; Thriskawala et al., 2016). Though the MFI market in Ghana is large, the studies on governance of MFIs are few with limitations as well. Examples of governance studies in Ghana include (Aboaggye and Otieku, 2010; Kyereboah-Coleman, 2007; Kyereboah-Coleman and Osei; 2008; Ofoeda, 2016). Therefore, this study attempts to provide a deeper understanding of what CG means to MFIs and its influence on financial and outreach performances. This study is particularly important as many MFIs in Ghana are collapsing in recent times. The outcome of the study will thus have policy implications for MFIs in Ghana.

MFIs in Ghana face the challenge of limited outreach both in depth and breadth mainly because of poor CG practices leading to poor financial performance. The findings of this study will help in addressing the problem of limited outreach since a lot more of the economically active poor could be reached if MFIs are indeed governed well in order to reduce poverty. Limited empirical research in microfinance institutional governance in Ghana means that the findings of this study will significantly contribute to knowledge of the CG practices of MFIs in developing country context. In so doing, the study bridges the existing knowledge gap in

microfinance literature on CG of MFIs in so far as Ghana is concerned. Furthermore, the findings of this study would benefit several stakeholders in the microfinance sector in Ghana.

1.6.1 Government

MFIs contribute significantly to the economic growth of Ghana and the government will be interested in the CG practices and it influence on their performance. The outcome of this study will thus have policy implications either through investing additional funding or shaping regulation for MFIs. When a lot of poorer people are served or reached because MFIs are financially sustainable, the government benefits in tax revenue and the creation of employment for its citizens. The social mission of MFIs assist government in reducing poverty levels and promoting the increased standard of living of the citizenry. These can only be attained when MFIs practice good CG principles and mechanisms. Given the recent failures of the MFIs in Ghana, the government will be interested to know the current state of practice of CG within the microfinance industry in the aftermath of the BoG clean– up exercise and introducing CG Directives in 2018 for all deposit-taking institutions including the MFIs. Supporting good and effective CG in developing countries has become a priority because it can boost management excellence and enable companies with weak CG systems to raise capital and attract foreign investors (Marn and Romuald, 2012; Otman, 2014).

1.6.2 Donor Agencies

The knowledge on the CG practices and its impact on the performance of MFIs will inform donor agencies in deciding whether to withdraw funding or to continue funding the operational activities of MFIs. Many of the MFIs are non-profit organisations which are considered weak in governance structure because of high agency problems and low involvement of boards in monitoring management (Christen and Rosenberg, 2000) compared to shareholder firms.

1.6.3 Regulators and Practitioners

By focusing on achieving good corporate governance, regulators and practitioners of microfinance in Ghana, the study will contribute towards domestic institution building for financial capacity widening and deepening in locally constituted organisations and funds mobilisation that will assist in reducing poverty in the short, medium and long term. The

findings of this study will be shared with the BoG and potentially could impact on the CG practices of MFIs in Ghana.

1.6.4 Micro-enterprises

The owners, managers and workers of MFIs will be able to assess their contributions to the continued operations in their effort to reducing extreme poverty in communities around the world and Ghana in particular if MFIs adopt good corporate governance practices. The study will therefore examine the perceptions regarding CG practices and the influence of CG on the performance of MFIs.

1.6.5 Society in General

Since majority of the Ghanaian population to a larger extent depends so much on MFIs as a reliable capital and general finance because they are poor, the study would obviously prove invaluable source of information to them as they will be able to deal with MFIs employing good corporate governance practices.

1.6.6 Researchers

For researchers in the field of microfinance institutional governance, the study will provide a source of reference. It will also add in contributing to existing knowledge in the microfinance governance literature in the context of Ghana.

1.6.7 Research Contributions to Literature

This study has developed CG model and if the model is adopted in the context of economic environment by policy makers it will help to resolve the challenges of CG implementation among MFIs as well as promoting the sustainability of MFIs in Ghana. The study has developed conceptual and theoretical frameworks, which provides MFIs stakeholders, including researchers, to better understand the relationship between corporate governance mechanisms and MFIs performance in the Ghanaian context, and thus a significant theoretical contribution to the literature and body of knowledge already in existence. The theoretical and conceptual frameworks provide the linkages between the research theoretical foundations, corporate governance practices - corporate governance principles and mechanisms while at the same time related corporate governance mechanisms to MFIs financial and social performance indicators. The better understanding of this linkages of these frameworks could help other researchers to replicate this in other emerging economies.

This study has closed the gap of scarcity of MFI governance research in Ghana, which help contribute to the literature not just in the Ghanaian context but also from the global perspective on microfinance governance research. To the best knowledge of the researcher this is the first study that study corporate governance practices (corporate governance principles and mechanisms) while using the corporate governance mechanisms to analyse the double bottom performance (financial and social) objective of MFIs in Ghana. The few MFI governance studies in Ghana (Kyereboah-Coleman, 2007; Kyereboah-Coleman and Osei; 2008; Ofoeda, 2016; Sarpong, 2018) have concentrated on limited financial performance indicators thereby missing the fact that MFIs have dual objectives.

Finally, from a global perspective, it is clear from the literature analysis that most of the prior research on microfinance governance was carried out in Asia probably due to the availability of data and the prominence of microfinance practice in this Continent (see Appendix F). To increase the understanding of microfinance corporate governance and social interventions in eradicating poverty, microfinance has also been adopted in other emerging markets, including Ghana. Thus, by evaluating the application of corporate governance principles, challenges, and factors impacting CG implementation as well as by analysing the relationship between corporate governance mechanisms and the performance of MFIs in Ghana, a developing country with its own specific context, this study has significantly added to the body of local and global knowledge about microfinance governance literature. This study can be replicated in other emerging economies and hence a major contribution to the literature.

1.7 Organisation of the Study

This study covered eight (8) chapters detailed as follows:

Chapter 1: This chapter introduces the study by providing a comprehensive background of the study based on limitations to existing literature as well as statement of the study problem. This chapter also covers the study's aim, objectives, and research questions. The chapter discussed the scope and significance of the study and concluded with the organisation of the study.

Chapter 2: This chapter presents the context of MFIs in Ghana

Chapter 3: The Chapter provides a summary of the empirical literature on CG practices. The chapter also discussed CG models, mechanisms and explored the development of CG in Ghana. In addition, the chapter explored relevant theories leading to the development of theoretical and conceptual frameworks. The chapter discusses empirical studies on the influence of CG on MFI performance by analysing the positive, negative, and neutral effects on the phenomenon in developed and emerging economies, including Ghana.

Chapter 4: This chapter developed the research hypotheses to be tested.

Chapter 5: The chapter explains the research methodology, paradigms of research and justifies the selection of the quantitative method. The chapter detailed the data collection method employed in the study (questionnaire and secondary data). This chapter defined and elaborated on the measurement and analyses of the variables (independent and dependent). The empirical model employed to test the relationship between corporate governance and the performance of MFIs is also presented. The quantitative analyses discussed in this chapter include descriptive, correlation and regression analysis.

Chapter 6: This chapter presented the results of the research findings.

Chapter 7: This chapter discussed and analysed the research results as presented in chapter 6. The first part discusses and analyses the demographic profiles of the respondents whereas the second part presents the analysis of primary data results, which was based on CG principles, challenges, and the factors that influenced the implementation of CG among microfinance institutions in Ghana. Finally, the chapter presents the analysis of secondary data results, which focused on CG mechanisms and microfinance institutional performance (financial and social) in Ghana.

Chapter 8: This chapter provided conclusions and recommendations based on the findings of the study. The contributions to knowledge and the implication for future research direction are

presented in this chapter. This chapter provided a CG model to aid a review and establishment of national CG code for Ghana. Finally, limitations of this study are outlined.

Figure 1.1 provides the summary structure of the thesis as indicated below:

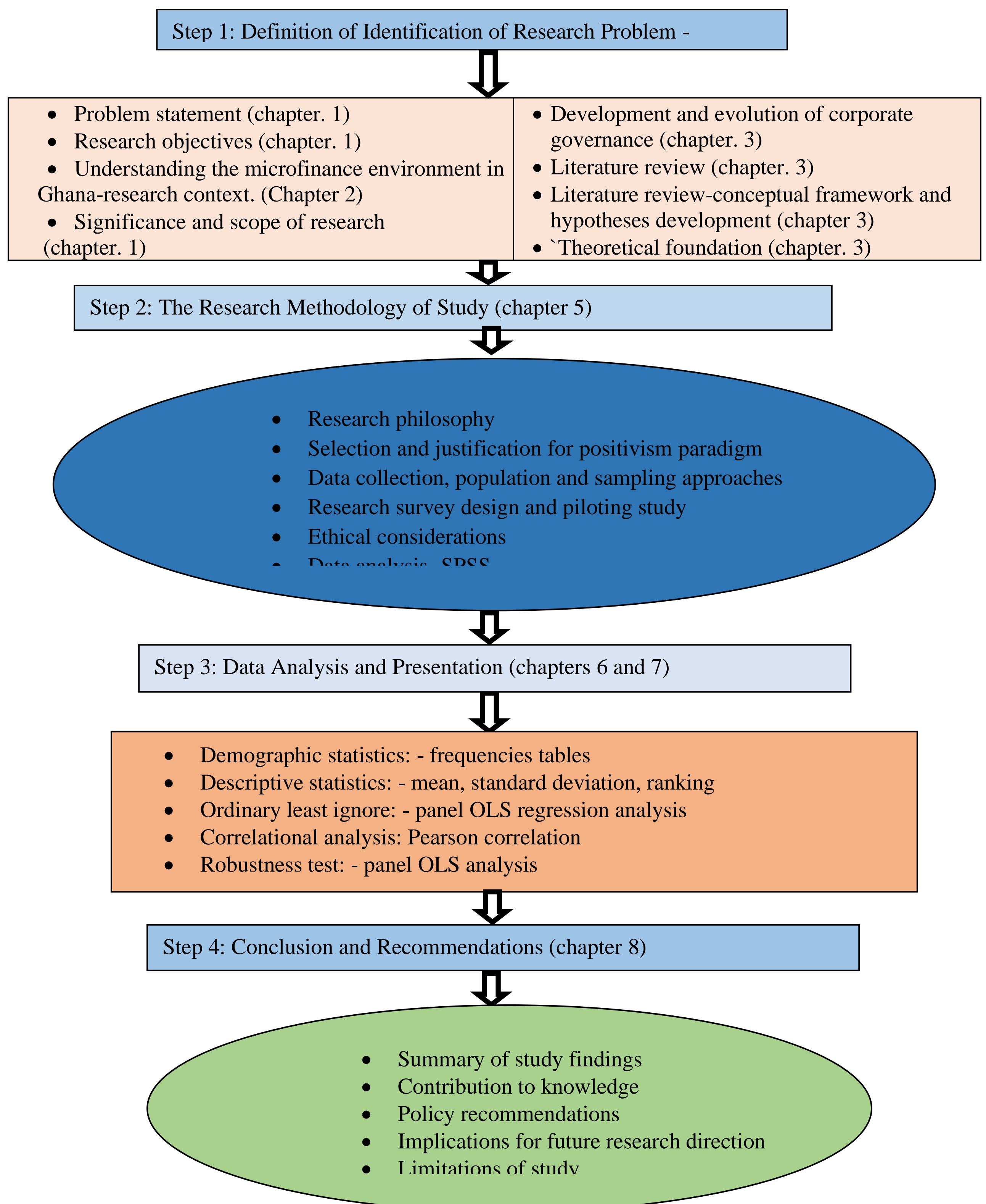

Figure 1. 1: Summary Structure of Thesis

Chapter 2: Context Chapter - Overview of Microfinance Sector in Ghana

2.1 Introduction

This chapter provides an overview and understanding of the microfinance landscape in Ghana. The chapter focuses on microfinance and the role of corporate governance (CG) in achieving its dual social and financial goals, as well as the evolution of microfinance in Ghana, the structure of microfinance in Ghana, recent developments in the microfinance industry in Ghana, and financial institutions and the Ghanaian financial regulatory system. The remainder of the chapter focuses on the microfinance sector's contributions to Ghana, as well as its obstacles, and opportunities. The chapter thus sets the agenda of the study which seeks to examine the perceptions regarding CG practices in Ghana and the influence of CG on the performance of microfinance institutions (MFIs).

2.2 Microfinance and Corporate Governance (CG)

Microfinance is a type of service offered by MFIs that focuses on helping the world's poor, unbanked, and underbanked population (Khan and Shireen, 2020; Servin et al., 2012). In Ghana and most developing economies around the world, it has been used as one of the key instruments of poverty alleviation programmes (Widiarto and Emrouznejad, 2015). Microfinance empowers women and the poor by assisting them in building financial assets and reducing their economic vulnerability. MFIs also place a strong emphasis on promoting self-employment and entrepreneurship (Daher and Le Saout, 2017). In addition, the United Nations designated 2005 as the 'World Year of Microfinance', recognising the importance of the sector. By 2010, MFIs served 200 million poor people around the world (Reed, 2015). According to the Microfinance Information Exchange (MIX), the global microfinance market size was estimated at USD$D184.86 billion in 2022, and USD$202.27 billion in 2023, and is estimated to grow at a compound annual growth rate of 10.49% to reach USD $410.78 billion by 2030 (Global Microfinance Report, 2023). The gross loan portfolio of the microfinance industry increased by 22% to USD 42 billion as of March 31, 2023, from USD 35 billion as of March 31, 2022. Therefore, the amount of loans disbursed, increased by 8.6% from USD $ 39 billion as in the previous fiscal. It's worth noting that MFIs are attempting to achieve both financial performance and social outreach goals (Guti-errez-Nieto et al., 2009; Khan and Shireen, 2020). MFIs must incur high operating costs to meet the poor's minimal financial needs since they

provide financial services to the poor, who are usually dispersed in remote areas (Khan and Gulati, 2019; Khan and Shireen, 2020). These MFIs need sufficient financial revenue to be operationally efficient and provide financing at the lowest possible cost per dollar lent (Gutierrez-Nieto et al., 2009). Therefore, MFIs need to be financially and operationally effective in order to sustain their dual performance targets in the long term.

The microfinance industry has recently begun to consider its "third bottom line," namely, environmental efficiency, in addition to development and banking logic (Allet, 2014; Allet and Hudon, 2015; Forcella and Hudon, 2016). The achievement of these objectives in a highly competitive market can be attributed to several factors, one of which is effective CG. For example, the number of microfinance institutional failures in Ghana has recently been attributed by microfinance industry stakeholders to weak CG practices.

The Bank of Ghana (BoG) provides the following elaborate definition of CG.

> CG means the manner in which the business and affairs of a regulated financial institution is governed by its board and senior management, including how its strategy and objectives are set; its risk appetite or tolerance are determined; its day-to-day business is operated; interests of depositors are protected and shareholders' obligations are met, taking into account the interests of other recognised stakeholders; and aligning corporate activities and behaviour with the expectation that it will operate in a state and sound manner, with integrity and in compliance with applicable laws and regulation (BoG- Corporate Governance Directive, 2018, p.3-4).

CG helps ensure corporate accountability through the mechanisms of processes, customs, policies, laws and institutions, and the likes. Furthermore, societal expectations have been that the business not only strive to be profitable, but also to demonstrate ethical corporate behaviours, environmental consciousness, and sound CG, among others (Bhaumik et al., 2019; El-Kassar and Singh 2019; Patnaik et al. 2018).

CG has developed as a mechanism for effectively controlling, monitoring, and managing businesses, particularly in the aftermath of major corporate failures and collapses. As a result, the relative value of CG practice has recently been widely recognised by various business organisations. In recent years, scholars and practitioners have paid more attention to CG concepts, with a specific emphasis on the long-term viability and institutionalisation of microfinance firms (Labie, 2001). According to Labie and Mersland (2011), there are many

important explanations for this development. For example, the tremendous growth in various types of service providers, institutional transformation of MFIs, legal changes, the shift from single to multiple product offerings in a manner similar to conventional banks, the emergence of liabilities management, more proactive public policies for the industry's development, and global recognition all explain why microfinance governance is an interesting research topic. These are some of the major factors that have pushed governance to the forefront of the microfinance policy discussion.

At the firm stage, CG involves several processes. External and internal mechanisms are the two broad types of mechanisms (Habib and Jiang, 2015). The former includes characteristics of internal board directors, the chief executive officer (CEO), board independence, internal auditing, internal stakeholders, and capital structure, while the latter includes characteristics of external stakeholders in the boardroom, policy, competitiveness, external auditing, and country governance indices. Although there is a lot of literature on CG in other fields, there are few studies on it in the microfinance sector, though it is growing.

Due to the complexity of the regulatory framework, even governance practices from other industries may not be completely replicated in the microfinance market. Furthermore, recent research on microfinance governance has yielded contradictory results (Hussain et al., 2022; Pucheta - Martnez and Gallego- Alvarez, 2019; Thrikawala et al., 2016). Given the importance of microfinance governance in Ghana, a better understanding of research developments in this field is needed. Therefore, the objective of this current study isto examine perceptions regarding CG practices in Ghana and the influence of CG on the performance of MFIs from theoretical and practical viewpoint. The focus of the study is to examine the current state of CG practices among MFIs in the post reform periods of the financial services sector in Ghana.

2.3 The Evolution of Microfinance in Ghana

Microfinance has been informally practiced in Ghana for several decades like many other developing countries. Informally, it is a common practice for Ghanaians to save and take small loans from friends and family members within the context of self-help in order to engage in small retail businesses including farming ventures. Susu, who is one of the current microfinance schemes in Ghana, is thought to have originated in Nigeria and spread to Ghana from the early 1900s. Over the years, the microfinance sector has thrived and evolved into its

current state. This results from various financial sector policies and programmes of the Government of Ghana such as the provision of subsidised credits, establishment of rural and community banks (RCBs), the liberalisation of the financial sector and the promulgation of PNDC Law 328 of1991, that allowed the establishment of different types of non-bank financial institutions (NBFIs), including savings and loans companies, finance houses, and credit unions to mention but a few.

Therefore, the concept of microfinance is not new in Ghana just as it is not new in some African countries (Ikechukwu, 2012). Available evidence suggests that the first Credit Union in Africa was established in northern Ghana in 1955 by Canadian Catholic Missionaries (Antwi, 2015; Asiamaand Osei, 2007). The Government of Ghana has over the years initiated several programmes and policies which have served as a foundation for the smooth operationalisation of the microfinance sector in Ghana. Some of these programmes include the Financial Sector Improvement Project (FSIP), Financial Sector Strategic Plan (FINSSP), the Rural Financial Services Project (RFSP), the United Nations Development Programme (UNDP), Microfinance Project, the Social Investment Fund (SIF), the Community Based Rural Development Programme (CBRDP), Rural Enterprise Project (REP), and Agricultural Services Investment Project (ASSIP).

Although microfinance activities gained attention in the early 1990s and 2000s in Ghana, the sector was largely unregulated until 2011 when the BoG issued Guidelines for MFIs as a response to the proliferation of businesses taking savings and making loans that were registered as companies but not licensed as financial institutions leading to loss of money to customers. According to Asiama (2007), microfinance is one of the critical dimensions of the broad range of financial tools for the poor in Ghana, and its growing role in development has resulted from several major factors, including the following:

1) the fact that the poor require access to productive resources, with financial services serving as a key resource, to improve their living conditions;
2) the realisation that the poor could use loans effectively for income generation, saving, and repayment;

3) the finding that the formal financial sector offers either little or no services to low-income individuals, resulting in a strong demand for credit and savings services among the poor;
4) the conviction that microfinance is feasible, sustainable, and capable of achieving maximum cost recovery; and
5) the awareness that microfinance can have a major effect on cross-cutting topics like women's empowerment, HIV/AIDS prevention, environmental degradation, and social indicators like education, housing, and health.

During the decade of the 2000s, the proliferation of microfinance methodologies helped Ghana achieve greater financial inclusion. MFI clients increased from 1.3 million in 2001 to 3.5 million in 2006, 5.5 million in 2010, and about 8 million by the end of 2013 (BoG, 2015). Due to the variety of different types of microfinance institutions, including rural and community banks (RCBs), savings and loans companies (S&Ls), credit unions (CUs), and financial non-governmental organisations (FNGOs), microfinance has reached out to a wide range of market niches in Ghana, from rural smallholders to traders to urban small enterprises (FNGOs), and mobile savings collectors referred to as susu collectors.
According to the BoG (2015) MFIs trade in three different forms as follows:

a) formal suppliers of microfinance (rural and community banks, savings and loans companies, commercial banks);
b) semi-formal suppliers of microfinance (credit unions, financial nongovernmental organizations (FNGOs), and cooperatives; and
c) informal suppliers of microfinance (susu collectors and clubs, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders, and other individuals).

2.4 The Structure of Microfinance in Ghana

In Ghana, MFIs comprised of a number of non-bank financial institutions (NBFIs) including Rural and Community Banks (RCBS), Savings and Loans Companies (S&Ls), Financial Nongovernmental Organizations (FNGOs), Microfinance Companies, Credit Unions, Susu Collectors Association of Ghana, Development and Commercial Banks with microfinance programmes and linkages, and micro-insurance and micro leasing services. The structure of

the microfinance institutions were confirmed in a recent study by Ranjani (2012) who asserted that the Ghanaian regulatory approach has fostered a wide range of formal and informal MFIs-rural banks (RBs), savings and loans companies (S&Ls), credit unions (CUs), NGOs, community-based organisations (CBOs), small savings-credit associations and informal savings collectors and moneylenders. Collectively, these institutions are referred to as non-Bank financial institutions in Ghana.

All these institutions have presence inthe16administrative regions in Ghana. Furthermore, Anim (2011) pointed out that some traditional banks and insurance companies in Ghana have either partnered with existing MFIs or established a microfinance department to providing microfinance services to the poor. Thus, the high interest and concerns for microfinance programmes in Ghana drives the exploration and complimentary services and indicates the need for market growth towards competition. Therefore, stakeholders sustained interest and concerns are somewhat explained by the perceived availability of effective demand for financial services by the poor in Ghana (Anim, 2011; Aveh, 2011).

In Ghana, the act of borrowing money from informal organisations has a long history dating back to 1955, during which time Canadian Catholic Missionaries founded the first credit union in the northern part of Ghana. The lending practice became popular at the start of 1970s when the first rural bank was formed at Nyakrom in Agona West Municipal District of the Central Region of Ghana. However, the lending practices of these institutions were not recognised as part of the formal financial system and its contributions to financial deepening thereof until the 1990s, when poverty reduction became part of Ghana’s development agenda. At this point, both governmental and non-governmental organisations started to lend money to the poor as one on the constraints to poverty was lack of access to credit by the economically active poor (Anim, 2011; Aveh, 2011)

Microfinance in Ghana has passed through four distinct phases like many other developing countries. The first phase, which started in the 1950s, involved the provision of subsidised credit by the Government of Ghana. The second phase was the provision of microcredit to the poor through NGOs in the 1960s and 1970s. During this phase, sustainability and financial self-sufficiency were not considered important as the focus was primarily on the social welfare

of the poor. The third phase, however, saw the formalisation of microfinance institutions, which began in the 1990s. The fourth phase, which is currently in operation now, involves the commercialisation of microfinance institutions. This started in the mid-1990s and gained much importance with the mainstreaming of microfinance and its institutions in the financial sector (Serrano and Sackey, 2015).

The Microfinance Action Research Network (MFARN) was established in 1996 by several groups involved in the implementation of microfinance projects in Ghana. The main objective of MFARN was to actively play a very critical role in the discussion, formulation, and implementation of microfinance related programmes throughout Ghana. MFARN was changed to Ghana Microfinance Institutions Network (GHAMFIN) in 1998. According to Annim (2011), GHAMFIN had the following objectives:

a) to contribute to the creation of employment opportunities for Ghanaian people;
b) to provide of support and empowerment to the poor and financially excluded;
c) to sensitize government and stakeholders of microfinance in Ghana; and
d) to strengthen the capacity of MFIs through training.

Therefore, the membership of GHAMFIN includes all NBFs providing microfinance services and products in Ghana.

Table 2.1 shows the tiers and category of NBFIs providing microfinance services in Ghana, their respective associations and membership, legal status, minimum legislative capital requirements as directed by the BoG, the total number of institutions licensed in each tier category, the authorised activities of each institution, and the regulatory position of each of the institutions. However, Table 2.1 excludes the developmental and commercial banks as well as insurance companies that are engaged in the provision of microfinance services in Ghana.

Table 2. 1: Summary of MFIs providing microfinance service in Ghana.

Tier	Type of Institution	Association &Membership	Number Licensed	Minimum Capital (GH¢)	Authorised Activities	Agency supervising
Tier 1	Savings & Loans Companies	GHASALC 25	25	15 million	Deposit taking, provision of credit and investment	Licensed and supervised by BoG; currently regulated by BoG under the Banks and SDI Act 2016 (Act 930)
	Finance House	11	11	15 million	Investment / placement, and Term deposit	
	Rural & Community Banks	ARB/ ARB Apex Bank 144	144	1,000,000	Deposit taking and provision of credit	
Tier 2	Credit Unions	CUA 537	537	Not Applicable	Deposit taking and provision of credit	Require license from Department of Cooperatives and membership in CUA., to be further regulated under CUA Bill
	Microfinance Companies	GAMC 138	138	2,000,000	Deposit taking and provision of credit	Licensed and currently regulated by BoG under the Non-Bank Financial Institutions Act Require license from BoG and membership in MCAG. Can open branches with Bank of Ghana (BoG) approval
Tier 3	Financial NGOs	ASSFIN 12	12	300,000	Provision of credit	
	Micro Credit Companies	MCAG 31	31	2,000,000	Provision of credit	
Tier 4	Individual Susu Collectors / Enterprises	GCSCA 639	570	Not Applicable	Deposit taking	Require registration with the Association (GCSCA) but do not require minimum capital
	Content	MCAG 545	545	Not Applicable	Provision of credit	No minimum capital requirement; cannot open branches. Require license from association endorsed by BoG

Source: GHAMFIN, 2020 and modified by researcher 2021

As shown in Tabel 2.1, the Savings and Loan Companies (S& L) are currently comprised of a total of 25 companies all of whom are licensed by the BoG. The minimum capital a company in this category (Tier 1) is required to operate is GH¢15 million (approximately $2.6 million USD using exchange rate of 5.8 on 11 March 2021). The companies in this category have an association known as the Ghana Association of Savings and Loan Companies (GHASALC). The objective of the association is to promote and promulgate the common interests of these companies in the financial services sector in Ghana. The permissible activities of these companies are mainly acceptance of deposits from customers, granting of credits to customers, and investment of excess funds. Similarly, Table 2.1 shows that Finance House Companies are 11 in number and with same amount of capital requirement of GH¢ 15 million (approximately $2.6 million USD using exchange rate of 5.8 on 11 March 2021). All the 11 companies are licensed by the BoG and their main activities are investment or placement as well as acceptance of term deposits. Table 2.1 indicates that the savings and loan companies and the finance house companies are both regulated by theBanks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). This act was passed recently following the failure of high-profile banks and MFIs which led to loss of deposits by customers. The objective is to give protection to customers and ensure insurance cover for depositors. From Table 2.1, the rural and community banks are also in tier 1 and comprised of a total number of 144 all of whom are licensed to operate with a minimum capital requirement of GH¢ 1 million (approximately $172,413 USD using exchange rate of 5.8 on 11 March 2021). Their main permissible activities include deposit taking, and the provision of credit to customers. The banks operate under the Association of Rural Ranks and Apex Bank (ARB/Apex Bank).

Table 2.1 shows that the tier 2 companies include credit unions and microfinance companies. Table 2.1 indicates that there is a total of 537 credit unions in Ghana and their association is the Ghana Cooperative Credit Union Association (CUA). Their permissible activities are deposit taking and the provision of credit to their members. They are required to be licensed from Department of Cooperatives and membership in CUA. They are to be further regulated under CUA Bill. In relation to the microfinance companies, currently they are 138 in total after the revocation of most of the companies operating licences in 2019 by the BoG for poor CG practices. All the 138 companies are licensed by BoG and currently required to have a minimum capital of GH¢ 2 million (approximately $344,828 USD using exchange rate of 5.8

on 11 March 2021). The main permissible operating activities for the microfinance companies are acceptance of deposits and the provision of credit to their customers across Ghana. They are currently regulated by BoG under the Non-Bank Financial Institutions Act, 2008 (Act,774).

Table 2.1 indicates that Tier 3 companies consist of financial NGOs and micro credit companies. The financial NGOs companies are 12 in number and are required to operate with a minimum capital of GH¢300, 000(approximately $51,724 USD using exchange rate of 5.8 on 11 March 2021). They are only allowed to provide credit to the poor and cannot take deposits. They have an association known as the Association of Financial NGOs (ASSFIN). There are 31 Micro Credit Companies operating with a minimum capital requirement of GH¢ 2 million (approximately $344,828 USD using exchange rate of 5.8 on 11 March 2021) and their main permissible activity is the provision of loans to the productive poor. They are licensed and currently regulated by BoG under the Non-Bank Financial Institutions Act, 2008 (Act, 774) and require license from BoG and membership in Micro -Credit Association of Ghana (MCAG). They can open branches with the approval of BoG.

From Table 2.1, Tier 4 institutions are individual susu collectors or enterprises and other micro -credit companies. There is a total of 570 licensed susu collectors in Ghana although the Ghana Cooperative Susu Collectors Association (GCSCA) has a total membership of 639. This means that some of the susu collectors are not licensed. Although all the susu collectors are required to register with the Ghana Cooperative Susu Collectors Association (GCSCA) but do not require minimum capital in Ghana.

As part of its efforts in reducing poverty, the government of Ghana has initiated microfinance projects in several ministries, departments and agencies (MDA). Among the MDA with microfinance programmes are Ministry of Finance, Ministry of Women, Gender and Social Protection, Bank of Ghana, Ministry of Local Government, Decentralisation and Rural Development. In order to co-ordinate and streamline activities of the industry, a governmental body, known as the Microfinance and Small Loans Centre (MASLOC) was established in 2006 by the government of Ghana. Its mandate is to co-ordinate all microfinance activities in the country especially government programmes and complement the activities of other microfinance apex bodies (Annim, 2011; Aveh, 2011). Other supporting institutional

stakeholders in the microfinance sector in Ghana includes development partners and international non-governmental organisations, universities, training, and research institutions.

2.5 Recent Development in Microfinance Industry in Ghana

The financial services sector requires investor and customer confidence and trust in order to thrive. However, due to failure of regulation, supervision, greed, criminality, corruption, poor CG, poor risk management, and the emergence of Ponzi schemes and its adverse effects on the microfinance industry in Ghana, the gains made in economic development and poverty reduction has been drastically eroded. The emergence of Ponzi schemes in the microfinance industry led to the failure of some of these institutions which in turn led to loss of investments by the poor, loss of lives, assets, jobs, loss of confidence in the sector, leading to panic withdrawals among others.

Between 2016 and 2019, Ghana's financial sector witnessed several Ponzi schemes and the revocation of operating licenses for insolvent savings and loan firms, finance house companies, microfinance, and banking institutions (Bank of Ghana, 2019). In 2015, in most parts of the Bono Region, the Bono East Region, the Upper West Region and the Upper East Region of Ghana, DKM Diamond Microfinance Company Limited, Little Drops Financial Services, God is Love Fun Club, Jaster Motors and Investment Limited and Care for Humanity Fun Club were involved in Ponzi schemes (GBN, 2016; Ofori, 2020).The practical implications of these Ponzi schemes are that individuals in Ghana have become uncertain regarding the use of current and future financial services in Ghana because most individuals have lost their jobs in the financial institutions, cannot get access to safe drinking water and education, need to gather more information before investing in financial institutions in Ghana and losing of funds invested (Ofori, 2020). Ponzi schemes are fraudulent investment opportunities that offer investors high returns with low risk, but fail in the long term (Chen, 2019; Ofori, 2020). These institutions usually develop investment instruments with a high interest rate of return of more than 40% over a shorter period, usually three months. These institutions paid interest rates higher than 25% annual base rate offered by government securities that were risk-free at the time (Larbi, 2016). These unsustainable investment tools have attracted certain users of Ghanaian financial services to invest in them.

DKM Diamond Microfinance Company Limited's victims who formally applied to the official liquidator for their invested funds were close to 100,000(99,858) customers and a total of 21,000 customers combined similarly from Little Drops Financial Services, God is Love Fun Club, Jaster Motors and Investment Limited, and Care for Humanity Fun Club (Ofori, 2020; Ofori-Atta, 2018). All these customer deposits were paid by the Government of Ghana (GoG) out of the taxpayers' money. This became a political issue in some sense eroding confidence in the sector as customers of other financial services companies began panic withdrawals and thereby wiping away investors trusts in the financial system.

The BoG, in 2016, revoked the operating licences of 70 microfinance and money lending companies because of failure by those organisations to meet regulatory approval requirements (Ofori, 2020; The Financial Intelligence Centre, 2016). Similarly, the severe impairment of the operating capital of UT Bank and Capital Bank Ltd in 2017 resulted in the revocation of the operating licenses of these banks paving way for the Ghana Commercial Bank (GCB) to purchase these banks (BoG, 2017; Joy Business, 2017; Ofori, 2020). Severe liquidity challenges meant that the BoG in 2018 had to set up a new bank – Consolidated Bank Ghana Limited – in order to take up the operations of five indigenous Ghanaian banks namely, Sovereign Bank, The Beige Bank, Royal Bank, Construction Bank, and the UniBank Limited. Again, their operating licences were revoked. The BoG attributed the failure of these banks to poor CG practices, poor risk management, poor lending practices, poor diversification of investment portfolios into areas which these banks had very little expertise and experience to mention but a few (Bank of Ghana, 2019b). The economic consequences were severe on the Ghanaian economy and its citizens as employees lost jobs so did businesses collapse leading to loss of revenue to government. Again, the taxpayers had to pay for the failure as the BoG as much as possible protected depositors' money and paid redundant workers who could not be absorbed by the new bank – Consolidated Bank Ghana Ltd.

The BoG in May 2019 sent shockwave to the microfinance industry by announcing its biggest revocation of operating licences in Ghana. The BoG stated that it has, with effect from May 31, 2019, revoked the operating licences of 192 insolvent microfinance companies. In addition, the BoG has revoked the operating licences of another 155 insolvent microfinance companies that have ceased operations (BoG, 2019). This brings to a total of 347 microfinance companies

whose operating licences were revoked on the same day by the BoG. The BoG justified its action by referencing section 123 (1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), which indeed requires the BoG to revoke the licence of a bank or Specialised Deposit-Taking Institution (SDI) where the BoG determines that the institution is insolvent or is likely to be insolvent within the next 60 days. Furthermore, the BoG in 2019 revoked the operating licences of another 23 insolvent Savings and Loan and Finance House companies.

The microfinance institutional failure was attributed to severe undercapitalisation, high cost of operations largely from high and unsustainable interest rates offered to their depositors, poor lending and investment practices leading to inordinate losses, diversion of customer deposits into private, unprofitable and speculative ventures, general non-compliance with prudential norms, poor CG, weak internal controls, and fraud, among others (BoG, 2019).
As a complimentary effort to help the BoG clean-up the financial services sector in Ghana, the Securities and Exchange Commission of Ghana in 2018 revoked the operating licence of a popular gold dealership and investment firm – Menzgold Ghana Limited – for operating in contravention of the industry laws which resulted in loss of investments and deposits by customers (SEC-Ghana, 2018). Again, this resulted in severe economic consequences and impacted generally on the economic outlook of the Ghanaian economy. Affected customers demonstrated across major cities in Ghana (SEC-Ghana, 2019). In addition, the SEC-G, in 2019 revoked the operating licences of another 53 securities and fund management companies for various irregularities in their operations in contravention of the laws of the industry (SEC-G, 2019). Ofori (2020) indicates that those 53 securities and fund management companies indirectly served as channel for Ghanaian investors to invest their funds. Table 2.2 shows the summary of the financial sector institutional failure in recent times.

Table 2. 2: Summary of Institutional License Revocation in Ghana

Institutions	Regulator	2016	2017	2018	2019
Commercial banks	BoG	-	2	5	-
Savings and Loan companies	BoG	-	-	-	23
Micro Credit companies	BoG	-	-	-	39
Microfinance companies	BoG	70	-	-	347
Rural and community banks		-	-	-	-
Securities and fund management companies	SEC –G	-	-	1	53
Total		**70**	**2**	**6**	**462**

Source**:** Researcher's own construct 2021

Table 2.2 clearly shows that the microfinance sector has had the highest number of institutional failures giving rise to the need for the current study which seeksto examine perceptions regarding CG practices in Ghana and the influence of CG on the performance of MFIs from theoretical and practical viewpoint. The focus of the study is to examine the current state of CG practices among MFIs in the post reform periods of the financial services sector in Ghana.

2.6 The Regulators of the Financial System in Ghana

The Ministry of Finance is one of Ghana's central management departments. Previously, the Ministry of Finance was known as the Ministry of Finance and Economic Planning. However, in accordance with Article 87 of the 1992 Constitution of the Republic of Ghana, the planning role was transferred to the National Development Planning Commission (NDPC). In order to ensure effective and efficient macroeconomic and financial management of Ghana's economy, the Ministry was created under sections 11 and 13 of the Civil Service Law 1993 (PNDCL 327) and amended by an Executive Instrument 28(E.I 28) Civil Service (Ministries) (Amendment instrument,2017). The Ministry of Finance is the supervisory body of the financial system in Ghana. The Ministry drives the financial agenda and the economic policy of Ghana and works closely with sectorial intermediary institutions in ensuring financial stability, inclusion, and economic development. It thus provides policy direction on macro and micro economic policy decisions in all sectors of the economy. It supervises both the public and private sectors through other relevant institutions including the BoG, Securities and Exchange Commission – Ghana

(SEC-G), the National Pension Regulatory Authority (NPRA), and the National Insurance Commission (NIC).

The BoG is Ghana's apex supervisory financial institution, with the power to foster monetary stability and a sound and safe financial system under the Bank of Ghana Act 2002 Act 612 as amended 2016 (Act, 918). This regulatory body is in charge of issuing legal tender currency in Ghana, maintaining external reserves to protect the international value of the Ghanaian domestic currency, promoting monetary stability and a sound banking system, acting as a banker and financial adviser to the Ghanaian government, and regulating, supervising, and directing the banking and non -banking financial institutions (BoG, 2019). The institutions under the ambit of the BoG are Universal Banks, Rural and Community Banks, Savings and Loans Companies, Microfinance Companies, Finance Houses, Leasing Companies, Financial NGOs, Forex Bureaux, and Credit Reference Bureaux.

The Securities and Exchange Commission is in charge of overseeing and issuing licenses for securities market activities including stocks, shares, brokerage, investments, and mutual funds (Atuahene, 2016; SEC-G, 2020). The SEC's aim is to protect Ghanaian investors from unscrupulous market operators and corporate insiders who sell shares for subscription or sale. The SEC also regulates, innovates, and promotes the growth and creation of an effective, equitable, and transparent securities market that protects investors and the market's integrity (SEC,2020). Specifically, the Ghana Stock Exchange (GSE), brokerage firms, and assets management companies are all under the regulatory supervision of the SEC-G.

The National Pensions Regulatory Authority (NPRA) was created by the National Pensions Act 2008 (Act 766) to control and monitor the three-tier pension scheme's operations and to ensure that all pensions in the country are administered effectively. The Authority's mission is to control and track the activity of the 3-Tier Pension Scheme and to ensure that pensions are administered effectively across the country. Tier 1 is a mandatory defined benefit public social security scheme administered by Social Security and National Insurance Trust (SSNIT), Tier 2 is a mandatory defined contribution and privately run occupational pension scheme, and Tier 3 is a voluntary occupational and personal private pension scheme administered by SSNIT (Atuahene, 2016; NPRA, 2019). The NPRA primarily is responsible for pension plans and the SSNIT.

The National Insurance Commission (NIC) was established in 1989 under the Insurance Law (PNDC Law 227), but it now operates under the Insurance Act of 2006 (Act 724). According to Act 724, the Commission's mission is to ensure effective administration, monitoring, regulation, and control of the insurance industry in Ghana. The National Insurance Commission (NIC) is tasked with a broad range of responsibilities, including agency licensing, standard setting, and promoting the creation of codes for practitioners. The Commission is also responsible for approving insurance premiums and commissions, establishing a complaint resolution bureau, and arbitrating insurance claims in the event of a dispute. General insurance companies, life insurance companies, insurance brokers, and reinsurance companies are the institutions that come under the direct jurisdiction of the NIC.

Figure 2.1summarises the regulatory structure of the financial system in Ghana.

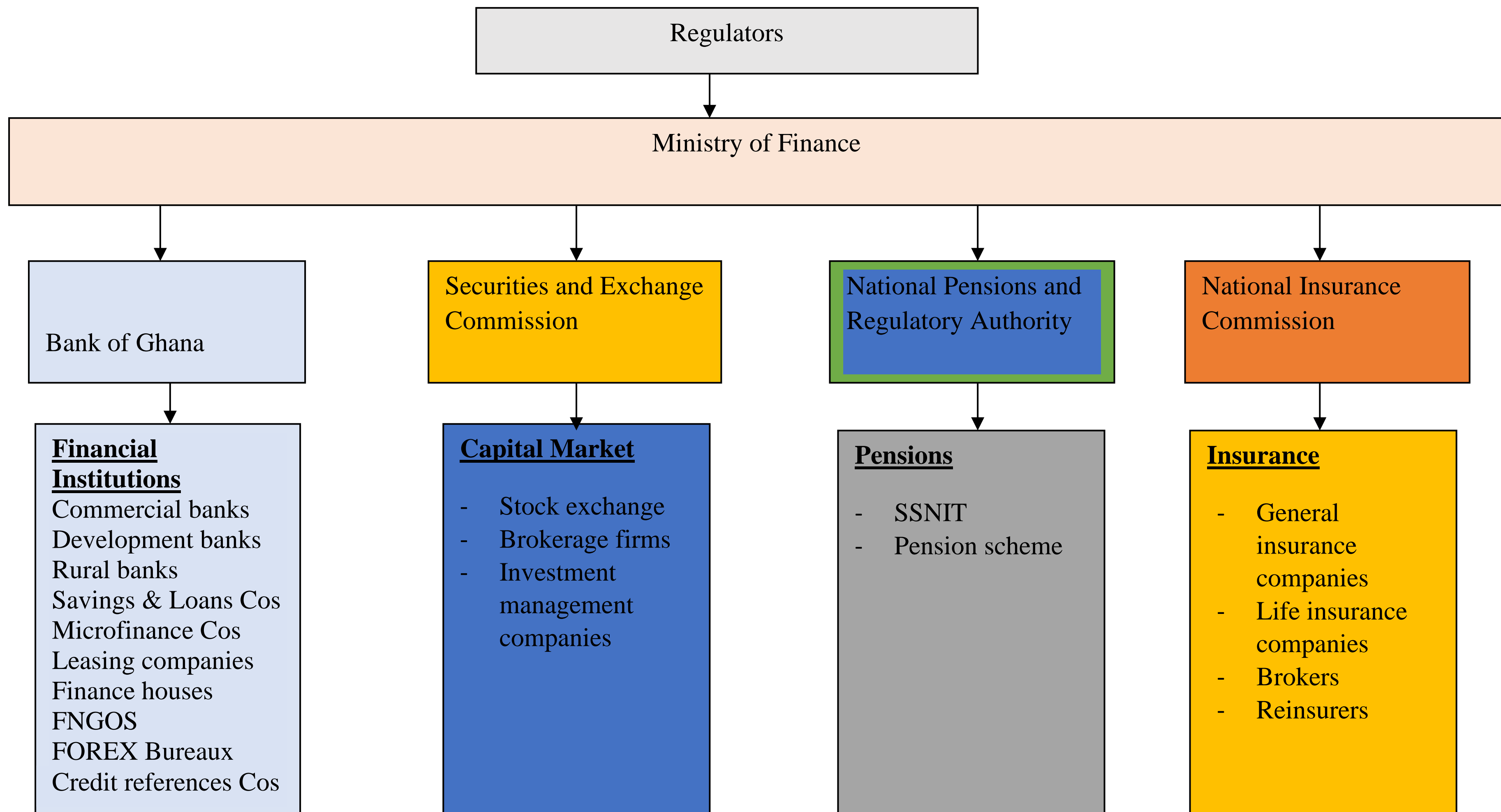

Figure 2. 1: Regulators of the Financial System in Ghana Source: Adapted from Atuahene (2016)

2.7 Financial Institutions and the Financial Regulatory Framework of Ghana

This section discusses the financial institutions involved in Ghana's microfinance industry as well as the system for financial regulation that controls these institutions. In Ghana, the BoG oversees all financial institutions, whether they are formal, semi-formal, or informal.

For the supervision and regulation of banking and non-banking financial institutions, the BoG is in charge. The Bank of Ghana's major goal is to make sure that both banking and non-banking operations are effective and sound in the interest of depositors and customers. The major regulations that are used by the BoG in its supervisory and regulatory roles include the following: the Companies Act, 2019 (Act 992) which repealed the Companies Code, 1963 (Act 179), Banks and Specialised Deposit -Taking Institutions Act, 2016 (Act 930), Bank of Ghana Act,2002(Act 612), Bank of Ghana (Amendment)Act, 2016 (Act 918),Banking Act, 2004 (Act 673),Non-Bank Financial Institutions Act, 2008 (Act 774), and Bank of Ghana Notices, Directives, Circulars, and Regulations.

Thus, it is the BoG's duty to make sure that Ghana's economy is stable by ensuring that its financial system is effective. The Bank of Ghana Act (Act 612)—the primary enactment—describes some of the key responsibilities of the BoG, including the following:

1. to regulate, supervise and direct the banking system and credit system in order to ensure the smooth operation of a safe and sound banking system;
2. to appoint an officer, designate as the head of Banking Supervision Department, who shall be appointed by the Board of the Bank of Ghana; and
3. to consider and propose reforms of the laws relating to the banking business in Ghana.

Table 2.3 provides a summary of the financial institutions that render microfinance services in Ghana. Table 2.3 also indicates the relevant regulatory provisions that are applicable to these institutions.

Table 2. 3: Summary of Financial Institutions Providing Microfinance Services & Regulatory Framework of Ghana

Institution	Ownership	Legal basis	Organized As	Source of funding	Target Markets
Commercial Banks in MF	Private/State	Companies Act, 2019 (Act,992); Banking Act (2004, Act 673, Amended 2007, (Act 738), BSDI 2016, (Act, 930).	Limited Liability Companies	Equity capital; commercial loans; deposits	Individuals/ Commercial Enterprise
ARB Apex Bank	Rural Banks. BoG	Companies Act, 2019 (Act,992); Banking Act (2004, Act 673, Amended 2007, (Act 738)	Limited Liability Companies	Government; international grants and loans	Rural Banks
Rural Banks	Community-Owned/ Bank of Ghana	Companies Act, 2019 (Act, 992); Banking Act (2004, Act 673, Amended (2007), Act 738	Limited Liability Companies; Unit Bank	Government loans; deposits; equity capital	Individuals/Business in Area
Savings and Loans Co.	Private Parties	Companies Act, 2019 (Act,992), BSDI 2016, (Act, 930), Non-Bank Financial Institutions Act, 2008, (Act 774)	Limited Liability Companies.	Equity Capital. Grants; Loans; Deposits	Individual/ Small Business. / Susu Collectors

Table 2.3 continued next page.

Table 2.3 continued from previous page

Ghana Credit Union Assoc.	Primary-Level Credit Unions	Law on Cooperatives (CU) Non-Bank Financial Institutions Act, 2008, Act 774	Cooperatives Society	Member Credit Unions capital; grants; contributions, loans; deposits	Credit Unions
Credit Unions	Individuals and Organisations.	Law on Coop Non-Bank Financial Institutions Act, 2008, Act 774	Cooperative Society	Members' share capital; deposits	Individual Members
Non-Governmental Organizations (NGOs)	Private Parties	Law on Trust and Charitable Inst.	Company Ltd by Guarantee (Not for Profit)	Grants and Donations	Individuals/ Groups
National Association of Susu Collectors	Individual susu collectors	Law on Coop.	Coop. Society	Members' share capital; contributions	Susu collectors
Individual susu collectors	Individual susu collectors	None	None	Clients' fees	Market vendors; others
ROSCAs	Members	None	Group	Members' contributions	Market vendors; employees
ASCAs	Members	None	Group	Members' contributions	Market vendors; employees
Trade-Creditors	Trade creditor	None	None	Personal	Farmers; Fishermen; artisans
Money Lenders	Money lender	None	None	Personal	Individual; groups; families
Social networks		None	None	Personal; group	Family, kin members and friends

Source: Yeboah, (2010: 132) as modified by researcher 2021

Table 2.3 indicates the types of institutions, their ownership structure, legal basis, how they are organised, and their sources of capital as well as their target markets or customers. The BoG is responsible for the supervision and regulating the financial system and thus is not classified under any of the categories in Table 2.3. BoG also advises government of Ghana on policy formulation and in other cases delegates some of its powers to the Association of Rural Banks (ARB) that is the apex bank of the rural banks, whose activities the BoG continues to monitor and supervise over.
The formal financial institutions are incorporated under the Companies Act, 2019 (Act 992) which makes them limited liability companies and are subsequently licensed by the BoG under either the current Banking Act, 2004 (Act 673) as amended in 2007 or Non-Bank Financial Institutions Law 1993 (PNDCL 328) to provide financial services (Yeboah, 2010; Aveh, 2011). The basic objective of regulation of these organisations is to offer enough security for the public savings that are mobilised and lent out by the institutions in question.

Table 2.3 shows that the Credit Unions (CUs) and the Financial Non-governmental Organisations (FNGOs) are semi-formal institutions. Although these institutions are not BoG-licensed, they must register as legal entities (Yeboah, 2010). The rotating savings and credit associations (ROSCAs), the social networks, and the susu operators are examples of informal institutions. Organizations or individuals providing financial services outside the purview of banking and other official financial institutions make up the informal financial sector (Aveh, 2011). Their transactions virtually never involve legal documents; instead, they are typically based on verbal and oral agreements. They are neither licenced nor controlled by financial regulators, and they hardly ever use legal documentation (Aveh, 2011). Nonetheless, the BoG has recently demonstrated interest in monitoring and overseeing these institutions due to the fraud committed by the majority of informal sector operators, albeit not being strict enough.

It's critical to understand that all these organisations are, in some capacity, engaged in Ghana's effort to combat poverty by offering microfinance services to the country's poor. Since the poor rely on the MFIs' long-term viability to aid in the reduction of poverty, it is crucial that their CG practices be examined in light of Ghana's microfinance landscape where poverty prevalence is still widespread and deep.

2.8 Contributions of Microfinance Sector in Ghana

Microfinance has had positive impact on the economic growth and development agenda of Ghana for more than two decades. The notable contributions of microfinance in Ghana includes the promotion of entrepreneurial activities for the poor, creation of employment opportunities for the citizenry especially women and the productive poor, perceived improved standard of living for the poor, support for education of children of the poor, promotion of gender equality, provision of capital, capacity building, community development, contribution of tax revenue to the government to mention but a few. The industry has grown with many microfinance institutions springing up with all sorts of attractive names. The economy boomed when the concept of microfinance was accepted in Ghana. Government supported the industry and MDAs established units and desks to offer microfinance to the citizenry.

Odoom et al. (2019) found in a recent study in Ghana that MFIs in Takoradi contribute variously to the local economy including provision of financial capital to the people; income generation; employment creation; engaging the non-formal economy and providing support for SMEs to grow. The authors further uncovered that MFIs also significantly contributed in the areas of women empowerment, savings culture, credit facilities, asset creation tools and financial literacy. Consequently, the authors recommended that MFIs collaborate with local authorities including the District Assemblies and Business Advisory Centres to come up with measures to ensure penetration into the rural areas in order to improve the living conditions of the rural poor. The provision of capital to the productive poor for their economic ventures is a major step towards the attainment of the social objective of MFIs. MFIs provide capital to their clients in two ways; the provision of micro loans and other social intermediation services like training, empowering the poor to be able to take up economic ventures (Okezie et al., 2014; Bishnoi, 2015; Muhammad, 2010) and providing an avenue for the poor to make micro savings in order to accumulate capital.

The critical role of MFIs is poverty alleviation whereby they seek to increase employment opportunities and enhance income adequately to lift the poor above the poverty line (Muntambanadzo et al., 2013). MFIs in Ghana play significant role when it comes to employment provision. There is a link in the provision of capital through granting of loans and encouraged savings culture among the poor. As a result, microfinance client beneficiaries of

micro loans are able to engage in productive economic activities which serves as employment for them. In addition to the employment created for the direct beneficiaries of loans, few hands, in some cases, are also employed in the assisting micro enterprises. This makes microfinance a financial sustainable instrument capable of providing capital for and ensuring growth and sustainability in the private informal sector ignored by traditional commercial banks (Boateng et al., 2015). MFIs offers direct employment opportunities for both skilled and unskilled labour. The operations of MFIs are such that many employees are required to man their various departments. From top management to branch staff, many people are needed, particularly if the business has several locations.

Capacity building for MFIs refers to efforts, initiatives, services, schemes, and activities aimed at improving financial institutions' institutional and human resource capacity so that they can better serve their growing customer base while being more operationally and financially sustainable (Friends Consult, 2015). MFIs may use this to start initiatives and programmes that help their clients develop their capacity in areas like loan management, customer service, pricing, marketing, and selling on credit, as well as social and community issues. This is normally manifested at the group level, where clients are encouraged to form groups in order to receive training.

As part of their corporate social responsibility initiatives, several MFIs in Ghana have implemented community engagement programmes, thus fostering community development. Some MFIs, for example, have either built or renovated a variety of community-based facilities such as schools, police stations, and boreholes. Some MFIs have also paid for the entire cost of some patients' medical bills in the region in which they operation in Ghana. MFIs recognise a variety of development categories when it comes to the socioeconomic development of disadvantaged communities. MFIs play a critical role in social development programmes such as health, housing, child education, gender equality, and women's empowerment (Rasel and Win, 2020).

MFIs, on the other hand, contribute to the promotion of micro-enterprises for income generation and job growth, resulting in poverty alleviation, as part of economic development programmes. Overall, MFI-implemented programmes show that microfinance is an important

tool for global financial inclusion. In recent decades, microfinance has gained international recognition as an effective tool for household security, microenterprise growth, and poverty alleviation (Tilakaratna and Hulme, 2015). Microfinance advocates also claim that the industry's rapid growth has dramatically improved social welfare (Khandker, 2005), job creation (Raihan et al., 2017), business development, and most developing economies' overall financial health (Adams and Tewari, 2017).These gains could be consolidated and further deepen economic growth in Ghana if MFIs practice good CG practices in the sector which is why this study seeks to examineperceptions regarding CG practices in Ghana and the influence of CG on the performance of MFIs from theoretical and practical viewpoints.

2.9 Challenges of Microfinance Sector in Ghana

The poor's lack of access to credit from traditional banking institutions prompted politicians, practitioners, and international organisations to advocate microfinancing as a tool for poverty reduction. The aim was to close the funding gap and reach out to the vast majority of the poor in order to help in the fight against poverty (Boateng, 2015). Regrettably, the microfinance sector in Ghana is surrounded with numerous challenges including poor CG, high transaction costs, high interest rates, lack of data on the operations of MFIs, high loan default rate, inadequate capital, lack of proper monitoring of staff, limited support for human and institutional capacity building, lack of experience and professional staff, poor remuneration, and lack of basic infrastructure. In addition, weak risk management policies, poor regulatory supervision, corruption in the sector, lack of banking culture of microfinance clients in rural areas in Ghana, frequent changes in government policies, imitation of banking practices of traditional banks among others are challenges the microfinance sector is still grappling with after more than two decades of its existence. Boateng (2015) found that the major constraints faced by MFIs in Ghana include poor regulatory environment, regular vicissitudes in government policies, paucity of capital, inadequate skills and professionalism, infrastructural inadequacies, socio-cultural misconceptions, corruption, frauds, and forgeries as well as poor CG.

Poor CG practices, undercapitalisation, inefficient management, and regulatory and supervisory loopholes are some of the challenges that MFIs face that hinder their ability to perform, according to the BoG (2019). Diversion of funds, insufficient funding, and frequent

changes in government policies, as well as high transaction costs, significant loan defaults, low capability, and low technical ability in the industry, are all impediments to the growth of the microfinance subsector in Ghana (Andah, 2008). Similarly, Asiama (2007) argues that inappropriate institutional structures, a weak regulatory environment, inadequate capacities, a lack of cooperation and collaboration, poor institutional linkages, no clear set of parameters established to categorise beneficiaries, channelling of funds by MDAs, a lack of linkages between formal and informal financial institutions, insufficient skills and professionalism, and inadequacy of expertise and professionalism are among the constraints.

According to Odoom et al. (2019), the lack of awareness among most microfinance industry owners, especially Chief Executive Officers (CEOs), posed a challenge in Ghana, as the majority of CEOs run the company as a trade and typically formed their own after a brief period of training in other MFIs. As a result, policy advice from young financial experts to the company was ignored, and since they had no choice, owners were allowed to have their way in order for them to keep their jobs (Opoku and Antwi, 2015; Owusu-Nuamah, 2014). Many microfinance owners in Ghana operate their businesses as they see fit, with little or no managerial input. The major setbacks that the MFI sector has experienced in Ghana can be attributed to insufficient governance and management (Khan, 2008). CG will improve a company's efficiency and ensure its long-term survival. Since CG is currently regarded as one of the industry's ineffective areas, it has become a growing source of interest in microfinance (Odoom et al., 2019). MFI failure can be attributed to a concentration of managerial power in the hands of the managers, as well as a lack of best practices such as shareholder ownership and board independence (Amofa, 2018).

Furthermore, increased competition in the microfinance sector in Ghana is forcing some MFIs to offer unsustainable and expensive incentives in the acquisition of customers. According to Owusu-Nuamah (2014), the Ghanaian market is financially saturated due to the proliferation of MFIs. As a result, institutions developed goods that would appeal to a larger number of consumers in order to stay competitive. The author argues that some of these items were too expensive for the institutions, and that as a result, some of the expenses incurred in the form of interest charges to clients could not be compensated by their income streams. Investments in the cement and cloth industries were particularly common. They were managed in the same

way as fixed deposits were. Clients were required to deposit approximately GH¢100.00 in return for half a piece of cloth or a bag of cement costing approximately GH¢20.00 for a period of 4-6 months based on available competition (Antwi, 2015; Amofa, 2018).

Odoom et al. (2019) found that the poor rate of loan recovery rate among MFIs in Ghana was a challenge to their liquidity. Poor recovery rates, insufficient resources for long-term viability, ineffective credit distribution and management, inability to meet the most vulnerable and disadvantaged, regulatory and supervision challenges, and a high turnover of MFI workers are just a few of the problems that Microfinance in Ghana is facing (Boateng et al., 2015). MFIs' primary source of income has been loans. However, this sector, which requires extensive evaluation, has not received the attention it deserves. The common practice of asking clients to contribute for a month or two in exchange for their balances being doubled or tripled undervalues the importance of proper loan appraisal and monitoring. Most companies' loan officer-to-client ratios increase, resulting in insufficient time to focus on defaulting loans before they reach the end of their term by which time it is highly difficult to reclaim. Clients understood this loophole and took advantage of it by taking from Peter and giving to Paul (Antwi, 2015; Owusu-Nuamah, 2014).

Other challenges faced by the microfinance sector in Ghana include the lack of standardisation in reporting performing and monitory systems, lack of adequate loan or equity capital in order to increase loanable funds to clients, little or no attention is focused on the sustainability, and inadequate donor funding. Like any other sector, the COVID -19 pandemic had adverse impacts on operational results of MFIs and in some cases resulted in job losses in the sector.

The challenges above have resulted in massive failure of MFIs in Ghana recently, which had significantly reduced investor confidence in the industry. It is also important to recognise that among all of these challenges poor CG practices among MFIs have serious consequences more than any other challenge as the practice of sound CG will prevent a number of the other challenges and improve the financial and outreach performances in the sector. Therefore, the current study seeksto examine perceptions regarding CG practices in Ghana and the influence of CG on the performance of MFIs. The focus of the study is to examine the current state of CG practices among MFIs in the post reform periods of the financial services sector in Ghana.

2.10 Opportunities for Growth in Microfinance Sector in Ghana

However, there is hope for growth in the microfinance industry in Ghana despite this plethora of challenges facing the sector. Boateng (2015) indicates that growing entrepreneurial awareness, increasing government interest, large unbanked and or underserved rural area and high population of poor and low-income households and their microenterprises as opportunities that exist for MFIs subsector in Ghana. There is also an opportunity for MFIs to embrace good CG practices as directed by the BoG -CG Directive 2018 as this will improve financial and outreach performances, reduce corruption, improve risk management and consequently prevent or reduce microfinance institutional failure in Ghana. The BoG has started to address some of the challenges by increasing the capital adequacy requirements for MFIs from GH¢500,000 – GH¢2 million as at December 2018. All NBFIs who render microfinance services in one way or form have had their capital requirements revised upward in order to improve liquidity and lending capacity.

Chapter 3: Literature Review

3.1 Introduction

This chapter provides pertinent literature to support the study's specific aims. As a result, the chapter examines the principles of CG, challenges of CG implementation in MFIs, and the factors impacting the implementation of CG in MFIs. In addition, this chapter analyses recent literature on CG and microfinance institution performance. Most importantly, examined the definitions of CG from both shareholder (narrower) and stakeholder (broader)perspectives and outlined CG models and mechanisms. In addition, the chapter explored the development of CG in Ghana and provided theoretical and conceptual frameworks based on the theoretical foundation of the study. This study is important because good CG helps companies operate more efficiently, improve access to capital, mitigate risk, and safeguard against mismanagement. It makes companies more accountable and transparent to investors and gives them the tools to respond to stakeholder concerns. CG also contributes to development as increased access to capital encourages new investments, boosts economic growth, and provides employment opportunities (International Finance Corporation, 2018).

3.2 Definitions and Concept of Corporate Governance

As a result of the global nature of CG it has been defined differently around the world. This reflects the diversity of countries legal systems, culture, institutional, political, and socio - economic factors, which makes it impracticable to have a one size fits all purpose definition of CG. It's difficult to find a single concept of CG due to variations in culture, legal structures, and historical trends from country to country (Anca, 2012; Mulili and Wong, 2011). Depending on the viewpoints of policymakers, practitioners, and philosophers, the definition of CG can be viewed from at least two perspectives: a narrow and a wider perspective (Otman, 2014; Solomon, 2010).

From a narrow perspective, the company's goal is to maximise and preserve shareholder value, while from a broader perspective, the company is accountable to a larger constituency of stakeholders other than shareholders (Maher and Andersson, 2000). CG is characterised as a formalised system of higher-level management accountability to shareholders (so-called Shareholders model) in the narrow sense of its meaning. The principles of CG appear to focus on governance problems resulting from the division of ownership and control at first glance, but it is understood that their meaning extends beyond the relationship between shareholders

and management, despite the fact that it remains their central aspect. Table 3.1provide definitions of corporate governance from the narrower and broader perspectives.

Table 3. 1*: Definition of CG -Narrower Perspective*

Literature	**Narrow concept**
Albert (1994)	CG is, thus, the end of the managers' era. This idea is too narrow because it focuses solely on financial providers and ignores the relationships that exist between a company's stakeholders and managers.
Cadbury Committee (1992), Gupta and Mirchandani (2020)	"The system by which companies are directed and controlled", so understanding how they balanced the various interests of parties involved in a company
Cretu (2012)	The governance system is in place to enhance resource efficiency while also requiring accountability for resource stewardship
Lin and Hwang (2010: 59)	'A good CG structure helps ensure that the management properly utilises the enterprises resources in the best interest of absentee owners, and fairly reports the financial condition and operating performance of the enterprise'.
Shleifer and Vishny (1997: 737-783)	The study of the processes by which the resources suppliers – reduced to the only financial investors – guarantee the profitability of their investment
Sternberg (2004: 28)	'Ways of ensuring that corporate actions, agents and assets are directed at achieving the corporate objective established by the company's shareholders.'
Walker Review's recent concept (2009:23),	"The role of CG is to protect and advance the interests of shareholders by setting a company's strategic course and appointing and monitoring competent management to achieve this

On the other hand, from the broader perspective of CG, Table 3.2 provide the following definitions are relevant:

Table 3. 2: Definition of CG – Broader Perspective

Literature	Broader perspective CG
Adegbite (2012)	CG refers to the structures and procedures in place to aid and monitor an organisation's effective management, as well as systems to assure legal compliance and avoid improper or unlawful behaviour
Bank of Ghana -CG Directive (2018: 3-4).	The manner in which the business and affairs of a regulated financial institution is governed by its board and senior management, including how its strategy and objectives are set; its risk appetite or tolerance are determined; its day-to-day business is operated; interests of depositors are protected and shareholders' obligations are met, taking into account the interests of other recognised stakeholders; and aligning corporate activities and behaviour with the expectation that it will operate in a state and sound manner, with integrity and in compliance with applicable laws and regulation
Bank for International Settlements (BIS) (2006)	"The methods and approaches used to manage banks through the board of directors and senior management which determine how to put the bank's objectives, operation and protect the interests of shareholders and stakeholders with a commitment to act in accordance with existing laws and regulations and to achieve the protection of the interests of depositors".
Chen and Wu (2016)	Good CG leads to the creation of a structure that adequately protects stakeholders' interests while also reinforcing the fiduciary responsibilities of those with the capacity to act on their behalf.
Fall et al. (2021)	Corporate governance as ensuring that the board, as representatives of the organisation's owners, protects and allocates resources to make planned progress toward the organisation's defined purpose, ensuring that those governing and managing an organisation account appropriately to its stakeholders, and ensuring that those governing and managing an organisation account appropriately to its stakeholders.
(Institute of Directors – South Africa (IODSA), 2016:20),	"Exercise of ethical and effective leadership by the governing body toward the achievement of the following governance outcomes: ethical culture, good performance, effective control, and legitimacy"
Mahler and Andersson (1999)	The formal and informal networks of relationships that are involved in the activity of businesses
OECD (2004 :11)	'CG includes a series of relationships between a company's management, its board, its shareholders, and other stakeholders,'
OECD (1999)	The CG framework sets out the rules and procedures for making corporate decisions, as well as the allocation of rights and obligations among various members in the company, such as the board of directors, managers, shareholders, and other stakeholders. It also provides the mechanism by which the company's goals are set, as well as the means of achieving those goals and monitoring results.
Solomon (2010: 6)	"The system of internal and external checks and balances that ensures that businesses discharge their accountability to all of their stakeholders and behave in a socially responsible manner in all areas of their business operation."

Traditional CG reporting sought to resolve and reveal related problems faced by boards of directors that were of concern to company stakeholders (Tricker, 2015), but the spectrum of concerned stakeholders, as well as the concept of governance, has widened significantly in recent times (Lai et al., 2019). In view of the stakeholder model, the company is considered a social entity that has accountability and responsibility to a variety of stakeholders, encompassing shareholders, creditors, suppliers, customers, employees, management, government, and the local community (Bhausa, 2017). These concepts endorse other schools of thought that claim that a company owes a responsibility not just to its shareholders, but also to all stakeholders whose efforts are essential to the company's success (Freeman, 1984). Therefore, the goal of CG is to improve resource efficiency by reducing bribery and mismanagement, with the goal of not only maximising, but also aligning the often-competing interests of all stakeholders (Cadbury, 1999; King Report, 2002). This definition therefore supports the resource dependency theory (RDT). RDT indicates that MFIs that operate in the same external environment compete for resources from the same pool and thus demonstrate that proper functioning of the board creates connections with external resource providers to the firm (Bass and Chakrabarty, 2014).

Despite their discrepancies at first glance, the two approaches have several points in common, and recent theory and practice has stressed the importance of stakeholders' contributions to the company's long-term success and, as a result, improved shareholder value (Anca, 2012). According to Allen (2005), the stakeholder model of CG is more beneficial to developing countries, as following their interests can help these economies resolve market failure. Iqbal and Mirakhor (2004) look at the traditional stakeholder theory of CG, which sees a company as a "network of contracts" with various stakeholders and argue that the firm's goal should be to maximise the wellbeing of all stakeholders. The findings indicate that research participants have a strong understanding of CG, with awareness of a diverse set of stakeholders (Wanyama et al., 2013).

Corporate governance encourages businesses and people who control and manage them to use resources more efficiently to achieve their goals (Mwasi and Nyasaka, 2020). Furthermore, the corporate governance system should reflect the legal rights of stakeholders (Gompers et al., 2013). As a result, corporate governance is a crucial component in increasing economic

efficiency and growth (Igbal et al., 2019). CG has been empirically proven that a company's solid governance processes send a positive signal to investors (Fall et al., 2021; Mwasi and Nyasaka, 2020). International capital flows have become an exceptionally useful source of external finance as markets have become more globalised (Wamba et al., 2019; Mwasi and Nyasaka, 2020). Therefore, Corporate governance structure affects the performance of microfinance institutions. Investor trust and confidence are seen to be enhanced by good governance practices. Good corporate governance is critical for increasing investor trust and market liquidity, which improves the firm's performance (Agola, 2014). Good corporate governance standards are critical for lowering investor risk, attracting investment capital, and increasing company performance (Velnampy and Pratheepkanth, 2012). Investors in MFIs can rely on corporate governance processes to provide acceptable returns on their investments.

3.3 Sustainability of Microfinance Institutions

An organization's sustainability refers to its ability to continue any given activity into the future within its current budgetary and management resources (Kimando, Kihoro and Njogu, 2012). Similarly, Britzelmaier et al. (2013) defined sustainability as the ability of an MFI to cover its operating costs from its operating revenues so that the MFI can survive and prosper in the long run. This implies that for an MFI to achieve sustainable poverty alleviation, it has to be profitable and sustainable since unsustainable MFIs will not help the poor in the future (Nyamsogoro, 2010). Bogan et al. (2007) described an MFI as being operationally sustainable when OSS reaches 100% and financially sustainable when OSS reaches 110%. Operational sustainability (OSS) is measured as total financial revenue/ (Financial expense + Operating expense + Loan loss provision expense). Therefore, for MFIs to continue to operate to achieve their double-bottom objectives (financial and social) they should comply with and implement strong corporate governance practices in all aspects of their operations. Thus, the aim of this study is to critically examine the perceptions of corporate governance practices in Ghana and its relationship on the performance of MFIs.

3.4 Contemporary Challenges of MFIs in Ghana

The microfinance industry is faced with several contemporary challenges that have plagued its progress in the eradication of poverty in Ghana. For example, Boateng (2015) found that the major constraints faced by MFIs in Ghana include poor regulatory environment, regular

vicissitudes in government policies, paucity of capital, inadequate skills and professionalism, infrastructural inadequacies, socio-cultural misconceptions, corruption, frauds, and forgeries as well as poor CG. In recent times, the BoG (2019) has identified that poor CG practices, undercapitalisation, inefficient management, and regulatory loopholes are major challenges that are saddled by MFIs in Ghana. Similarly, Jain and Ekta (2014) noted that default risk, lack of information on clients, weak regulatory framework, lack of elastic services and products, high interest rate, unequal distribution of MFIs between rural and urban areas, gaps in the demand and supply of microfinance services, and high operational costs are some contemporary issues impeding the achievement of microfinance objectives.

As a result, the programmes of MFIs are relevant to economic growth and development only if MFIs achieve their dual mission of reducing poverty among the world poorest population and at the same time being able to achieve financial self-sufficiency. Thus, MFIs need strong CG practices as a good building to help them achieve their social and financial objectives (Hussain et al., 2022). One way to overcome some of these contemporary issues is through the effective practices of CG principles and mechanisms by MFIs. By doing so, MFIs will not only be effective in the utilisation of their resources in the achievement of objectives but will achieve sustainability in their operations. Therefore, the aim of this study is to critically examine the perceptions of corporate governance practices in Ghana and its relationship on the performance of MFIs. This study further examines these contemporary challenges in section 2.9 in chapter 2 and undertakes an empirical review on the challenges of corporate governance implementation in MFIs in section 3.4 in chapter 3.

3.5 Corporate Governance Models

A CG model is similar to the framework of a house, as a result, individuals, procedures, and technology make up the system that defines the rules under which companies operate. Corporate infrastructures guide and describe a company's day-to-day operations and corporate culture. Therefore, the governance model explains how committees collaborate and report their activities to the board and management team, as well as how they identify their work and authority. The governance model should define key roles of authority and responsibility, as well as a governance mechanism for resolving conflicts in the company.

The structure of CG can vary significantly based on the processes used by a company's owners to control managers (Otman, 2014). CG structures differ from country to country and are embedded in a number of capitalism systems (Giurca and Vasilescu, 2008). There are two main CG models: the Anglo-Saxon model, also known as the Anglo-American model or the outsider model, and the insider model, also known as the dual system or the Continental European model, which is often used on the European continent; the best example is the German model. The differences between these systems can be seen in their focuses in one way. For example, the Anglo-American model focuses on the stock market, while the Continental European model is more concerned with banking and credit markets. Many people now understand that the variations in CG models are due to a number of legal and cultural factors that can be difficult to reconcile (Meier and Meier, 2014).

Therefore, in order to consider CG problems, Shleifer and Vishny (1997) called for a two-system classification. The system is divided into two parts: (1) unitary structures, such as those in the U. S. and the U. K., which depend more on managerial compensation and the market for corporate power; and (2) dual systems, such as those in Germany, France, or Spain, which rely on broad incumbent shareholders' control to balance managers' and owners' conduct.

3.5.1 The Continental Model of CG (Insider model)

The Continental or European CG model, also known as the stakeholder system, is common in European countries. In the European scheme, shareholder associations control a significant percentage of the total number of publicly held shares, allowing the company's shareholders to vote on certain issues. Corporate ownership is concentrated, and a limited number of founders, banks, and workers have a major effect on governance processes (Aliborka, 2011).

Significant blocks of shares in European companies are held by banks and industrial firms, which actively engage in the companies' oversight and governance processes. Because of the comprehensive authority that the European model of CG provides to the shareholders, it is also known as the concentrated shareholder model. It is a stakeholder-focused, legalistic model that emphasises cooperative relationships among banks, shareholders, boards, managers, and employees in the interests of industrial harmony and corporate efficiency (Barnett, 2015). This model employs a two-tiered board model, with a management board and a supervisory board,

and emphasises the protection of all stakeholders, especially employees and lenders, as one of its main features (Mihaela, 2012).

The Continental model is used in France, where the board of directors and managers have responsibilities not only to the company, but also to its workers, labour unions, works councils, and the public (Snyder, 2007). The stakeholder theory of the company embodies the fundamental concept on which the Continental CG system is established. The Continental capitalist model takes into account not only shareholder desires, but also feedback from relevant stakeholders (Cernat, 2004).

Iqbal and Mirakhor (2004) indicate that the main differences between the Anglo-Saxon and the Continental European models of CG are that, the Continental European model maximises stakeholders' interests, and not only those of shareholders, as in the Anglo–Saxon model, and that all stakeholders have the right to participate in corporate decisions, which is not possible under the Anglo-Saxon model, and finally, managers are responsible for protecting stakeholders' interests under Continental European model. Figure 3.1 shows the structure of the Continental Model of Corporate Governance.

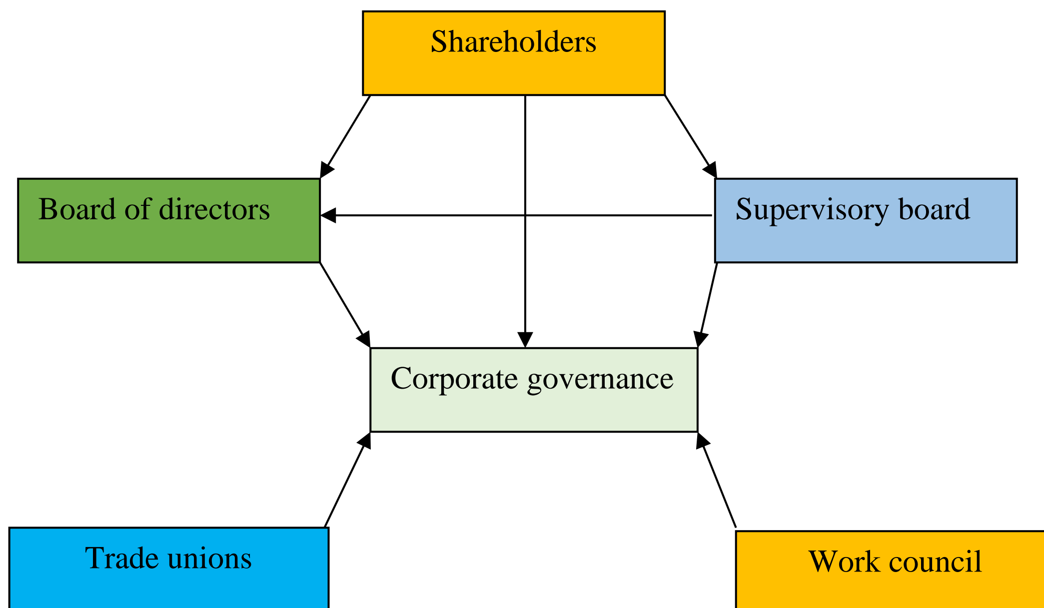

Figure 3. 1*: Continental Model of Corporate Governance*

Sources: adapted from (Cernat, 2004:153; Otman, 2014: 50)

The Continental model, as shown in Figure 3.1, is based on the relationship between shareholders, boards of directors, and supervisory boards, as well as the prominent role of banks and comprehensive ownership in finance and control (Cernat, 2004). Shareholders, creditors, banks, staff, suppliers, consumers, and government appointees who serve larger sectors of society are typically represented on the supervisory board (West, 2006).The BoG CG Directive (2018) while adopts the stakeholder definition of CG in recognising the contribution of stakeholders to corporate success however employs the unitary board system where both executive and non-executive directors sit in the same boardroom, but the non-executive directors supervise the executive directors in the interest of shareholders and other stakeholders in accordance with the Anglo-American Model.

3.5.2 The Anglo -American Model of CG– (Outsider model)

The Anglo-Saxon model of CG is characterised by the dominance in the company of independent persons and individual shareholders. The manager is responsible to the Board of Directors and shareholders, the latter being especially interested in profitable activities and received dividends (Mihaela, 2012). The more individualistic business cultures in U. K. and the U. S. produced the Anglo- American model, also known as the Anglo-Saxon model. The board of directors and shareholders are the controlling parties in this model. Managers and chief executives have secondary jurisdiction at the end of the day. The Anglo–Saxon system is based on the principle of market capitalism, which holds that self-interest and decentralised markets will operate in a self-regulating, and balanced manner (Cernat, 2004; Otman, 2014).
The International Chamber of Commerce demonstrates that in the Anglo–Saxon model, ownership is less concentrated, with few individuals having control over the management team, and that minority investors seeking independent director help, which is provided by an executive chairman, have little protection (Hasan, 2009; Otman, 2014). This system is mainly practiced by English speaking countries such as the U. K., U. S., Canada, Australia, Ghana to mention but a few. Under this system or model a unitary board is maintained where both executive and non-executive directors sit in the same boardroom, but the non- executive directors supervise the executive directors in the interest of shareholders (Mihaela, 2012).

Figure 3.2 shows the structure of the Anglo-Saxon Model of Corporate Governance.

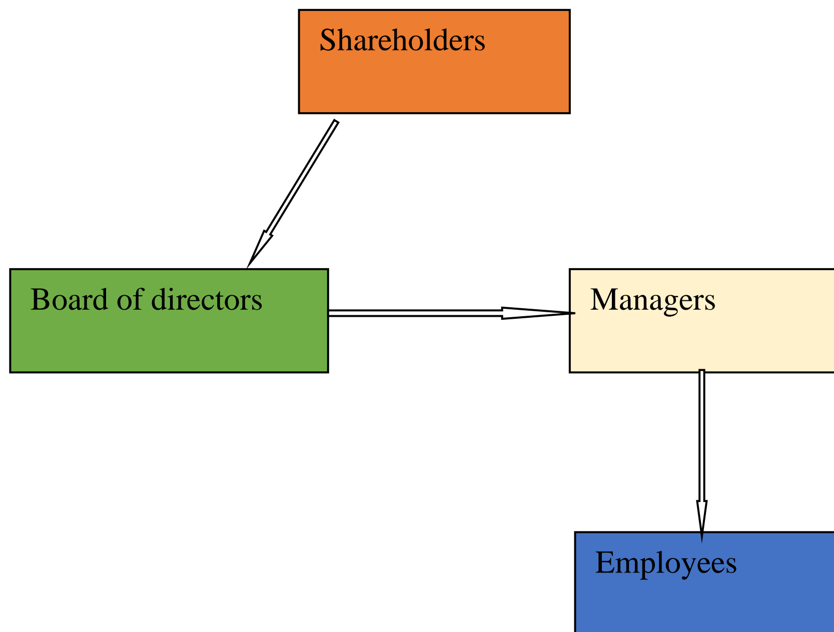

Figure 3. 2: Anglo- Saxon Model of Corporate Governance

Source: adapted from (Cernat, 2004: 153; Otman, 2014: 52)

As shown in Figure 3.2, the shareholders nominate the board of directors, which oversees the managers on behalf and in the best interests of the shareholders. This is intended to address the agency problem that arises as a result of the separation of ownership and control. The dispersion of corporate ownership means that the shareholders in the Anglo-Saxon model need strong legal protection as this weakens the shareholders' control on the company's management (Mihaela, 2014). The board of directors is a significant body in a company, serving as a link between shareholders and management and thus playing a key role in the company's CG (Ooghe and De-Langhe, 2002).

Therefore, Anglo-Saxon CG model is characterised by large and liquid capital markets, low concentration of ownership, a one-tier board of directors, a relatively high degree of protection for minority shareholders, and a dominant role for institutional investors (Thomsen, 2003). Under the Anglo-Saxon model, any of the company's stakeholder groups has no authority or oversight over management. The BoG CG Directive (2018) adopts the unitary system in accordance with this model in Ghana.

3.6 OECD Principles of Corporate Governance

The Organisation for European Economic Co-operation (OEEC), which was formed to administer American and Canadian assistance under the Marshall Plan for the reconstruction of Europe after World War II, was the forerunner of the Organisation for Economic Co-operation and Development (OECD). The Convention transforming the OEEC into the OECD was signed on December 14, 1960, at the Chateau de la Muette in Paris, and went into effect on September 30, 1961.

From then, the OECD's mission has been to improve people's lives around the world by advising governments on policies that promote resilient, inclusive, and long-term development. The OECD has aided the advancement of reforms and multilateral solutions to global problems through evidence-based policy research and guidelines, norms, and global policy networks, including close cooperation with the G7 and G20. These issues cover the public policy horizon, from the OECD's 1970s polluter pays theory to programme for international student assessment (PISA) in education, not to mention tax transparency and artificial intelligence. The OECD has worked to become more global, inclusive, and meaningful throughout its sixty -two (62) years history. With initial membership of 37 countries, the total number of member countries now stands at 222 as at 15th March 2021. Therefore, the OECD is an international organisation committed to creating better strategies for a better life.

Pursuant to Article 1 of the OECD Convention, specifically, the OECD shall promote policies designed to:

1. achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
2. contribute to sound economic expansion in member as well as non-member countries in the process of economic development; and
3. contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The OECD's main role is to provide management advice to member governments. It conducts research and develops policies on a wide range of subjects, from trade to the environment. It

also has the authority to make non-binding recommendations and legally binding decisions for its members. As a result, the OECD council meeting at the ministerial level in 1998 tasked the OECD to establish a set of CG principles and guidelines in consultation with interested bodies. OECD ministers defined CG principles in a meeting in 1999, which were expanded by an Ad Hoc Task Force on CG (Maher and Andersson, 2000). The OECD's 30 member countries adopted these principles as reference mechanisms for countries around the world (Jesover and Kirkpatrick, 2005).

The OECD aims to promote governance reforms in close collaboration with other international organisations, especially through a joint programme with the World Bank and Regional CG Roundtable discussions organised with the participation of the IMF. Senior policymakers, regulators, and market participants participate in these Roundtable discussions in order to improve governance awareness and promote regional reform efforts (Chowdary, 2002). The OECD Principles of CG were adopted as one of the 12 fundamental values of global financial stability in 2000, and international financial institutions now use them as a benchmark (Cornford, 2004).

The OECD Principles of CG were updated in 2004 to help governments assess and develop their countries' legal, operational, and regulatory systems for CG. Following the publication of the OECD Principles in 1999, a number of large corporate bankruptcies occurred, reducing investor trust in capital markets and management's organisational capacity. One of the reasons for the proposal to revise the OECD Principles in 2002 at an OECD meeting was to adapt them to the current circumstances that define global financial and economic lives. As a result, for those who are interested, the principles also provide guidelines on how to create good CG. While countries have cultural and institutional differences, the underlying principles can allow for a more fundamental compatibility (Jesover and Kirkpatrick, 2005). The framework for evaluating the application of the OECD Principles on CG was published by the OECD in 2006. Since the principles are concerned in part with company law, securities regulation, and the enforcement of legal systems, the aim of an assessment is to identify the nature and extent of specific strengths and weaknesses in CG and thus highlight policy dialogue that will identify reform priorities leading to the enhancement of CG and economic performance (OECD, 2006).

The OECD CG Principles (2004) maintain a high degree of transparency, accountability, board oversight, and respect for shareholders' interests and key stakeholders' roles, all of which are essential components of a well-functioning CG structure. The principles, however, were reconsidered for the third time in 2014, following their introduction in 1999, and a new publication was published in 2015. The objective for the latest review was to ensure the continuity of high quality, relevance and usefulness of the principles considering the recent developments in the corporate sector and capital markets around the world. The provisions were to provide policymakers, regulators, and other rule-making bodies with a sound benchmark for establishing an effective CG framework (OECD 2015; Uzma, 2017).

The OECD Principles were created to be adaptable to a variety of situations, societies, and customs in various countries (Chowdary, 2002). The OECD Principles of CG includes ensuring the basis for an effective CG framework, the rights of shareholders and key ownership functions, equitable treatment of shareholders, the role of stakeholders in CG, disclosure and transparency, and the responsibilities of the board. Many countries' codes, as well as business bodies like the International Corporate Governance Network (ICGN), International Federation of Accountants (IFAC), and the International Organisation of Securities Commissions (IOSC), adopted the OECD Principles (Ioana, 2007; OECD, 2003; Otman, 2014). The adoption of the OECD's Principles of CG by the international bodies above facilitated the implementation of the principles since these bodies have member bodies across the world taken into accounts culture, legal regimes, and other country specific differences by the member bodies.

Although the OECD Principles of CG are six (6), this study uses only five (5) which includes the rights of shareholders and key ownership functions, equitable treatment of shareholders, the role of stakeholders in CG, disclosure and transparency, and the responsibilities of the board. This is in line with recent studies examining the OECD's Principles of CG in the CG literature (Gyamerah and Adjei 2016; Otman, 2014).

3.6.1 Rights of Shareholders

The principles of the OECD (2004) indicate that a structure for CG should protect and promote the exercise of shareholder rights. OECD notes that the fundamental right of shareholders includes: the protected system of registration of ownership, the sale or transfer of shares, the

routine and timely obtaining of appropriate and material information about the company, the participation and voting in annual general meetings, the election and removal of members of the Board of Directors and the participation in the company's profits. In addition, the OECD (2004) indicates that shareholders should have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes such as: 1) amendments to the statutes, or articles of incorporation or similar governing documents of the company; 2) the authorisation of additional shares; and 3) extraordinary transactions, including the transfer of all or substantially all assets, that in effect result in the sale of the company.

Organisations must respect shareholders' rights and assist them in exercising these rights by communicating information in a straightforward and effective manner, as well as encouraging shareholders to attend general meetings (Anca, 2012; Cadbury Report, 1992). The main aspect of CG concerns relates to shareholder rights as risk capital providers (Mallin and Melis; 2012). Gyamerah and Adjei (2016) found listed companies implemented the OECD's CG principles with the rights of shareholders being the most practiced as it had the highest mean and standard deviation scores of 3.94 and 0.8747. However, listed companies are more likely to implement CG practices than the MFIs which are not listed on the Ghana Stock Exchange (GSE). The current study therefore focuses on the CG practices of MFIs in Ghana as scanning through the literature suggests little research in this area.

3.6.2 Equitable Treatment of Shareholders

The CG framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights (OECD, 2004). The CG system should ensure that all shareholders, including minority and international shareholders, are treated equitably. For infringement of their rights, all shareholders should have the ability to seek successful relief (OECD, 2004). Therefore, fair treatment should be granted to all shareholders within the same class. The principles also require the board and management to report any material involvement in matters and transactions affecting the company.

A study of the relationship between minority shareholder rights expropriation and firm performance in Latin American markets discovered that a lack of investor security in emerging markets could lead to minority shareholder rights expropriation, resulting in poorer firm

performance (Santiago-Castro and Brown, 2011). Gyamerah and Adjei (2016) uncovered evidence of implementation of CG principles in selected companies on the GSE which is why this study is integrating both CG principles and mechanisms to examine microfinance institutional performance in Ghana. MFIs are different because they have dual mission of social and financial performance measures, operate under different regulations, and they are not listed on the GSE.

3.6.3 Role of Stakeholders in Corporate Governance

The CG system should acknowledge shareholder rights defined by law and by mutual agreements and promote collaboration between companies and stakeholders in the development of capital, employment, and the survival of financially healthy businesses (OECD, 2004). Cooperation between the company and the stakeholders such as employees, creditors, suppliers, shareholders, and the environment should also be in place to generate value. Jenson (2010) argues that businesses need to be stakeholder –oriented because a company is unable to increase its value by ignoring the interest of its stakeholders. This principle underscores the importance of the Stakeholder Theory (ST) that is adopted for this study.

3.6.4 Disclosure and Transparency

The CG structure should ensure that all material matters concerning the business, including the financial results, ownership and governance of the organisation are reported in a timely accurate manner. The disclosure shall include but shall not be limited to the following: financial and operating performance, corporate objectives, shareholder ownership and voting rights, and related party transactions (OECD, 2004). Organisations should explain and publicise the Board's roles and obligations, as well as provide direct, open, and accountable information to stakeholders. They should also put in place processes to independently check and safeguard the financial reporting credibility of the business, ensuring that all investors have access to useful, transparent, and balanced information (Cadbury, 1992; OECD, 2004).

3.6.5 Responsibilities of the Board

The CG system should guarantee the company’s strategic guidance, the board’s efficient monitoring and the board’s accountability to the company and shareholders (OECD, 2004).

Ferrer and Banderlipe (2012) argue that a board with greater transparency, fairness, integrity, experience, and ethical responsibility would ensure continuity in the company's corporate relationship with its stakeholders. People on the Board of Directors must have appropriate skills and the ability to review and develop management performance assurance programmes. To these, one might add the value of maintaining an acceptable degree of freedom and dedication in order to meet duties and obligations (OECD, 2004; 2015). Therefore, when it comes to electing officials and members of the Board, honesty should be a must. To facilitate ethical and responsible choices, companies should create a code of ethics for executives and managers (Sarbanes-Oxley Act, 2002; Cadbury, 1992).

Figure 3.3 provide a summary overview of the OECD's Principles of CG

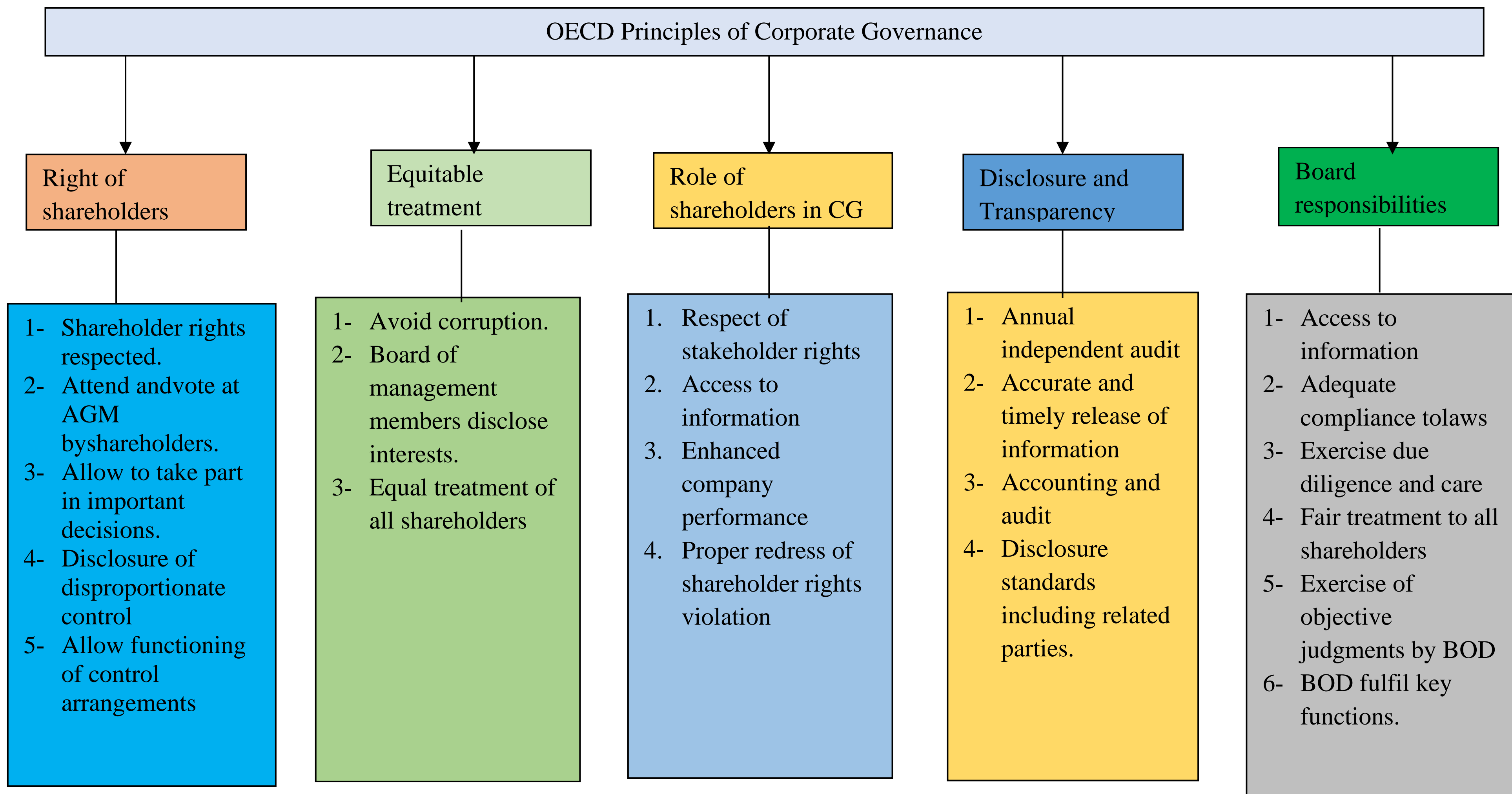

Figure 3. 3: OECD Principles of Corporate Governance
Source: constructed by author (2021) from OECD (2004:2015)

3.7 Corporate Governance Mechanisms

CG mechanisms are the structures that are put in place by a company in order to enable it to achieve its objectives – including internal operating instructions and policies such as oversight of management, independent internal audit, structure of the board of directors, segregation of control and policy development and external – such as proper and adequate debt management and legal compliance. A board's job is to help an organisation's strategic path be set and guided, to oversee planning and policies, and to ensure transparency. As a result of good CG, not only do you get good financial results, but you also get an ethical culture, efficient management mechanisms, and finally, organisational credibility (IODSA, 2016; Villiers and Dimes, 2021).

Corporate governance characteristics, such as board and committee composition and board meeting frequency, are assumed to capture the quality of the underlying CG mechanisms in previous empirical literature. However, several studies focus solely on formal processes, ignoring informal factors such as organisational culture, which can have a significant impact, particularly in smaller businesses (Satta et al., 2014; Villiers and Dimes, 2021). Corporate governance mechanisms within a firm as opposed to those enforced externally by a country's legal framework are the collection of laws, procedures, and processes that allow the board of directors to govern formally or informally. These allow for the monitoring of strategy, performance, and risk, as well as good corporate citizenship and accountability. The most common proxies used as indicators of formal CG mechanisms are board size and composition, committee size and composition, board independence, and variables like meeting frequency (Villiers and Dimes, 2021).

Monitoring management is one of a board's main responsibilities (Endrikat et al., 2020). A board must have the necessary skills, including expertise and a wide perspective, in order to effectively oversee operations of a company (Villiers and Dimes, 2021). Clearly, improved internal CG mechanisms, such as an expanded board and audit committee, strengthen management oversight and reduce information asymmetry issues (Aldamen et al., 2012; Otman, 2014). As a result, companies need internal CG processes to reduce the risk of agency problems. In the use of internal CG mechanisms, the agency principle is thought to provide a basis for CG. Furthermore, the agency theory may be able to explain the connection between board characteristics and firm performance (Kyereboah-Coleman and Biekpe, 2006).

Risk management, board diversity, independence executives, international investors, institutional ownership, CEO duality positions, block ownership, and female ownership, according to Jebran and Chen (2021), were CG mechanisms that kept companies from collapsing during the current COVID -19 pandemic around the world, highlighting the importance of CG mechanisms and firm efficiency. This study therefore uses internal CG mechanisms of board size, board composition, CEO duality, internal audit, and board diversity to critically examine for the relationship between CG and microfinance institutional performance in Ghana. Previous studies have shown mixed and inconclusive results, even though there has been little study in the sector in Ghana.

3.8 Development of Corporate Governance in Ghana

Historically, the main source of CG legislation in Ghana has been the then Companies Code 1963, (Act, 179), which is now superseded by the passing of the Companies Act, 2019, (Act, 992) to reflect current best practices of developed economies. The legal structure of Ghana's corporate system, as well as the overall quality of CG, have historically been weak, resulting in the failure of many businesses in the country. The governance system in financial institutions is under strict supervision and control of the BoG. The Ghanaian company Code of 1963, (Act,179) did not have adequate legislative provisions on governance issues related to the separation of supervision and management responsibilities, and on the board composition, independence, and remuneration in limited liability companies.

The emergence of CG has been a new phenomenon particularly in the last three decades due to increased corporate scandals around the world. As a developing economy, Ghana has not paid particular attention to CG until recently when the economic stability has been threatened by waves of corporate failures. Regulators in Ghana both private and public sectors have now taken the bull by the horn in order to put in place strict governance laws to try and minimise the pace of corporate failure taken into account international best practices. In a market economy, strong CG is critical for safeguarding the interests of multiple stakeholders and boosting investor trust (Dato et al., 2017). Therefore, strong CG requires not just proper regulation but equally proper supervision as well.

The legal and regulatory framework for CG practices in the financial system in Ghana is contained in the Companies Act 2019, (Act, 992), Securities Industry Law 1993 (PNDCL, 333) as revised by the securities industry (Amendment Act, 2000) Act 590, and now the Security Industry Act, 2016 (Act,929), Ghana Stock Exchange Listing rules (2006; L I. 1509), Banking Act 2004 Act 673 as amended Banking Act 2007 Act 738 (Atuahene, 2016). These laws also provide shareholders' rights and regulatory framework for the setting up and operations of corporate organisation in CG practice. The Institute of Directors (IoD-Ghana), the Private Enterprise Foundation, and the State Enterprises Commission are all working to improve successful CG practices in Ghana in one way or another (Agyeman &Castellini, 2013).

The Securities and Exchange Commission – Ghana (SEC -G) during the recent global financial crisis (2008 -2011) put in place a draft CG Code to be applicable to listed companies. This draft governance code was again enhanced in 2018 when corporate failure in Ghana was at its peak in the financial services and the security industry sectors. This has now been finalised and the SEC - G has now published CG Code for listed companies in 2020. The Code primarily addressed the board of directors, the company's directors, the board's committees, financial statements and controls, and the relationship with shareholders, and it concluded with a list of provisions for violations and breaches of the code. This code is detailed in many respects comparable to other renowned codes such as the OECD's code.

Despite Ghana's efforts to encourage businesses by enacting relevant CG legislation, there have been numerous corporate failures and financial crises in recent years, especially in the microfinance and banking sectors. As a result, the BoG has taken stern measures to sanitise and clean up the financial services sector, including CG reforms and re-capitalising Ghana's banks and non-bank financial institutions. Ghana's financial services sector, especially the banking industry and microfinance, have recently experienced difficulties. Several banks have failed due to a variety of factors, especially in the 2017 and 2018 fiscal years. Unibank, Construction Bank, Beige Bank, Sovereign Bank, and the Royal Bank were among the banks that failed in 2018. In addition, earlier in 2017, the Capital Bank and the UT Bank both failed. The popular DKM Diamond Microfinance Company collapsed in 2016 and some of its customers lost their savings, causing the microfinance industry to have its own problems.

Because of the perceived poor regulatory framework and lack of implementation of these regulations, the regulator, the BoG, has recently increased its efforts to tighten CG regulations in the sector by issuing a CG Directive in 2018 which supersedes its earlier version Banking Business - CG Directive published in March 2018. The Directive according to the BoG is issued under the powers conferred to it by Sections 56 and 92(1) of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930) and shall apply to Banks, Savings and Loans Companies, Finance Houses and Financial Holding Companies licensed or registered under Act 930 (BoG, 2018). Sound CG requirements, remedial steps and penalties, and transitional arrangements are the main areas covered by the CG Directive. The CGD seeks to develop sound CG standards in a number of areas, including board duties, annual certification, corporate policy, duty of care and loyalty to shareholders, related party transactions, succession planning, separation of powers between the CEO and board Chairperson, independent directors, board qualification and composition, board size and structure, and key appointments to mention but a few. When properly implemented, the CGD is expected to boost CG in Ghana's financial services sector and foster financial stability in the country's economy.

In addition, the BoG has issued a draft CG Directives for Rural and Community Banks (RCB) published in November 2020. The BoG states that this Directive is issued under the powers conferred on it by Section 56 of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930) and shall apply to Rural and Community Banks (RCBs) (BoG, 2020). The directive's goals are to force regulated financial institutions to follow sound CG standards and best practices in order to continue to operate their licenced businesses in a sustainable manner, as well as to improve regulated financial institutions' corporate efficiency and transparency to benefit depositors and other stakeholders. Others include fostering and preserving public trust and faith in regulated financial institutions through the implementation of sound CG practices and the maximisation of shareholder value and interests (Yeboah, 2020). The draught CG-Directive focused on sound CG principles in areas such as shareholdings and ownership, limitations on rural and community bank shareholdings, board roles and responsibilities, board qualification and composition, board size and structure, directors’ appointments, board chairman, separation of powers, succession planning, corporate culture and values, and more.

As a result, the Public Services Commission of Ghana (PSC-G) has issued a CG manual to govern the operations of the public sector in Ghana. The main areas of the manual include principles of CG, appointment, induction and tenure of boards, responsibilities and liabilities, meetings of the boards or council, committees of the boards, remuneration of the boards, and corporate reporting and compliance. The rest are the relationships among board or council, the CEO and sector Minister, evaluation of the board or council, evaluation of the CEO, ethical standards, risk management, and social accountability.

This manual was issued based on the recognition of the following weaknesses according to the PSC (2021).

a) Weak interface between political office holders and public servants in day-to-day administration of the public service;
b) Lack of adherence to policy operating guidelines;
c) Appointments of Board or Council members are not based on qualification, competence, experience and commitment;
d) Board or Council are changed any time a new Government is in power, regardless of provisions specified for their tenure in the enabling Acts of Agencies.
e) Unhealthy Board or Council and Management relationships;
f) Lack of comprehensive and regular capacity building and training for Board or Council members

The PSC-G therefore expect that the implementation of this manual will accomplish the following objectives:

1. Improved strategic direction of public service organisations;
2. Enhanced appreciation of the duties and responsibilities of a Board/Council member;
3. Strengthened oversight responsibilities of Governing Boards/Councils ;
4. Improved relationship between Boards/Councils and Management and staff
5. Increased responsibility, transparency, accountability, efficiency and effectiveness.
6. Adherence to set guidelines and standards;
7. Effective and efficient management of the organisation for the achievement of the stated objectives;
8. Improved risk management and reduced leakages within the organisations;
9. Enhanced and sustained stakeholder satisfaction; and

10. Improved overall operational performance of the public service.

Given the recent failures of companies in the financial services sector in Ghana and in particular the microfinance sector and the renewed interest in CG, this study is timely and better placed in order to examine the perceptions regarding CG practices in Ghana and the influence of CG on the performance of MFIs. This is necessary because of the limited research in this area with mixed and fragmented results therefore justifying for additional research in the sector.

3.9 Theoretical Aspects of Corporate Governance and Firm Performance

Good CG is thought to help microfinance institutions (MFIs) achieve their social and financial goals (Igbal et al., 2019), and there is ongoing debate about which theoretical models are appropriate in the study of CG (Boubakar, 2017; Chakrabarty and Bass, 2014). The lack of a consensus in the CG literature on the definition of CG has prompted scholars from several disciplines such as finance, accountancy, economics, sociology, and psychology to have proposed many theoretical perspectives aimed at comprehending CG's multidimensional nature (Chakrabarty and Bass, 2014). Researchers have used many theories that are associated with CG in both listed and non-listed companies across a variety of industries, including microfinance governance studies. Theories including agency theory, stewardship theory, stakeholder theory, resource dependency theory, transaction cost theory, institutional theory, management hegemony, and political theory have all been employed in recent CG studies (Bhasa, 2017; Chakrabarty and Bass, 2014; Freeman, 1984).

In CG literature, the majority of CG researchers in listed and non-listed companies, including MFIs governance studies, have used the agency theory, stakeholder theory, resource dependency theory, and stewardship theory (Belaounia et al., 2020; Chakrabarty and Bass, 2014; Collins et al., 2019; Igbal et al., 2019; Ofoeda, 2016; Otman, 2014; Shettima and Dzolkamaina; 2018; Thrikawala et al., 2017). The objective of the company, as well as its accompanying governance structure and mechanisms, are established by two paradigms, each of which provides a unique perspective on governance (Otman, 2014). As a result, this study examines the relationship between CG and microfinance performance (social and financial) in Ghana using agency theory, stakeholder theory, and resource dependency theory. Furthermore,

due to the hybrid nature of microfinance institutions in trying to achieve dual objectives (social and financial) referred to as the double bottom line, additional theories – profit incentive theory and welfare theory –are appropriate for inclusion in the study. The theories are discussed as follows.

3.9.1 Agency Theory (AT)

The separation of ownership and control is one of the important features of modern organisations, and CG study has become necessary in order to mitigate the principal-agent problem (Almoneef and Samontaray, 2019; Cardillo et al., 2020; Haris et al., 2019; Jensen and Meckling, 1976, Warrada and Khaddama,2020). CG is the process of helping an organisation to achieve its objectives while safeguarding its assets (Gupta and Mirchandani, 2020; Hartarska and Mersland, 2012; Mersland, 2011). From the microfinance perspective, CG is the mechanisms through which donors, equity investors, and other providers of funds are assured that their funds will be used according to the intended purposes (Hatarska 2005; Saeed et al., 2018; Shettima and Dzolkamaina, 2018; Thrikawala et al., 2016). The AT states that the shareholders who are actual owners of the company appoint the managers or directors, and therefore delegate to them the authority to run the affairs of the company for the shareholders (Chakrabarty and Bass, 2014; Warrada and Khaddama,2020). The agency problem was initially raised in the eighteenth century by Adam Smith, and it was further studied by Ross (1973), with Jensen and Meckling providing the first full exposition of the theory in 1976.

Corporate governance is a practice that demands corporate executives to be transparent, accountable, and that could result in good firm performance (Gupta and Mirchandani, 2020). Corporate governance has been a source of ongoing debate since the studies (Berleand Means 1932;Delios, 2017; Gaur et al., 2014;Singh et al., 2017) suggesting that growing dispersion of ownership could lead to separation of ownership and control.Jensen and Meckling (1976) indicated that the agency relationship between two parties is defined as the contract between the principal (in this case the owners) and the agents (in this case the managers or directors). The explanatory model of financing and ownership arrangements is based on the assumption of information asymmetry and conflicts of interest between managers and fund providers (Warrada and Khaddama,2020).

Based on the AT, the shareholders expect managers or the directors to act and make decisions in the best interests of the owners. The managers and the directors may always not necessarily make decisions in the best interests of the shareholders (Bhasa, 2017). There is, therefore, a conflict-of-interest situation created between the shareholders and the managers or directors as their interests differ (Bhasa, 2017; Hassan et al., 2019; Warrada andKhaddama,2020). As a result of inadequate management oversight by shareholders, this agency issue is often compounded primarily because shareholders are fragmented and unable to conduct the requisite monitoring functions (Chakrabarty and Bass, 2014). The reality is that managers of a company might be able to pursue their own objectives and interests at the expense of the shareholders. AT thus presents two main problems. Firstly, with the difficulty and costs involved in monitoring what the agents (managers) are doing, the principal cannot verify that the agents have behaved well. Secondly, due to the different attitude towards risk, both the agent and the principal may favour different courses of action even if the agents were to be monitored appropriately (Chakrabartyand Bass, 2014; Collins et al., 2019; Otman, 2014).

In summarising the AT, Eisenhardt (1989) distinguishes two streams of agency theory, principal-agent and positivist, that have evolved over time. The general theory of the principal-agent relationship is the focus of the principal-agent stream. This stream is more concerned with broad theoretical implications than the positivist stream, therefore it may not be as applicable to organisational studies as the positivist stream. The positivist stream is concerned in identifying places where the principal's and agent's interests differ, and then explaining how CG measures might be used to limit the agent's self-serving behaviour (Eisenhardt, 1989; Anyim, 2018; Collins et al., 2019). Therefore, the board of directors serves as an important monitoring device to reduce the difficulties that the principal-agent relationship might cause (Almoneef and Samontaray, 2019). Agents are managers, principals are owners, and the board of directors serves as a monitoring mechanism in this context thereby reducing the agency costs to shareholders (Kiel and Nicholson, 2013).

As a result of the popularity of the AT in CG studies, recent microfinance governance studies (Aboaggye and Otieku, 2010; Basem, 2009; Galema et al., 2012; Hartarska and Mersland, 2012; Igbal et al., 2018; Kyereboah-Coleman, 2007; Kyereboah-Coleman and Osei; 2008; Melkamu, 2016;Merslandand Strom, 2008; Ofoeda, 2016; Ssekiziyivu et al., 2018;Thriskawala et al., 2016) have all employed the AT in explaining the opportunistic behaviour between

shareholders and managers and how CG can assist in reducing the agency costs through the supervisory and monitoring responsibilities of the board of directors. Consequently, the AT is important in this current study because the separation of the positions of the CEO and chairman improves firm performance (Haris et al., 2019). Jensen and Fama (1976) found that the appointment of non-executive directors to a company's board is intended to control conflict of interest issues in order to have a positive impact on firm performance. AT thus provides a solution to the resolution of the conflicts created by the separation of ownership and control (Igbal et al., 2018). Although the agency theory sheds light on how boards supervise managers' actions, Chakrabarty and Bass (2014) argue that it does not, however, consider how the external institutional context affects the board's ability to lead and govern the company and hence a limitation.

3.9.2 Stakeholder Theory (ST)

A stakeholder is a party who has an interest in the operations of a firm (Bhasa, 2017; Freeman, 1984). Stakeholder Theory (ST) states that the interest of all parties to an organisation is considered in the operational activity of a firm. In contrast to the agency theory, which focuses solely on the maximisation of shareholder interests, the stakeholder theory takes a pluralistic view to organisational success (Atuhene, 2016;Chakrabarty and Bass, 2014).Therefore, if a firm is to be successful it must interact and foster a good relationship with internal and external stakeholders alike (Hassan et al., 2019).CG literature has been replete with stakeholder theory claims in recent times, with each researcher promoting the validity of this theory in line with their field of study (Bhasa, 2017; Freeman, 1984). However, all these arguments cover a single hypothesis that business has to acknowledge the existence of diverse parties, be they individuals or groups, who benefit from or are harmed by, and whose rights are violated or respected by corporate actions (Bhasa, 2017). The ST thus widens the base of a company's accountability and responsibility by citing different stake holding parties to its activities (Mersland, 2011). ST encourages the management of an organisation to come out of the restricted box of shareholder theory and pushes it to expand its consideration to include a concern for consumers, employees, suppliers, members of the community at large and all those constituents who are either directly or indirectly affected by its decisions (Bhasa, 2017; Freeman, 1984).

The stakeholder theory advocates for addressing all stakeholders' diverse and often divergent expectations in MFI activities, and thus advises that representatives from multiple stakeholders be included in the institution's governance (CERISE, 2005; Heenetigala, 2011). The social viability of an MFI can only be accomplished when different stakeholders come together and compromise on their differing interests. Figure 3.4 indicates diverse stakeholders to a firm.

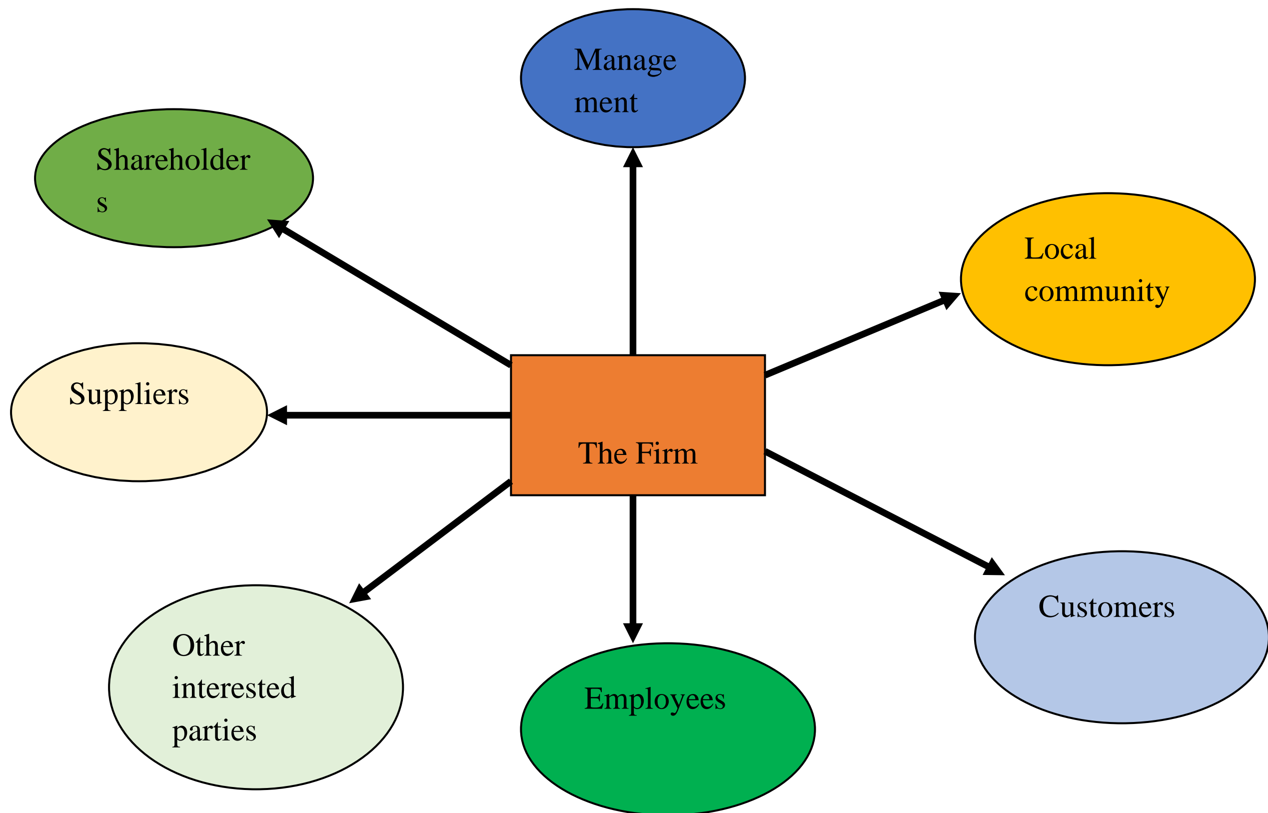

Figure 3. 4: Basic stakeholder model of a firm

Source: Bhasa (2017:32) and modified by author (2021)

As shown in Figure 3.4, the ST takes into consideration the interest of all stakeholders in the firm regardless of their power and level of interest. ST is thus meritorious to all parties connected to a firm which is why is popular amongst academicians and practitioners. As a result, identifying the stakeholders for whom an organisation is responsible is an important part of stakeholder theory (Hassan et al., 2019). Any stakeholder is relevant if their investment is at risk from the organisation's activity in some way (Freeman, 1984). Stakeholder theory takes the moral position that all stakeholders have a right to be treated equally by an organisation,

and managers should manage the organisation for the benefit of all stakeholders, regardless of whether stakeholder management improves financial performance (Collins et al., 2019).

The majority of MFIs are not-for-profit organisations, and therefore, they are more likely to be stakeholder oriented (Mori and Mersland, 2014). As a result, MFI boards include a diverse range of stakeholders including clients, creditors, donors, shareholders, government agencies, and employees (Mori and Mersland, 2014). In addition, depending on the nature and kind of ownership, their participation on boards with various interests can have varying effects on the firm's strategic decisions and performance outcomes (Freeman, 1984; Rasel and Win, 2020). Stakeholder theory, as explored by John and Senbet (1998), highlights the relevance of non-market mechanisms, noting the necessity to find an ideal board size as an example, especially given the tendency for board size to have a negative association with business performance. Sundaram and Inkpen (2004a) claim that shareholder value maximisation is the most important goal since it is the only one that drives decisions that improve outcomes for all stakeholders. They contend that managers can't possibly identify all of their stakeholders and their key values (Sundaram andInkpen, 2004b). Freeman et al. (2004) focus on two key questions: 'what is the firm's purpose?' and 'what is management's obligation to stakeholders?' They argue that both of these problems are intertwined, and that managers must cultivate relationships, motivate stakeholders, and build communities in which everyone tries to achieve the value the firm offers. As a result, the stakeholder theory is said to help managers better express and promote their company's shared mission and particularly suitable for the application of the governance of microfinance institutions.

The stakeholder theory, according to Chakrabarty and Bass (2014), serves as a firm's moral and philosophical guidance, and it recognises that groups both inside and outside the company influence boards and companies. However, one key flaw in the stakeholder theory is that it ignores the possibility that the lack of or ineffectiveness of external institutions may limit boards' ability to supervise and control firms.

3.9.3 Resource Dependency Theory (RDT)

The resource dependence theory (RDT) suggests that firms operating in the same external environment compete for resources from a finite pool (Bass and Chakrabarty, 2014; Pfeffer

and Salancik, 1978). The resource dependency theory was linked to corporate governance by Lawrence and Lorsch (1967). The authors claim that successful companies have internal structures that match environmental demand, which is in line with Pfeffer's (1972) claim that board size and composition is a reasonable organisational response to external conditions. As applied to corporate governance, the overarching concept of RDT is that boards are a tool for organisations to get access to resources in the external environment (Hendry and Kiel, 2004). Boards, according to resource dependence theory, aid organisations in improving their performance by minimising their reliance on the external environment and contingencies (Pfeffer and Salancik 1978), thereby lowering transaction costs and potentially assisting their sustainability.

According to Pucheta-Martinez and Gallego-Alvarez (2020), from the perspective of resource dependency, a larger board provides more opportunities for more links and hence access to resources. Other authors, such as Zahra and Pearce (1989), argue that when a company appoints a director to its board of directors, the company expects the director to use his or her knowledge, skills, and experience to provide useful advice to the company, improve its legitimacy and reputation, and support the firm's strategic assessment and implementation capabilities (Hillman and Dalziel, 2003).RDT sheds light on how boards of directors work together to build or manage a firm's network and connect it to external resources. When it comes to connecting the firm to external resources, RDT places more emphasis on the external environment (Bass and Chakrabarty, 2014; Dang et al., 2020).

On the one hand, the resource dependence theory primarily emphasises the advantages of having a diverse board of directors (Carter et al., 2003; Hillman and Dalziel, 2003). First, resource dependence theorists argue that having a diverse board of directors allows a company to access resources that are necessary in order to decrease risks and improve operational outcomes (Nguyen et al., 2021). Specifically, a firm's business actions are influenced by its environments, and collecting adequate resources from such settings is critical for gaining a competitive advantage (Pfeffer, 1972). A more diverse board of directors gives more diverse and critical resources for better decision-making, resulting in improved business performance (Song et al., 2020).

On the other side, resource dependence theory says that increasing the size and diversity of the board of directors to include female participation on the boards can secure and improve firms' important resources and the connectivity between companies and their external environment (Pfeffer, 1973). In other words, companies with larger and/or more diverse boards may have an advantage in gaining and preserving key resources such as board members' human capital (knowledge, skills, and talent); advice and counsel; communication channels; and legitimacy (Hillman and Dalziel, 2003; Nguyen et al., 2021; Pfeffer and Salancik, 2003).As a result of the board varied possibilities to obtain information and network in various ways, this theory justifies the appointment of directors to multiple boards. The resource dependency theory, on the other hand, doesn't say anything about how the absence or ineffectiveness of external institutions might hinder a board's ability to gather and deliver resources for the company.

3.9.4 Profit Incentive Theory or the Institutionist Theory

According to the profit-incentive hypothesis, MFIs can achieve the "microfinance promise" by using commercial funding sources at every stage of their development (Bogan, 2012; Omondi, 2014). Commercial sponsorship has two advantages: it expands the reach of the organisation, and it improves efficiency. Because donor funds are limited, MFIs' ability to expand to fulfil increased demand for services is hampered if they rely only on them. There's also the question of whether relying on donor cash permits MFIs to avoid operating pressures. Commercially funded MFIs respond to the profit incentive by seeking to raise revenues while lowering expenses so that they can cover all operational costs (Bogan, 2012). Furthermore, the profit incentive theory focuses on developing sound and long-term financial institutions that can serve more disadvantaged people for longer periods of time (Adhikary and Papachristou, 2014). This sustainability debate can only be achieved through the practices of good CG practices by MFIs (Hartarska and Mersland, 2012).

However, recent emphasis on financial self-sufficiency has raised concerns in the microcredit sector that it may jeopardise the purpose of social outreach of providing credit access to the poor (Quayes, 2012), which is why critics of this theory may be harsh. As a result, the microcredit business has recently shifted from subsidised credit delivery programmes to financially self-sufficient institutions providing commercial microfinance (Quayes, 2012). A rigorous assessment of both the profit motive and welfare theories' reasoning reveals that it is a funding issue (Nyamsogoro, 2010). This theory focuses on the development of financial

institutions that cater for clientele that are underserved by traditional financial institutions. The goal of this philosophy is for institutions to become self-sufficient. In order to operate in a sustainable manner, the idea suggests that MFIs should function according to market conditions, where high interest rates are levied due to high costs (Omwanga, 2012). The establishment of internal corporate governance mechanisms such as internal controls and adequate disclosure requirements are key to the survival of MFIs.

However, according to this approach, care must be taken to strike the correct balance between outreach and long-term viability. When MFIs fail to achieve the twin duty of outreach and profitability at the same time, they risk drifting away from their mission rather than ensuring their long-term viability. For example, interest rates imposed by MFIs have risen to such a high level that Davutolu (2013) claims that profit maximisation is their core principle. This principle has generated major problems in the microfinance markets of Morocco, Nicaragua, and Pakistan (Davutolu, 2013).The impoverished, or as they are now referred to, "clients," were driven into debt and failed to repay their loans, causing microfinance institutions to fail (Davutolu, 2013).In 2009, one of the worst images was observed in Bosnia and Herzegovina, where poor consumers who failed to repay their loans were compelled to sell family assets and even utilise remittance income and relatives' pensions to cover their debts (Bateman and Chang, 2006). One could claim that the global financial crisis played a role, but whether or not this is true, MFIs must exercise caution in light of this view. The welfare theory claims that focusing on financial sustainability may have a negative impact on the core goal of outreach and poverty reduction (Adhikary and Papachristou, 2014).
Financially strong MFIs are able to finance their microloan portfolio by leveraging additional capital rather than relying on donor funds or government subsidies, and thus are able to provide long-term large-scale outreach to low-income clients, thereby reducing poverty and empowering the economically active poor (Adhikary and Papachristou, 2014). As a result, sustainable MFIs adopt demand-driven strategies, offer better products, and boost efficiency through cost-cutting information systems and innovative lending technologies, all of which will have a greater impact on poverty reduction (Adhikary and Papachristou, 2014). Similarly, Quayes (2012) discovered that financial self-sufficiency ratios (operational self-sufficiency) and breadth of outreach have a favourable complementary relationship. Based on household data from rural Pakistan, Montgomery and Weiss (2011) suggest that commercially oriented

MFIs can achieve a double bottom line goal of profit and social mission (Adhikary and Papachristou, 2014; Montgomery and Weiss 2011) when they employ good corporate governance practices.

3.9.5 Welfare Theory

The welfare approach to assessing MFIs' long-term viability is based on MFIs' contribution to the social welfare of the poorest individuals. MFIs, according to welfarists, should concentrate on providing financial services to the poorest households rather than being financially self-sustaining (AdhikaryandPapachristou, 2014). According to supporters of this approach, the aim of MFIs is to have a good social influence on their consumers, who are the poor. Supporters of the welfare method argue that there is a trade-off between financial sustainability and outreach, putting the main MFI mission at risk: mission drift. Instead of focusing on disadvantaged clients, MFIs seeking financial stability will prioritise financial performance (Nurmakhanova et al., 2015).

According to Hermes et al. (2011), while aiming for profitability, MFIs will prioritise wealthy borrowers at the expense of poorer borrowers, who are more costly and risky to serve financially. According to Nyamsogoro (2010), MFIs should, as far as feasible, be able to service as many impoverished clients as feasible, even if it appears to be unprofitable, and that any operational deficits should be addressed by donor and government funding or social investors. In general, the original social missions of microfinance (Kar, 2013) were to reduce poverty among the poor in society by providing small loans at affordable interest rates, focusing more on women loan clients, emphasising operations in rural areas, and adopting group-based lending methodology. This is the main goal of this theory. In recent times, a substantial number of MFIs rely primarily on donor organisations to supply them with a regular stream of subsidies and funds on favourable terms. The fundamental argument given by donors for funding MFIs is to improve general social welfare by offering credit to impoverished households. As a result, donors have long justified their support for small nongovernmental organisations, which they believe can provide the most comprehensive outreach to the needy (Quayes, 2012). Donors also require MFIs to be governed well before they advance money to them. As a result, the welfare theory emphasises credit as a tool for decreasing poverty, and that credit is supplied to

poor borrowers at below-market interest rates in order to reach the poorest of the poor and empower them (Omwanga, 2012).

The profit incentive strategy has been questioned by welfare theory because it may exacerbate outreach to the lowest clientele. Commercialisation, according to Woller (2002), leads to increased competitiveness, transformation, and cost-effective mobilisation, but it also comes with a number of hazards, such as mission drift. One of the most obvious causes for mission drift is that MFIs tend to serve better-off clients and leave poorer neighbourhoods with smaller loan sizes in their search for profitability (AdhikaryandPapachristou, 2014).
In a similar line, Cull et al. (2007) found that profitable MFIs extend individual lending to better-off clientele in a research based on a sample size of 124 MFIs operating in 49 countries. A recent study found a negative association between cost efficiency and depth of outreach in 435 MFIs operating in diverse nations, leading to the conclusion that serving the lowest consumers affects efficiency (Hermes et al., 2011). As a result, the theoretical and empirical findings on the relationship between financial performance and outreach are contradictory and ambiguous. Figure3.5 shows how poverty could be reduced under both theoretical perspectives.

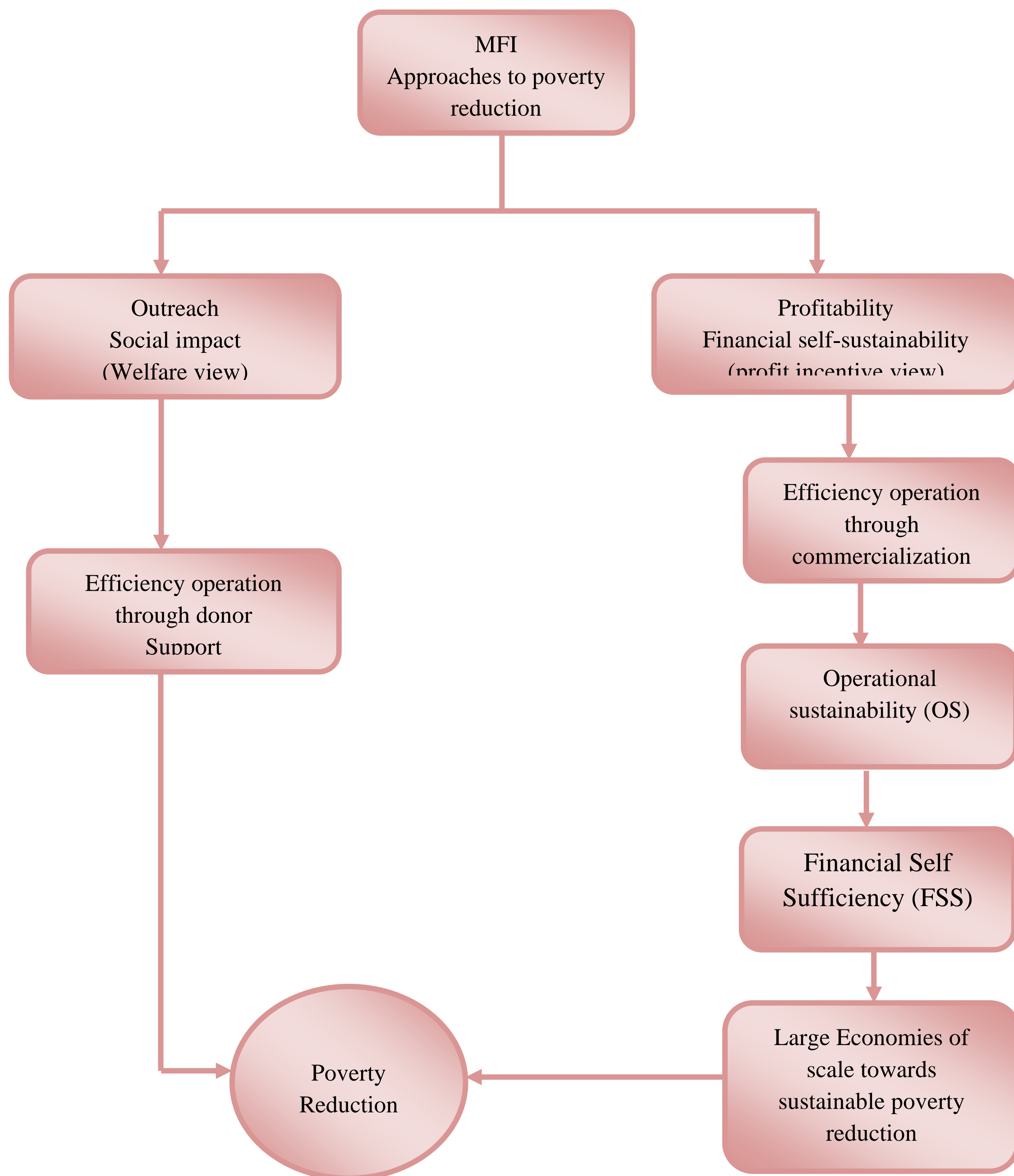

Figure 3. 5: Approaches to Attaining poverty reduction through MFIs (Welfare and Profit Incentive Theories).

Source: Nyamsogoro (2010, p. 31).

As discussed, the theoretical stances alone cannot enhance a microfinance institutional survival, unless the MFIs employ good CG principles and mechanisms. The biggest challenge of MFI is noted to be weak CG which has resulted in the failures of most of them (Bank of

Ghana, 2019; International Finance Corporation, 2018). The microfinance sector, according to Boubacar (2017), recognises the need of good governance in achieving MFI goals. While it is true that the primary goal of an MFI is to provide financial services and loans to those who are unable to acquire them from traditional banks, MFIs must also be financially viable. As a result, it's crucial to look into the relationship that exist between internal governance structures and social and financial performance of MFIs in Ghana.

3.10 Theoretical Framework of the Study

Figure 3.6 shows the theoretical model that guides this study. This framework was carefully constructed based on CG principles and mechanisms that are investigated in this study. The framework is also based on the objectives of the study. The agency and the profit incentive theories support the CG mechanisms, whereas the stakeholder theory and welfare theories support the CG principles. The agency theory explains the conflict of interest between principals and agents, and how CG can help to mitigate the agency costs. The profit incentive theory postulate that MFIs must pursue profit motive to be sustainable in serving the poor clients. However, the researcher argues that pursuing profit motive by MFIs without following good CG practices will not necessarily guarantee microfinance institutional sustainability. A small board size, CEO duality, board composition or independence, internal audit function and gender diversity, according to the agency and profit incentive theories, are vital in the management monitoring process and thus lead to better corporate performance. As a result, these theories have resulted in a significant improvement in the corporate governance system (Cardillo et al., 2020; Haris et al., 2019; Jensen and Meckling,1976).

On the other hand, based on the stakeholder management framework, the stakeholder theory implies that good CG practice can improve firm performance. In terms of stakeholder theory, the OECD Principles of Corporate Governance essentially advocate the notion that corporate management should take into account all of the various stakeholders' interests. Similarly, the welfare theory also suggest that majority of the poor must be service even if that means unsustainability of MFIs as total financial inclusion of the poor should be the main objective of MFIs (Nyamsogoro, 2010; Omwanga, 2012; Quayes, 2012). In this regard, Hartarska and Mersland (2012) argue that MFIs boards must be represented by different stakeholders for effective monitoring of managerial behaviour.

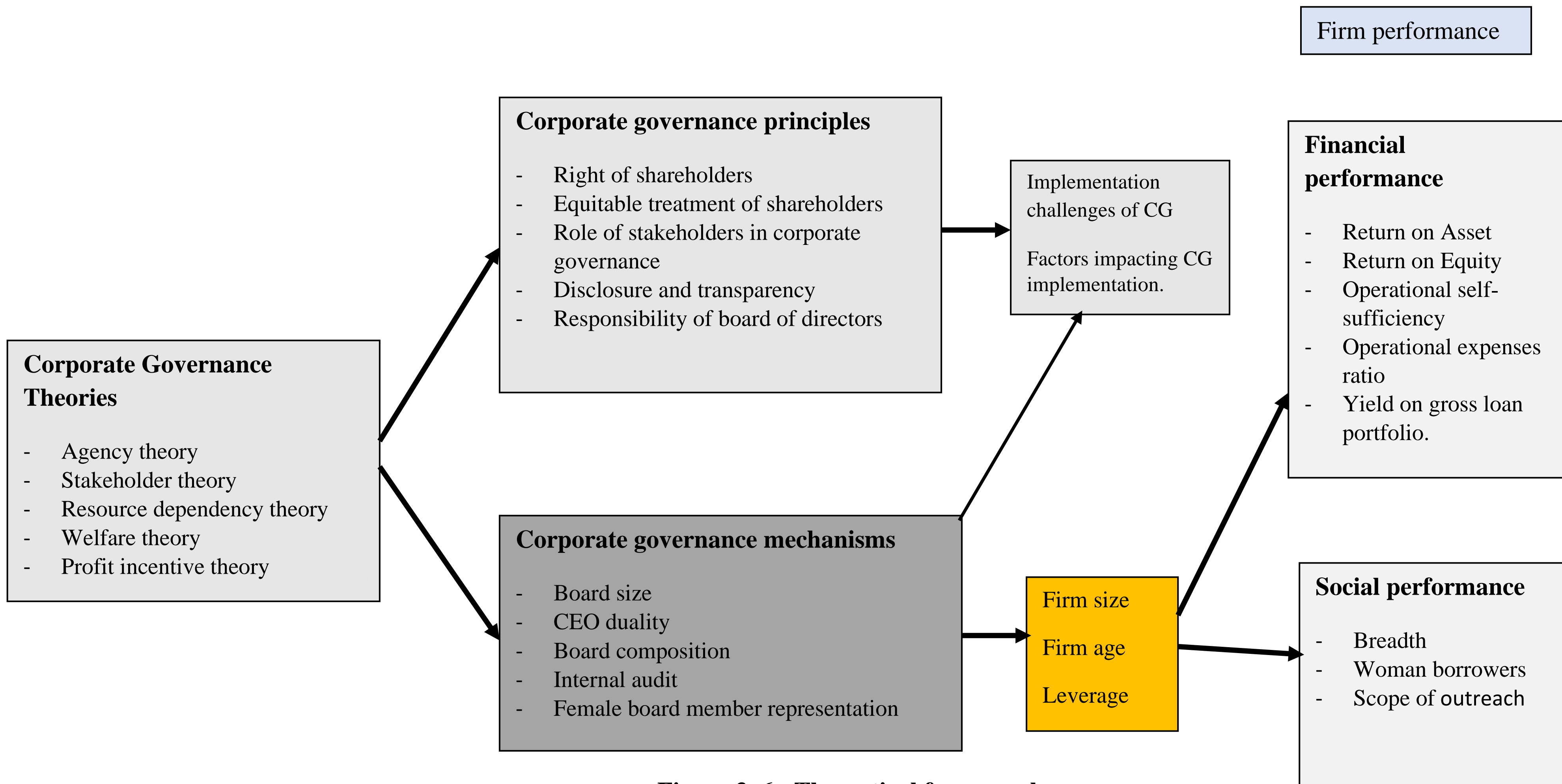

Figure 3. 6: Theoretical framework

Source: Author 2021

These theories provide an appropriate explanation and conceptual framework for the study based on the discussion of theoretical perspectives. According to the theories, good corporate governance principles and mechanisms have a major impact on the microfinance institutional performance in Ghana. These theories are used as the study's theoretical framework since the objective is to examine how CG affects microfinance institutional performance in responding to the interests of shareholders and other stakeholders. This argument, however, has to be tested empirically. As a result, the empirical aspect of the study looks into the validity of the study's theoretical premise. The theoretical framework is followed throughout the study in order to revisit these theories in light of the empirical findings.

3.11 Corporate Governance Principles and Firm Performance

Corporate governance (CG) strives to establish a balance between socio-economic, individual, and social goals while also fostering resource efficiency, accountability, use of power, and stewardship, bringing individual, corporate, and societal interests closer together (Fall et al.,2021). The principles of governance highlighted by the Cadbury report (1992) and the Organisation for Economic Cooperation and Development (OECD) are referred to as CG principles. The CG principles include respect for the rights of shareholders, equitable treatment of shareholders, role of stakeholders in CG, responsibilities of the board, transparency, and disclosure (Ssekiziyivu et al., 2018). Good CG practices require that the board of directors must govern the company in a way that maximises shareholder value while also serving the best interests of society. Governance best practices, according to Keyes (2014), will have a favourable impact on every company's performance and long-term sustainability. As such, building a strong qualified board of directors and evaluating performance, according to Keynes (2014), are good governance practices. This means that directors on boards should be knowledgeable, have relevant expertise, be qualified and competent, have strong ethics and integrity, come from a variety of backgrounds and skill sets, and have enough time to devote to their responsibilities. Therefore, it is important to define the roles and responsibilities of the board and the chief executive as a major principle of CG (Keynes, 2014). A recent strand of literature supports the idea that better corporate governance leads to higher shareholder returns. For instance, Brown and Caylor (2006) assert that companies with better governance practices are more profitable, valuable, less risky, less volatile, and pay out more dividends. Similarly,

La Porta et al. (2012) adds that better shareholder protection is empirically associated with higher valuation of company assets. Gompers et al. (2013) agree with these findings, claiming that weaker shareholder rights led to lower profits, slower sales growth, higher capital expenditures, and more mergers and acquisitions.

In this regard, Kim et al. (2006) supports the notion that CG is crucial in explaining a firm's performance and market valuation, demonstrating that even modest improvements in the quality of firm-specific CG result in significant gains in profit. Corporate transparency and complete disclosure of information are essential characteristics of the CG system (OECD, 2015) and are regarded as critical factors in CG quality. Beeks and Brown (2006) argue, in a similar vein, that organisations with superior CG produce more informative disclosures. Asymmetric information and agency problems between shareholders and managers are endogenous causes of CG problems. These unresolved conflicts of interest have an impact on the firm's value and performance (Ssekiziyivu et al., 2018). According to Lang and Lundholm (1993), disclosing governance practices can significantly reduce information symmetry, allowing shareholders and investors to monitor management actions and corporate performance more effectively. Drobetz et al. (2004) illustrate that a company's performance is dependent not only on its profitability and development prospects, but also on the effectiveness of its governance systems, which ensure that investors' funds are neither expropriated nor wasted on uninteresting initiatives. Similarly, Callahan and Smith (2004) find consistent evidence that the disclosure of governance processes in the annual report's management discussion and analysis part is linked to current and future business performance and market valuation.

The OECD Principles of CG enable effective monitoring, assist organisations in attracting investment, raise funds at a low cost of capital, provide long-term economic value, and improve firm performance (OECD, 2015). Prior study has looked at the relationship between CG and firm performance using aspects of the OECD Principles. For instance, Kalezi (2012) examines the quality of CG practice in Montenegro in light of the core OECD Principles of CG and their impact on firm performance, concluding that CG practice is positively related to organisational performance. Similarly, Haileslasie et al. (2018) argue that larger MFIs and non-governmental organisations (NGOs) are linked to greater transparency compared to smaller MFIs. The

authors concluded that MFI transparency in Sub-Saharan Africa is poor and variable due to other factors, such as country-level resources, the amount of financial sector growth, also have an impact on MFI transparency. However, this study suffers a limitation of limited scope as transparency is only one of five OECD CG principles. The study also failed to control for national governance index as the authors used 11 Sub-Saharan African countries to arrive at their conclusion.

In a related study, Gyamerah and Agyei (2016) examined the OECD's five principles of rights of shareholders, equitable treatment of shareholders, role of stakeholders in CG, disclosure and transparency, and responsibility of the board of directors among Ghanaian listed firms and argue that listed companies in Ghana implemented the OECD's CG principles with the rights of shareholders being the most practiced as it had the highest mean and standard deviation scores of 3.94 and 0.8747 respectively. This study suffers a limitation of small sample size, and as it was survey research it also suffers a limitation of multiple truths and realities. Also, this study failed to link the OECD CG Principles implementation to firm performance. Consequently, listed companies are more likely to implement CG practices than MFIs which are not listed on the Ghana Stock Exchange (GSE). The current study thus focused on the CG practices (principles and mechanisms) of MFIs as there is little study in this area in Ghana.

Furthermore, Akdogan and Boyacioglu (2014) argued that the level of implementation of CG principles among companies listed on the Istanbul Stock Exchange (ISE) National 100 Index had a significant and positive association on return on asset and return on equity. The findings of this study corroborate the conclusion drawn by Otman (2014) who claimed that CG principles, such as shareholder rights, equal treatment of shareholders, role of stakeholders in CG, disclosure and transparency, and board director responsibilities, were implemented in listed companies in the UAE which improved the financial performance of the companies. On the one hand the study suffers a limitation of multiple truths and realities. On the other hand, however, the author used only four attributes to represent the CG variables. Specifically, Otman used board size, leadership structure, board composition, and audit committee in examining the relationship between CG and firm performance. It is therefore questionable whether these attributes represent the real CG degree. In other words, governance quality cannot be restricted to a few board attributes.

Studies such as De Carvalho et al. (2020), and Cheung et al. (2011) in Brazil and Hong Kong argue that the implementation of the OECD Principles of CG improves firm performance. However, there is little existing literature linking the OECD CG Principles to MFI performance. Following the analysis above, our research question (shown in Chp.1, p.6) is *What are stakeholders' perceptions of the implementation of corporate governance principles within MFIs in Ghana?*

The answer to this question will help understand the policy intervention appropriate for the adoption of good CG principles which will enhance the sustainability and performance of MFIs in Ghana through compliance with CG principles.

3.12 Challenges of Corporate Governance Implementation in MFIs

Corporate governance (CG) has been a problem for MFIs all over the world, resulting in the recent collapse of the majority of these institutions (Fall et al., 2021; Gupta and Mirchandani, 2020; Mori and Mersland, 2014). Mwesigwa et al. (2014) observed that inexperienced board of directors, a poor relationship between management and the board, political pressure in the appointment of board members for state-owned MFIs, resulting in a disregard for management and board ethics, and conflicts of interest among board members in making strategic business choices are challenges MFIs confront in the implementation of CG. The findings of this study were corroborated by Ssekiziyuvu et al. (2018) who argue that a lack of professionalism among board members, illegal and unauthorised investments, power struggles in board rooms, ownership, and the complexity of management structures in MFIs - as most owners have little knowledge of CG, the appointment of family members on boards without merits, leadership duality, and lack of appropriate and regular training for board members are CG challenges that MFIs face. Similarly, Saeed et al. (2018) claim that balancing of social and financial performance in board rooms, and ownership and the complexity of management structures in MFIs are barriers to the implementation of CG for MFIs.

In addition, Ssekiziyuvu et al. (2018) examined CG practices of MFIs and found that MFIs have boards in place although the boards are inactive and passive in the performance of its responsibilities in Uganda. Furthermore, the study found that board committees are not fully constituted, shareholders rights most often not respected, and lack of accountability on the part of the boards. However, this study suffers from limited scope as it did not cover majority of

the MFIs in Uganda. Consequently, the regulatory regime in Uganda is different to other countries and generalising the results may be flawed. More so, Mwesigwa et al. (2014) indicate that the boardroom composition is full of political appointees (especially for state owned MFIs) without management skills hence affecting the decision making and long-term plans of an organisation since most of them act like rubberstamps for decision taken outside the board. Mudibo (2015) adds that the majority of MFIs are faced with corrupt practices like engaging in bribery, which leads to mismanagement of loanable funds hence affecting the operations of the organisation. Mwesigwa et al. (2014) argue that deciding on the board size and composition is another challenge that MFIs encounter especially due to the small size of some MFIs. Boubakari (2017) and Bananuka et al. (2018) report that the concept of board independence is one of the most challenging aspects of CG in many MFIs.

Furthermore, Okpara (2010) looked at the obstacles and problems that are impeding the growth of good CG in Nigeria and finds that violation of minority shareholders' rights, a lack of dedication on the part of boards, a lack of adherence to the regulatory process, poor compliance and monitoring mechanisms, and a lack of accountability and disclosure are all obstacles to the implementation and promotion of good CG in Nigeria. Consequently, Odera (2012) discovered that CG challenges such as a lack of clear and proper rules separating management from decision-making, unqualified personnel in management, inadequate managerial competitiveness, and failure of membership and boards to exercise fiduciary responsibility in Kenya.Rafiee and Sarabdeen (2012) argue that one of the challenges hindering the successful implementation of CG in emerging markets is national culture. This finding was supported by Baydoun et al. (2013) who researched into CG in five developing countries and found that integrity and trust are affected by the cultural and religious characteristics of communities, which are the core elements of an effective governance system. The authors also note that in Arab nations, all of which are Islamic countries, the culture and religious characteristics of societies should be considered.

Adekoya (2011) explores the challenges to CG reforms and finds that governance is difficult in Nigeria due to poor regulatory systems, high poverty, and unemployment, collapse of moral values, low education standards and institutionalised corruption were major challenges to the implementation of good CG. In Asian businesses, management view is that the costs associated with good CG practice outweigh the benefits (Cheung et al., 2011). On the Contrary, Mwasi

and Nyasaka (2020) revealed that there were few challenges among the MFIs in the implementation of CG in Kenya. Therefore, the findings of this study suggest a good signal that MFIs in Kenya are on track, and this strategy should be extended across the country's financial and non-financial institutions. The limitation of this study is that it is confined to only CEOs of MFIs, and these CEOs may not have objectively answered the research questions.

In the light of the CG challenges, Akbar et al. (2016) and Love (2011) provide the reason for looking into the challenges of CG implementation and compliance in MFIs, which is that greater governance improves the effectiveness of management activity monitoring. As a result, managers are more likely to pursue value-maximising projects and avoid expropriating corporate resources like perquisites consumption (Fall et al., 2021; Akbar et al., 2016). Moreover, greater governance protects investors by preventing majority shareholders from expropriating a company's assets (Akbar et al., 2016). Amana and Nguyen (2013) claim that there is additional evidence that CG characteristics reduce the likelihood of company insolvency since governance compliance enhances the chances of obtaining external capital.
Bearing these in mind we examine the challenges of implementing CG practice in MFIs in this section of the study since prior study has failed to address this issue sufficiently in the Ghanaian microfinance industry. In Ghana, to the best knowledge of researcher, no study has specifically investigated the challenges to the implementation of CG in MFIs.
Therefore, the research question derived from the foregoing analysis as shown in (Chp.1, p.6) is:
What are the implementation challenges of corporate governance within MFIs in Ghana?

The answers to this question will assist in designing policy intervention in order to addressing these challenges and promote good CG in the microfinance industry in Ghana, which will help to minimise the rate of MFIs failure in the Ghanaian economy and therefore promote investment by boosting investor confidence.
Table 3.3provides pertinent literature on the challenges of CG implementation for firms.

Table 3. 3*: Pertinent Literature of CG Implementation Challenges*

Literature	Broader theme	Specific theme	Sample size	Research methods	Country	Summary of findings
Afolabi (2016)	The key challenges of corporate governance of firms: empirical evidence from Sub-Saharan African Anglophone (Ssaa) countries.	CG challenges	541 survey questionnaire - stratified sample technique	Quantitative-regression	Ghana, Nigeria and South Africa	The study finds political environment, ownership structure of firms', societal, cultural, and corruption to be main challenges that hinder sound corporate governance practices in Ghanaian and South African firms.
Kundus (2016)	Microfinance delivery institutions in India-governance and management challenges	CG challenges	Literature review		India	The study finds that: limited skills of staff and the absence of adequate internal control are challenges to CG implementation in India.
Labie and Mersland (2011)	Corporate Governance Challenges in Microfinance	CG challenges	Literature review			The study finds that CEO duality and when MFIs have a larger proportion of insiders (employees) on the board as a challenge to implementation of CG. Based on the limitations of the reviewed papers, the study offers some research agenda.
Mwasi and Nyasaka (2020)	Corporate Governance Practices in Micro-Finance Institutions.	CG challenges	23 MFIs -data collected using structured questionnaire	Descriptive research design-Quantitative	Kenya	The study finds that CG challenges in MFIs include management of conflict of interest and codes of ethics, boards allowing transactions that benefit a few at the expense of the many, lack of commitment and leadership and incompetent audit
Odera (2012)	Corporate Governance Problems of Savings, Credit and Cooperative Societies	CG challenges	Literature review		Kenya	The study finds the following CG challenges in MFIs: lack of clear and proper rules separating management from decision making, unqualified personnel in management, inadequate managerial competitiveness, and the failure of membership and boards to exercise fiduciary responsibility.

Literature	Broader theme	Specific theme	Sample size	Research methods	Country	Summary of findings
Opkara (2010)	Perspectives on Corporate Governance Challenges in a Sub-Saharan African Economy	CG challenges	198 responses from 100 companies- research questionnaire and OECD assessment instrument	Survey method- regression	Nigeria	The study finds CG challenges to include the following: abuse of minority shareholders' rights, lack of commitment on the part of boards, lack of adherence to the regulatory framework, weak enforcement and monitoring systems, and lack of transparency and disclosure.
Salman and Siddiqui (2013)	Corporate Governance in Pakistan: From the Perspective of Pakistan Institute of Corporate Governance	CG challenges	Interview	Qualitative	Pakistan	This study identifies building strong ethical business values and creating strong CG environment as challenges for firms. It suggests and encourages business schools to place corporate governance in their curricula to develop an understanding of the code, principles, and benefits by future business leaders.
Ssekiziyivu et al. (2018)	Corporate governance practices in microfinance institutions	Corporate governance challenges	179 responses from active MFIs	Cross sectional and survey research design	Uganda	Study finds challenges to include the following: lack of professionalism among board members, inactive and passive boards, the appointment of family members on boards without merits, leadership duality, lack of appropriate and regular training for board members, board committees are not fully constituted, shareholders rights not respected, and lack of accountability on the part of the boards, etc.

Source: Constructed by researcher (2021).

3.13 Factors Impacting the Implementation of Corporate Governance in MFIs

Governance is a high priority on the microfinance research agenda because it is regarded as one of the industry's primary risks for poor performance (CSFI, 2012). The literature suggests several factors that influence the implementation of corporate governance (CG) in MFIs. For example, Mori et al. (2013) looked into the factors of the MFI corporate board at the individual and firm levels. Their study found that good CG attributes have a big influence on how an MFI's board is structured. Specifically, Mori et al. (2013) found that factors such as international influence, regulation, and founder management to have positive impact on the implementation of good CG practices in MFIs. They argue that having international doner representation on the MFI board will implies that the board is monitored in taking and implementing strategic decisions effectively. In addition, the robustness of CG regulations ensures that there are severe penalties for non-compliance and most likely influence the practice of good CG implementation. The findings of Mori et al. were corroborated by Mori and Mersland (2014) who conducted a similar study in order to see if stakeholders such as donors, creditors, employees, and clients have an impact on MFI governance and performance. Their research found that the presence of stakeholders differs by MFI ownership type, and boards structured. NGOs, for example, recruit more donors and staff in their boardrooms, but cooperatives and banks recruit more clients and creditors. Additionally, donor representation is linked to a smaller board of directors, CEO non-duality, and greater firm performance; employee representation is linked to a bigger board of directors, while client and creditor representation is linked to CEO duality and financial performance.

In the literature, having international directors on the board is seen as a sign of stronger governance, which is likely to encourage MFIs to implement and adhere to governance systems in order to improve performance (Djan and Mersland, 2017). Furthermore, according to Mersland et al. (2011), the microfinance industry is global in scope, with heavy investments by international lending institutions, so it makes sense for such donors who sit on MFI boards to demand good governance structures in place to help them earn returns on their investments. This argument is corroborated by Djan and Mersland (2017) who argue that international stakeholders on boards will demand better audits from MFIs.

CG systems are more likely to be implemented by regulated MFIs than unregulated MFIs, assuming all other factors are equal. In this regard, regulators typically require identifiable

owners for regulated institutions, and they typically exclusively regulate shareholder-owned institutions (D'Espallier et al., 2015; Djan and Merslkand, 2017). Following the identification of CG as the main problem for MFIs (CSFI, 2012), several unregulated MFIs have recently chosen to transform into banks, bringing them under regulatory scrutiny (D'Espallier et al., 2015), which motivates these MFIs to solve their CG problem without their operating licences being revoked by regulators. As a result, MFIs' CG implementation is influenced by regulation and ownership structure. According to the notion of ownership cost, shareholder-owned firms are better at minimising agency costs resulting from the separation of ownership and management than mutually owned firms (Djan and Mersland, 2017; Mersland, 2009). Mutual ownership, whether through NGOs or member-based cooperatives, is, on the other hand, better at reaching and serving vulnerable clients (Djan and Mersland, 2017; Mersland, 2009).

According to the literature, another element that influences the implementation of CG is the firm's size. Jensen (1986) contends that the impact of organisation size on governance is equivocal, because large organisations may have more agency problems and hence need to compensate with tougher governance mechanisms. Larger firms, according to Waweru (2014), tend to draw more attention and may be subjected to higher examination by other stakeholders. Larger companies are also thought to have greater financial and human resources, which are necessary for implementing higher-level corporate governance systems effectively (Dunerv and Kim, 2005; Waweru, 2014). Smaller businesses, on the other hand, have more potential for expansion and a greater need for external finance, which may lead to the adoption of better control measures (Khanchel, 2007). Prior study has yielded mixed outcomes on firm size and performance. Previous research (Ariff et al., 2007) has found a link between a company's size and its level of corporate governance. Gompers et al. (2003), Brown and Caylor (2006), and Fama and French (1992), on the other hand, discovered a negative association between business size and corporate governance.

Previous research has suggested that better-governed businesses might counteract myopia and allow managers to make “long-term” decisions such as increasing research and development and other capital expenditures (Khanchel, 2007; Waweru, 2014). This reasoning backs up the idea that strong governance would enhance capital expenditure, which would have a beneficial impact on business value. Managers, on the other hand, have been accused of pursuing inefficient initiatives in order to reap private profits. When managers are entrenched, these

issues are exacerbated (Jensen and Ruback, 1993). According to this viewpoint, when governance quality improves, investment prospects increase. As a result, companies with successful investment prospects will have superior corporate governance (Djan and Mersland, 2017). According to La Porta et al. (1999), organisations with high growth prospects will need to acquire external finance to expand, and hence may find it advantageous to reform their corporate governance practices (Ariff et al., 2007).

External financing of MFIs pushes them to use effective corporate governance systems in order to persuade creditors and financiers, which is related to the investment opportunity argument. Khanchel (2007) supports this claim by claiming that the quality of governance is linked to external financing. Greater investor protection, according to La Porta et al. (1999), will boost investors' willingness to contribute external financing. As a result, enterprises with bigger financial needs will benefit from enhanced corporate governance processes (Khanchel, 2007). Cho and Kim (2003) also believe that highly leveraged companies may be driven to improve their corporate governance by their lenders, such as banks. According to Anand et al. (2006), a primary driver for firms to adopt effective corporate governance standards is the necessity for external finance. Previous study into the link between leverage and corporate governance has produced varied results. While some research, such as Faccio et al. (2001) and Friedman et al. (2003), found a positive association between leverage and corporate governance, others, such as Black et al. (2004) and Brown and Caylor (2006), found a negative relationship.

Better-governed firms, according to Jensen and Meckling (1976), may have more efficient operations, resulting in a greater expected return. Financial and non-financial considerations go into the adoption of corporate governance mechanisms (Ariff et al., 2007). As a result, organisations with more resources are more likely to establish good corporate governance systems since they have the means to do so. Prior research has discovered evidence of a link between corporate governance quality and firm performance (Ariff et al., 2007; Ehikioya, 2009). However, given that previous work indicates mixed results, there is no consensus on the direction of this association. Using return on assets (ROA) as a measure of performance, Klapper and Love (2004) and Ehikioya (2009) discovered evidence that firms with better governance have higher operating performance. Cho and Kim (2003), on the other hand, suggest that when a company's performance is poor, it should improve its corporate governance because improvements in corporate governance frameworks are predicted to improve the

company's performance. In supporting this argument, Gompers et al. (2003) discovered a negative link between corporate governance quality and performance.

Audit quality, in the form of having financial statements reviewed by high-quality external auditors and having an internal auditor within the MFI report directly to the board of directors, is an important governance variable, and some researchers have looked into the link between audit quality and MFI performance. MFIs with externally audited accounts perform similarly well as MFIs without audited accounts, according to Hartarska (2009), but MFIs with internal auditors outperform MFIs without internal auditors reporting to the board of directors, according to Mersland and Strom (2009). External or internal audits of high quality improves stakeholders' confidence in financial reporting and increases access to external finance (Lin and Liu, 2009). According to previous research, the use of 'Big 4' external auditors (KPMG, PwC, Deloitte, Ernest and Young) and an internal auditor reporting directly to the board of directors is indicative of high-quality auditing and is likely to affect the implementation of good CG.

Gender diversity in management and boards, as well as the CEO's level of business education, are considered to influence MFI governance implementation in the microfinance literature. Strom et al. (2014) investigate whether it is helpful for an MFI to have female CEOs and find that having a female CEO is favourably associated to MFI performance. They conclude that the beneficial effect is due to female executives achieving positive results in an industry that serves primarily to female clients, rather than because of improved governance under female leadership (Strom et al., 2014). Similarly, Pascal et al. (2015) suggest that while MFIs pursue both financial and social goals, it is not evident that they prefer to choose CEOs with a business education. Pascal et al. (2015) found that MFIs managed by CEOs with a business degree outperform MFIs managed by CEOs without a business education in terms of financial and social performance. The authors conclude that business qualification influences the implementation of CG in MFIs.

Religion is said to be a factor that may or may not influence the implementation of CG in MFIs. It is believed that based on the stewardship theory, management teams that are religiously inclined tend to be honest and transparent and there is no motivation to implement CG systems since the assumption is that everyone will do the right things particularly if the MFI is having some religious affiliation (Mersland, 2014). In this perspective, Djan and Mersland (2017)

argue that there may be less need for strong Christian MFI corporate governance if agents in Christian MFIs practice core Christian doctrine. For example, the Bible says in Colossians 3:23, "Whatever you do, work at it with all your heart, as if you were working for the Lord, not for human masters." In consequence, the expectation is that Christian MFI owners set less stringent governance criteria because they believe their executives as well as employees will be more mission-driven and better stewards than secular MFI leaders. Despite the above argument, Djan and Mersland (2017) find that Christian MFIs have more board meetings, more international directors, more recognised external auditors, and a stronger tendency to employ internal auditors who report directly to the board than secular MFIs because they operate in the same markets. They argue that as a result of this, religious MFIs now have a global footprint. As a result, the authors conclude that religious membership does have an impact on MFI corporate governance adoption. However, one important corporate governance shortcoming, according to the authors, is that they eschew public regulatory monitoring to a greater extent than secular MFIs.

The preceding literature debate in connection to the elements impacting CG led to the following research question indicated in (Chpt 1, p.6).
What are the factors that impact the implementation of corporate governance in MFIs in Ghana?

Based on the review of the MFIs literature on this objective, Table 3.4 provide a summaryof factors impacting on the implementation of corporate governance.

Table 3. 4*: Summary of Factors Impacting the Implementation of CG*

Literature	List of factors	Verdict
Alifria and Khasharmeh (2006)	Adoption of international accounting standards and efficient system of accounting education	Positive
Bassem (2009)	Regulation, board size, board independence, and auditing	Positive
Beisland et al. (2014)	CEO duality, representation of foreign directors on board, the presence of internal auditors in the firm, competition, MFI financial performance	Positive/negative
Beisland et al. (2015)	The presence of internal auditors, and big 4 audit firm presence	Positive
Djan and Mersland (2017)	More board meetings, more international directors, external auditors, and a stronger tendency to employ internal auditors.	Positive
Fall et al. (2021)	Gender diversity in management and board	Positive
Hartarska (2005)	Board independence	Positive
Mersland and Strom (2009)	internal auditors, international directors, and CEO duality	Positive
Merland (2017)	Recruitment of foreign directors on board, religious affiliation influence (audit quality, board meeting frequency)	Positive
Mori et al. (2013)	International influence on board, proper regulatory regime, CEO duality (Founder management)	Positive
Mori and Mersland (2014)	The presence of diverse stakeholders on board (donor representation, employees, creditors, etc).	Positive
Saidi (2004)	Incentive schemes for CG compliance, efficient capital markets, Research into CG, learning from experiences of CG, conferences, meetings and training of directors and management team	Positive
Tchakonte-Tchuigona (2015)	Board committee effectiveness, board expertise, board participation, type of ownership of MFIs	Positive
Queyes and Hassan (2014)	MFI rating transparency and financial performance	Positive/negative

Source: Constructed by author 2021

3.14 Corporate Governance and MFIs Performance

The purpose of corporate governance mechanisms is to ensure that investors get a return on their money (Salisi and Joseph, 2020). The failure of microfinance firms in Ghana (DKM, for example) has been a wake-up call to the need for a better governance framework and guidelines to encourage openness and accountability among Ghanaian financial services sector organisations. According to a review of previous studies, corporate governance characteristics such as board size (Bazhair, 2021; Ofoeda, 2016; Shettima and Dzolkaima, 2018; Tanweer et al., 2019), CEO duality (Dingh et al., 2018; Mersland and Strom, 2009; Mohr, 2021; Mwasi and Nyasaka, 2020), independent director composition (Arora and Sharma, 2016; Darko et al., 2016; Thrikawala et al., 2016), internal audit (Albkaur and Chaudhary, 2017; Al-Matari et al., 2014; Bassem, 2009; Thrikawala et al., 2016), gender diversity (Boubacar, 2019; Fall et al., 2021; Tanweer et al., 2019) has significant relationship with microfinance institutions (MFIs) performance. However, the findings have been inconclusive. The mix findings in the literature coupled with lack of enough CG studies in the microfinance sector in Ghana makes this current research a necessity by examining the relationship between CG and MFI performance. The relationship between CG and microfinance institutional performance is examined and analysed based on-board size, CEO duality, board composition, internal audit, and gender diversity. Each of these variables is reviewed as follows:

3.14.1 Board size

Salisi and Joseph (2020) opined that board size refers to the number of directors on the board of a company. Therefore, board members are significant stakeholder of the company (Aljaaidi and Hassan, 2020). The board of directors being the topmost decision-making body in a company implies that the number of directors on the board of the company has been widely considered to be an important determinant of firm performance (Arora and Sharma,2016; Mishra et al., 2020). Board size in banking and manufacturing enterprises have been extensively studied, however, that is not the case for microfinance governance studies, and the question of the optimal board size is still researchable due to contradictory empirical and theoretical perspectives (Bazhair, 2021; Ghabayen et al., 2018). The evidence on the link between board size and firm performance is contradictory (Bazhair, 2021; Mishra et al., 2020). Berezinets et al. (2017) endorse this position, claiming that “no agreement has yet been

established concerning the relationship that exists between the organisation of the board of directors and firm performance.

The reasons for contradictory research findings on the impact of board size and firm performance include but not limited to the use of different research methodologies, sampling size, use of different datasets, different regulatory regimes, use of different accounting policies by firms. Also, different econometric models employed by researchers fails to control for endogenous variables may result in contradictory findings. This assertion is supported by Adams et al. (2015) and Ferreira (2015) who argue that the use of different sample size, time periods, empirical assumptions, and techniques results in inconsistent results in CG studies.

Bazhair (2021) uncovered that the board size was positively associated with firm performance in both return on assets (ROA) and return on equity (ROE) in Saudi Arabian firms. Consequently, the author concluded that better governed companies tend to attain better firm performance. This study however was limited by CG variables (board size) and sample size. The generalisation therefore could be misleading, and the study failed to control for endogenous variables. Similarly, Shettima and Dzolkamaina (2018) investigated the impact of board characteristics on the performance of MFIs in Nigeria and discovered a relationship between board size and MFI performance that was both positive and significant. These findings are corroborated with Ofoeda (2016) who investigates CG and its effects on non-bank financial institutional profitability in Ghana and also finds a positive relationship existing between board size and the profitability of non-bank financial institutions measured by ROA. Consequently, Berezinets et al. (2017) reported that board size is directly associated with firm performance from the standpoint of Russia.

On the contrary, Collins et al. (2019) looked at the relationship between financial performance and microfinance sustainability, with a particular focus on the role of CG in improving the financial performance of microfinance banks in Nigeria and find that the correlation between board size and profitability means that board size has a negative impact on profitability of MFIs. Palaniappan (2017) argues that there is no significant relationship between the board size and firm performance from the context of Indian manufacturing sector. The finding is consistent with Tanweer et al. (2019) who discovered that the relationship between financial performance and board size in Bangladeshi MFIs was not statistically significant.

There are two perspectives on the impact of board size on company performance in the CG literature. Those in favour of smaller boards believe that they perform better because they make faster group decisions and are more efficient (Waqar et al., 2014). Larger board sizes, according to proponents, would help the company acquire resources and, as a result, perform better (Pucheta-Martinez and Gallego-Alvarez, 2019). According to Aydin et al. (2007), a larger board of directors improves corporate performance by resolving any conflicts of interest between shareholders and managers.

Gaur et al. (2015) posited that board size has a significant positive association with financial performance. The outcomes show that small boards were more beneficial in increasing the company's value and thus maximise revenues. Kao et al. (2019) concludes that smaller boards are more persuasive in increasing company value and co-ordination, decrease dormant members and cost, and provides board cohesion. Likewise, that companies with fewer directors were capable to accomplish performance of a higher level (Bazhair, 2021). Few studies address the association between board size and institutional performance in the literature on MFIs (Mori and Mersland, 2014). Additionally, Hartarska (2005) investigated the database on MFIs in Eastern Europe and discovered that those with a smaller board of directors perform better. For companies registered on the Karachi Stock Exchange in Pakistan, Singh et al. (2018) discovers a favourable correlation between board size and company performance.

Hartarska and Nadolnyak (2012) investigated the relationship between performance and board size and concluded that organisations that offer loans for community-based development initiatives (community development loan funds) become more effective when the board size increases to 13 members. Nonetheless, contemporary thinking has tended to favour smaller boards. Large boards are less effective and are simpler for a CEO to govern, according to earlier studies by Jensen (1993), Lipton and Lorsch (1992), and others. It is challenging to coordinate and process issues on a board that has become too large. Smaller boards also improve decision-making processes by decreasing the chance of free riding by individual directors. Empirical research supports this. For example, Yermack (1996) documents that for large U.S. industrial corporations, the market values firms with smaller boards more highly. Eisenberg et al. (1998) also find negative correlation between the board size and profitability when using a sample of small and mid-size Finnish firms. In Ghana, it has been identified that small board size enhances the performance of MFIs (Kyereboah Coleman and Biekpe 2005). Mark and Yuanto

(2003) echo the above findings in firms listed in Singapore and Malaysia when they found that firm valuation is highest when the board has five directors, a number considered relatively small in those markets. In a Nigerian study, Sandaetal. (2003) found that, firm performance is positively related with small, as opposed to large boards.

Similarly, Merendino and Sarens (2020) shows that larger boards enhance company's value due to the fact that, it increases the possibility of inclusion of more independent board members, the inability of the CEO to manipulate large boards and collaborative expertise that is acquired from experienced board members. Compared to other organisations, microfinance institutions are widely regarded as having larger boards but their impact on the firms' performance is somewhat less clear. For instance, Mersland and Strøm (2009) find a negative relationship between board size and MFIs performance using a self-constructed global dataset on MFIs collected from third-party rating agencies. In another study, Hartarska and Mersland (2012) find that there are some benefits to a larger board, but the effect reverses for a particular board size. These results are consistent with the literature on boards in banks and not-for-profit organisations, for which the boards are commonly found to be larger than the boards for non-financial institutions. This is supported by Bassem (2009) who argues that larger boards are better for corporate performance because they have a range of expertise to help to make better decisions and are harder for a powerful CEO to dominate. Mersland and Strom (2009) argues that a larger board may induce members to free ride in their monitoring responsibility, allowing the CEO greater independence.

The above mixed findings in the literature leads to the following research question (see Ch. 1, p.6): *What is the relationship between board size and the performance of MFIs in Ghana particularly after the recent reforms undertaken by the Bank of Ghana?* This research question is shown in Chapter 1 and assist the researcher to develop a testable research hypothesis in the next Chapter (Chapter 4). Table 3.5(**see appendix F**) present a review of studies conducted on microfinance governance specifically in the areas of board size, board composition, CEO duality, internal audit, and gender diversity and how it has impacted on financial and social performance of MFIs across several countries using a plethora of methodological approaches. Table 3.5 (**see appendix F**) shows that most of the empirical studies were conducted in emerging economies due to high poverty levels within those countries. Similarly, most of the studies were conducted in Asian countries which suggest availability and reliability of data and

being the origin of microfinance evolution, which is an attraction to most scholars (Mahmood et al, 2013; Nkwocha, 2019).

3.14.2 CEO Duality

CEO duality refers to a corporate governance practice where the CEO of a company also doubles as the Chairperson of the company’s board (Mwasi and Nyasaka, 2020; Thrikawala et al., 2016). On the one hand, a board chair leads the board's endeavour to excel in strategic advice, performance monitoring, finance and controls oversight, and management evaluation (Mandato and Divine, 2020). On the other hand, a CEO sets a shared set of beliefs, processes, and goals throughout the firm that allows it to carry out its strategic plan and create a meaningful future (Mandato and Divine, 2020). Therefore, both of these jobs must be executed extensively and well in order for a firm to flourish (Mandato and Divine, 2020; Mohr, 2021). The board is led by a chair, who has power over the board's direction. In many firms, the chief executive officer (CEO), who is in charge of the company's top management, also acts as chair of the board of directors. This is common in firms that have developed substantially yet still have the original founder in key positions (Mohr, 2021). The question of whether having dual responsibilities on the board decreases the board's efficacy is a contentious topic that comes up frequently during shareholder meetings. There are valid grounds for separating the two positions in order to protect the company's overall integrity (Mohr, 2021).

The literature on CG is divided over the separation of the roles of CEO and the board chairman. There are those who believe having one person perform these roles results in quick and faster strategic decision making and those who believe that having the same person perform both of these roles represents significant business risk as it could lead to abuse of power, conflict of interests and corruption (Mwasi and Nyasaka, 2020). From this viewpoints, various countries have tried to legislate this in their codes of CG as many stakeholders (shareholders, investors, employees, customers, donors etc) are concerned about the impact of CEO duality on firm performance. As a result, this practice is considered unsuitable by the OECD (2015), Bank of Ghana (2019), Cadbury Committee (1992) as it can give the CEO too much powers and make the board less effective in its supervisory and oversight responsibilities over the management of the company, which increases agency costs.

Several studies have looked into the link between CEO dualism and company performance; however, the results have been inconsistent (Mwasi and Nyasaka, 2020). Some reasons for the inconsistencies in research findings are because different studies employ different datasets of varying quality and model assumptions. For example, Jackling and Johl (2009) look into the link between internal governance frameworks and financial success in Indian enterprises. They discover that combining the roles of CEO and chairman has a negative impact on company performance. This perhaps is unsurprising as CEO duality represent significant risk of hostile corporate environment created by the CEO/Chairman. In this regard, CEO duality, according to Mandato and Divine (2020), might limit the company talent at the top and lead to blind spots that weaken the organisation's ability to manage risks and this result in negative firm performance.

Ujunwa (2012) backs up previous research findings, by uncovering that the CEO and chairman's dual roles have a detrimental impact on a company's financial performance in Nigeria. Therefore, the implication of CEO duality is serious because one of the board's primary responsibilities is to oversee the company's activities and ensure that they are carried out in accordance with the company's mandate and the wishes of the shareholders, and because the CEO is the managerial position in charge of such operations, having a dual job requires self-monitoring, which might lead to misuse of the position. A board led by an independent chair is more likely to spot and monitor aspects of the firm that are straying from its mission, as well as take corrective action to get it back on track (Mohr, 2021).

Similarly, Galema et al. (2012) discovered that in non-governmental organisations (NGOs) where one person occupies the offices of CEO and chairman, this person is more likely to make extreme decisions that raise risk and degrade NGO performance, based on a sample of 280 MFIs. In addition, Mersland and Strom (2009) found that establishing a combined office for decision-making and control does not improve an MFI's financial performance (ROA and OSS). This lack of non-performance is as a result of how the CEO conducts the firm in accordance with its mandate and shareholder wishes, is monitored by boards, which makes it difficult for a chair/CEO to supervise herself (Mohr, 2021).

Hartarska and Mersland (2012) conclude that CEO duality are less effective in MFIs because a corporate board decides on executive pay, which means that a CEO who is also the chair votes on his or her own remuneration, thereby creating a clear conflict of interest (Mohr, 2021)

while Kyereboah- Coleman and Osei (2008) found that CEO duality has a negative impact on profitability of MFIs performance in Ghana. Similarly, this finding suggests that allowing the CEO to chair the board may degrade the quality of board discussions, hurting the company's risk management capabilities (Mandato and Divine, 2020). CEO duality is negatively associated with company profitability, according to authors such as Christensen et al. (2010), Dahya et al. (2009), Faleye (2007), Tuggle et al. (2010), and Singh et al. (2018), because the authors argue that it prevents the board of directors from exercising its control function over management independently.

Saeed et al. (2018) carried out research into the governance and efficiency of microfinance institutions (MFIs) and found that CEO duality has a positive impact of financial performance in South Asian countries. This may be possible in a much smaller firms where the complexity and growth of firm is still within the capability of founder manager. In this perspective, Gleason (2015) argue that afterall, there may be benefits of CEO duality as it fosters the identification of major or emergent issues and make sure they're addressed on a timeliness basis leading to positive firm performance. Similarly, Abor and Biekpe (2007) report a statistically significant and positive relationship between CEO duality and company performance, indicating that SMEs where a person combines the roles of both the CEO and the chairman of the board show better performance than SMEs with two people performing these roles. This positive performance might imply that as opposed to hostile environment the CEO/Chairman might have created a democratic atmosphere and good ethical standards within the firm and supported staff training programmes. Gleason (2015) adds that one of the benefits of CEO duality is that the CEO is able to take quick and faster decision and also determine which directors are underperforming and provide them with tools to help them improve. In support of the above findings, Tanweer et al. (2019) found that influential CEOs in Bangladesh have a positive impact on the financial performance of MFIs.

Therefore, given the mixed findings in the literature leads to the following research question: *what is the relationship between CEO duality and the performance of MFIs in Ghana particularly after the resent reforms undertaken by the Bank of Ghana?* This research question is shown in Chapter 1(p.6) of this study. The pertinent literature on board characteristics and MFIs performance is presented in Table 3.5 **(see appendix F**).

3.14.3 Board Composition

The number of independent non-executive directors on the board, as a percentage of total directors, is referred to as board composition. Independent directors are members of board of directors who have no material link with the firm, are not members of its executive team, and are not involved in the company's day-to-day operations (Bank of Ghana, 2018; Chbib and Page, 2020). Corporate boards are the most important and powerful component of the internal corporate governance system (Rahman and Saima, 2018). Corporate boards are primarily responsible for overseeing management and they aid in the alignment of principals' and agents' interests (Agarwal and Singh, 2020). Boards are accountable for the care and diligence that brings financial control to corporate enterprises, ensuring profitability (Agarwal and Singh, 2020). Corporate boards provide strategic guidelines to management and ratify their recommendations (Agarwal and Singh, 2020; Chbib and Page, 2020). In addition, boards identify problems in corporate firms and provide recommendations for their resolution (Agarwal and Singh, 2020). Boards can also detect problems early on and act as a watchdog (Rashid, 2018). However, there is a lot of discussion in the literature about how effective corporate boards are at monitoring management to improve firm performance (Rashid, 2018).

The independent directors are nominated to represent the interests of the shareholders. The higher the proportion of independent directors on the board, the more transparent the financial reporting and performance of the company is expected to be (Rahman and Saima, 2018). Agency theory advocates having a large proportion of independent directors on the board to effectively supervise the activities of the managers (Fama and Jensen, 1983) and limit self-interested behaviour of the managers in order to maximise shareholder wealth (Muttakin et al., 2012). Baysinger and Butler (1985) argue that more outside directors are needed, and that companies with ineffective boards do poorly, but companies with a mixed board structure survive and grow. Donaldson and Davis (1991), on the other hand, as proponents of stewardship theory, suggest that managers should be viewed as stewards, and that insider directors can help achieve higher performance. Research findings on the relationship between board independence and firm performance is therefore mixed. Rashid (2018) argues that limited methodological procedures or a lack of methodological rigour, as well as model misspecifications in the sense of omission of variables that affect firm performance may be responsible for the inconsistent findings on the relationship between board independence and

firm performance. In addition, Agarwal and Singh (2020) and Fan et al. (2011) noted that differences in institutional factors, and managerial behaviours in the market, may be to blame for the mixed evidence on board independence and firm performance studies.

For example, Dahya and McConnell (2007), who studied the impact of board independence on company performance for a sample of companies in the United Kingdom argue that companies that have independent or external directors on their boards perform significantly better because of their oversight role, which ensures the protection of shareholders' interests. Furthermore, Weir et al. (2002) discovered that board independence has a positive impact on performance, as assessed by Tobin's Q. This finding implies that by acting as a watchdog and managing risks through the establishment of several company committees, independent directors aid in strengthening corporate reliability and corporate governance standards, lowering agency costs and increasing return on assets.

From the perspective of MFIs, Hartarska (2005) finds that MFI boards with more independent members were better able to monitor and oversee senior management through their expertise, experience, and qualification resulting in improved organisational performance. Mersland and Strom (2009) found similar results, demonstrating that more independent boards were better at monitoring, resulting in a higher return on assets for MFIs. In Ghana, Kyereboah- Coleman and Biekpe (2005) discovered a link between the proportion of outside board members and MFI performance. The findings of these studies back up the idea that independent directors can help to reduce agency costs and improve firm performance by providing effective oversight (Jensen and Meckling, 1976; Fama, 1980; Uribe-Bohorquez et al., 2018). These findings also back up the idea that choosing independent directors can signal to the market that the company's goal is to reduce agency problems and treat shareholders equitably (Garca-Ramos et al., 2017; and Pucheta-Martnez and Gallego-lvarez, 2019).

On the contrary, Arora and Sharma (2016) and Darko et al. (2016) also find a significant adverse relationship between outside directors and firm performance caused by the fact that executive directors feel less independent as a result of over monitoring by the independent directors. In supporting this assertion, Agarwal and Singh (2020) and Haniffa et al. (2006) argue that a large number of non-executive directors may engulf the company in excessive monitoring, be harmful to companies because they may stifle strategic actions, lack true

independence, and lack the business knowledge to be truly effective and these may lead to negative performance. Thrikawala et al. (2016) indicate that even though outside directors are important for improving capital structure, they do not assist MFIs to progress their key financial performance (OSS and ROA). The findings of the study by Thrikawala et al. (2016) suggested that MFI boards in Sri Lanka will be better off when they have more executive directors than non-executive directors, presumably because executive directors are highly conscious of the operational activities in the firm. Consequently, Nguyen et al. (2014) argue that non-executive directors may lack knowledge about the firm and industry and may only play a minimal role without adding any value to the firm operations. In a sample of 20 non-financial listed firms in Nigeria, Kajola (2008) finds no meaningful association between board composition and firm performance. The findings also call into question if the Bank of Ghana CG Directive (2018) as well as UK Corporate Governance Code (2018)'s proposal that a board of directors with a balance of executive and non-executive directors is more effective in improving a firm performance.

Furthermore, Abdullah (2016) and El-Faitouri (2014) recently discovered no link between the number of non-executive directors and company performance in the United Kingdom. The assumption that independent directors provide superior monitoring tools that promote performance is contradicted by these findings. According to Chbib and Page (2020), the influence of an independent board of directors on performance varies consistently across different strategies, therefore executives must evaluate their companies' competitive strategies when determining the right level of board independence. These findings are described as "vexing," "contradictory," "mixed," and "inconsistent" by Dalton and Daily (1999). In sum, there is no predicate, either in logic or in experience, to suggest that a majority of independent directors on a board will guarantee strong corporate governance or higher financial returns for shareholders, according to the research (p. 35). Similarly, have stated that no relationship exists between director independence and success, whether assessed by accounting or stock return measures (p. 1814).

The mixed and inconsistent findings in prior literature leads to the following research question: *What is the relationship between board composition and the performance of MFIs in Ghana especially after the CG reforms by the Bank of Ghana?*

This research question is shown in chapter 1 (p.6) of this study. The pertinent literature on board characteristics and MFIs performance is presented in Table 3.5 **(see appendix F)**.

3.14.4 Internal Auditing (IA)

This section analyses the definition and role of IA, effectiveness of IA, and then assesses the impact of IA and firm performance.

3.14.4.1 Definition and role of internal audit

Internal auditing (IA) is a systematic and independent assessment of an organisation's data, financial statements, accounts records, operations, and financial and non-financial performance in order to ensure their authenticity and fairness (Al-Matari et al., 2014; Butcher et al., 2013; Kaawaase et al., 2021). IA is an objective, independent assurance and consulting activity that adds value to an organisation's operations (Hazaea et al., 2020). IA refers to an organisation's plan as well as the strategies and tactics used within a company to ensure operational efficiency and encourage adherence to management policies (Ahmed, 2018). IA is a must for an organisation's efficient and smooth operation (Farouk and Hassan, 2014). IA is a system of introducing checks on day-to-day transactions that function constantly as part of the routine system, whereby the work of one person is proven independently or in conjunction with the work of another, with the goal of preventing and detecting errors or fraud as early as possible (Shahnawaz, 2016). As the component that records all enterprises relating to the sector, IA is regarded as the backbone of business accounting (Al-Matari et al., 2014). Internal audit efficiency aids the development of the company's work since financial reports reflect the quality of the internal audit department. Furthermore, an internal audit is an important aspect of an organisation's corporate governance (CG) framework, which includes the board of directors' and audit committees' supervision efforts to ensure that the financial reporting process is trustworthy (Al-Matari et al., 2014).

As a result, IA plays a significant role in achieving organisational goals and implementing methods to attain them (Kaawaase et al., 2021). Furthermore, the internal audit function is in charge of ensuring that management and audit committee operating directions are followed (Kaawaase et al., 2021). Internal audit assesses the veracity, accuracy, and integrity of financial and operational data from various organisational units, which is used to make proper business choices at all levels of management (Ofei et al., 2020).

Internal auditing, and its relationship to corporate governance, have become key challenges in modern organisational environments, given the tremendous pressure of competitiveness at the

local and worldwide levels (Hazaea et al., 2020). The Institute of Internal Auditors developed international standards for internal auditing, and the Organisation for Economic Cooperation and Development (OECD) worked to create the principles of OECD governance to ensure international institutions and companies' survival, continuity, and competition with companies in the same industry, as well as to determine the impact of IA as a governance mechanism. This is why, in addition to disclosure, both IA and corporate governance have become tools for contributing value to institutions through monitoring and consulting services (Kaawaase et al., 2021).

The separation of ownership of institutions from their management, as suggested by the Chartered Institute of Internal Auditors (2017), is the main reason for the emergence of the need for audits (internal, external). As a result, the audit includes the examination and control process to report their view on the quality and reliability of the financial statements. The quality of financial reports produced by institutions and IA functions have a substantial beneficial relationship, which helps to achieve competition (Alzoubi, 2019). Quality auditing plays a vital role in safeguarding companies from the hazards of a collapse, which is a goal that all institutions strive for. This means that institutions whose operations are examined by professional auditors are at a lower risk (Chae et al., 2020). One of the most essential characteristics of IA is that it improves the monitoring and follow-up process to increase outputs, which adds value to institutions (Coram et al., 2008).

In addition, IA is an important tool for institutions to maximise their business outcomes (Drogalas et al., 2015). IA's effectiveness has a significant beneficial impact on bringing value to work and enhancing performance (Postula et al., 2020). The IA's independence, the auditors' accounting experience, the internal audit's frequent meetings, and the IA's effectiveness all have a favourable complementary relationship (Goodwin-Stewait and Kent, 2006). Many variables contribute to IA's success, including their contribution to improving institutions' outputs, the most essential of which are independence, adherence to international standards, ongoing auditor training, and the use of current control systems (Hazaea et al., 2020).

Many factors influence bank financial performance, including those linked to auditing, and some of these aspects are related to management. According to Majeed et al. (2020), the size of a bank's board of directors has a positive relationship with return on assets and a negative relationship with return on shareholders' equity, which are two basic financial performance

indicators. In order to improve financial performance, IA methods must be made more efficient (Ondieki, 2013).

3.14.4.2 Effectiveness of Internal Audit Function

Many factors, according to Alzeban and Gwilliam (2014), contribute to the activation of the role of IA in organisations, including the IA system's independence and efficiency. Internal auditing efficiency can be improved in a variety of ways, some of which are related to auditors, such as independence and objectivity, and others which are related to senior management, such as providing the necessary support for auditing management so that the work can be carried out effectively (Dellai and Omri, 2016). Because the independence of audit committee members is positively associated to the quality of profits in institutions and corporations, chiefs of departments should not serve on audit committees due to the detrimental influence on performance and profit quality (Al-Absy et al., 2020). If internal auditors adhered to the criteria that govern the profession of internal auditing, they would be able to contribute to the improvement and regularisation of firm performance (GetieMihret et al., 2010). As a result, an independent IA is more likely to execute its work in accordance with professional norms. Internal auditors who adhere to the norms and procedures that govern the profession of internal auditing, including the standards, are one of the most important components in improving performance (Arena et al., 2006). Indeed, boosting the audit department's independence, holding regular meetings, and continuing auditor training to keep up with the modernisation of international standards that govern auditing activities all contribute greatly to improving an institution's performance (Hazaea et al., 2020).

Corporate governance is strongly linked to IA since it supports boards of directors in carrying out their governance tasks, resulting in increased performance and competitiveness (Florea and Florea, 2013). Corporate success and well-governance structure are inextricably intertwined (Bhagat and Bolton, 2008). According to the findings of Al-ahdal et al. (2020) study, monitoring systems have an impact on financial performance in businesses, enhancing their role in accomplishing their objectives. In addition, their research revealed that audit committees play just a minor role in enhancing a company's financial performance. The monitoring operations within organisations are linked to business performance. However, because this relationship is unreliable, corporate governance has a minor impact on performance, which is linked to synchronisation, heterogeneity, and dynamic organisational outcomes (Akbar et al.,

2016). Correctly applying corporate governance inside institutions helps to improve performance, provide value, and improve the economic and statistical performance of these businesses (Ammann et al., 2011).

According to Ujunwa et al. (2012), having appropriate members (audit committee size) in the internal audit department benefits both appropriately and significantly in obtaining various types of knowledge, opinions, and proposals that are useful in various institutional investments in a way that benefits institutions. On the one hand, the size of audit committees is positively correlated with financial performance, according to a study by Rahman et al. (2019), which examined the extent of the impact of audit characteristics on company financial performance. This is because large audit committees are likely to include some members with a variety of professional experiences. On the other hand, a high number of auditors (audit committees) will result in a lack of enthusiasm for the task and a lack of cooperation among the auditors in making informed decisions. As a result, their expertise and knowledge go unused (Dharmadasa et al., 2015).

3.14.4.3 Internal Audit and Firm performance

According to the literature, research on the influence of IA on company performance is variable and inconclusive, owing to the fact that different studies use different datasets and model assumptions. Consequently, Dahir and Omar (2016) investigated the impact of internal auditing on the performance of Somalian businesses. The sample size was 200 people, and data was obtained using Likert scale questionnaires. The findings concluded that internal audit had a substantial positive link with organisational performance in the organisations studied. Similarly, with a sample size of 145 employees, Albkour and Chaudhary (2017) evaluated the influence of internal audit on organisational performance of selected Jordanian banks. The study concluded that internal audit has a considerable impact on the organisational performance of chosen institutions. The impact of internal audit on the organisational performance of Jordan Electric Power, Jordan Telecom, and National Petroleum was investigated by Alflahat (2017). The study included a sample size of 290 employees. Questionnaires were used to gather information. The statistical approach for analysis was multiple linear regression. Professional competence, internal controls, internal audit standards, and internal audit independence were used as proxy measures of internal audit by the authors. The study finds that internal audit has a considerable impact on organisational performance in the firms studied. The findings of this study were corroborated by Al-Matari et al. (2014), who find that internal auditing standards,

internal auditor independence, and quality governance have a considerable impact on banks' financial performance, however the size of internal audit committees, as well as their meetings, have a negligible impact. Furthermore, the results reveal that using automated internal audit in banks improves financial performance. These findings were all limited to only financial performance, and none considered the social performance. The current study attempts to fill this research gap by examining the impact of IA on the financial as well as social performance of MFIs in Ghana.

In the microfinance governance literature, there is limited studies which investigates the effects of IA as an internal CG mechanism and MFI performance (Bassem, 2009; Hartarska, 2005; Mersland and Strøm, 2009; Thrikawala et al., 2016;) and very rare in the Ghanaian microfinance sector. The few governance studies on MFIs (Aboagye, 2010; Ofoeda, 2016) none has considered the internal audit impact on the performance of MFIs in Ghana. Interestingly, even in the microfinance sector where there is limited study on the impact of IA and MFI performance, the few studies still show inconclusive and mixed findings. For example, Thrikawala et al. (2016) found a negative relationship between internal audit and microfinance institutional performance in Sri Lanka implying that due to the small size of most MFIs many do not have IA units and those with IA units lacked independence from management, staff quality, and not likely to follow professional IA standards thereby making them ineffective. Similarly, Beisland et al. (2014) found that the presence of internal auditors is positively associated with microfinance rating scores and performance suggesting that in some cases where IA units are independent and supported by management can assist to minimise risks and prove as a value adding service to the MFI.

Mutave (2014) investigated the relationship between the internal audit mechanism and the CG of Kenya's deposit-taking MFIs. The author discovered that risk management, followed by internal controls, had the greatest impact on CG within deposit-taking MFIs in Kenya, while enforcement, consultancy, and the audit committee had the least impact. The study suggests that deposit-taking MFIs acknowledge internal auditing's role in fostering good CG. Furthermore, the study recommends that deposit-taking MFIs use internal auditing as an important method for ensuring compliance with defined policies and procedures.

Given the research gap of limited study on the impact of IA on MFI performance particularly in Ghana, and the lack of consideration of the social performance dimension in the literature,

the research question that has emerged (see ch.1, p.6) is: *What is the relationship between IA and the performance (financial and social) of MFIs in Ghana?*

Therefore, the current study seeks to fill this research gaps and to attempt to answer the above research question by examining the effect of internal auditing on the microfinance institutional performance in Ghana. Table 3.5(**see appendix F**) present pertinent literature on internal corporate governance characteristic including the impact of IA on MFIs performance. According to the agency and resource dependency theories, internal audit assist to reduce agency costs and serve as an added resource to the management of MFIs. As a result, Mersland and Strøm (2009) argue that if internal auditors report directly to the board of directors and are independent, the company has high accountability and transparency.

3.14.5 Gender diversity

Gender diversity on corporate boards research is a hot topic that continues to receive a lot of attention (Reddy and Jadhav, 2019). With the explosion in the number of studies in the sector, special attention has recently been focused to the gender composition of corporate boards (Kirsch, 2018). This rising interest can be attributed to at least two factors. First, women remain underrepresented in the top layers of management, including corporate boards of directors, despite tremendous increases in female involvement in the labour force during the twentieth century (Garanina and Muravyev, 2020). Second, as a result of the underrepresentation of women on corporate boards, many countries have introduced gender quota laws to require the appointment of women to corporate boards. Significant research on board gender diversity has been prompted by an increase in the number of female directors (Reddy and Jadhav, 2019).

For example, US corporations are required to disclose the application of a diversity policy to board composition under Securities and Exchange Commission Regulation S-K, which has been in place since 2009 (albeit there is no definition of "diversity" in this SEC rule). More importantly, over the past few decades, a significant number of mandatory requirements such as 40 percent women board membership quota in Norway and voluntary 25 percent women board membership goal in the UK affirmative changes have been implemented around the world to increase Women's representation on corporate boards (Hoobler et al., 2018; Nguyen et al., 2020).

3.14.5.1 Women Under -representation on Corporate Boards

However, scanning through the literature on women representation on corporate boards provide some reasons responsible for the underrepresentation of women on corporate boards including the arguments that board positions were already occupied by more qualified candidates (men), lack of experience from female candidates, bias against females by CEOs and board Chairmen among others (Sarhan and Ntim, 2018, 2019). Elgart (1983), for example, predicted that it would take around 200 years for women to achieve equal participation in major corporate boardrooms based on the 10-year growth rate of women directors. The author explores the reasons for women's underrepresentation on Fortune 500 boards of directors and discovers that 43 percent of companies with no female directors cite "already filled with qualified individuals" as a cause. Given the average director tenure and the amount of director resignations, such an argument is insufficient.

In addition, Kesner (1988) evaluates 250 Fortune 500 boards from 27 different industries in a larger study on director qualities and concludes that substantial expertise is required to serve on a board's influential committees. Lack of experience, according to the author, is the primary cause for women's underrepresentation on corporate boards. Bilimoria and Piderit (1994) challenge Kesner's (1988) work in several ways: a detailed examination of differences in men's and women's experience expanded the range of director characteristics and a larger set of influential board committees; and a detailed examination of differences in men's and women's experience expanded the range of director characteristics and a larger set of influential board committees. The authors looked at 300 Fortune 500 businesses to see if there was any indication of systemic sex-based bias against women on the board of directors. Gender prejudice exists on corporate boards, and women directors are painfully aware of it. Existing male board members' attitudes play a key influence in perpetuating this gender bias (Burke, 1997).

3.14.5.2 External Factors Influencing Gender Diversity

Reddy and Jadhav (2019) conducted a comprehensive literature review on women on corporate boards and discovered that external factors such as directors' characteristics, board size, firm size, board diversity, industry type, types of ownership, customer base, and social cultural characteristics influence gender diversity. For example, to explain board gender diversity, Brammer et al. (2007) consider the external business environment and customer base of a

company. The authors look at firms that represent corporate boards of 243 companies listed on the London Stock Exchange to study board diversity, size, and composition. They found significant gender diversity across industries, with a larger presence of female directors in industries that serve end-users, such as retail, utilities, media, and banking. Hillman et al. (2007) investigate US companies and discover that major companies have a much higher possibility of having women on their board of directors. They also discovered that when a company is related to other companies that have female directors, it is more likely to have women on its own board of directors. De Cabo et al. (2012) investigate whether organisational variables influence board gender diversity in European banks. They look at factors including the bank's riskiness, the size of its boards, and its growth strategy. Women are more likely to be found on the boards of banks with lower risk, larger boards, and a growth mindset. Terjesen and Singh (2008) conduct a cross-country analysis utilising data from 43 nations to investigate the impact of particular countries' social, political, and economic frameworks on board gender diversity. Gender diversity on boards is much higher in countries with a high share of women in the legislature, senior officials, and managerial positions, according to social structure study. However, in countries with a longer history of female political representation, the authors discover severe under-representation of women on boards. Finally, their findings show that countries with similar wealth distribution for men and women are more likely to have female board members. Carrasco et al. (2015) investigate the impact of cultural features on women director participation in 32 countries using Hofstede and Bond's (1984) cultural dimensions. They uncover evidence that countries with less gender diversity on boards of directors are more tolerant of power imbalances. Furthermore, countries that place a high priority on men's roles have fewer women on their boards of directors. Low et al. (2015) evaluate the impact of board gender diversity on business performance by taking into account cultural differences among nations. According to the authors, a country's attitude toward women moderates the impact of a gender-diverse board on firm performance. Gender diversity on boards is aided by family ownership. According to Bianco et al. (2015), the majority of gender-diverse boards have at least one female director who is connected to the controlling shareholder. Ruigrok et al. (2007) look at companies registered on the SWX Swiss Exchange and find evidence that women directors are less likely to be independent and more likely to be related to the firm's management through family relationships.

3.14.5.3 Impact of Board Gender Diversity on Firm Performance

The majority of previous research on gender diversity on corporate boards has focused on how board diversity affects firm performance. Carter et al. (2003) investigates into the impact of board diversity on business value in the United States. The authors discover a link between a female director's presence and business performance as evaluated by Tobin's Q. Although this study was limited in scope as it focused solely on financial performance, the conclusions sparked a succession of investigations into the evidence in several countries. However, the outcomes are still inconclusive and mixed. This finding was corroborated by Post and Byron (2015) who suggest that the empirical evidence is equivocal. According to several studies, there is no statistically significant link between the participation of women on corporate boards and board effectiveness or firm performance (Carter et al. 2010; Martinez-Jimenez et al., 2020). Other research (Carter et al., 2003; Dang et al., 2020; Garanina and Muravyev, 2020; Kim and Starks, 2016; Liu et al., 2014; Post and Byron, 2015) has found a positive relationship between gender board diversity and firm performance, particularly during economic downturns (Papangkorn et al., 2019). Other studies (Adams and Ferreira, 2009; Terjesen et al., 2016) have found a negative link between gender diversity and firm performance.

Many factors could account for such a disparate collection of results, including the use of various samples, time periods, empirical assumptions, and techniques (Adams et al., 2015; Ferreira, 2015). According to Adams (2016), such empirical contradiction may be related to researchers' failure to account for endogeneity issues. Similarly, because board features are not exogenous random variables, Adams et al. (2010) and Sila et al. (2016) believe that establishing a causal relationship between gender diversity and firm performance may be difficult. According to the authors, firms endogenously choose board features to meet their operational and contracting environment, which makes it a difficult task in establishing a performance relationship. Furthermore, Wintoki et al. (2012) postulate that there are three forms of endogeneity, which may influence the effect of board structure on company performance. First, omitted or unobserved company variables (both fixed and time-varying) may influence both female director appointments and firm performance at the same time. Another issue is reverse causality: while gender diversity may have an impact on corporate performance, it's also plausible that financially sound companies are more inclined to nominate female directors. Finally, when current firm value and board structure are attributed to prior firm performance,

dynamic endogeneity may occur thereby making it difficult in arriving at a similar research conclusion.

Adams and Ferreira (2009) look at how gender diversity affects governance and firm performance. The authors discover that women directors are less likely than men to have attendance issues. Women directors are also more likely than men to serve on monitoring committees. Women are more likely than men to be assigned to audit, nominating, and corporate governance committees. Furthermore, the authors discover that boards with a diverse gender composition are more likely to hold CEOs accountable for bad stock performance. Gender diversity on boards has a positive impact in companies with weak shareholder rights, where it is possible that more board oversight can boost company value, while it has a negative impact in companies with strong shareholder rights.

However, Campbell and Mnguez-Vera (2008) discover a favourable effect of the ratio of women on boards of directors on business value in Spain. The research from Germany implies that gender diversity has a detrimental impact on business performance at first, but then has a favourable impact after a "critical mass" (Joecks et al., 2013). The small beneficial performance effect of board gender diversity disappears when the ratio of female directors hits a breakpoint of roughly 20%, according to Nguyen et al. (2015). Liu et al. (2014) found a favourable and substantial relationship between board gender diversity and business performance in a Chinese study. In the case of Chinese state-controlled businesses, however, the link is negligible. Women executive directors are more effective than women independent directors, according to the authors.

Low et al. (2015) investigated businesses in Hong Kong, South Korea, Malaysia, and Singapore. The authors conclude that increasing the number of female directors on the board has a beneficial effect on business performance after controlling for potential endogeneity between board gender diversity and firm performance. They also reveal that the attitude of the country regarding working women moderates this relationship. Abdullah, Ismail, and Nachum (2016) look at Malaysian companies to see how different performance indicators, ownership, and board structure affect performance. Gender diversity on boards has a favourable impact on accounting performance but has a detrimental impact on market performance, according to the authors. This relationship is strongly moderated by the kind of corporate ownership (government or family); government ownership is significant, while family ownership is small.

Evidence from Europe, Australia, and Asia is likewise contradictory, implying that further research is needed in this area.
Recent empirical research by Pucheta - Martnez and Gallego- Alvarez (2019) on the relationship between several board characteristics and firm performance finds that board gender diversity appears to positively affect firm performance after grouping countries into six groups to control for regional effects. The writers, on the other hand, do not go into great depth on what causes regional differences and how these differences affect the effectiveness of boards' approaches. Dang et al. (2020) used a sample of S&P 500 companies from 2004 to 2015 to investigate the relationship between board gender diversity and firm profitability. They find that the presence of women on corporate boards has a positive and significant effect on firm profitability as measured by return on assets. Similarly, Garanina and Muravyev (2020) used a novel longitudinal dataset of publicly traded Russian companies from 1998 to 2014 to investigate the economic consequences of gender composition on corporate boards. According to the authors, companies with gender-diverse boards of directors had higher market values and profitability.

Specifically, narrowing the arguments above to the microfinance governance literature, board diversity in terms of women and minority participation is potentially positively associated to firm performance (Bassem, 2009). According to Mori and Olomi (2012), empirical research demonstrates that gender balance has a favourable impact on organisational performance and values. Mersland and Strom (2008) discovered that MFIs with female CEOs (who are also board members) outperform MFIs with male CEOs in their study. MFIs have a goal of focusing on female clientele, which is a sign of the breadth of their outreach. Likewise, in mature listed entities, the outcome of studies on gender board representation is still far from being conclusive in the microfinance industry in particular, Ghana thereby justifying additional research. For example, in the case of female directors and microfinance institutions, Boehe and Cruz (2013) found that female membership in MFIs improves the MFI's performance through improved debt repayment using data from 26 microfinance projects in 22 African, Eastern European, Latin American, and Asian countries. This finding reflect female understanding of the microfinance market, democratic leadership approach as well as the better educational attainment in recent times, which indicates that having female representation of boards brings added resources according to the resource dependency theory. Mersland and Strom (2009)

found that MFIs with female CEOs do better financially because they have a better awareness of the market in which they operate. This means that an MFI that matches the market with leadership who share the same characteristics (in this case, gender) performs better. Strom et al. (2014) found that female leadership is positively connected to MFI performance, but that this performance is not driven by superior governance. Vishwakarma (2017) conducted a study in order to illustrates the relevance of women in microfinance and empirically examines the association between participation of women on board and in senior management with the performance of microfinance in India and finds that women on boards have a positive and significant effect on financial and social performance. These positive findings are influenced by women's ability to build relationships and collaborate, which is highly valued by boards (Dargnies, 2012). Additionally, female directors' ability to oversee activities and hold management accountable for performance, according to Triana et al. (2014), is responsible for gender-induced improvements in positive firm performance. Similarly, Boubacar (2019) examined the effect of women's inclusion in senior management and on the boards of West African MFIs on the financial and social performance of these institutions. uncovered that greater gender diversity at the board and management levels appears to have positive impact on MFIs' social orientation which is caused by adequate monitoring and oversight by gender diverse boards.

Shettima and Dzolkamaina (2018) found female representation on the board to have a negative performance on MFIs in Nigeria. Similarly, Ofoeda (2016) and Thrikawala et al. (2016) uncovered that representation of female directors on the boards of MFIs have negative performance in Ghana and Sri Lanka respectively. These negative findings could imply that having women on corporate boards could lead to over-monitoring for companies that already have good governance as suggested by Adams and Ferreira (2009), who show a negative association between gender diversity and business performance is due to over monitoring by boards.

However, Tanweer et al. (2019) discovered that gender diversity on the board can only improve MFI performance when it is accompanied by gender diversity in management. Gohar and Batool (2014) looked at the determinants of economic, social, and productivity in 25 Pakistani MFIs from 2005 to 2009 and discovered that female directors have a negative impact on economic performance but affect its positive outreach. Adams and Ferreira (2009) argue that

in a well-governed firm, female directors can negatively affect firm value due to excessive monitoring.

Post and Byron (2014) argue that female directors may differ from their male counterparts owing to their unique experiences, knowledge, and values which impact directors' behaviour in terms of ethical reasoning and risk taking. Therefore, from the mixed findings in the literature, the research question that the researcher is seeking to answer (see ch.1, p.6) is: *"what is the relationship between female board representation and the performance of MFIs in Ghana?* The researcher is curious to know whether the unique features of women directors play out in the boardroom to influence the performance of MFIs. Indeed, understanding the impact of women directors on the performance of MFIs is likely to boost the gender mainstreaming agenda in Ghana.

Pertinent literature on internal board characteristics and MFIs performance is presented in Table 3.5 **(see appendix F**). Given these contradictory findings, Adams et al. (2015) call for further investigation of board gender diversity and firm performance relationships. Furthermore, the conflicting results suggest that more research is needed to improve our understanding of the link between gender diversity and company performance which will help shape policy direction by policy makers. The lack of consistency in the evidence on the influence of board gender diversity on firm performance has been attributed to a variety of factors, including different time periods, weak estimate methods, methodological limitations, and failure to account for probable endogeneity (Low et al., 2015). Dwyer et al. (2003) assist to reconcile some of these contradictory findings by demonstrating that the positive effects of gender diversity must be realised in a suitably structured and supportive organisational environment.

3.15 Literature Review Limitations and Identification of Research Gap

A comprehensive review of the microfinance governance literature indicates the lack of empirical studies on microfinance governance in relation to the understanding of the implementation of OECD Principles of CG in Ghana. More importantly, a comprehensive review of the microfinance governance literature on CG and performance of MFIs indicates mixed findings suggesting that previous studies have not been able to find an ideal measurement criterion in the establishment of standard relationship between CG and

microfinance institutional performances which then justifies for more research on the subject. These findings indicate that the single dimension measure might not be a good proxy for CG on its own, and that it needs further research. The majority of the research on the relationship between CG and MFIs performance has focused on a few aspects of CG variables. The existing literature of CG studies in MFIs are generally few globally and fewest in the case of Ghana in particular. The CG studies on the microfinance industry in Ghana are (Aboagye and Otieku, 2010; Kyereboah-Coleman, 2007; Kyereboah-Coleman and Osei; 2008; Ofoeda, 2016). All these studies predate the Bank of Ghana (BoG) financial services sector reform (clean-up) in Ghana thereby making the current study a necessity in order to examine the perceptions on CG practices in Ghana and the influence of CG on the performance of MFIs so as to inform policy on governance in the sector.

These limited studies in Ghana have primarily focused on financial performance (Ofoeda, 2016) to the neglect of social performance thereby missing the point of seeing MFIs as hybrid institutions. MFIs have a dual performance objective of financial and social thus focusing only on financial performance is a serious limitation in the literature and in particular Ghana. More research into the CG and MFI performance debate, especially in the aftermath of the BoG clean up and reforms in the financial services sector, is needed to inform policy on the CG of MFIs in Ghana, based on these mixed and inclusive findings. As a result, there is a need for detailed research in Ghana that focuses on the relationship between CG and MFI performance, as the findings of prior studies have failed to completely explain this consistently. Therefore, the main aim of this study is to critically examine the perceptions of corporate governance practices in Ghana and the relationship between CG mechanisms on the performance of MFIs using both social and financial indicators.

The study of the relationship between CG and firm performance focuses primarily on developed countries, with only a small amount of research on developing countries conducted in the last decade. Empirical research has primarily focused on specific aspects of corporate governance, such as board size, leadership structure, board compensation, and audit committee independence. Financial performance and market value measurements for firm performance, such as return on assets (ROA), return on equity (ROE), and Tobin's Q (in the case of listed entities), have been used in previous studies. For few studies which considered the social performance, have used the number of female borrowers, the average loan size, breadth of outreach as measurements indicators. This study builds on these measures but expands this by

including scope of outreach as a measurement indicator for social performance indicator. A review of previous literature reveals that Africa, namely Ghana, has received little attention when it comes to the impact of CG practices on microfinance institutional performance.

This study is motivated by the gaps in the microfinance governance literature particularly the empirical studies on microfinance in Ghana. To the best knowledge of the researcher, little study has been conducted on the OECD Principles implementation in Ghana (Gyamerah and Agyei, 2016) but failed to consider the MFIs sector. Therefore, this study aims to examine CG principles which specifically includes the rights of shareholders, equitable treatment of shareholders, role of shareholders in CG, disclosure and transparency, and responsibilities of the board of directors. In addition, this study examines the challenges and factors that impact implementation of CG in the MFIs which has yet to gain researchers attention in Ghana. This study also places equal importance to both social and financial performance thereby recognising the hybrid nature of MFIs. In so doing, the study also expands the social and financial indicators in an attempt to close the gap of limited CG mechanisms.

Prior literature on MFIs governance and governance studies in general also indicates methodological bias as the majority of the studies favour quantitative methodology compared with qualitative and mixed methods. These clear biases in the methodology could perhaps be responsible for lack of standardisation and consistent findings. Some studies have attempted using global data sets to study the relationship between CG and microfinance performance. However, CG is not global due to the differences in countries governance indexes, cultures and other specific factors thereby limiting the findings. It is evidently clear during the review that many aspects of MFIs differ from one country to the next, including governance, legal status, size, and prudential requirements.

Many of the prior studies on MFIs governance have used secondary data mostly compiled by rating agencies such as MIX, MicroRate, Microfinanza, Planet Rating, Crisil, and M-Cril. Some of the prior studies that employed secondary data sources from the above data bases include but not limited to (Beisland et al., 2014:2015; Fall et al., 2021; Gupta and Mirchandani, 2020; Hassan et al. 2019; Hartarska, 2009; Igbal et al., 2019; Mersland and Strom, 2009; Mori and Mersland, 2014; Pascal et al., 2017). Therefore, the findings of these studies are as reliable as the dataset used. Secondary data especially financial statements have the following limitations: ratios are based on historical cost accounts and do not give a true picture of trends from year to year; the use of different accounting policies by MFIs makes comparison difficult,

creative accounting and the use of window dressing to satisfy investors and donors; transaction with related parties and lack of relevant disclosures may distort the comparison of financial ratios to mention but a few. Another notable limitation in the MFIs governance literature reviewed is the use of limited sample sizes in most studies including (Ofoeda, 2016; Shettima and Dzolkaimani, 2018).

In comparison to the Western world, Ghana's CG is still in its early stages. In Ghana, there is also a scarcity of literature on MFI CG. This research will add to the body of knowledge by evaluating the evolution of CG practice in Ghana's social, political, and economic environments.

3.16 Conceptual Framework of Study

A conceptual framework is a model that shows and explains how various variables interact with one another. There are three variables in a conceptual framework: dependent, independent, and intervening variables (Kimando et al., 2012). The main objective of this study is to critically examine the perceptions of corporate governance practices in Ghana and the relationship between CG mechanisms on the performance of MFIs. Figure 3.7 shows the relationship between the theoretical framework outlined above and the CG variables and microfinance institutional performance evaluated in this study. As indicated in the literature, empirical evidence reveals that various variables influence the relationship between CG practice and microfinance institutional performance (Adusei et al., 2017; Boubakar, 2019; Dato et al., 2018; Fall et al., 2021).

The independent variables employed in this conceptual framework are CG principles which is represented by rights of shareholders, equitable treatment of shareholders, role of stakeholders in CG, disclosure and transparency, and the responsibilities of the board of directors; and CG mechanisms represented by board size, CEO duality, board composition, internal audit function, and gender diversity. Return on asset (ROA), return on equity (ROE), operational self-sufficiency (OSS), operational expenses ratio (OER), and yield on gross loan portfolio (YGLP) are the dependent variables identified in the microfinance institutional governance literature to measure MFI financial performance. Breadth of outreach, women borrowers, and scope of outreach are all measurement variables for MFIs' social performance. In this study, the researcher employed firm size, age, and leverage as control variables.

Figure 3.7 shows the conceptual framework of this study, which demonstrates an understanding of the linkages between corporate governance mechanisms and the performance of MFIs in Ghana both financially and socially.

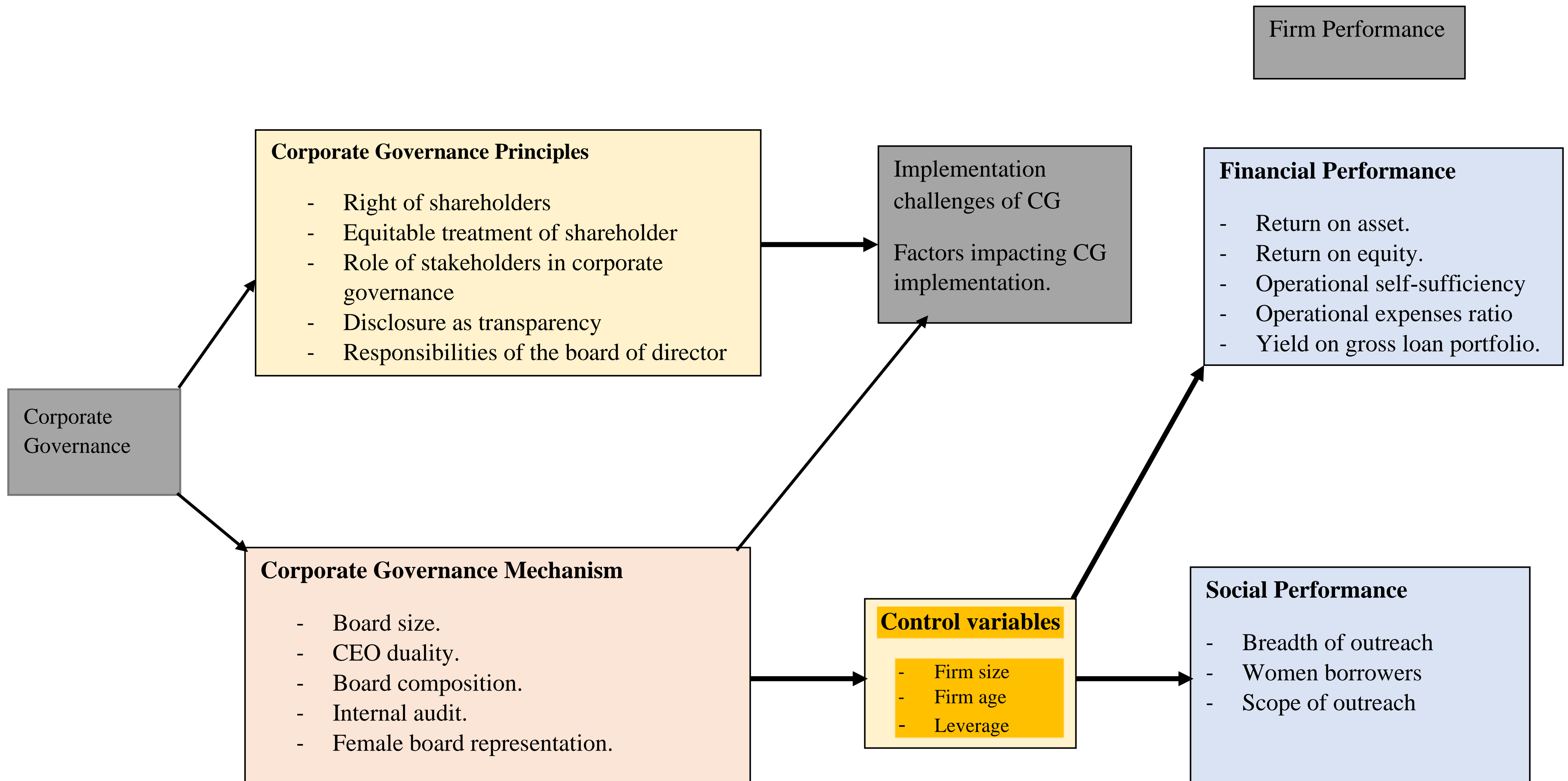

Figure 3. 7*: Conceptual framework of study*

Source: Constructed by Author 2021

The agency and profit incentive theories underpin the CG mechanism in this conceptual framework. This study employed descriptive statistics to evaluate OECD Principles of CG, challenges and factors influencing the implementation of CG in MFIs in Ghana using a survey method. The components of the conceptual framework are further explored to details and the measurement criteria provided in Chapter 5, research methodology aspect of this study. The conceptual framework for this study explains how the findings are related to the research questions and hypotheses accurately. The framework is important in explaining or justifying the relationship between the study's expectations and the findings. The conceptual framework reflects the connection between the research aim, specific objectives, and research questions as developed from the literature review.

3.17 Conclusion

The focus of this chapter was on the impact of the OECD CG Principles on corporate performance. Similarly, the challenges of CG implementation were examined. In addition, the factors that impact the application of CG in MFIs were evaluated. Furthermore, the CG and firm performance, particularly the performance of MFIs, were reviewed to detail. The relationship between CG variables such as board size, CEO duality, board composition, internal audit, and board gender diversity on the performance of MFIs in Ghana was examined in this chapter. The theoretical and conceptual frameworks were developed based on the review of the theoretical foundations underpinning this study. Finally, the chapter concluded with a summary of topics discussed. The next chapter developed the research hypotheses.

Chapter 4: Development of Hypotheses

4.1 Introduction

While chapter 3 reviewed critical literature, this chapter developed 5 research hypotheses that are important to addressing the study's objective 4, which sought to critically analyse and determine the relationship between corporate governance mechanisms and the performance of MFIs in Ghana.The hypotheses were developed based on corporate governance mechanisms for both financial and social performance indicators. The rational for developing the hypotheses was to provide tentative answers to research question 4, which states, is there a relationship between corporate governance mechanisms and the performance of MFIs in Ghana? and specifically to address the sub-questions as follows:

1. What is the relationship between board size and the performance of MFIs in Ghana?
2. What is the relationship between CEO duality and the performance of MFIs in Ghana?
3. What is the relationship between board composition and the performance of MFIs in Ghana?
4. What is the relationship between internal audit and the performance of MFIs in Ghana?
5. What is the relationship between female board member representation and the performance of MFIs in Ghana?

To achieve this, data will be collected, analysed and the outcome used to confirm or reject the hypotheses.

4.2 Development of Hypotheses

The aim of this study is to critically examine the perceptions of corporate governance practices in Ghana and the relationship between CG mechanisms on the performance of MFIs. The hypotheses are based on the theoretical (Figure 3.6: 75) and conceptual (Figure 3.7: 115) frameworks in Chapter 3. The hypotheses assume that good CG mechanisms (board size, CEO duality, board composition, internal audit function, and gender diversity) will be reflected in both financial and social performance of MFIs in Ghana. Therefore, the hypotheses are developed based on the research questions stated in Chapter 1(p.6) of this study. The following is a detailed breakdown of how the hypotheses was tested in relation to the theoretical foundations adopted for this study.

4.2.1 Board Size and Microfinance Institutional Performance

This hypothesis is in relation to board size and how it affects MFI performance. There is evidence that the size of the board of directors affects firm performance (Al-Sahafi et al., 2015; Igbal et al., 2019; Ofoeda, 2016; Shettima and Dzolkamaina, 2018; Thrikawala et al., 2016). The importance of board size, according to Bazhair (2021), is well recognised in CG practices. In light of this, board size has an impact on the quality of deliberation among members and the board's ability to make the best possible corporate decisions (Lawal, 2012). As a result, a large board is more likely to be effective in overseeing managerial functions due to skills and expertise provided by the group members to assist in problem solving which may not be available for a smaller board size member (Ofoeda, 2016). Furthermore, Kyereboah-Coleman and Osei (2008), and Shettima and Dzolkamaina (2018) argue that a large board increases the quality of strategic decisions in a way that affects performance since it leads to a deeper depth of intellectual knowledge available within and among board members.

Nevertheless, there are demerits of larger board size in impacting firm performance. For example, costs of coordinating board members, costs of remunerating board members, and the possibility of free-rider problem where some board members may be passive and not actively involved in strategic decision making has been identified as some weaknesses on an organisation having a large board size (Igbal et al., 2018; Boubakar, 2017; Collins et 2019; Ofoeda, 2019). According to Topak (2011), a large board of directors has an impact on communication, decision-making, and coordination among directors, resulting in higher expenses. As a result, large board sizes can lead to mismanagement, a lack of coordination, and a lack of coherence, making performance difficult to monitor effectively (Saeed et al., 2018). On the contrary, studies (Mashayekhi and Bazaz, 2008; Otman, 2014) argue that smaller board size is advantageous as it is capable of monitoring management effectively thereby increasing firm performance. The merits of smaller board size are that it reduces agency costs and potential free-rider problems which are associated with larger board sizes (Bazhair, 2021; Ofoeda, 2016).

The analysis of CG literature on the relationship between board size and firm performance suggest a mixed finding. These mixed findings may be due to differences in culture, regulation, and the methods adopted by researchers in different jurisdictions of studies. In Bangladesh, Tanweer et al. (2019) found no evidence to suggest that board size impacted on MFI

performance. For example, some studies indicate that board size has a negative relationship between board size and firm performance (Collins et al. 2019; Fama and Jensen,1983; Jensen, 1993). Topak (2011) indicates that having a large board of directors is more expensive and has an impact on communication, decision-making, and coordination among board members. Kiel and Nicholson (2003), on the other hand, look at the relationship between board size and corporate success in 348 of Australia's top publicly traded businesses and discover that board size has a favourable impact on firm performance. This is reinforced by Thrikawala (2016), Kyereboah-Coleman and Osei (2008), who believe that a large board can assist prevent company failure by enhancing decision-making among board members due to the availability of greater expertise. Consequently, Thrikawala et al. (2016) found that larger board size has a positive impact on financial performance in Sri Lanka and Indian MFIs. Similarly, larger boards were found to have positive impact on MFI profitability in Ghana (Kyereboah-Coleman and Osei, 2008).

In the literature, opinions have been expressed about the size of a board of directors and whether it has a positive, negative or no impact on a company's performance. The first argument advanced is that a large board creates an agency cost and free-rider problem, as well as hindering organisational performance monitoring. The second argument contends that a small board size may be preferable since it can function more efficiently in terms of corporate discussions and decision-making, and hence may be expected to improve organisational performance (Lawal, 2012; Otman, 2014). While there is conflicting evidence, there may be a link between board size and business performance. The conceptual framework of this study considers the role of board size in determining MFI performance, based on the theories of the study.

In the context of Ghana, board members are required by the Corporate Governance Directive (2018) to be highly qualified with relevant expertise, skills, and experienced. As a result, the cost of maintaining such highly qualified individuals with respect to allowances and other costs could adversely impact on both financial and social performance of MFIs. Therefore, to test the argument in the literature above in the Ghanaian MFI context, the following research hypotheses are put forward:

H_{1a}: Board size has a negatively significant relationship with the financial performance of MFIs in Ghana.

H_{1b}: Board size has a negatively significant relationship with the social performance of MFIs in Ghana.

4.2.2 CEO Duality and Microfinance Institutional Performance

Hypothesis number 2 of this study is in relation to the separation of the roles of the CEO and the board Chairman (CEO duality) in the governance of MFIs.The CEO-Chairman duality is characterised in the CG literature as the appointment of the same person to both positions (Georgantopoulos and Filos, 2017). This hypothesis is constructed based on the principles of the AT, which requires that in order to maximise shareholder wealth, the positions of the board chairman and the CEO should be separated and occupied by separate individuals rather one person (Adam, 2020; BoG, 2019; OECD, 2015; Igbal et al., 2019).

The practice whereby the roles of the CEO and Chairman of the board of a company is being held by the same person has been criticised as an ineffective technique to develop a firm's most powerful partnerships with its stakeholders (OECD 2004; 2015, BoG, 2019). Therefore, separating the roles of CEO and chairman, in other words, can improve the quality of board oversight responsibilities and improves firm performance (Beisland et al., 2014; Gelema et al., 2012; Hartarska and Mersland, 2012). In this respect, Fama and Jensen (1983), argue that if one person serves as both CEO and chairman, possible conflicts of interest within the company may be exacerbated because the board's activities will be overly linked with the managerial team's objectives.

Similarly, Mersland and Strom (2009) argue that when one individual serves as both the chairperson of the board of directors and the CEO of the company, conflict of interests might arise, thereby effectively limiting the board's effectiveness. As a result, studies such as (Beisland et al., 2014; Georgantopoulos and Filos, 2017; Igbal et al., 2019; Jensen and Meckling, 1976) argue that the CEO and chairmanship positions should be separated on the basis that, according to agency theory, there is a conflict of interest between shareholders and managers. Furthermore, Jensen (1993), Hartarska and Mersland (2012) opined that if the CEO is also the board's chairman, there is a possibility that the CEO would make decisions that are in his or her own best interests rather than the best interests of the shareholders. On the contrary, Georgantopoulos and Filos (2017) suggests that the costs of separating the CEO and Chairman positions outweigh the benefits. In addition, earlier studies such as (Deya et al., 2011; Lorsch and Lipton, 1993) claim that splitting titles may dilute the executive's power to manage the

organisation by providing efficient leadership and raise the possibility of conflict among the title holders. Boyd (1995) argues that a chairman who also serves as CEO gives the organisation the appearance of being led by a single person who can respond to external events more quickly.

Several studies have looked into the separation of the chairman of the board and the CEO duties, with mixed findings in the microfinance CG literature. For example, Hassan et al. (2019) and Saeed (2018) both found that CEO duality improve the performance of MFIs. Contrary to these findings, Beisland et al. (2014), Gelema et al. (2012), Hartarska and Mersland (2012), Mersland and Strom (2009) all concluded in their studies that CEO duality has a negative impact on the performance of MFIs.Giving one person power over both functions, according to Mersland and Strom (2009), prevents the board of directors from effectively carrying out its control and surveillance responsibilities; it also leads the CEO to adopt an opportunistic attitude, which incurs additional costs and lowers the MFI's performance. MFIs that integrate these two roles, according to Hartarska and Mersland (2012), are less effective. Finally, Kyereboah-Coleman and Osei (2008) find that the separation of powers has a beneficial impact on the ROA and return on equity of microfinance companies, based on research of 52 MFIs.

Furthermore, by separating the CEO and chairman positions, it is believed that the board of directors is more likely to be effective in overseeing management's performance because agency costs are decreased and corporate transparency and responsibility are emphasised (Adams, 2020; Igbal et al., 2019). As a result, CEO duality is considered a vital CG mechanism for improving MFI performance in the conceptual framework of this study which is presented in Figure 3.7. In the context of Ghanaian MFI, the Bank of Ghana (BoG) Corporate governance Directive (2018) requires that the board chairperson's position and that of the CEO position should be separated and occupied by different individuals. The rational for this separation is that this prevents conflict of interest prevents the CEO from adopting opportunistic behaviour, it maximises shareholder wealth, and generally reduces agency costs in line with the agency theory. The separation of the two positions in Ghanaian MFIs in Ghana is thus expected to positively impact both financial and social performance of MFIs. Therefore, in order to test the above debate, in the CG literature, the following hypotheses are put forward:

H_{2a}: CEO duality has a positively significant relationship with the financial performance of MFIs in Ghana.
H_{2b}: CEO duality has a positively significant relationship with the social performance of MFIs in Ghana.

4.2.3 Board Composition (Independence) and Microfinance Institutional Performance

The hypothesis (H_3) is in connection with board independence and its role in improving MFIs performance in Ghana. Non-executive directors are an important part of corporate governance and can have a significant impact on the performance of MFIs (Adams, 2020). The composition of a board of directors, which includes both within and outside directors, is critical to a company's performance (Georgantopoulos and Filos2017; Haris et al., 2019; Kumari and Pattanayak, 2017). Jensen and Meckling (1976) argue that boards with appropriate number of outside directors can help to alleviate agency conflicts through monitoring and control of managerial opportunistic behaviour as this prevent management members from acting as judges for themselves. Board members experience and qualification is both regarded as a resource and significant stakeholders which can help a company generate profit of its shareholders. The welfare theory becomes relevant if MFIs are profitable in or to reduce poverty by granting loans to the productive poor.

In addition, Georgantopoulos and Filos (2017) postulate that following the Enron and WorldCom crises, a growing body of governance research suggests that independent boards are stronger monitors of managerial actions because they are less eager to risk their own image for the sake of top managers. On the contrary, Fama (1980) posited that because board members are unlikely to conduct effective self-monitoring, board monitoring and control becomes difficult on an insider-dominated board.

However, studies on the relationship between board independence and organisational performance have produced mixed findings. For example, Kyereboah-Coleman and Biekpe (2006) uncovered that boards with majority of outside directors are linked to improved organisational performance, and therefore suggests that in order to improve firm performance companies should increase the number of independent board members. Similarly, Dembel and Abdulselam (2019), Hideto et al. (2020), Kyereboah -Colemana and Osei (2008) all found that having a larger number of outside directors on the boards of companies resulted in positive performance. These authors argue that non-executive directors are more likely to challenge

corporate strategies that they believe are not in the best interests of the shareholders of the firm. Contrary, studies such as (Arora and Sharma, 2016; Darko et al., 2016; Hartarska, 2004; Ofoeda, 2016) find significant negative association between outside directors on firms' board and performance.

However, Bhaga and Bolton (2008) found no empirical evidence to confirm that an independent board leads to a better company performance. This finding is corroborated with Thrikawala et al. (2016) who claim that outside directors failed to have any impact on MFIs in Sri Lanka. The authors posited that in some instances outside directors lacked experience compared to the inside directors. The authors suggested that MFIs should increase the number of inside directors on their boards. Similarly, Nyuyen et al. (2014) support this position by arguing that outside directors may lack knowledge about the firm and industry thereby playing only a minimal role on the board. Non-executive directors, according to the arguments presented in the agency theory, resource dependency theory, stakeholder and profit incentive theories are regarded as vital component of the board's structure and can have a favourable impact on organisational performance. As a result, in the conceptual framework of this study, non-executive directors are regarded as an important component of corporate governance that may have an impact on MFIs performance in Ghana.

In the context of Ghana, the BoG Corporate Governance Directive (2018) requires that the board should have a mix of executive and non-executive directors (NED). The CGD requires that at least 30% of the board members to be non-executive directors and shall not be employed in an executive position in the Regulated Financial Institution or its related company at least two years prior to his or her appointment. The rationale is that NED are to provide independent monitoring on the activities of the executive management in reducing managerial opportunism and conflict of interest in advancing shareholders and other stakeholder interests. Thus, impartial, and effective monitoring of executive management by the NED will have a positive impact on the financial and social performance of MFIs in Ghana.
Therefore, the following hypotheses are put forward in order to test the above arguments:

H_{3a}: *Board composition has a significant positive relationship with the financial performance of MFIs in Ghana.*
H_{3b}: *Board composition has a significant positive relationship with the social performance of MFIs in Ghana.*

4.2.4 Internal Audit Function and Microfinance Institutional Performance

The fourth hypothesis, which is pertinent to this study, is that the internal audit function has an impact on the performance of MFIs in Ghana. The presence of an internal auditor reporting to the Board Chairman or the audit committee, according to the agency theory, has a positive and significant relationship with the quality of financial statements (Mihret and Grant, 2017; Raboczki, 2018). In order to promote successful corporate governance, boards of directors from all types of companies are increasingly being assigned with accountability for the effectiveness of their organisations' internal control systems (Radu and Ramona, 2013). In this regard, the internal audit function is critical to the board's ability to fulfil its governance responsibilities (Raboczki, 2018).The agency theory stipulates that independent member of the board can assist the shareholders (principals) in monitoring management (agent) activities in order to reducing potential benefits from withholding information whereas the resource dependency view IA as additional resource to help management operate efficiently and add value to the firm (Jensen andMeckling, 1976).Similarly**,** the agency theory confirms that the presence of an internal auditor reporting to the board of directors is sufficient to ensure the reliability of internal controls, which in turn, result in quality financial statements and reduced fraudulent reporting (Mihret, 2014).As a result, when independent, the internal audit function plays a critical role in preventing agency problems and addressing flaws in the company's internal control systems(Islam et al., 2010).

The IA role is increasingly being seen as a critical component of risk management (Mihretand Grant, 2017) that assists firms in achieving their corporate objectives which benefits all stakeholders in support of the stakeholder theory (Raboczki, 2018). Internal auditing is defined by the Institute of Internal Auditors (IIA) as "an independent, objective assurance and consulting activity aimed to add value and improve an organisation's operations" (IIA, 2017). Internal auditing also “assists a company in achieving its objectives by applying a methodical, disciplined approach to analyse and enhance the efficacy of risk management, control, and governance processes” (Institute of Internal Auditors, 2004).

In the microfinance CG literature, very few studies have considered the impact of internal auditing and MFIs performance with contrasting results. For instance, Oxelheim and Randøy (2003) find that internal auditors connected to the board have a positive influence on MFI performance. In addition, Basem (2009) found that internal auditing positively impacted on

MFIs performance. Similarly, Mersland and Strom (2009) finds that the internal audit function improves MFI financial and social performance. These studies corroborate that of (Beisland et al., 2015; Mersland, 2009) with all concluding that internal auditors are important CG mechanism and when it functions well have positive impacts on MFIs performances. In contrast to the above, Thrikawala (2016) and Thriskawala et al. (2016) argue that internal auditor's presence in MFIs have a negative impact on MFI performances in Sri Lanka and India. Consequently, one of the first governance studies in MFI, Hartarska (2005) argued that internal auditing has no impact at all on the performance of MFIs.

Previous research has found a link between the internal audit function and corporate performance (Mihretand Grant, 2017; Raboczki 2018; Beisland et al., 2020). The monitoring function of internal audit is a key component of corporate governance that is aimed at minimising information asymmetry between shareholders and managers and thereby alleviating agency problems, as indicated by agency theory (Jensen and Meckling, 1976; Mihret, 2014; Sarens et al., 2012). The internal audit function is regarded as a critical component in improving MFI performance in Ghana, based on the conceptual framework of this study.

Appendix H, Section 38, of the BoG Corporate Governance Directives (2018) states that a regulated financial institution shall have an internal audit function which shall be headed by a person of the status of a member of senior management of the regulated financial institution appointed and assessed by the board audit committee and who reports directly to such committee. This requirement emphasise the importance of internal audit as a corporate governance mechanism in the maintenance of internal control and other checks and balances within MFIs. Thus, the effectiveness of the internal audit function in MFIs will positively impact of the financial and social performance of MFIs in Ghana. As a result, the following hypotheses are proposed in order to test the above reasoning in the literature:

H_{4a}: Internal auditor reporting to an MFI board in Ghana has a significantly positive relationship with MFI financial performance.

H_{4b}: Internal auditor reporting to an MFI board in Ghana has a significantly positive relationship with MFI social performance.

4.2.5 Gender Diversity and Microfinance Institutional Performance

Hypothesis 5 (H_5) is in relation to gender diversity and its influence on the performance of MFIs. In recent times, gender diversity has dominated policy discussions among scholars, governments, policymakers, professionals, and supranational organisations (Shahab et al., 2018; Shahab et al., 2020). The major reason for this policy discussion is that traditionally women have been underrepresented in decision making from political leadership positions to corporate board room representations (Adams, 2016; Nguyen et al. 2020). The factors accounting for women underrepresentation on corporate board are analysed in Chapter 3 (p.106). The recognition that women are strategic assets and have skills that can contribute significantly to the development agenda has ignited the policy debate for gender equality and leadership representations in all aspects of decision making emphasising the theoretical proposition of the resource dependency theory (Adusei et al., 2017; Boubakar, 2019).

In response to this debate, countries have started to develop and implement affirmative actions that seeks to promote gender inclusion in decision making at all levels of governance. For example, Norway introduced a mandatory40 percent women board membership quota (Hoobler et al., 2018). The UK introduced a voluntary 25 percent women board membership (Nguyen et al., 2020) and affirmative changes have been implemented around the world to increase Women's representation on corporate boards (Sarhan and Ntim, 2019).

From the perspective of non -microfinance institutions, the evidence presented, as well as the theoretical framework drawn from agency theory (Jensen and Meckling, 1976) and resource dependence theory, appear to support the notion that having more women on boards of directors will improve business performance. Female directors have also been found to have a positive impact on firm performance in earlier research. For example, Carter et al. (2003) discovers that the proportion of women on boards of directors has a positive influence on firm value as assessed by Tobin's Q in a sample of corporations in the United States, suggesting that diversity has a favourable effect on firm performance.

Other research, done for US corporations by Erhardt and Werbel (2003), indicated that a higher level of board diversity is connected with improved firm performance, as assessed by return on assets (ROA) and return on capital investments. Furthermore, Konrad et al. (2008) discovered that the influence of women on boards is larger when there are multiple women on the board. Women feel stronger united in these situations, and as a result, they can have a stronger voice

in decision-making, meaning that they will also feel more respected. Other studies (e.g., Liu et al. 2013; Klç and Kuzey, 2016; Terjesen et al., 2016) have also identified a positive link; thus, these studies give solid evidence that it is better to have women on the board to achieve greater business performance.

For MFIs, women are their major clients and the representation on women on their boards has been argued to promote performance both financial and social performance (Strom et al., 2014). Research on the impact of gender diversity and corporate performance has been mixed and inconsistent (Belaounia et al., 2020; Strom et al., 2014) thereby justifying additional research into the topic. The mixed research findings may be attributed to differences in methodological approaches by researchers and national policy on women representation across nations (Rasel and Win, 2020). Ahern and Dittmar (2012) establish a negative connection using the natural experiment setting provided by the quota system in Norway from 2003 to 2008. As a result, different methodological methods provide contradictory results, both within and between approaches.

For example, Vishwakarma (2017) finds evidence that women representation in MFIs in India have a positive significant effect on financial and social performance. The author suggested that MFIs consider the presence of women on their boards and in senior management so as to enhance financial viability and social performance as well as achieve sustainable growth. Similarly, Belaounia et al. (2020) finds that companies with more female board members had better overall performance. In addition, Boehe and Cruz (2013) concluded that female representation on MFIs boards effected performance positively in Africa. Adams and Ferreira (2009) look at governance and financial performance and find that having more women on the board leads to greater governance, but only in companies with poor overall governance. Recent studies such as Boubakar (2019), Strøm et al. (2014), and Tanweer et al. (2019) all found that the appropriate women representation on MFIs board impacted positively on their performance.

However, in contrast, Thrikawala (2016) finds that female board representation had a negative impact on financial and social performance of MFIs in India and Sri Lanka. Similarly, Adusei et al. (2017) in a global study of 494 MFIs find that gender diversity is negatively associated with financial performance. Gohar and Bartol (2014) uncovered that in Pakistan female directors have a negative influence on economic performance although positive performance

on outreach. In contributing to this debate, Shettima and Dzolkamaina (2018) found that female representation in MFIs boards in Nigeria had a negative impact on their performance. Consequently, Neema and Mori (2014) found no evidence to suggest that female representation on boards of MFIs had any impact on their performance.

Based on the above conflicting findings, the conceptual framework of this study considers gender diversity in determining MFIs financial and social performance in Ghana. In the context of MFIs in Ghana, the BoG CGD (2018) has no guidance on female board member representation on MFIs boards. However, given the fact that 59% of MFIs clients are female in the sample for this study in Ghana, we believe that having female representation on MFIs board will positively impact on the financial and social performance of MFIs in Ghana. Additionally, female board members are significance resources to MFIs in Ghana with experience in the MFIs market. Therefore, to test the argument above in the context of Ghanaian MFIs, the following hypotheses are proposed:

H_{5a}: **There is a *significant* positive association between female directors on MFIs boards and the financial performance of MFIs in Ghana.**

H_{5b}: **There is a *significant* positive association between female directors on MFIs boards and the social performance of MFIs in Ghana.**

Table 4. 1: Summary of Research Objectives and Questions

Research objectives	Research questions	
Main research objective	**Main research Question**	
The aim of this study is to critically examine the perceptions of corporate governance practices in Ghana and the relationship between CG mechanisms on the performance of MFIs.	What is the relationship between CG mechanisms and the performance of microfinance institutions in Ghana?	
Specific research objectives	**Specific research questions**	
1. To critically examine stakeholders' perceptions of the implementation of corporate governance principles within MFIs in Ghana.	1. What are stakeholders' perceptions of the implementation of corporate governance principles within MFIs in Ghana?	
2. To critically assess the implementation challenges of corporate governance within MFIs in Ghana.	2. What are the implementation challenges of corporate governance within MFIs in Ghana?	
3. To evaluate the factors that impact the implementation of corporate governance in MFIs in Ghana.	3. What are the factors that impact the implementation of corporate governance in MFIs in Ghana?	
4. To critically analyse and determine the relationship between corporate governance mechanisms and the performance of MFIs in Ghana.	4. Is there a relationship between corporate governance mechanisms and the performance of MFIs in Ghana?	
Sub-research objectivesfor objective 4	**Sub-research questions for question 4**	**Research Hypotheses**
1. To critically investigate the relationship between board size and the performance of MFIs in Ghana.	1. What is the relationship between board size and the performance of MFIs in Ghana?	H_{1a}: *Board size has a negatively significant relationship with the financial performance of MFIsin Ghana.* H_{1b}: *Board size has a negatively significant relationship with the social performance of MFIs in Ghana.*

2. To critically investigate the relationship between CEO duality and the performance of MFIs in Ghana.	2. What is the relationship between CEO duality and the performance of MFIs in Ghana?	*H_{2a}: CEO duality has a positively significant relationship with the financial performance of MFIs in Ghana.* *H_{2b}: CEO duality has a positively significant relationship with the social performance of MFIs in Ghana*
3. To critically investigate the relationship between board composition and the performance of MFIs in Ghana.	3. What is the relationship between board composition and the performance of MFIs in Ghana?	H_{3a}: *Board composition has a significant positive relationship with the financial performance of MFIs in Ghana.* H_{3b}: *Board composition has a significant positive relationship with the social performance of MFIs in Ghana*
4. To critically investigate the relationship between internal audit and the performance of MFIs in Ghana.	4.What is the relationship between internal audit and the performance of MFIs in Ghana?	*H_{4a}: Internal auditor reporting to an MFI board in Ghana has a significantly positive relationship withMFI financial performance.* *H_{4b}: Internal auditor reporting to an MFI board in Ghana has a significantly positive relationship with MFI social performance*
5. To critically investigate the relationship between female board member representation and the performance of MFIs in Ghana.	5.What is the relationship between female board member representation and the performance of MFIs in Ghana?	*H_{5a}:* There is a *significant* positive association between female directors on MFIs boards and the financial performance of MFIs in Ghana. *H_{5b}:* There is a *significant* positive association between female directors on MFIs boards and the social performance of MFIs in Ghana.

Table 4.1 provides a summary of the study aim, main research question, specific objectives, and specific research questions. In addition, Table 4.1 shows sub-research questions addressing specific research question 4, which indicates, is there a relationship between corporate governance mechanisms and the performance of MFIs in Ghana? Most importantly, Table 4.1 shows how each sub-research question correspond to the research hypothesis developed taken into consideration both financial and social performance indicators.

4.3 Conclusion

This chapter developed testable research hypotheses to answer research question 4 and its sub-questions as indicated in section 4.1. For each hypothesis developed a suitable justification is provided to reflect the Ghanaian MFIs environment. Chapter5 therefore present the research methodology that will be used for testing the research hypotheses developed based on the conceptual framework.

Chapter 5: Research Methodology

5.1 Introduction

Chapter 4 developed the hypotheses that are tested in this study. This chapter explains the methodology adopted in the study in line with research objectives to critically examine the perceptions of corporate governance practices in Ghana and the relationship between CG mechanisms on the performance of MFIs. The chapter is organised as follows: the first part explains the research methodology, paradigms or philosophies of research and justifies the selection of the quantitative method. The second part of the chapter detailed the data collection method employed in the study (questionnaire and secondary data). Part three of this chapter defined and elaborates on the measurement and analyses of the variables (independent and dependent). The final part presented the econometric tests and the computer programmes utilised in the study.

5.2 Research Methodology

The aim of research is to uncover answers to research questions through the process of planning, executing, and researching (Creswell and Creswell, 2018; Ghauri and Gronhaug, 2005; Otman, 2014). This procedure could be theoretical or practical in nature. Research, according to Veal (2005: 3), is "a systematic, careful investigation or examination to uncover new information or relationships and to enhance and validate current knowledge for some specific goal." The research procedure is systematic in that it follows defined frameworks and adheres to established criteria for defining the purpose, handling the data, and reporting the findings (Saunders et al., 2019; Williams, 2011). Researchers should adopt a certain methodology to fulfil their study objectives. Leedy and Ormrod (2005:14) describe research technique as "the broad strategy the researcher adopts in carrying out the study endeavour." Methodology, according to Collis and Hussey (2003: 55), refers to "the total approach to the research process, from theoretical background to data collecting and analysis." As a result, research methodology is a road map that outlines how data will be collected, analysed, and interpreted in relation to the purpose and target population (Fernandez, 2020). Hussey and Hussey (2003) believe that before building a study design, researchers must first identify their research paradigm. According to Saunders et al. (2019), the paradigm is a useful tool for comprehending and describing social processes. A research paradigm is a collection of

philosophical assumptions that define the type of study that can be done by a researcher (Fernandez, 2020; Otman, 2014).

5.3 Research Paradigms or Philosophies

The appropriate identification and selection of a research philosophy is significant to the successful completion of a research project. Any study's research methodologies are determined by the sort of research philosophy and the nature of the research questions. The researcher's research philosophy is a way of looking at the social world. The research philosophy describes the shapes and nature of reality (ontology) as well as methods for comprehending accurate information (epistemology). The methods of conducting research are established based on the ontology and epistemology of a philosophy. Nkwocha (2019), and Ospina and Dodge (2005) indicate that a research inquiry can be done from outside the object domain (referred to as Positivism) or from inside the object domain (also referred to as Interpretivism). The positivist approach investigates reality using observable methods that are not influenced by the researcher (Mahmood, 2013; Nkwocha, 2019). In this regard, Bryman (2008) claims that a positivist method generates knowledge from careful observation of a reality.

The interpretivist technique gets information from the researchers' previous experiences and how they view the object of investigation, whereas the observational approach gathers facts that are utilised to inform our perception of reality (Saunders et al., 2019). According to Smith (2004), the interpretivist method to comprehending reality entails immersing oneself in facts about the actors in question and constructing plausible accounts of their notions of identity through empathy and imagination. Microfinance operations have been generally acknowledged by recent studies such as Nkwocha (2019), Rooyen et al. (2012), Spielberg et al. (2013) as having an impact on the behaviour of the players (Microfinance institutions and stakeholders) because of effective interactions with them.

In microfinance governance research, both philosophical paradigms, positivism and interpretivism, are often used. In recent microfinance study, it has been discovered that both positivist and interpretivist approaches can be utilised simultaneously, implying that they do not operate in isolation after all. Despite this, there are still fundamental differences between these two paradigms. As a result, in order to select the relevant philosophy to back this microfinance governance study, it is helpful to examine both paradigms in further depth.

5.3.1 Positivism and Interpretivism Paradigms

The fundamental paradigms, positivism and interpretivism, are believed to be the two extreme approaches of perceiving the social world (Mahmood, et al., 2014; Nkwocha, 2019). The term positivism refers to a field of philosophy that gained prominence in the early nineteenth century as a result of the works of Auguste Comte, a French philosopher (Richards, 2003: 37). The positivist believes that, just as in natural science research, scientific methods can be utilised in social science to solve social problems (Collis and Hussey, 2009; Mahmood, et al., 2014; Nkwocha, 2019). The social world was viewed as a single reality, irrespective of the researcher, in this paradigm (Blumberg, et al., 2008; Mahmood, 2013). As a result, the researcher has no influence over the social phenomenon being studied. The assumption that allowing researchers to participate in the discovery of reality will compromise or contaminate the truth has led to their exclusion (Nkwocha, 2019).

Interpretivism is a "reaction to positivism's over-dominance" (Grix, 2004: 82). Interpretivism opposes the idea that there is a single, verifiable reality that exists outside of our senses (Abdul-Rehman and Alharthi, 2016). The interpretivist claims that the researcher is inextricably linked to the social processes being studied (Abdul -Rehman and Alharthi, 2016). The researchers are not objective, and their bias affects their findings (Collis and Hussey, 2009). According to Saunders et al. (2003), the social world is too complicated to be addressed as a natural science.

In positivism paradigm, the researcher's responsibility is to quantify rather than examine social reality (Collis and Hussey, 2009). In order to construct a theory, the positivist determines the social reality through observation and experiments. This is because deduction is based on scientific principles, the deductive method is closer to positivism. Deduction begins with the formation of a theory or hypothesis, followed by the operationalisation of theory concepts and the collection of quantitative evidence (Saunders et al., 2019). Different statistical tools and mathematical formulas are used to test the developed hypothesis in a quantitative fashion. As a result of the test, either the hypothesis is accepted, or it is rejected. The deductive technique aids in the discovery of causal linkages and necessitates a large sample size in order to generalise the findings (Saunders, et al., 2019).

This paradigm is said to be linked to the inductive method. Unlike the deductive approach, this approach went through every step of the research process in order to build a theory. In induction approach, qualitative data is collected to gain in-depth knowledge with a small sample, and the theory is created as a result of the data analysis (Saunders, et al., 2003; 2019). In contrast to natural science, social science deals with subjects (people and organisations) that are completely different from those studied in natural science, necessitating a new methodology that takes into account the uniqueness and complexities of humans (Bryman, 2008). However, unlike positivism, the conclusions of the interpretivism paradigm cannot be generalised. The interpretivist believes that the environment and situation in the social world are constantly changing, and that the results produced today will no longer be valid due to passage of time (Blumberg, et al., 2008).

However, the critics of positivism claimed that persons cannot be detached from their social surroundings (Collis and Hussey, 2009). As a result, in the social world, people's perceptions are critical to comprehending the world's complexity. However, due to the social world's complexity, it could not be handled as a natural science (Mahmood, 2013; Saunders, et al., 2019). From this perspective, interpretivists believe that there are various realities due to people's differing perceptions, and therefore, there is a need for a variety of approaches other than statistical analysis to investigate multiple realities (Mahmood, et al., 2014). The interpretivist is interested in social reality's subjective realities (Blumberg, et al., 2008). A variety of methodologies other than statistical analysis are required to investigate these different realities. It is vital to analyse and examine multiple realities using a variety of approaches within a qualitative technique, as complex phenomena cannot be determined in a single measure, as the positivism claims (Collis and Hussey, 2009).

The critics of the interpretivism paradigm argue that the interpretive paradigm has been "soft," incapable of producing ideas that can be applied to wider populations, and the researcher's interaction with participants, which leads to a lack of objectivity (Abdul -Rehman and Alharthi, 2016; Grix, 2004). In addition, because the qualitative data is a result of the researcher's subjective and selective interpretation, it may be skewed - the researcher has experienced thousands of social interactions but only a few have been selected to be analysed (Fernandez, 2020). As a result, the data is unrepresentative and may have been chosen solely to support the

researchers' point of view. It's impossible to say if the social setting or the persons investigated are typical or representative based on ethnographic study. Ethnography is criticised as a methodological technique since it focuses on a small number of people. Therefore, Abdul-Rehman and Alharthi (2016) argue that the study fails to consider the impact of external factors such as social status or patriarchy on the behaviour of the group under investigation.

In light of the aforementioned research philosophies, the ontological premise of this study is that the social reality involving microfinance institutions governance study is a single hard fact although governance has a cultural impact due to different legal regimes among countries. In line with MFIs governance study the research leaned towards positivist paradigm as opposed to the interpretivism paradigm with appropriate justifications.

Table5.1 depicts the distinction between the two paradigms; various philosophies exist between these two extremes, spanning from one extreme to the other. The Table5.1 shows that this research is attached to the positivism paradigm.

Table 5. 1*: Research Philosophy*

Philosophical Assumptions	**Positivism**	**Interpretivism**
Ontology: The nature of reality	Reality is single and objective	Realities are multiple and holistic.
Epistemology: The way to acquire knowledge	Knowledge about the social phenomenon can be acquired through observation and experiment. The researcher is independent of the phenomenon being investigated.	Knowledge about the social phenomenon can be acquired through a number of methods to explore realities. The researcher and the research are inseparable.
Methodology	Deductive research approach	Inductive research approach
Researcher's approach: Positivist paradigm – Reality is single and objective; and knowledge can be acquired through observation and experiment, therefore the researcher is independent of the research phenomenon being the subject matter of the investigation		

Source: Authors Construct, 2021

The aim of this study is to critically examine the perceptions of corporate governance practices in Ghana and the relationship between CG mechanisms on the performance of MFIs. First, the study elicits the perceptions of various stakeholders, including managers/CEOs, board members, accountants', internal auditors, and other senior staff not included in any of the

categories above, to investigate the current state of corporate governance principles and explore the challenges and factors that impact on corporate governance implementation within MFIs in Ghana. Finally, the study uses secondary data to critically analyse and determine the relationship between corporate governance mechanisms and the performance of MFIs in Ghana.

5.3.2 Justification of Research Method

In order to accomplish the research, aim and objectives as stated in chapter one (1.3), it is required to use the positivist approach as it involves deductive reasoning and quantitative techniques. The positivist approach is suitable for the achievement of the study objectives because it seeks causes and effects of social phenomenon (Otman, 2014). In this study the researcher derived the hypotheses and subsequently data was collected, analysed, and tested in order to confirm or reject these hypotheses. As a result, Bryman and Bell (2007) argue that deductive research approach is associated with quantitative research which is described as objectivism, epistemological positivism, and ontological realism.

The logic of the positivist research design is focused on the following premises: to explain phenomena and to test a hypothesis, mechanisms of cause and effect must be identified; information should be based on what can be confirmed by analysing tangible evidence; and researchers should use a scientific method that emphasises control, standardisation and objectivity (Henn et al., 2006).Another reason that supports and justifies the use of quantitative method is that current microfinance governance studies (Beisland et al., 2014:2015; Fall et al., 2021; Gupta and Mirchandani, 2020; Hassan et al. 2019; Hartarska, 2009; Igbal et al., 2019; Kyreboah-Coleman and Osei, 2008; Mersland and Strom, 2009; Mori and Mersland, 2014; Pascal et al., 2017; Thriskawala et al., 2016) have employed the quantitative research method to examine the relationship between CG and microfinance institutional performance.

A deductive research approach, according to Creswell and Creswell (2018), requires the building of a conceptual and theoretical structure before evaluating it through actual observation. As a result, the evidence needed to test the hypotheses in this study was quantitative data. The positivist approach allows the researcher to evaluate the adopted theory against a large sample observation, allowing conclusions to be more generalised to the entire study population. In fact, because rigour is required to assure the correctness of the

measurement, the data for this study should be quantitative (Collis and Hussey, 2003). Therefore, the data for this study was collected from a questionnaire and secondary sources, which is the strategy used in a lot of existing corporate governance and microfinance institutional performance studies.

5.4 Data Collection

This study is quantitative in nature and employed the use of both primary and secondary data sources. This section summarises the data gathering methodology, as well as the primary data sources, such as the quantitative research approach. Quantitative research, according to Creswell (2003: 18), "employs inquiry methodologies such as experiments and surveys, and gathers data on specified instruments that provide statistical data." The measurement and study of causal links between variables is emphasised in quantitative research (Creswell and Creswell, 2018; Denzin and Lincoln, 1994: 4). The quantitative technique improves study reliability by increasing natural objectivity; as a result, the findings become more generalisable and representative (Hussey and Hussey, 1997; Saunders et al., 2019).

A positivist paradigm-related deductive strategy has been used in accordance with the study's aim and research questions since quantitative research methodologies are required to meet the research objectives. As such, quantitative research methods are thought to be the best fit for assessing the hypotheses derived from the stakeholder, agency, resource dependency, welfare, and the profit inventive theories used in this study. Findings from quantitative research might be predictive, explanatory, or confirmatory. A survey methodology, which is commonly associated with the deductive approach and offers information on what individuals believe or report, is one example of quantitative method (Neuman, 2003; Otman, 2014).

5.5 Survey Questionnaire

A survey questionnaire is regarded as one of the best techniques for the collection of primary data, as research in CG is very descriptive in form (Otman, 2014). A questionnaire is a set of well organised questions developed after extensive testing in order to elicit trustworthy replies from a specific group of people (Collis and Hussey, 2003). A questionnaire, according to Sekaran (2003), is a pre-written collection of questions to which respondents record their responses, usually based on a set of narrowly specified options. To put it another way, the advantage of the questionnaire approach is that all of the data gathered is related to research

questions that will assist the researcher in addressing the current business challenge (Zikmund, 2010). As a result, in the field of social research, the questionnaire survey is the most widely employed tool.

All respondents are asked the same questions in identical circumstances while using the questionnaire approach (Creswell and Creswell, 2018). The following are the rationale for employing a questionnaire in this study, as stated by Foddy (1993) and Oppenheim (1992). For starters, it's the most prevalent data collection method in survey research because it ensures respondents' anonymity and allows them to react more freely and at their leisure. This improves the research's credibility because the data acquired is thought to be indicative of the respondents' understanding of the issue. Using the questionnaire approach, all respondents are asked the same questions in the same circumstances (Easterby-Smith et al., 2008). There are two sorts of questionnaires, according to Bryman (2004) and Saunders et al. (2019), self-administered and interviewer administered. The Internet-mediated questionnaire, the postal questionnaire, and the hand-delivered and collected questionnaire are the three types of self-administered questionnaires.

The telephone questionnaire and the structured interview are the two forms of interviewer-administered questionnaires. The self-administered questionnaire was used in this study for a variety of reasons, including the fact that it is more appropriate for microfinance institutional stakeholder respondents, is less expensive than other methods, is easier to distribute, and is easier for respondents to complete, and the anonymity aspect encourages respondents to complete the questionnaire, resulting in a higher response rate. Finally, this form of questionnaire is commonly utilised in surveys, and it has been employed in the majority of extant research on microfinance institutions corporate governance (Kaur and Mishra, 2010). Although self-administered questionnaires can be delivered and collected via the Internet, the mail, or by hand, Sekaran (2003) feels that when the investigation is limited to a small region, hand distribution and collection is the most appropriate technique. Personal questionnaires have several advantages (Sekaran, 2003): the researcher can collect all completed responses in a short period of time and clarify any ambiguity or doubts that respondents may have about the questions; the researcher also has the opportunity to introduce the research topic and motivate

respondents to give honest answers; and questionnaires can be distributed to a large number of people.

5.5.1 Population and Sample of Study - (Research Questionnaire)

Population is a "group of people, events, or things of interest that the researcher wishes to investigate" (Sekaran, 2003: 256). The population of this study includes all MFIs in Ghana that are regulated by the Bank of Ghana (BoG). Thomas (1996) indicates that it is important to clearly define the population being surveyed and to ensure that the sample selected offers an accurate representation. However, target population refers to total number of people from which the researcher intends to collect data to achieve the research objective (Fernandez, 2020).

The organisations offering microfinance services in Ghana includes microfinance companies, rural banks, FNGOs, savings and loan companies, susu collectors, and credit unions (see details in 2.4 - Chapter 2). The target population is thus managers/CEOs, board members, accountants, internal auditors, and other senior staff of microfinance institutions operating in Ghana. These categories of stakeholders were chosen because they were considered experienced in the microfinance industry, and they are much more knowledgeable about the CG principles, mechanisms, challenges, and factors impacting the implementation of CG in MFIs in Ghana. As an attitudinal study, these group of stakeholders are assumed by the researcher to be better positioned in responding to the research questions that examined CG principles, challenges and factors impacting the implementation of CG in MFIs in Ghana Table 5.2 shows the total number of MFIs across the sixteen (16) administrative regions in Ghana as published by the Bank of Ghana as of August 2021.

Table 5. 2*: Statistics of MFIs in Ghana*

Type of Institutions	**Number licensed by Bank of Ghana**
Microfinance Companies	138
Savings and Loan Companies	26
Rural and Community Banks	144
Total	**308**

Source: Constructed by researcher (2021)

As discussed, the microfinance institutions comprised of microfinance companies, Savings and Loan Companies, Financial Non-Governmental Organisations (FNGOs), credit unions, rural banks, finance houses, remittance companies, credit reference bureaus, leasing companies, finance and leasing companies, and mortgage finance company. These institutions are collectively referred to as Non-Bank Financial Institutions (NBFI). For the purpose of this study only three categories of the microfinance institutions were considered including microfinance companies, savings and loan companies, and rural and community banks as shown in Table 5.2.

After establishing the populations to be studied, a sample must be chosen that may be considered representative. According to Veal (2005) and Sekaran and Bougie (2010), a number of factors influence sample size decisions in research, including the research objective, the required level of precision in the results, the level of detail in the proposed analysis, the amount of variability in the population itself, cost and time constraints, and the population size. According to Punch (2005), sampling has long been a hot topic in the literature on research technique, and a sample model is the foundation of statistical inference, which is a major decision-making tool in quantitative research.

The study used a non-probability sampling technique via the convenient and purposeful sampling strategies, which is also known as a multi-stage sampling methodology, in order to ensure the accuracy and reliability of data on the CG principles, challenges, and factors that influenced their implementation in Ghana. Although the sample size was large but from the individual institutional level, respondents were purposively selected based on their experiences and knowledge on CG. In addition, this study used the purposive sampling technique because it has been applied in prior studies on CG in different countries (Anis, 2013; Mariri and Chipuuza, 2011; Otman, 2014). As mentioned earlier, the following stakeholders was sampled for the survey questionnaire administered: CEOs and managers, members of the board, internal auditors, accountants, and senior staff. This group of stakeholders are involved in the process of CG and financial operations in their respective MFIs. As a result of prior research in different countries, we selected these five groups as the most relevant in relation to corporate governance (Okpara, 2011; Otman, 2014). There is the need for corporation between the various elements of the system of CG – internal auditors, executive management, financial management and the board of directors in order to secure the operations of the governance structure in a strong MFI.

The term "purposeful sampling" refers to a sampling technique in which "certain places, people, or events are deliberately selected for the significant information they can supply that cannot be obtained as well from alternative selections" (Maxwell, 1997: 87). Moreover, Teddlie and Yu (2007) noted the following when comparing the advantages of purposive sampling with probability sampling: 1. Compared to probability sampling, which is favoured for larger samples, purposive sampling provides more detailed information when the sample size is less (i.e., 30 cases or less). 2. Purposive sampling frames are often informal and dependent on the researcher's professional judgement or a resource they have identified as being available. 3. Specific objectives relating to research issues can be addressed by using the purposive sampling.

For each MFIs studied, every respondent within the MFI was purposively sampled based on the discussion with the manager regarding the level of staff experience and knowledge.In addition, all microfinance institutions for which there was no annual report and corporate governance data available in 2019 and 2020 were excluded from the current study sample, because financial performance of microfinance institutions was one of the variables in this research to be measured by financial ratios.A convenience sample is one that is readily available and willing to participate in a study (Manson, 2002: 140). So, in this study, in addition to the purposive sampling approach, the convenient sampling technique was used. The researcher was able to choose the respondents using these sampling techniques based on the respondents' knowledge of CG concepts, challenges implementing CG in Ghanaian MFIs, and factors impacting their efforts, as well as their availability and willingness to take part in the study. "A sample size is a group selected from the population" (Keller, 2009: 5).

Table 5. 3: Sampled Institutions for the Study

Type of Institutions	**Number licensed by Bank of Ghana**	**% of Institutions Sampled**	**Sampled Institutions**
Microfinance Companies	138	10	14
Savings and Loan Companies	26	40	10
Rural and Community Banks	144	7	10
Total	**308**	**-**	**34**

As indicated in Table 5.3, the researcher sampled a total of 34 institutions out of a total of 308 licensed by the Bank of Ghana across the 16 administrative regions of Ghana. For microfinance companies' 10 percent of the companies were studied. 40 percent of the savings and loans companies were sampled. For the rural and community banks, only 7 percent of the institutions were sampled. A non-probability sampling methodology was used, and sample size was determined by guess method in which 10% of microfinance companies and savings and Loan companies were sampled whereas 7 percent of rural and community banks were sampled due to the large number of this category. According to Field (2005), sample size is used because "it is not practical to collect data from the entire population, so the researcher uses a sample instead" (p.35).

Five stakeholder group (managers/CEOs, board members, accountants, internal auditors, and other senior staff) from each MFI were chosen to participate in the survey, for a total of 200 potential respondents using purposive and convenient sampling techniques. Finally, 17 MFIs were studied across Ghana namely the Greater Accra, Bono East, Eastern, and Northern regions respectively. For the primary data, a total of 200 questionnaires were distributed to respondents and 122 representing 61% were satisfactorily completed and returned and deemed good enough to be included in the analysis.

Table 5. 4: Final Sampled MFIs for Study

Type of Institutions	Sampled Institutions	Studied Institutions
Microfinance Companies	14	8
Savings and Loan Companies	10	5
Rural and Community Banks	10	4
Total	**34**	**17**

5.5.2 Design of Research Questionnaire

The objective of the questionnaire survey in this study is to obtain perceptions on the CG principles, challenges, and factors impacting the implementation CG in the microfinance sector in Ghana after the reforms carried out by the Bank of Ghana.Collis and Hussey (2003) discuss

the factors to consider and guidelines to follow while creating research questionnaires. For example, the questions should be phrased in a clear and straightforward manner, and the researcher should not impose unreasonable demands on the respondents' knowledge and education. The researcher should make sure that each question has the same meaning for everyone, and that each question addresses only one dimension or facet; that is, the questions should be written in such a way that there is no way to get out of answering them. So that the reply does not give several replies, questions should be specific and not too generic. They should not be suggestive in character, guiding the reply to a specific answer or opinion, and they should be phrased in a polite and mild manner. The language and terminology used in the questions should be straightforward and devoid of any ambiguity. The order of the questions should be followed, with easy and positive questions coming first. The questionnaire should be formatted and printed in such a way that its length and complexity do not appear to be a deterrent. It should be pre-tested on three to five people to see how tough it is, how willing they are to answer sensitive questions, and how long it takes them to finish the questionnaire.

Conducting a questionnaire, according to Saunders et al. (2019), is the process of converting a notion into a quantitative variable. After analysing corporate governance literature, the researcher in this case created a questionnaire aimed at increasing the quality of corporate governance practice as a means of boosting microfinance institution performance in Ghana. The purpose of the questionnaire is to gather information that was used to evaluate corporate governance implementation using the OECD Principles and a literature study.

The objectives and research questions that emerged from the extensive literature review to understand the OECD Principles of CG, challenges to CG implementation, factors impacting implementation of CG, and how CG impact on the performance of MFIs was the basis for the development of the research questionnaire. The combination of the OECD Principles of CG, BoG CG Directives, and the literature review enabled the researcher to draft and adopt relevant questions based on the research objectives. These draft questions were carefully reviewed and redrafted several times by the researcher. Following this draft and redraft, the questionnaire was sent to the supervision team for review. Review comments from the supervisors were incorporated and sent to statistics experts for further comments. This rigorous process aims to ensure professionalism and that the questions are relevant to each objective. In addition, based on the participants the English Language was used as it is the official language in Ghana, and the fact that participants are highly educated.

5.5.2.1 Nature of Research Questions

There are two main types of questions namely open and close ended. However, in survey research, there have been various debates about open versus closed questions (Gillham, 2008), and researchers may disagree on how questions should be formed and arranged in a questionnaire (Hussey and Hussey, 2003). As a result, one of the most important concerns for many researchers when developing questions is whether to ask a question in an open or closed format (Bryman and Bell, 2007). The intended use of a piece of information, the sort of study population from which information will be drawn, the suggested method for sharing the results, among others determines whether to use open-ended or closed-ended questions, including the readership's socioeconomic background (Kumar, 2011). In addition, when creating surveys, the benefits and drawbacks of open-ended and closed-ended questions should be considered by the researcher (Hussey and Hussey, 2009).

5.5.2.1.1 Open Questions

In an open question, respondents can give personal comments or ideas in their own words and feel comfortable offering information and expressing their opinions when asked open questions (Kumar, 2011). Another benefit of the open question is that respondents' responses are not affected unduly by the interviewer or questionnaire, and respondents' verbatim responses can give a rich source of different material that might otherwise go untapped if categories on a pre-coded list were utilised. At the same time, open-ended inquiries can have poor response rates since people are often too focused or busy to make full-length responses (Veal, 2005). Furthermore, such inquiries need more effort from respondents, are costly and time-consuming to administer, and take time for the researcher to analyse. It's also more difficult to code and analyse open questions (Oppenheim, 1992; Otman, 2014). Another issue with open questions is that responders may be unwilling to submit a lengthy response and instead choose to leave the question blank (Dawson, 2002; Creswell and Creswell, 2018).

5.5.2.1.2 Close Ended Questions

In closed questions, the questionnaire specifies a range of possible responses, and respondents are requested to check the appropriate boxes (Veal, 2005). Closed questions, according to Saunders et al. (2019), are frequently faster and easier to answer because they involve less

writing. When a questionnaire is long or requires individual completion, this style of question is useful. Furthermore, because the range of responses to closed questions is constrained, it is easier to compare, code, and analyse responses from various respondents (Neuman, 1997). Closed ended questions, on the other hand, have the drawback of providing participants with limited depth and variety of information (Kumar, 2011). Furthermore, respondents who do not find their preferred answer among the options may become frustrated, while those who have no opinion or lack sufficient knowledge may be unable to react to the questions (Neuman, 1997). In fact, because the researcher may only include the response patterns that he or she is interested in, there is a substantial likelihood of researcher bias in answer categories (Kumar, 2011; Otman, 2014).

5.5.2.1.3 Choice and Justification of Question

The objective of the questionnaire survey in this study is to collect opinions on the current situation of CG in Ghana's microfinance industry following the reforms implemented by the Bank of Ghana. As a result of this, the study typically uses closed-ended questions to obtain primary data in order to fulfil its aim. Most of the study's questions make use of a five-point Likert scale, which is frequently employed in social science research (Saunders et al., 2019), with the values:5 = strongly agree, 4 = agree, 3 = neutral, 2 = disagree and 1 = strongly disagree. However, it is important to note that this was the case with regards to all positive's statements. The negative statements were scaled in reverse order (5 = strongly disagree, 4 =disagree, 3 = neutral, 2 = agree and 1 = strongly agree) (Robson, 2002). The Likert scale measures opinions, beliefs, and attitudes by showing varying degrees of agreement with, or endorsement of, a statement (DeVellis, 2003). In order to overcome the disadvantages of this type of questionnaire, comprehensive range of answers were listed so as to minimise the risk of biased responses from respondent stakeholder group.

5.5.2.2 Wording of Questions

The development of clear, unambiguous, and useful questions requires special care, and the language of the questions is crucial in the development of the questionnaire. When creating surveys, it is critical for researchers to pay special attention to the language used and avoid questions that may generate anger, frustration, offence, shame, or melancholy (Dawson, 2002; Fernandez, 2020;). Similarly, the researcher should avoid the use of jargon, simplify whenever

possible, prevent ambiguity, and avoid leading questions (Creswell and Creswell, 2018; Veal, 2005). According to Sekaran (2003), a variety of factors influence the words in questions, including linguistic complexity, the type and form of questions asked, and the order in which the questions are asked. Therefore, for the purpose of this study, when creating the survey questionnaire, a checklist of variables for personal data is employed, with an emphasis on the use of basic structures and language. The questions were written in the English language and the reason that influenced this is the fact that English language is the official language in Ghana. Saunders et al. (2019) argue that for the purpose of clarity, questions should be kept brief and basic, free of any form of prestige bias, and, in the event of highly sensitive matters, indirect rather than direct should be used. Similarly, Creswell and Creswell (2018) suggest that closed questions should be used for personal data, and leading questions should be avoided.

5.5.2.3 Arrangement of the Questions

The proper arrangement and presentation of research questions help to increase the response rate. Therefore, the sequence of the questions is critical when creating a questionnaire since it influences participant interest and readiness to reply, as well as the quality of the information they supply (Fernandez, 2020; Kumar, 2011). As a result, a questionnaire should follow a logical and pleasant flow and follow a few guidelines, such as starting with easy questions and leading in with pertinent questions, but saving sensitive topics for last (Otman, 2014; Veal, 2005). The questions may be asked in a logical order based on the research aim, or they may be asked in a random manner. In a questionnaire with no random questions, the sequence of the questions should be broad to specific, and questions that are relatively easy to answer to questions that are more difficult to answer (Sekaran, 2003).

A number of rules about the question sequence were considered when creating this study questionnaire. First, questions were classified into sections or parts to make the process of structuring the questionnaire easier. Second, the researcher started with questions that in his opinion the study participants were likely to enjoy answering. Finally, researcher provided a little space at the end of the questionnaire for the study participants to write down ideas that possibly may not have been captured by the closed ended questions provided to them by the researcher. This helps to minimise demerits of closed ended questions adopted by the researcher for this study.

5.5.2.4 Content of the Questionnaire

There are two sets of questionnaires to be employed in this study. The first set of questionnaires is based on the following themes: 1. Corporate governance principles (right of shareholders, equitable treatment of shareholders, role of stakeholders in corporate governance, disclosure and transparency, and board of director responsibilities) in Ghanaian microfinance institutions, 2. Challenges to the implementation of CG in microfinance institutions, 3. Factors impacting the implementation of CG in MFIs in Ghana. Section 4 contained questions on demography information such as (age, position, working experience, educational level, and academic major) from respondents.

The second study questionnaire is intended to elicit information about the CG mechanism. This is a brief questionnaire that was only sent to the CEOs or managers of the microfinance organisations being researched. The purpose of the questionnaire is to gather data on the five CG mechanism factors of board size, board composition, CEO duality, internal audit, and board gender diversity. It is also intended to solicit some aspect of social performance information on scope of outreach such as capacity building and loan usage by clients of MFIs. This aided in the development of a regression model for the secondary data. The researcher believes that not all of the microfinance institutions analysed have released this governance information alongside financial statements, and thus this questionnaire was required in order to collect the CG information of sampled MFIs.

5.5.3 Piloting and Validity of the Research

Piloting the questionnaire before its ultimate dissemination is emphasised in social science research (Otman, 2014). The goal of the pilot study is for researchers to look at questionnaire wording, sequencing, and layout, as well as evaluate fieldwork arrangements and training, test field workers, gain familiarity with respondents, estimate response rates, estimate questionnaire completion time, and test analysis procedures (Veal, 2005). In practice, this involves putting the questionnaire through its paces as many times as possible before utilising it (Collis and Hussey, 2003). Although pre-testing a questionnaire takes time, Creswell and Creswell (2018) suggest that it is necessary to produce a high-quality questionnaire and increase response rate. 'The rise of quantitative research brought with it the necessity to pre-test measuring instruments and conduct pilot studies to iron out differences in procedures and

sharpen precision so the main study could go as flawlessly as feasible,' according to Stebbins (2001: 29). A questionnaire instrument's pilot should take place prior to the field study, as it is an important stage in guaranteeing the study's reliability and validity (Saunders et al., 2019; Smith, 2011).

Corbetta (2003) also emphasises the importance of making adjustments to the questionnaire ahead of time, which is one of the advantages of rigorous pilot testing, as it is more costly and time-consuming to update any component of the questionnaire once the researcher has begun fieldwork. Before being distributed, the questionnaire in this study went through several rounds of preparation. The first stage involved writing down and organising all of the questions based on the OECD Principles of Corporate Governance (OECD, 2004), the Bank of Ghana's Corporate Governance Directives 2018, and the literature review. These questions were tailored to MFIs because they are different from listed entities. This draft was then forwarded to the supervisory team of Birmingham City University academics with experience in corporate governance. The questionnaire was sent to statistical technique experts in the second round. These two stages were designed to gather feedback from the above experts, primarily on the questionnaire's phrasing, order, and organisation. In order to answer the final questionnaire, Babbie (2010) recommends that a questionnaire be delivered to the same audience as the target demographic, and that those participants complete the questionnaire themselves rather than having the researcher read it to them.

As such, in the final stage of the pilot study, the amended questionnaire was sent to a further four groups: managers and CEOs, board members, accountants, and internal auditors, in response to suggestions from academics at Birmingham City University and statistical specialists. The goal at this point was to determine whether the research tool was appropriate for the task at hand. Validity, according to Bryman and Bell (2011), relates to whether the indicator designed to assess the notion truly measures it. Researchers are particularly concerned about two forms of measurement validity: content validity and construct validity (Otman, 2014; Saunders et al., 2019). The questions on the questionnaire utilised in this study are straightforward and direct, as evidenced by the pilot testing, showing that construct validity is acceptable. Furthermore, the questionnaire's usage of a five-point Likert scale helps to improved construct validity. Each participant in the pilot survey received a cover letter outlining the nature and objectives of the study together with the amended questionnaire. The reviewers were asked to write notes on their observations and then provide recommendations

about the questionnaire, including suggestions for how to improve it and proposals to help with data analysis.

This questionnaire was piloted on managers, board members, internal auditors, and accountants as part of the piloting phase between *December 2021 and January 2022.* According to Abouserie (1992), in order to acquire usable results, data must be collected using a trustworthy and valid questionnaire. The validity of the questionnaire was ensured in this study by practical experts and experienced academics who took part in the pilot study. Furthermore, special efforts were made to attain a high response rate by including a covering note from the supervisor and researcher with the questionnaire, assuring respondents that their responses would be kept confidential, and hand-delivering and collecting back the research questions.

5.5.4 Distribution and Collection of Research Questionnaire

The questionnaire for this study was disseminated and collected among the research participants between February and March 2022.The questionnaires were created for five target groups in order to extract their thoughts. Obtaining information on microfinance institutions from the Bank of Ghana website, which included the microfinance institutions name, email, contact number, and address; contacting microfinance institutions and briefing them on the study and questionnaire, as well as arranging visits; having a covering letter from the supervisor to accompany the questionnaire, informing them of the survey's objective and the significance of their responses; supplying a letter from the researcher describing the study's purpose and identifying the researcher; requesting that the questionnaire be completed, describing the nature and relevance of the study, ensuring respondents that their responses would be kept confidential, and hand-delivering and collecting surveys, as well as making a follow-up phone call. Based on the aforesaid efforts, the researcher achieved 61 percent response rate among participating MFIs.

5.5.5 Reliability of the Research

Reliability is a metric of a measure of internal consistency; a measure is trustworthy when all of the components in the instrument produce the same result (Zikmund, 2010). Kumar (2011) points out that in social science research, elements such as the wording of questions, physical aspects, the respondent's mood, the interviewer's mood, the type of the interaction, and the regression effect of an instrument all have an impact on the research instrument. As a result,

the test–retest method, the split–half approach, and the alpha coefficient method are the three most used methods for measuring reliability (Frankfort-Nachmias and Nachmias, 2008). Saunders et al. (2019) also include the test–retest method, parallel form reliability, and the alpha coefficient as three methods for analysing data reliability. The instrument inferred from investigated results is a test–retest, in which the same test is given to the same subjects twice in less than six months. The degree to which various forms of the same measure generate the same or similar results when administered simultaneously or with a delay is known as parallel form reliability.

The Cronbach's alpha measures how homogeneous instrument items are and how well they reflect the same underlying notion (Cooper and Schindler, 2006). The alpha coefficient spans from 0 to 1, and 0.60 is usually considered the lowest acceptable number. For reliability purposes, Smith et al. (2011) claim that a reliability coefficient of 0.60 is sufficient, although De Vaus (2002) and Bryman and Bell (2011) recommend a minimum alpha value of 0.70 and 0.80, respectively. If the items are standardised, the alpha value is derived based on the average correlation of items within a test. The reliability measure was utilised in this study to focus on the set of statements' internal consistency or internal homogeneity, and the corporate governance in the questionnaire was divided into three parts. To test the reliability of the research instrument in this study, Cronbach's Alpha coefficient was employed because it was more suitable for measuring the internal consistency or internal homogeneity of the set of statements contained in the research instruments. Otman (2014) employed the Cronbach's Alpha to measure the internal consistency in his study.

Corporate governance principles, challenges of corporate governance implementation, and factors impacting corporate governance implementation for MFIs were all subjected to reliability testing in this study which achieved a Cronbach's Alphaof .913.

5.5.6 Ethical Consideration

In business research, ethics is defined as "a rule of conduct or accepted societal norm of behaviour while conducting research" (Sekaran, 2003:17). Researchers have a moral responsibility to explain and answer participants' queries honestly and truthfully, therefore ethical issues should be addressed earlier in the research process (Ghauri and Gronhaug, 2005; Otman, 2014). Researchers should inform participants about the study's advantages as well as their rights and safeguards and get informed permission. Researchers should also avoid unethical behaviour such as breaking non-disclosure agreements, violating participant

confidentiality, misrepresenting results, deceiving people, and avoiding legal liability, as the cornerstone of ethics is to ensure that no one is harmed or suffers as a result of the research (Cooper et al., 2006; Creswell and Creswell, 2018).

Several significant ethical considerations must be examined during the research process (Saunders et al., 2007; 2019): the privacy of potential and actual respondents; the voluntary status of participants and their ability to withdraw from the process in part or in whole at any time; consent and possible fraud on the part of participants; assured privacy and confidentiality for data submitted by persons or identifiable participants; Participants' reactions to researchers' data collection methods, such as embarrassment, stress, discomfort, pain, and harm; participants' reactions to how their data is used, analysed, and reported, particularly the avoidance of embarrassment, stress, discomfort, pain, and harm; and researchers' behaviour and objectivity. Before the questionnaire was conducted, the Birmingham City University Research Ethics Committee gave its clearance to ensure that the participants' rights, freedoms, and safety were protected (*see Appendix D*). According to Birmingham City University's research code, this study addressed the ethical concerns raised. In order to clarify the aim of the study and the ethical norms, an information sheet was developed, which included the name of Birmingham City University and the name of the School of Business. Appendix C contains a copy of the information sheet and consent form. Each participant was given a copy of this, and they were told that participation was entirely voluntary in accordance with the ethical guidelines. Furthermore, to protect the identification of individual responses from participants, the results are only given in aggregate form. The questionnaire was accompanied by a covering letter that stated the study's purpose and identified the researcher, requested that the questionnaire be completed, discussed the study's nature and importance, and promised participants that their responses would be treated in confidence.

The primary ethical concern in this study was to maximise the research's usefulness while reducing the danger of real or potential damage. Throughout the lifecycle of the research, ethical processes should attempt to protect all groups participating in the research, including participants, researchers and research teams, research organisations, non-academic collaborative researchers (and organisations), and funders, to the extent practicable (Economic and Social Research Council, 2015).

5.6 Secondary Data Collection

Secondary data can help a researcher better grasp and explain the research topic, as well as provide extra information to help address the research questions (Ghauri and Gronhaug, 2005). The benefits of using secondary data sources include time and cost savings, reduced resource requirements, the availability of comparative and contextual data, unexpected discoveries as a consequence of employing appropriate methodologies, and relative ease of access (Saunders et al., 2019; Sekaran and Bougi, 2010). Secondary data sources include books, journal articles, media, firm annual reports, internet data sources such as company webpages, government organisations and catalogues, census data, statistical abstracts, and databases (Otman, 2014; Sekaran, 2003; Veal, 2005). According to Ghauri and Gronhaug (2005), secondary data is an important method, and there is no need to collect primary data if secondary data can answer the study questions. As a result, secondary data was used in this study to analyse and determine the relationship between corporate governance and microfinance institutional performance in Ghana.

In this study, secondary data was collected from individual MFIs websites and annual reports as well as the researcher writing officially to request for access to financial statements from the management of MFIs where this information is not available on the company's websites. For the purpose of this study, data was collected for the period of 2019 - 2020. At the time of collecting data 2021 financial statements of MFIs were not ready for publication. This period is chosen because the Bank of Ghana completed it recent financial services sector reforms as of 31st December 2018. Therefore, the post reforms financial results of the MFIs started in 2019 and beyond. Again, the Bank of Ghana intensified the monitoring of the microfinance institutions including the governance issues due to the massive failures in the sector during the review period. Recent microfinance governance studies including (Igbal et al., 2019; Otman, 2014; Pucheta-Martnez and Gallego-lvarez, 2019; Thrikawala et al., 2016) have all employed secondary data to examine the relationship between CG and microfinance institutions performance.

5.6.1 Sample Selection Criteria

The aim of this study is to critically examine the perceptions of corporate governance practices in Ghana and the relationship between CG mechanisms on the performance of MFIs. The sample size of this study consists of 34 microfinance institutions regulated by the Bank of

Ghana including microfinance companies, savings and loan companies, and rural and community banks. The study sample, however, was subjected to the following criteria. First, the study covers the financial years 2019 to 2020. The rational for using this as the study period is that it represents the post reform era in the banking and financial services sector by the Bank of Ghana. This period also represents the post CG reform period. Therefore, secondary data for this period is suitable for the aim of this study.

Second, the study sample considers only MFIs with clear shareholders and ownership structure. This implies that donor funded MFIs are excluded from this study. Third, microfinance institutions for which no access to financial and social performance information are not considered in this study. Fourth, secondary data were collected for the same microfinance institutions that were used to collect data in the survey, Fifth, all sampled microfinance institutions must have governing boards in place. Six, all microfinance institutions included in the sample must be licensed and regulated by the Bank of Ghana and must have operated for more than 5 years in Ghana. Finally, all sampled MFIs must have met the minimum capital requirements as directed by the Bank of Ghana.

5.7 Measurement of Variables and Model Specifications

The variables utilised in corporate governance and microfinance institutional performance are conceptualised, measured, and analysed in this section. The model examines the association between corporate governance mechanisms and performance (financial and social) of MFIs. In the model, the independent variable is corporate governance mechanisms. The performance of MFIs is the dependent variable in the model. A variety of control variables identified in the current literature are essential in influencing MFI performance and are also examined in this study, such as firm size, age and leverage, in addition to the variables utilised to hypothesise the associations. Below are the variables that were utilised to operationalise the construct's model.

5.7.1 Independent Variables Measurement and Model Specifications

The importance of corporate governance mechanisms in microfinance performance was examined in depth in the literature review chapters (Ch. 3 & 4). It also provided a theoretical framework for understanding the function of independent variables (corporate governance mechanisms) in enhancing MFIs performance and hypotheses development. The measures of independent variables, including corporate governance principles and mechanisms drawn from

the OECD Principles of Corporate Governance and the Bank of Ghana CG Directives for microfinance institutions, are presented in this section. This section also gives model definitions and gains universal consensus as proxies. The justification for choosing these variables is that they indicate the role of corporate governance mechanisms in influencing MFI performance in the corporate governance literature. The research hypotheses for the secondary data are examined using model in this study. In the model, the performance of MFIs is a dependent variable. According to the stakeholder theory, the execution of corporate governance practice has a favourable impact on business performance, as described in the literature in Chapter 3. The model that was employed in this study is based on the independent variables reflecting the CG mechanism in MFIs stated below.

5.7.1.1 Board size (Bsize)

Salisi and Joseph (2020) indicate that board size represents the number of directors on the board of microfinance institution. Board size in this study is measured as the total number of directors on the board of an MFI. Board size is a key variable in the study of the relationship between corporate governance and MFIs performance. Bassem (2009), Bazhair (2021), Collins et al. (2019), Ghabayen et al. (2018), Hartarska and Nadolnyak (2012), Hussain et al. (2022), Mersland and Strom (2009), Mwasi and Nyasaka, (2020), Ofoeda (2016), Shettima and Dzolkamaina (2018), and Tanweer et al. (2019) all use this variable to establish the relationship between corporate governance and MFI performance. As a result, in keeping with the literature on microfinance governance studies, this study used the same methods to create the variable. A negative association between a large board size and the performance of an MFI, as described in the literature review chapter (Chapter 3), supports the agency theory and the resource dependency theory. Board members are a resource to the firm as they bring different skills sets, experience, and qualifications to give strategic direction for the MFIs.

5.7.1.2 CEO Duality

CEO duality is a leadership structure where one person occupies the position of the CEO and board chairman simultaneously**.** In research on corporate governance and firm performance, the CEO duality is frequently employed as a dummy variable (Haniffa and Hudaib, 2006; Igbal et al., 2019; Otman, 2014; Saeed et al., 2018; Thrikawala et al., 2016). CEO dualism is represented by a dummy variable in this study. The researcher denotes 1 for separate leadership and zero (0) for combine leadership. The separation of the positions of CEO and chairperson

is critical because it allows the board to perform its tasks more efficiently. This implies that the separation of the two positions is beneficial to business performance, implying that no single person has excessive capacity to make unilateral strategic decisions to the organisation's detriment (Mohr, 2021).

5.7.1.3 Board composition

Board composition refers to the number of independent non-executive directors on a company's board as a percentage of total directors. This methodology is commonly used in the current literature on corporate governance to operationalise board composition (Hartarska, 2005; Hussain et al., 2022; Igbal et al., 2019; Otman, 2014; Pucheta-Martnez and Gallego-lvarez, 2019; Thrikawala et al., 2016). The number of non-executive directors on the board versus the total number of directors on the board is defined as board composition in this study, and this value will also be used in the study. A positive association exists between nonexecutive directors and an MFI's performance, as mentioned in the literature review chapter (Chapter 3).

5.7.1.4 Internal audit

Internal audit (IA) is an objective, independent assurance and consulting activity that adds value to an organisation's operations (Hazaea et al., 2020). Internal audit assesses the veracity, accuracy, and integrity of financial and operational data from various organisational units, which is used to make proper business choices at all levels of management (Kaawaase et al., 2021; Ofei et al., 2020). The literature indicates that IA, when effective and independent have a positive relationship with firm performance (Al-Matari et al., 2014; Beisland et al., 2014; Hazaea et al., 2020) although other studies in the literature suggest otherwise (Thrikawala et al., 2016; Bassem, 2009). In this study, IA is defined as an objective, independent assurance and consulting activity that adds value to an MFI's operations. Therefore, IA is measured as whether an MFI has and internal auditor or unit reporting to its board.

5.7.1.5 Female Board Representation

Female board representation refers to the percentage of women on a MFIs board of directors. Microfinance focuses on providing financial services to small, self-employed enterprises in the informal sector (Ainan et al., 2022; Igbal et al., 2019). Women are the best targets for MFIs because they make up the majority of their clients (Igbal et al., 2019; Brau and Woller, 2004). Furthermore, women in senior management and on boards of directors have been found to be more committed and conscientious in their professional activities, with a greater sense of

responsibility and (often) more freedom of opinion and originality, allowing boards with a strong female presence to improve their strategy and monitoring activities (Boubakar, 2019; Ravaonorohanta, 2020). Women's inclusion benefits microfinance institutions by boosting their corporate image and increasing their ability to penetrate markets (Adel and Alqatan, 2019).

Gender diversity has a positive performance on MFIs (Ainan et al., 2022; Boubacar, 2019; Papangkorn et al., 2019; Strom et al., 2014; Vishwakarma, 2017). Gender diversity is defined and measured in this study as the number of female directors on the boards of directors of MFIs. When women are appointed to MFI boards, as stated in the literature review chapters (3 and 4), they are viewed as major resources, which supports the resource dependency theory. As board members, women are also better monitors and supervisors, lowering agency costs in line with agency theory. Finally, women represent the majority of MFI clients and, as such, key stakeholders whose interests should be considered if MFIs are to be successful and sustainable in their operations in accordance with stakeholder theory and welfare theory.

5.7.2 Model Specification

The model is designed to look at the impact of corporate governance measures on the measurement of MFI performance. Firm size, age and leverage are employed as important control variables in this model, as illustrated, and should be taken into account for the model. Five corporate governance mechanisms were employed in the model: board size, CEO duality, board composition, internal audit, and gender diversity. As a result, the following are details for all variables in the model, as well as their measures:

Model

MFI performance = **β**0+ **β**1 (**B**SIZE) + **β**2 (Duality) +**β**3 (Bcomp) +**β**4 (IterAudit) + **β**5 (% of FBoD) +**β**5 (f**S**IZE) +**β**6 (fage) + **β**7 (lev) +**ε**i

Table 5. 5: Definition and Measures for Independent Variables for the Model

Name of variable	Acronym	Description and measure
Board size	*Bsize*	Total number of members on MFIs board
CEO duality	*Duality*	Dummy variable 0 for combine role and 1 for separate role of CEO and board chairman
Board composition	*Bcomp*	Number of non-executive directors to total directors
Internal Audit	*IntAudit*	Dummy variable that takes a value of 1 if the firm hasan internal auditor reporting to the board
Female representation	*FemDir*	Percentage of female directors on MFI board to total board size

5.7.3 Dependent Variable Measurements

MFIs are different because they have dual objectives of financial and social objectives. As such, the financial dependent variables that were used as proxies are return on asset (ROA), return on equity (ROE), operating self-sufficiency (OSS), operating expenses ratio (OER), and yield on gross loan portfolio (YOGLP). Outreach or social dependent variables are breadth of outreach, women borrowers, and scope of outreach. In Ghana, the few MFIs governance studies ignore the social performance indicators which further justify the conduct of the current research. These are detailed below:

5.7.3.1 Financial Performance

This study employs accounting-based measures to assess MFIs performance rather than market-based measures (Strom et al., 2014). Market based measure such as Tobin's Q was not used in this study because many MFIs are private financial institutions. The following are details of the key profitability indicators employed in the study:

5.7.3.2 Return on Asset (ROA)

Return on asset is one of the determinants of profitability of an entity. The ratio measures how effective and efficient management uses the entity's assets in generating profit for its shareholders. Return on asset gives an idea with regard to how efficient management is at in using its assets to generate earnings for shareholders, and is displayed in percentages (Khatab et al., 2011; Otman, 2014). The return on asset is calculated as: ROA = Profit after Tax/Total Assets

5.7.3.3 Return on Equity (ROE)

The return on equity is one of the determinants of profitability of a firm and mainly focused on the equity component of shareholders 'investment. The residual interest is determined when total debt is deducted from the total asset of an entity. Return on equity is the amount of net income returned as a percentage of shareholders equity, and it measures a company's profitability by revealing how much profit a company makes with the money that shareholders have invested in the company (Khatab et al., 2011; Otman, 2014). Therefore, a higher return is indicated by a higher ratio and vice versa. This ratio is calculated as: ROE = Profit after Tax (PAT)/Shareholder's fund.

5.7.3.4 Operational Self-Sufficiency (OSS)

Operating self-sufficiency is the total financial revenue divided by the financial expenses, loan loss provision expenses and operating expenses (Quayes, 2012). The operational self-sufficiency ratio demonstrates MFI's ability to meet its operating expenditures with income generated internally. The OSS of an MFI is defined as a percentage ratio by the SEEP Network (SEEP Network, 2005): This ratio reflects the MFI's ability to cover its operating costs. This is expected to be an efficiency ratio that reveals an MFI's efficiency; nonetheless, its inclusion in this study as one of the performance indicators is based on the idea that the MFI's efficiency is important in performing socially because it can lead to less expensive services for clients.

5.7.3.5 Operating Expenses Ratio

The operating costs ratio (OCR), which is expressed as a percentage, is likely the strongest measurement of an MFI's overall efficiency. As a result of this, the ratio is also known as the efficiency ratio. OCR is a metric that indicates how much it costs an MFI to provide loan services to its customers. A downward trend could suggest a more efficient organisation or a larger average loan size. While financial performance is crucial to microfinance organisations, it is frequently only one half of a dual bottom line, which is why this study analyses both social and financial factors when evaluating MFI performance. The most commonly utilised efficiency metric is OCR, which covers all administrative and human costs. When comparing MFIs, this ratio must be used with caution. Even if they are effectively serving their target market, smaller MFIs or those that give smaller loans will be compared unfavourably to others. When using gross loan portfolio as the denominator, MFIs that offer savings and other services will also compare unfavourably to those who do not; consequently, when calculating the

operating expense ratio, average total assets is a better denominator for financial intermediaries like MFIs. Prior studies such a Mohsin et al. (2018) and Mugun (2019) have all employed the OCR to examine the performance of MFIs in Asia and Kenya. In line with the literature, this study employed OCR as one of the financial indicators and it is defined as: Operating expense/ Average gross loan portfolio.

5.7.3.6 Yield on Gross Loan Portfolio (PY)

Yield on gross loan portfolio is the interest on loan portfolio and fees and commissions on loan portfolio divided by the gross loan portfolio (Quayes, 2012). The (PY) indicator the potential of a gross loan portfolio to generate cash financial revenue from interest, fees, and commissions gained on lending activity. It excludes accruing but unpaid revenues, as well as non-cash revenues such as post-dated checks and seized but unsold collateral. This ratio has been used extensively in the microfinance governance literature (Arrassen, 2017; Igbal et al., 2019; Thrikawala et al., 2016). This study employed portfolio yield (PY) and a financial indicator and is measured as: Interest, fees, and commissions on loan portfolio / average gross loan portfolio.

5.7.4 Social Performance Measures

The "Social Performance Task Force" (SPTF) defines social performance as "the effective translation of an institution's social mission into practice in accordance with accepted social values that relate to serving larger numbers of poor and excluded people; improving the quality and appropriateness of financial services; creating benefits for clients; and improving an MFI's social responsibility." As a result, MFIs that are interested in enhancing their social performance assess the entire process of turning their MFI's mission into social effect, as well as numerous aspects of the social performance route in line with the welfare theory. The ability of MFIs to reach disadvantaged clients and micro-enterprises, which is the fundamental objective of many MFIs, is measured by their social performance (Mersland, 2009). Examining an MFI's social performance (outreach) is crucial since it reflects its mission and goals. According to the literature, the social performance measures in place at MFI have an impact on the business model it chooses (Mersland and Strom, 2009).

The social performance measures employed in this study are detailed below:

5.7.4.1 Breadth of Outreach

The number of persons to whom an MFI has offered credit, or the number of borrowers over a given period of time, is used to determine the breadth of its outreach (Quayes, 2012). The number of productive poor supported by a microfinance institution is referred to as its breadth of outreach (Kinde, 2012). The number of borrowers has been used as a metric of MFI outreach in a number of studies, including (Ganka, 2010; Mersland and Strom, 2009; Harmes et al., 2008). In general, the microcredit industry assumes that the greater the number of borrowers, the better the outreach to reduce poverty among the poor. In this study, the breadth of outreach is measured as: The natural logarithm of the number of active borrowers in the MFI.

5.7.4.2 Female Borrowers

Quayes (2012) indicates that female borrowers are measured as a proportion of the total number of MFI borrowers. Microfinance should be targeted at women, according to international organisations such as Women's World Banking (WWB), Microcredit Summit, USAID, and the World Bank (D'Espallier et al., 2013). Women in developing countries are the poorest of the poor (D'Espallier et al., 2013). As a result, gender could be used to determine whether MFIs are following through on their poverty-reduction aim (Armendáriz and Szafarz, 2011). Some commercial banks refuse to lend to women or accept their deposits. This is due to their belief that women are unable to manage household finances (Ledgerwood, 1999).

Women's loans, on the other hand, are more highly regarded by society (Balkenhol, 2007). According to Armendariz and Morduch (2005), the Grameen Bank had a majority of male customers at first but swiftly opted to focus solely on women due to repayment issues with male customers. Mersland (2009) argue that NGOs tend to have larger objectives and governance structures, making them more likely to reach out to excluded clients like women. The percentage of female clients is one of the parameters used in this study to evaluate MFIs' social performance, and it is calculated as: The ratio of female borrowers to total number of active borrowers.

5.7.4.3 Scope of Outreach

MFIs should make an attempt to offer more and wider services, such as savings, insurance, training, and capacity building, in addition to microcredit, in order to improve their financial sustainability. So, it will be assumed that the MFI will service a greater number of clients (a wider audience) the more product kinds it offers (Nyamsogoro, 2010). According to Woller

(2002), the demand for savings facilities substantially outweighs the demand for loans. Moreover, Nyamsogoro (2010) argues that deposits and savings to MFIs, especially member-based ones, represent a more significant and dependable source of capital for these MFIs. Thus, appropriate, demand-driven products and appropriate distribution methods that take into account clients' cash flow patterns and timeliness are the primary factors that determine the viability of MFIs (Azmendariz and Morduch, 2007;Chetean, 2007).These may include appropriate product pricing, a cost-effective accounting system, a strong management group, a product that is in high demand, favourable interest rates, and positive client-staff interactions at MFIs. Since the scope of outreach strengthens the duration of outreach and sustainability, this study considers the scope of the outreach to be one of the social performance indicators of MFIs in Ghana. In this study, an MFI's capacity-building efforts and clients' loan usage are used to gauge the extent of outreach.

5.8 Measurements of Control Variables

The aim of this study is to examine the influence of CG mechanism on the performance of MFIs in Ghana. As such, it's critical to keep track of the factors that influence MFIs performance. The size, age and leverage of MFIs were used as control variables as stipulated in the model specifications under section 5.7.1. The control variables were used in order to control individual MFI characteristics that could affect performance in line with literature (Fall et al., 2021; Gupta and Mirchandani, 2020; Igbal et al., 2019; Thrikawala et al., 2016). Otman (2014) indicates that control variables are considered fundamental for ensuring that the tests concentrate more accurately on the differences created by variables in CG studies.

5.8.1 MFI Size

The natural logarithm of an MFI's total assets indicates its size. A larger MFI is likely to outperform smaller MFIs since it has more capital to invest in technology that better screen borrowers. Smaller MFIs, on the other hand, may benefit from relationship-based lending and be able to charge higher interest rates for the services they provide to microenterprises or consumers. For the magnitude of the MFI, Hartarska (2005) observed no significant results. Mersland and Strom (2009), on the other hand, discovered that an MFI's size has a favourable and significant impact on both its financial and social success, as evaluated by ROA and OSS. Strom et al. (2014) support these findings. Furthermore, according to Kyereboah-Coleman and

Osei (2008), the size of a microfinance institution has a negative and considerable impact on its financial performance (ROA). According to Estapé-Dubreuil and Torreguitart-Mirada (2015), the size of a microfinance institution has a favourable and significant impact on social performance, as assessed by loan size and the proportion of female borrowers. These researchers also discovered a small but substantial correlation between an MFI's size and its financial performance (ROA).

The size of the MFI is used as a control variable in this study, and it is measured as the logarithm of the MFI's total assets ($\log_{10}$ of the MFI’s total assets). This measurement is appropriate because it has been extensively utilised as a controlling measure in order to examine the relationship between CG and firm performance (Otman, 2014; Torny and Wereko, 2012).

5.8.2 Age of MFI

The age of the MFI is the natural logarithm of the number of years since it was founded. In fact, because their personnel have more experience than those of newly founded MFIs, older MFIs may perform better. However, another idea contends that older MFIs have had to acquire procedures via trial and error, whereas more recently founded institutions may benefit from the knowledge that has been accumulated over time and may outperform their counterparts (Hermes et al., 2009). MFI age has a positive and significant impact on financial performance (OSS), according to Hartarska (2005) and Cull et al. (2007). Mersland and Strom (2009) think that MFI age has a negative and significant impact on financial performance (OSS). According to Kyereboah-Coleman and Osei (2008), the MFI's age has a negative and significant impact on its financial performance (ROA). The age of an MFI is used as a control variable in this study, and it is measured as follows: Number of years since the start. Several recent studies have employed this as a control variable (Barry and Tacneng, 2014; Igbal et al., 2019; Thrikawala et al., 2016) to examine the relationship between CG and MFIs performance.

5.8.3 Leverage

The third control variable employed in this study is leverage which measures the total borrowings (liabilities) to the total assets as indicated in the statement of financial position for MFIs sampled for the study. Leverage measures the level of risk to which MFI is exposed which may affect an MFI performance. Thus, leverage has been employed as a controlling factor for MFIs governance studies (Ahmed and Khan, 2016). We calculate leverage ratio as the total liabilities divided by total assets of MFIs as shown in their statement of financial

position for the study period. This definition is consisted with prior governance studies (Ahmend and Khan, 2016; Otman, 2014).

Table 5. 6: Summary of Independent, Dependent, Control variables and definitions

Variables	Acronym	Definition
		Independent Variables
Board size	*Bsize*	Total number of members on MFIs board
CEO duality	*Duality*	Dummy variable 0 for combine role and 1 for separate role of CEO and board chairman
Board composition	*Bcomp*	Number of Non-Executive directors to total directors
Internal audit	*IntAudit*	Dummy variable that takes a value of 1 if the firm has an internal auditor reporting to the board
Boar diversity -% of female on board	*FemDir*	The ratio of female directors to total number of directors on the board
		Dependent Variable
Return on assets	*ROA*	Profit after Tax/Total Asset
Return on equity	*ROE*	Profit after Tax (PAT)/Shareholder's fund.
OperatingSelf-Sufficiency	*OSS*	Operational self-sufficiency is the total financial revenue divided by the financial expenses, loan loss provision expenses and operating expenses
Operating expenses ratio	*OCR*	Operating expense/ Average gross loan portfolio
Yield on gross loan portfolio	YGLP	Yield on gross loan portfolio is the interest on loan portfolio and fees and commissions on loan portfolio divided by the gross loan portfolio
Breadth of outreach	*Breadth*	The natural logarithm of the number of active borrowers in the MFI
Percentage of female borrowers	*FemBorr*	The ratio of female borrowers to total number of active borrowers
Scope of outreach	*CapTrain*	scope of outreach is measured by (*capacity training and loan usage*)
		Control Variables

Firm size	*Fsize*	The natural logarithm of the firm's total assets
Firm Age	*Fage*	The natural logarithm of the number of years from the date of establishment
Leverage	(Lev)	MFIs total liabilities divided by total assets

5.9 Analysis of data

Data analysis is the most important aspect of any study. The data analysis process summarises the information gathered. It entails the use of analytical and logical reasoning to data in order to identify patterns, correlations, and trends. Saunders et al. (2019) indicate that for data from any research to be valuable in accomplishing research objectives and answering research questions, it must be analysed and interpreted. However, the type of data analysis to use is determined by a number of factors, including the type of variable, the nature of the variable, the shape of the variable's distribution, and the research design used to collect data on the variable. Generally, there are two types of statistical methods: descriptive statistics and inferential statistics (Otman, 2014; Saunders et al., 2019; Singh, 2007). Zikmund (2010) indicates that descriptive statistics simply convert the data in a way that identifies essential traits and summarises or explains a given collection of data whereas, inferential statistics use statistics computed from a sample to generalise about the population. Different statistical tools are employed for different reasons depending on the nature of the data (Saunders et al., 2019).

5.9.1 Analysis of Survey Questionnaire

The primary objective of the questionnaire in this study was to examine stakeholder perceptions regarding the implementation of CG principles in MFIs in Ghana. The questionnaire also sought to examine the possible challenges and enablers to the implementation of CG in MFIs in Ghana. As such, descriptive statistics and appropriate non-parametric tests were used. The frequency, mean scores, standard deviations, and ranks for respondents according to the amount of agreement in each question, make up the descriptive statistics of data.

5.9.2 Analysis of Secondary Data

This section demonstrates the statistical approaches used to analyse secondary data. As previously mentioned, descriptive statistics were used in this section of the study to analyse the overall mean scores, standard deviation, median, minimum, and maximum for each individual variable.

5.9.3 Method of Regression Analysis Employed in Determining Relationship Between CG and MFIs Performance

The type of data dictates the suitable correlation to use in regression analysis. Correlations are concerned with the relationship between pairs of variables; the type of data determines the proper correlation to use in regression (Foster et al., 2006). When one independent variable is hypothesised to effect one dependent variable, simple regression analysis is used. Multiple regression analysis is a multivariate technique commonly used in business research that involves using more than one independent variable to explain variance in the dependent variable (Creswell and Creswell, 2018; Fernandez, 2020; Sekaran and Bougie, 2010).

In this study, multiple regression model (panel OLS) is built utilising secondary data to evaluate the association between corporate governance mechanisms and microfinance institution performance in Ghana. Corporate governance mechanisms (board size, CEO duality, board composition, internal audit, and board gender diversity) are independent variables in the second model, whereas MFI performance is dependent. Pearson and Spearman's correlation analyses are utilised to measure the association between the variables and the strength of their association in this study in line with literature (Fernandez, 2020; Otman, 2014; Pallant, 2001; Saunders et al., 2019).

5.10 The Statistical Package Employed in Data Analysis

Data collected was analysed using Statistical Package for the Social Sciences (SPSS) version 26. Primary data was analysed using descriptive statistics. The secondary data employed descriptive statistics for individual variables. Thereafter, multiple regression model (panel OLS regression) is derived secondary data. In this study, Pearson and Spearman’s correlational analysis are used as a fundamental test in order to measure the relationship between the variables and the strength of the association between variable in accordance the literature on CG studies (Gupta and Mirchandani, 2020; Otman, 2014; Pallat, 2011; Thrikawala et al., 2016).

5.11 Conclusion

This chapter started with a discussion on research methodology and philosophical assumptions. The positivist research paradigm was adopted, and justification provided as to why it is deemed appropriate for this study. Thus, a deductive approach was adopted in examining the theory in this study. The study used a quantitative methodology through questionnaire and secondary

data. In terms of design, sample selection criteria, analysis techniques, and measurement process, the chapter provided information on the instruments used in the study. Most importantly, the chapter outlined the ethical consideration for the study in accordance with Birmingham City University research ethics guidelines. Furthermore, descriptive analysis, parametric and non-parametric analysis, and correlation analysis are among the statistical approaches used in this methodology to analyse the questionnaire and secondary data. In addition, econometric model was used to examine the association between corporate governance mechanisms and MFI performance utilising quantitative corporate governance data and MFI performance information. The results are analysed and presented in accordance with this study objectives in Chapter 6.

Chapter 6: Presentation of Results

6.1 Introduction

The results and discussions of the research findings are presented in this chapter. The research results are presented under 3 main parts. The first part discusses and analyses the demographic profiles of the respondents whereas the second part presents the analysis of primary data results, which was concerned with corporate governance principles, challenges, and the factors that influenced the implementation of corporate governance among microfinance institutions in Ghana. These analyses are in line with research questions systematically as presented in chapter one of this study. Finally, the third part presents the analysis of secondary data results, which focused on corporate governance mechanisms and microfinance institutional performance (financial and social) in Ghana. As a quantitative study, the analysis of each research question is based on its statistical results. The previous chapter revealed the research methods applied to this study, and how the data received was to be analysed.

6.2 Demographic Statistics

Two sets of questionnaires were administered. The first set of questionnaires was administered on managers, deputy managers, accountants, internal auditors, board members, and other senior staff of MFIs in Ghana. Overall, 17 MFIs were studied across 5 regions of Ghana namely the Greater Accra, Ashanti, Northern, Bono East, and Eastern regions. For the primary data, a total of 200 questionnaires were distributed to respondents and 122 representing 61% were satisfactorily completed and returned and deemed good enough to be included in the analysis. In addition, the second research questionnaire (17) was administered on 1 senior administrative staff on the corporate governance attributes and some social performance indicators to examine corporate governance and MFIs performance in Ghana. All 17 were returned representing 100% response rate. Finally, the secondary data was then collected from all 17 MFIs whose primary data was retrieved and deemed good to be included in the study.
Table 6.1 shows the demographic profiles of respondents. The majority of the respondents are between the ages of 31-40, which represents 44.3%. Only 10(8.2%) of the respondents are between the ages of 51-60 years. Regarding the position held by respondents, other senior staff 73(59.8%), CEOs, board members, internal auditors, and accountants 47(38.6%). Generally,

the respondents are all senior members and have a better understanding of governance issues in the microfinance sector in Ghana.

Most of the respondents 49 (40.3%) are master's degree holders. This is closely followed by first degree holders 36 (29.5%). HND holders constituted 21(17.2%) and only 3(2.5%) of the respondents were PhD holders. Put together masters, first, and diploma degree holders constituted 86.9% of the respondents. In relation to major educational qualifications, the majority of the respondents have accounting 38(31.1%), and finance 37(30.3%) representing 61.4%. This is followed by management 15(12.3%), banking 13(10.7%), economics 9(7.4%), and HR 8(6.6%).

Respondents have sufficient work experience and knowledge to be able to respond to the research questionnaire. Respondents with 5-10 years' work experience 62(50.8%), less than 5 years 28(23.0%), 11-15 years 19(15.6%), 16-20 years 10(8.2%). Only 3(2.5%) of respondents have over 20 years of experience. This suggests that respondents have sufficient industry experience and knowledge to respond to the research questions. A total of 53(43.4%) were respondents from microfinance companies. However, 47(38.5%) respondents are from savings and loans companies, and finally, 22(18.0%) are respondents from community and rural banks. The educational background, positions, experience, and the relatively young age indicate that the respondents would have a collective perspective on the issues relating to the corporate governance principles, challenges, and the factors influencing the implementation of corporate governance in MFIs in Ghana. Table 6.1 show details of demographic statistics of respondents.

Table 6. 1*: Demographics Statistics of Respondents*

Demographic Item	Response	Frequency	Percent	Valid Percent
Respondent’s age group	30 years or less	28	23.0	23.0
	31-40 years	54	44.3	44.3
	41-50 years	30	24.6	24.6
	51-60 years	10	8.2	8.2
	Total	122	100.0	100.0
Position held by the respondent in the organisation	Senior manager or CEO	18	14.8	14.8
	Board member	10	8.2	8.2
	Internal auditor	10	8.2	8.2
	Accountant	9	7.4	7.4
	Other Senior Staff	73	59.8	59.8
	Others	2	1.6	1.6
	Total	122	100.0	100.0
Highest qualification of respondent	PhD or DBA	3	2.5	2.5
	Master	49	40.2	40.2
	Bachelor	36	29.5	29.5
	HND/Diploma	21	17.2	17.2
	Professional	7	5.7	5.7
	Others	6	4.9	4.9
	Total	122	100.0	100.0
Major of your last education qualification	Accounting	38	31.1	31.1
	Economics	9	7.4	7.4
	Finance	37	30.3	30.3
	Management	15	12.3	12.3
	Banking	13	10.7	10.7
	Human Resource	8	6.6	6.6
	Social Work	2	1.6	1.6
	Total	122	100.0	100.0
Respondent’s experience in the microfinance sector	less than 5 years	28	23.0	23.0
	5-10 years	62	50.8	50.8
	11-15	19	15.6	15.6
	16-20	10	8.2	8.2
	More than 20	3	2.5	2.5
	Total	122	100.0	100.0
Type of respondent’s MFI	Savings and loan company	47	38.5	38.5
	Rural and Community Bank	22	18.0	18.0
	Microfinance company	53	43.4	43.4
	Total	122	100.0	100.0

6.3 Principles of Corporate Governance

This objective was to evaluate critically stakeholders' perceptions of corporate governance principles in MFIs in Ghana based on the Organisation of Economic Cooperation and Development (OECD) Corporate Governance Principles in order to investigate the application of corporate governance principles by MFIs. The principles are shareholder rights, equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and the board of directors' responsibility. Respondents were asked to rate their agreement with each of the five principles on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

6.3.1 Rights of Shareholders

A total of ten sub-questions were employed to critically evaluate stakeholder perceptions of the implementation of the rights of shareholder principle in MFIs in Ghana. Regarding the rights of shareholders principle, Table 6.2 indicates that shareholders have the right to obtain information related to the MFI regularly statement had the highest agreement with a mean score of 4.30. The statement with the second highest of agreement among the respondents was “shareholders have the right to discuss the external auditor’s report at the Annual General Meeting” which recorded a mean of 4.26. The third ranked statement by respondents was “shareholders have the right to vote in general meetings” which revealed a mean of 4.19. Statements “shareholders have the right to participate in MFI profits” and “the board has respect for the rights of shareholders” were ranked fourth and fifth by respondents as they recoded mean of 4.15 and 4.14 respectively. This was closely followed by statements “shareholders can vote in elections and remove members of the board of directors for non-performance” and “shareholders have the right to be informed on decisions concerning key MFI operational changes” were ranked sixth with mean scores of 4.09 respectively. The seventh and eight ranked statements by the respondents were “shareholders are provided with adequate and timely information about MFI meetings” and “details about the capital structure of your MFI are disclosed to shareholders” which had mean scores of 4.08 and 4.06. The least ranked statement in relation to the rights of shareholder principle was “there is opportunity for changes in shareholding structure by the board” which recorded a mean score of 3.74.

Overall, the results show that respondents agreed with all the items, with an average mean of 4.11. All the items had mean scores between 3.74 and 4.30. As a result, the majority of

respondents agreed, albeit to varied degrees, on the principle of shareholder rights in MFIs being implemented in Ghana.

Table 6. 2: Mean and Standard Deviation (SD) of responses for the Rights of Shareholder statements

Q1a. The rights of shareholders	N	Min	Max	Mean	Std Dev.	Rank
a1. The board has respect for the rights of shareholders	122	1	5	4.14	.875	5
a2. Shareholders have the right to participate in MFI profits.	122	1	5	4.15	.768	4
a3. Shareholders have the right to obtain information related to the MFI regularly.	122	1	5	4.30	.800	1
a4. Shareholders have the right to vote in general meetings	122	1	5	4.19	.885	3
a5. Shareholders can vote in elections and remove members of the board of directors for non-performance.	122	1	5	4.09	1.044	6
a6. Shareholders are provided with adequate and timely information about MFI meetings.	122	1	5	4.08	.905	7
a7. Shareholders have the right to discuss the external auditor's report at the Annual General Meeting.	122	1	5	4.26	.758	2
a8. Details about the capital structure of your MFI are disclosed to shareholders.	122	1	5	4.06	.846	8
a9. Shareholders have the right to be informed on decisions concerning key MFI operational changes	122	1	5	4.09	.813	6
a10. There is opportunity for changes in shareholding structure by the board	122	1	5	3.74	.960	9
Overall mean				**4.11**		

6.3.2 Equitable Treatment of Shareholders

We used a total of 5 questions to evaluate stakeholder perception regarding the equitable treatment of MFIs shareholders in Ghana. In relation to the equitable treatment principle, Table 6.3 indicates that "processes and procedures for general shareholder meetings allow for equitable treatment of all shareholders in the MFI" statement was ranked first by respondents

with a mean score of 3.91. The second ranked statement by the respondents is "in my view there is equitable treatment of all shareholders in the MFI" which recorded a mean score of 3.89.The third and fourth ranked statements by participants are "shareholders have the right to obtain information about voting rights before they buy shares in the MFI" and "board members and key executives disclose material interests in any transaction or matter directly affecting the MFI" which showed mean scores of 3.85 and 3.81 respectively. The final and least ranked statement regarding the equitable treatment of shareholder principle is "MFI shareholders who are from the same class are treated equally" with a mean score of 3.64. In conclusion, the items had mean values ranging from 3.64 to 3.91. With an average mean of 3.82, the participants agreed, albeit to varied degrees, on the implementation of the principle of equitable treatment of shareholders in MFIs in Ghana.

Table 6. 3: Frequency, Mean and Standard Deviation (SD) of responses for Equitable Treatment of Shareholder Statements

Q1b. Equitable treatment of shareholders	N	Min	Max	Mean	SD	Rank
b1.MFI shareholders who are from the same class are treated equally.	122	1	5	3.64	.910	5
b2. Shareholders have the right to obtain information about voting rights before they buy shares in the MFI.	122	1	5	3.85	.869	3
b3. Processes and procedures for general shareholder meetings allow for equitable treatment of all shareholders in the MFI.	122	1	5	3.91	.872	1
b4. Board members and key executives disclose material interests in any transaction or matter directly affecting the MFI.	122	1	5	3.81	.939	4
b5. In my view there is equitable treatment of all shareholders in the MFI	122	1	5	3.89	.925	2
Overall mean				**3.82**		

6.3.3 Role of Stakeholders in Corporate Governance

A total of 7 questions were employed to evaluate the perception of MFI stakeholders on the implementation of corporate governance principle in the role of stakeholders in corporate

governance. Regarding the role of stakeholders in corporate governance principle, Table 6.4 indicates that respondents ranked first the statement “MFI board recognises the role and participation of all stakeholders to achieving its objectives” which recorded a mean score of 4.14. The second highest ranked statement by participants was “the MFI board encourages performance-enhancing mechanism for employee participation” with a mean score of 4.02. Statements “MFI stakeholders have the right to obtain sufficient and reliable information on a timely basis” and “an effective corporate governance framework enforces creditor rights in the MFI” were ranked third and fourth respectively by the respondents which recoded means of 4.01 and 3.99. The participants however ranked fifth and sixth statements “stakeholder rights that are established by law are respected by the MFI” and “MFI stakeholders have the right to freely communicate their concerns about illegal or unethical practices to the board” which disclosed mean scores of 3.97 and 3.93 respectively. In this category, the least ranked statement by the respondents is “MFI stakeholders can obtain effective redress for violation of their rights” with a mean score of 3.79. Overall, all questions had mean values between 3.79 and 4.14, showing that the majority of participants agreed on the principle of stakeholders' role in corporate governance in MFIs in Ghana, as shown in Table 6.4, with an overall mean score of 3.98.

Table 6. 4: Frequency, Mean and Standard Deviation (SD) of responses for Role of Stakeholders in Corporate Governance Statements

Q1c. The role of stakeholders in corporate governance	N	Min	Max	Mean	SD	Rank
c1. Stakeholder rights that are established by law are respected by the MFI.	122	1	5	3.97	.908	5
c2. The MFI board encourages performance-enhancing mechanism for employee participation	122	1	5	4.02	.792	2
c3. MFI stakeholders can obtain effective redress for violation of their rights.	122	1	5	3.79	.835	7
c4. MFI stakeholders have the right to obtain sufficient and reliable information on a timely basis.	122	1	5	4.01	.848	3
c5. MFI stakeholders have the right to freely communicate their concerns about illegal or unethical practices to the board.	122	1	5	3.93	.831	6
c6. An effective corporate governance framework enforces creditor rights in the MFI.	122	1	5	3.99	.744	4
c7. MFI board recognizes the role and participation of all stakeholders to achieving its objectives.	122	1	5	4.14	.944	1
Overall mean				**3.98**		

6.3.4 Disclosure and Transparency

We employed a total of twelve questions to evaluate stakeholder perceptions on the corporate governance principle of disclosure and transparency in MFIs in Ghana. Table 6.5 indicates that the respondents ranked first the statement “MFI financial statements are prepared and disclosed in accordance with International Accounting Standards” with a mean score of 4.20. The second ranked statement by respondents is “an annual audit of the MFI is conducted by an independent auditor” which recorded a mean of 4.13. Statements “transparency is a key practice by management of the MFI” and “channels for the dissemination of information on a timely basis to relevant users are clearly provided by MFI” were ranked third and fourth respectively by respondents with mean scores of 4.10 and 4.01. However, the respondents ranked fifth and sixth statements “the objectives of the MFI are disclosed” and “there is clear flow of information amongst staff, customers, and the board members of the MFI” which revealed mean scores of 3.99 and 3.85 respectively. Statements “my MFI has clear lines of accountability among the board and management” and “the financial and operating results of the MFI are disclosed” were both ranked seventh as they recorded means of 3.80 respectively.

The remainder of the rankings in Table 6.5 shows that statement “the issues regarding employees and other stakeholders, such as programmes for human resource development and training in MFI are disclosed” was ranked eight disclosing a mean of 3.78, while statement “major share ownership is disclosed” was ranked nineth with a mean score of 3.68. The respondents ranked tenth statement “foreseeable risk factors are disclosed” which recorded a mean score of 3.59. The least ranked statement by the respondents was “the remuneration of MFI board members and key executives is disclosed” which indicated a mean of 3.28. With an aggregate mean score of 3.85, the majority of participants agreed that the principle of disclosure and transparency has been implemented in MFIs in Ghana. As indicated in Table 6.5, all items had mean scores between 3.28 and 4.20 respectively.

Table 6. 5: Frequency, Mean and Standard Deviation (SD) of responses for Disclosure and Transparency Statements

Q1d. Disclosure and transparency	N	Min	Max	Mean	SD	Rank
d1. The financial and operating results of the MFI are disclosed.	122	1	5	3.80	.987	7
d2. The objectives of the MFI are disclosed.	122	1	5	3.99	.932	5
d3. Major share ownership is disclosed	122	1	5	3.68	.938	9
d4. Foreseeable risk factors are disclosed	122	1	5	3.59	.951	10
d5. The remuneration of MFI board members and key executives is disclosed.	122	1	5	3.28	1.161	11
d6. The issues regarding employees and other stakeholders, such as programmes for human resource development and training in MFI are disclosed.	122	1	5	3.78	.949	8
d7. An annual audit of the MFI is conducted by an independent auditor.	122	1	5	4.13	.703	2
d8. MFI financial statements are prepared and disclosed in accordance with International Accounting Standards.	122	1	5	4.20	.781	1
d9. Channels for the dissemination of information on a timely basis to relevant users are clearly provided by MFI.	122	1	5	4.01	.787	4
d10. Transparency is a key practice by management of the MFI	122	1	5	4.10	.827	3
d11. There is clear flow of information amongst staff, customers, and the board members of the MFI.	122	1	5	3.85	.906	6
d12. My MFI has clear lines of accountability among the board and management.	122	1	5	3.80	.833	7
Overall mean				**3.85**		

6.3.5 Responsibilities of the Board

We employed seventeen questions to evaluate the participants perception regarding the implementation of corporate governance in relation to the principle of board of directors' responsibility in MFIs in Ghana. Table 6.6 indicates that the respondents ranked first the statement "the MFI board consists of members with diverse backgrounds and skills" with a mean score of 4.09. The second ranked statement by the respondents in relation to board responsibility was "the board has approved a strategic plan for the MFI" which recorded a mean score of 4.04. The third ranked statement by respondents was "board members act in the best interests of the MFI and the shareholders" as it revealed a mean score of 4.02. Statements "the board takes all MFI stakeholders' interests into account in decision making" and "the board monitors the adequacy of internal control through the internal auditor as established by MFI's management" were both ranked fourth by the respondents respectively with mean scores of 3.93. The fifth and sixth ranked statements by the respondents are "the responsibilities and roles of the board are clearly defined" and "the MFI has built a strong qualified and professional board" which recorded mean scores of 3.89 and 3.88 respectively. The seventh ranked statement was "there are set ethical standards acceptable in the MFI" which showed a mean of 3.86 while the eight ranked statement was that "the board monitors the effectiveness of the MFI's governance practices" with a mean score of 3.84. Statements "the MFI board members are provided with accurate and relevant information about the MFI by its management team" and "the board provides proper guidance to management regarding the strategic direction for the MFI" were ranked nineth and tenth respectively by the respondents with mean scores of 3.83 and 3.81.

Similarly, the respondents ranked statements "there are systems for monitoring and evaluating compliance by MFI's board" and "the MFI board of directors appoints, monitors and replaces executives as and when necessary" as eleventh and twelfth respectively with mean scores of 3.78 and 3.72. The thirteenth and the fourteenth ranked statements by the participants were that of "MFI board members devote sufficient time to their responsibilities" and "the board monitor and supervises effective risk management practices of the MFI through the internal auditor" which recorded mean scores of 3.71 and 3.70 respectively. The fifteenth ranked statement by the participants was that of "the MFI board supervises the process of disclosure and

communication” which had a mean score of 3.66. The least ranked statement regarding the board of directors’ responsibility principles was “The MFI board monitors and manages potential conflicts of interest of management, board members and shareholders at all times” which recorded a mean of 3.63. Finally, all assertions had mean scores ranging from 3.63 to 4.09. As a result, with an overall mean of 3.84, most of the participants agreed, to varied degrees, with the implementation of the principle of board director responsibility in MFIs in Ghana.

Table 6. 6: Frequency, Mean and Standard Deviation (SD) of responses for Responsibility of Board of Director Statements

Q1e. The responsibility of MFI board directors	N	Min	Max	Mean	SD	Rank
e1. The MFI board consists of members with diverse backgrounds and skills	122	1	5	4.09	.833	1
e2. The MFI has built a strong qualified and professional board	122	1	5	3.88	.868	6
e3. Board members act in the best interests of the MFI and the shareholders.	122	1	5	4.02	.803	3
e4. The board takes all MFI stakeholders' interests into account in decision making.	122	1	5	3.93	.874	4
e5. There are systems for monitoring and evaluating compliance by MFI's board	122	1	5	3.78	.886	11
e6. The board monitors the effectiveness of the MFI's governance practices.	122	1	5	3.84	.903	8
e7. The MFI board of directors appoints, monitors and replaces executives as and when necessary.	122	1	5	3.72	.938	12
e8. The MFI board monitors and manages potential conflicts of interest of management, board members and shareholders at all times.	122	1	5	3.63	.964	16
e9. The MFI board supervises the process of disclosure and communication	122	1	5	3.66	.925	15
e10. The MFI board members are provided with accurate and relevant information about the MFI by its management team	122	1	5	3.83	1.058	9
e11. The board has approved a strategic plan for the MFI.	122	1	5	4.04	.974	2
e12. MFI board members devote sufficient time to their responsibilities.	122	1	5	3.71	1.040	13
e13. The responsibilities and roles of the board are clearly defined	122	1	5	3.89	1.022	5
e14. There are set ethical standards acceptable in the MFI	122	1	5	3.86	.973	7
e15. The board provides proper guidance to management regarding the strategic direction for the MFI	122	1	5	3.81	1.031	10
e16. The board monitor and supervises effective risk management practices of the MFI through the internal auditor	122	1	5	3.70	.959	14
e17. The board monitors the adequacy of internal control through the internal auditor as established by MFI's management	122	1	5	3.93	.925	4
Overall mean				**3.84**		

6.4 Challenges of Corporate Governance Implementation in MFIs in Ghana

This section of the study critically assessed challenges to the implementation of corporate governance in microfinance institutions in Ghana. Thus, this section addressed the second objective of the study, which sought to critically assess the implementation challenges of corporate governance within MFIs in Ghana. In order to achieve this objective however, respondents were given a list of challenges and were asked to rate the extent to which they thought these challenges affected the implementation of corporate governance in MFIs in Ghana using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Table 6.7 indicate that the participants agreed items listed as challenges that might affect the implementation of corporate governance in MFIs in Ghana with a mean score of 3.21 or less. The respondents ranked "too many powers of owners and CEOs in the MFI" and "inadequate female directors on MFI board" as the first and second challenges which had mean scores of 3.21 and 3.06 respectively."The committees of the board are not always fully constituted in the MFI" was ranked the third challenge affecting the implementation of corporate governance in MFIs in Ghana as it recorded a mean score of 3.00 whereas "there is strict defined length of term of office for the MFI board members" was ranked fourth by respondents as a challenge with a mean score of 2.99. The respondents ranked "culture of the Ghanaian community" as the fifth challenge which revealed a mean of 2.97. Table 6.7 indicate that the respondents regard the above challenges as the top challenges impeding the implementation of corporate governance in MFIs in Ghana.

Table 6.7 indicates that challenges such as "poor financial and non-financial disclosure", "weak IT infrastructures of MFIs", "the MFIs rarely organise the annual general meeting", "the MFI board members do not exhibit professionalism due to lack of skills mix" and "poor-quality of staff recruited" were not given as much importance as they had means score values of 2.90 or less. The least ranked challenge by the respondents is "the members of the supervisory board of MFI are not independent" which revealed a mean score of 2.41.

Table 6. 7: Challenges to Implementation of Corporate Governance in MFIs in Ghana

Possible challenges	N	Min	Max	Mean	SD	Rank
Q2a. The MFI board members do not exhibit professionalism due to lack of skills mix	122	1	5	2.76	1.234	9
Q2b.The members of the supervisory board of MFI are not independent	122	1	5	2.41	1.170	19
Q2c. It's not easy to decide on the composition of the board of MFI	122	1	5	2.70	1.199	12
Q2d. It's not very easy to decide on the board size of an MFI	122	1	5	2.54	1.151	16
Q2e. The lack of understanding between owners and the managers of the MFI	122	1	5	2.61	1.125	15
Q2f. Oversight and management operational responsibilities for the board are not adequately defined by the MFI	122	1	5	2.61	1.087	15
Q2g.There is strict defined length of term of office for the MFI board members	122	1	5	2.99	1.230	4
Q2h.The committees of the board are not always fully constituted in the MFI	122	1	5	3.00	1.178	3
Q2i. The MFI rarely organizes the annual general meeting	122	1	5	2.80	1.259	8
Q2j. MFI board members often succumb to political pressure	122	1	5	2.72	1.261	11
Q2k. There is improper management and appropriation of loanable funds by some officials of the MFI	122	1	5	2.61	1.295	15
Q2l. Poor remuneration of MFI board members	122	1	5	2.80	1.183	8
Q2m. Weak legal controls and law enforcement by Bank of Ghana	122	1	5	2.50	1.294	18
Q2n. Culture of the Ghanaian community	122	1	5	2.97	1.142	5
Q2o. Poor-quality of staff recruited	122	1	5	2.73	1.266	10
Q2p. Weak IT infrastructures of MFI	122	1	5	2.85	1.309	7
Q2q. Poor supervision and monitoring of MFI by Bank of Ghana	122	1	5	2.53	1.241	17
Q2r. Government interference in MFI business activities	122	1	5	2.67	1.102	13
Q2s. The costs of practicing good corporate government outweigh the benefits for the MFI	122	1	5	2.66	1.125	14
Q2t. Poor financial and non-financial disclosure	122	1	5	2.90	1.071	6
Q2u. Bribery and corruption of the board and management team in the MFI	122	1	5	2.67	1.195	13
Q2v.Inadequate female directors on MFI board	122	1	5	3.06	1.235	2
Q2w. Too many powers of owners and CEOs in the MFI	122	1	5	3.21	1.173	1
Q2x. The appointment of friends and family members into board without knowledge of CG	122	1	5	2.72	1.255	11
Overall mean				**2.75**		

6.5 Factors Impacting the Implementation of Corporate Governance in MFIs in Ghana

The factors that influence the implementation of corporate governance in MFIs in Ghana are evaluated in this section of the study. This section addresses the third objective of the study which sought to evaluate the factors that influence the implementation of corporate governance in MFIs in Ghana. Respondents were given a list of factors and asked to rate the extent to which these factors influence the implementation of corporate governance practices by MFIs in Ghana on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

The results in Table 6.8 indicates that the respondents agreed with the importance of all items in influencing the implementation of corporate governance in MFIs in Ghana. Table 6.8 showed that the respondents ranked "developing incentive programmes for compliance with principles of corporate governance by MFI" and "intense competition in the MF sector "as first and second factors that impacted on the practice of corporate governance by MFIs in Ghana with mean scores of 3.91 and 3.90 respectively. The third and fourth factors that were ranked by the respondents as impacting on corporate governance practice implementation were "type of ownership of an MFI" and "Participating in international events, conferences, meetings and committees dealing with corporate governance by MFI" which revealed mean scores of 3.89 and 3.86. The fifth and sixth ranked factors that impacted corporate governance implementation in MFIs in Ghana by participants are "initiating regional corporate governance partnership programmes with international organisations such as the OECD by an MFI" and "awareness and business education for CEOs, directors and board members of MFI on benefits of good corporate governance" which showed means of 3.85 and 3.84 respectively. The respondents however, ranked seventh factors "Investor representation on MFI board and external funding needs/investment opportunities" and "MFI financial and social performance status" as influencing corporate governance implementation by MFIs with both recording mean scores of 3.82 respectively.

The respondents also ranked the following factors as important as they impacted the implementation of corporate governance practice among MFIs in Ghana: proper composition of MFI board and sub-committees; learning from the experiences of other countries concerning corporate governance practice; external audit quality, e.g., having a big4 audit firm to audit MFI accounts; MFI board expertise and participation; the presence of diverse stakeholders representing on MFI board; encouraging research into corporate governance in the MFI sector

in Ghana among other factors (see Table 6.8). The least factor ranked by the respondents as impacting the implementation of corporate governance is “The presence of independent internal audit department reporting to the MFI board” which recorded a mean score of 2.67.

Table 6. 8: Frequency, Mean and Standard Deviation (SD) of responses on the Factors influencing the implementation of corporate governance in MFIs in Ghana

Factors	N	Min	Max	Mean	SD	Rank
Q3a.The presence of independent internal audit department reporting to the MFI board	122	1	5	2.67	1.333	19
External audit quality, e.g., having a big4 audit firm to audit MFI accounts	122	1	5	3.77	1.011	9
Q3b. The size of the MFI	122	1	5	3.61	1.041	14
Q3c. The reputation of the MFI	122	1	5	3.57	.987	16
Q3d.The presence of diverse stakeholders representing on MFI board	122	1	5	3.66	1.041	11
Q3e. The presence of female directors on MFI board	122	1	5	3.65	1.052	13
Q3f. The religious affiliation of an MFI	122	1	5	3.34	1.096	17
Q3g. Stricter monitoring by the Bank of Ghana	122	1	5	3.19	1.145	18
Q3h.Investor representation on MFI board and external funding needs/investment opportunities	122	1	5	3.82	1.029	7
Q3i. MFI board expertise and participation	122	1	5	3.71	.966	10
Q3j. MFI financial and social performance status	122	1	5	3.82	1.049	7
Q3k. Proper composition of MFI board and sub-committees	122	1	5	3.79	1.038	8
Q3l. Type of ownership of an MFI	122	1	5	3.89	.972	3
Q3m. Ensuring wide adoption of international accounting and standards in preparing MFI financial statements	122	1	5	3.60	1.018	15
Q3n. Intense competition in the MF sector	122	1	5	3.90	.983	2
Q3o. Using training and other means of support by an MFI	122	1	5	3.67	1.000	11
Q3p. Developing incentive programmes for compliance with principles of corporate governance by MFI	122	1	5	3.91	.853	1
Q3q. Awareness and business education for CEOs, directors and board members of MFI on benefits of good corporate governance	122	1	5	3.84	.856	6
Q3r. Participating in international events, conferences, meetings and committees dealing with corporate governance by MFI	122	1	5	3.86	.826	4
Q3s. Encouraging research into corporate governance in the MFI sector in Ghana	122	1	5	3.66	.976	12
Q3t. Learning from the experiences of other countries concerning corporate governance practice	122	1	5	3.79	.884	8
Q3u. Initiating regional corporate governance partnership programmes with international organisations such as the OECD by an MFI	122	1	5	3.85	.840	5
Overall mean				**3.66**		

6.6 Relationship between Corporate Governance and MFIs Performance

6.6.1 Introduction

This section presents the results of the relationship between corporate governance mechanisms and the performance of MFIs in Ghana based on secondary data collected from MFIs in Ghana. We therefore analyse performance into financial and social indicators. This reflects the double bottom line objectives of MFIs which seek to make profit but most importantly reduce poverty through the promotion of wellbeing of the economically active poor. Although in recent times there is an environmental dimension of MFIs performance. Our study excludes any environmental dimension of MFIs performance (as this is still a new area for MFIs in Ghana). On the one hand, the financial indicators included in this study are Return on Assets (ROA), Return on Equity (ROE), Operating Self-sufficiency ratio (OSS), Operating Cost ratio (OCR), and Yield on Gross Loan Portfolio (YGLP). On the other hand, the social performance measures included in this study are breadth of outreach, percentage of women borrowers, and scope of outreach which is measured by (capacity training and loan usage). This section therefore addressed the research objective 4 of this study which sought to critically analyse and determine the relationship between corporate governance mechanisms and the performance of MFIs in Ghana.

This section is arranged as follows: Section 6.10.2 presents descriptive statistics of all variables included in the study. Sections 6.10.3 and 6.10.4 presents bivariate correlation matrix for both financial and social performance indicators. Sections 6.11 and 6.12 provide regression results and analysis of corporate governance mechanisms and financial and social performance variables. Section 6.13 presents the effects of control variables while 6.14 provides evidence of robustness test. Finally, section 6.15 provides regression models of the study whereas section 6.16 provides conclusion to the chapter.

6.6.2 Descriptive Statistics of Independent, Dependent, and Control Variables of the Study

Table 6.9 presents descriptive statistics for dependent, independent, and control variables, including the number of observations, means, and standard deviation values. As indicated in

Table 6.9, the mean value of MFIs financial performance indicators is ROA = .3457; ROE = .3109; OSS = 81.9476; OCR = 66.2503; and YGLP = 72.4526. This implies that MFIs have a very low ROA and ROE of less than 1 percent each (ROA = .3457; ROE = .3109). ROA is a measure for assessing how well MFIs uses their resources. It indicates MFIs effectiveness as well as their profit margin. The return on equity (ROE) indicator shows how well MFIs are using the capital that shareholders have invested in the MFIs to generate profits. While the ROA and ROE are positive, they are low suggesting that most of the MFIs in our sample are loss making although few of the MFIs were profitable. This may also suggest that MFIs are incurring additional costs to comply with recent CG Directive 2018 by the BoG. In relation to prior literature, ROA for MFIs in Ghana appears to have deteriorated due to the above reasons. For example, Ofoeda (2016) found that the average profitability of Ghanaian non-bank financial institutions was 3 per cent, meaning that providers of capital make an average of 3 per cent on their investments. Thus, our mean result for ROA indicates a deterioration considering the fact that treasury bills are trading averagely at 20 per cent in recent years. Our mean result is consistent with many studies including Thrikawala et al. (2017) reported that on average, the return on assets (ROA) of the total sample in their study is 0.01 for Sri Lanka and India respectively. The authors indicates that even though the average value of ROA is reasonably low, a positive value indicates that MFIs do try to create a value for their investors and donors. Similar to the findings reported by Mersland and Strøm (2009) and Galema et al. (2012), Thrikawala et al. (2016) indicate that the average ROA of MFIs in Sri Lanka is 1.3 per cent. Hussain et al. (2021) confirm an average of 4.31% ROA for MFIs in Bangladesh.

The mean value for the OSS (81.9476) suggest that MFIs in Ghana are not able to cover all their expenses with the operating revenue they generate as it is less than 100% or 1. Our mean value for OSS among MFIs in Ghana is consistent with prior literature. For example, Thrikawala et al. (2016) reported a mean for OSS at 0.99 and it was deemed below 1 or 100% as the standard benchmark. This indicates that MFIs in Sri Lanka are not operating effectively, and this figure is similar to the mean OSS (0.92) obtained for MFIs operating in Central and Eastern Europe and newly independent states (Hartarska, 2005). On the contrary, Thrikawalaetal. (2017) indicate that on average, the operational self-sufficiency (OSS) of MFIs in Sri Lanka and India are slightly above the threshold level of one (mean = 1.07 and median = 1.09), suggesting that MFIs in both countries are moderately meeting their obligations while covering their operational costs by generating funds internally. Bangladeshi MFIs are much

more self-sustainable as Ainan et al. (2022) and Hussain et al. (2021) reports an average of 132% and 131% respectively.

The mean value for yield on gross loan portfolio (YoGLP) is (72.4526) which is quite high. However, this may suggest that MFIs are charging exorbitant interest rates on loans granted to clients. Thrikawala et al. (2016) report an average YOGLP of Sri Lankan MFIs is 25 per cent which is lower than an average portfolio yield for 379 MFIs from 73 countries reported by Mori and Mersland (2014) as 33 per cent. Thrikawala et al. (2017) reports 24 per cent as the average yield on gross loan portfolio (YOGLP) in Sri Lanka and India MFIs. Operating cost ratio (OCR) measure indicates the cost of delivering loans to the average loan portfolio. The mean value for (OCR = 66.2503) which suggest that on average MFIs incurs up to 66% cost on the value of loan portfolio disbursed to clients. While this suggest is expensive for MFIs to make loans this may be offset by the YOGLP (72%). Therefore, there is a net yield of only 6 percent. In comparison to the prior literature, Thrikawala et al. (2017) report 12 per cent as the average operating cost ratio (OCR) for MFIs in Sri Lanka and India respectively.

From Table 6.9, the social performance indicators are breadth of outreach, percentage of women borrowers and scope of outreach which is represented by capacity training and loan usage. The mean values for breadth of outreach are (3.2958). As a result of the dispersed nature of active borrowers in Ghana, we employed natural logarithms of total active borrowers in our sample. This is consistent with prior literature. For example, Thrikawala et al. (2016) report that because of the huge dispersion in the number of active clients (Breadth) in their sample, their study used natural logarithm transformation to condense the dispersion. Thrikawala et al. (2017) report that on average, 172,028 active customers (Breadth) are reached in their sample while the maximum number of active customers is more than 6.2 million.

Table 6. 9: Descriptive Statistics of Study Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Bsize	34	3.00	9.00	6.0000	1.59545
Bcomp	34	.00	8.00	4.4118	2.20355
CEO Duality	34	1.00	1.00	1.0000	.00000
Internal Audit	34	1.00	1.00	1.0000	.00000
FemDir	34	.00	4.00	1.3529	1.15161
C_Training	34	.00	1.00	.7059	.46250
Loan_usage	34	.00	1.00	.6471	.48507
FemBorr	34	.02	.95	.5847	.22801
Breadth	26	1.86	4.61	3.2958	.85424
Lev	34	.45	1.22	.8254	.16078
Fage	34	.85	1.64	1.1609	.24418
Fsize	34	5.76	8.49	7.3073	.70723
ROA	34	-13.15	7.52	.3457	3.25134
ROE	34	-76.56	26.87	.3109	17.51612
OSS	34	-123.01	133.53	81.9476	58.51369
OCR	34	-91.67	312.01	66.2503	82.23544
YGLP	34	5.45	250.57	72.4526	61.54492
Valid N (listwise)	26				

Table 6.9 shows that on average the percentage of women borrowers in MFIs in Ghana is about 59 percent (.5847). This is quite low compared with prior literature. For instance, Thrikawala et al. (2016) report that in Sri Lanka, female borrowers represent 81 per cent of the total number of credit clients. The authors indicate that with a median value of 88 percent implies that 50 percent of MFIs have less than 12 per cent male borrowers in Sri Lanka. Similarly, a study conducted by Mersland and Strøm (2009) highlighted that 73 per cent of MFI customers around the world were females, which is a comparatively high proposition. Thrikawala et al. (2017) study reveals that MFIs in Sri Lanka and India have a gender bias, as 90 per cent of their loan clients are female (FemBorr). Arrassen (2017) shows that in sub-Saharan Africa, women represent 61% of MFIs' borrowers. The scope of outreach mean values are (.7059) and (.6471) for capacity training offered by MFIs to their clients and loan usage respectively. This implies that about 71 percent of MFIs in our sample provided some sort of training for their clients whiles about 65 percent of the MFIs specifically provided training to clients on the appropriate loan usage so as to be able to pay back loans without difficulty.

From Table 6.9, the average board size in MFIs in Ghana was (6.0000). In relation to board size of MFIs, the average board size of MFI in Ethiopia is about seven implying that Ethiopian MFIs have boards of similar size as the average global MFIs (Dato et al., 2018; Hartarska and Mersland, 2012; Hussain et al., 2021). Thrikawala et al. (2017) report that in Sri Lanka and India the average number of board members (Bsize) is eight which is much higher. Table 6.9 shows that the presence of independence directors on the board of MFIs in Ghana is (4.4118). Considering the relatively smaller board size for MFIs this surpasses the 30% of bank board size independence which is the minimum requirements for the CG Directives 2018 by Bank of Ghana. This indicates that MFIs have started to implement the BoG CG Directive 2018. Therefore, our mean value is consistent with prior literature. For example, Thrikawala et al. (2017) report that in Sri Lankan and Indian MFIs have 60 per cent independent directors on their boards which complies with the code of CG requirements for both countries. Our mean value for independent directors is also consistent with studies (Ainan et al., 2022; El-Chaarani et al., 2022; Haniffa and Hudaib, 2006; Hussain et al., 2022; Khatib and Nour, 2021).

However, there is evidence of low female board member participation in MFIs in Ghana with an average mean value of (1.3529). This indicates that only 1 female director is on the boards of MFIs in Ghana with some of the MFIs not even having a female representation on their boards at all. This is low and not reflecting the fact that MFIs clients are predominantly women not just in Ghana but around the world. The low gender representation in MFIs in Ghana suggests the lack of strong legal protection as El-Chaarani et al. (2022) indicate that when there is a strong legal protection level, banks are more willing to increase the presence of women on the board. The mean value is low when compared with prior literature. For instance, Thrikawala et al. (2016) report that female directors on the board is approximately 43 per cent in Sri Lanka, which is higher than the value obtained by Hewa-Wellalage et al. (2012) for listed companies in Sri Lanka (7.4 per cent). However, in the microfinance sector, Bassem (2009) and Kyereboah-Coleman (2006) highlight that on average, 40 per cent of boards are made up of women in euro-Mediterranean countries. Thrikawala et al. (2017) report that on average, 29 per cent of the board seats are held by women in Sri Lanka and India respectively.

Regarding CEO duality and internal audit, the standard deviation values suggest that there are no differences between firms. This means that there is no CEO duality among MFIs in Ghana. In other words, no one individual occupied the position of CEO and board chair at the same

time, which indicates that MFIs have started to implement the BoG CGD 2018. Similarly, we find that all MFIs in our sample also had internal audit units again suggesting that MFIs are implementing the BoG CGD 2018. As a result, our subsequent analysis excludes these two corporate governance mechanisms variables.

For control variables, the mean values are (leverage = .8254); (firm age = 1.1609); (firm size = 7.3073) respectively. This means that MFIs are highly leveraged at about 83 percent. While this is high, it is however, consistent with literature. Thrikawala et al. (2017) report that the mean leverage of the Sri Lankan and Indian MFI sample is 0.74 with values between zero and 2.04 which shows negative net assets for MFIs with a value greater than one. Firm size in our study is the natural logarithm of total assets of MFIs and it shows a mean value of (7.3073), which is equivalent to mean assets of (GHS20,209,839). Thrikawala et al. (2017) report the mean log value of the total assets (Fsize) of 19.2 with minimum of 12.7 and maximum of 25. Firm age is the natural logarithms of the total number of years since establishment and the mean value is (1.1609). This suggest that the microfinance sector in Ghana is relatively young with an average of 14.48 years (antilog).

6.6.3 Correlation Matrix of Corporate Governance Mechanisms and MFIs Financial Performance

Table 6.10 shows the correlation analysis of all variables relating to CG mechanisms and MFIs financial performance indicators. This analysis was conducted to observe whether there is a positive or negative associations among the study variables. In addition, this analysis was done to test for the presence of multicollinearity in the dataset. As shown in Table 6.10, it is evident that, board size (*Bsize)* has a significant correlation with OCR (Pearson correlation coefficient =.448) and YGL (Pearson correlation coefficient =.441).

From Table 6.10, although board composition has correlation with all the financial performance indicators in the study, these relationships are not statistically significant. Similarly, as can be observed from Table 6.10, female directors (FemDir) have relationship with financial performance measures, but the relationships are not statistically significant. However, firm size (*Fsize)* has a significant association with OSS (Pearson correlation coefficient =.479). Firm age (Fage) and leverage (lev) have some form of correlations with the

firm’s financial performance indicators, those relationships are not seen to be significant as shown in Table 6.10.

Table 6.10 indicates that there are no multicollinearity problems with our results. Multicollinearity denotes a linear association between two or more explanatory variables. Researchers have commonly highlighted that correlation values that are not higher than 0.7 indicate no possibility for multicollinearity issues (Shahwan, 2015). Serious collinearity is only suspected, according to Gujarati (2003), if the coefficients of correlation between the continuous independent variables are greater than 0.800. The variance inflating factor (VIF) test is also conducted and the result of all variables are about 2.0 or less, which confirms the non-existence of multicollinearity in this study as shown in Table 6.10.

Table 6. 10: Bivariate Statistic Analysis and Correlation Matrix of Corporate Governance Mechanism and MFIs Financial Performance Indicators

		ROA	ROE	OSS	OCR	YGLP	Bsize	Bcomp	FemDir	Fage	Fsize	Lev
ROA	Pearson Correlation	1										
	Sig. (2-tailed)											
	N	34										
ROE	Pearson Correlation	.908**	1									
	Sig. (2-tailed)	.000										
	N	34	34									
OSS	Pearson Correlation	.144	.126	1								
	Sig. (2-tailed)	.417	.478									
	N	34	34	34								
OCR	Pearson Correlation	-.453**	-.544**	.284	1							
	Sig. (2-tailed)	.007	.001	.104								
	N	34	34	34	34							
YGLP	Pearson Correlation	-.133	-.233	-.087	.689**	1						
	Sig. (2-tailed)	.453	.185	.625	.000							
	N	34	34	34	34	34						
Bsize	Pearson Correlation	-.024	.016	.208	.448**	.441**	1					
	Sig. (2-tailed)	.891	.927	.238	.008	.009						
	N	34	34	34	34	34	34					
Bcomp	Pearson Correlation	.179	.213	.328	.300	.223	.610**	1				
	Sig. (2-tailed)	.312	.226	.058	.085	.204	.000					
	N	34	34	34	34	34	34	34				
FemDir	Pearson Correlation	.222	.191	.088	.048	-.063	.462**	.466**	1			
	Sig. (2-tailed)	.206	.278	.621	.789	.724	.006	.005				
	N	34	34	34	34	34	34	34	34			
Fage	Pearson Correlation	.089	.086	.289	.236	.272	.472**	.663**	.137	1		
	Sig. (2-tailed)	.618	.629	.098	.179	.120	.005	.000	.440			
	N	34	34	34	34	34	34	34	34	34		
Fsize	Pearson Correlation	.165	.219	.479**	.095	.072	.676**	.611**	.414*	.284	1	
	Sig. (2-tailed)	.352	.214	.004	.594	.686	.000	.000	.015	.104		
	N	34	34	34	34	34	34	34	34	34	34	
lev	Pearson Correlation	-.015	.018	.039	.214	.130	.355*	.331	.449**	.300	.155	1
	Sig. (2-tailed)	.931	.919	.828	.223	.462	.039	.056	.008	.085	.381	
	N	34	34	34	34	34	34	34	34	34	34	34
	VIF	-	-	-	-	-	1.245	1.112	1.897	1.320	1.321	1.325

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

6.10.4 Bivariate Correlation Matrix of Corporate Governance Mechanisms and MFIs Social Performance

Table 6.11 shows the correlation analysis of all variables relating to corporate governance mechanisms and MFIs social performance indicators including control variables. The analysis is important in order to observe positive or negative relationships among all the variables in this study. This analysis is also important for the assessment of multicollinearity issues in our dataset. It is evident from Table 6.11 that board size (*Bsize*) has a positive significant correlation with breadth of outreach *(Breadth)* with (Pearson correlation coefficient =.415). Board size shows a negative correlation with female borrowers (Pearson correlation coefficient = -.008). Further, board size indicates a negative correlation with scope of outreach which is measured by capacity training (-.082) and loan usage (-.235).

Similarly, board composition (*Bcomp*) is statistically significant positively correlated with breadth of outreach (Breadth) with (Pearson correlation coefficient = .445). Board composition has a positive correlation with female borrowers (FemBorr) but this relationship is not statistically significant. Furthermore, board composition shows a negative but insignificant relationship with scope of outreach (capacity training and loan usage). Female directors *(FemDir)* also show a positive and statistically significant correlation to breadth of outreach (Pearson correlation coefficient =.521). Female directors on the board of MFIs have a negative but insignificant correlation with female borrowers and scope of outreach (capacity training and loan usage) as indicated in Table 6.11. On the effect of control variables, firm size (Pearson correlation coefficient = .562) and leverage (Pearson correlation coefficient = .535) all have a significant positive correlation with *Breath*. In addition, firm size has significant negative correlation with *Loan usage (*Pearson correlation coefficient =-.485) Also, firm age (*Fage)* has a significant positive correlation with female borrowers (Pearson correlation coefficient =.457). Table 6.11 provides detailed correlation analysis.

As indicated in the correlation analysis, all variables' coefficients are not more than 0.800 and therefore suggest that there are no serious multicollinearity issues in our result. Similarly, the variance inflating factor (VIF) test result indicates that all variables are about 2.0 or less, which confirms the non-existence of multicollinearity.

Table 6. 11: Bivariate Statistics Analysis and Correlation Matrix of Corporate Governance Attributes and MFIs Social Performance Indicators

		CTraining	Loan_usage	*Breadth*	*FemBorr*	*Bsize*	*Bcomp*	*FemDir*	Fage	*Fsize*	*Lev*
CTraining	Pearson Correlation	1									
	Sig. (2-tailed)										
	N	34									
Loan_usage	Pearson Correlation	.874**	1								
	Sig. (2-tailed)	.000									
	N	34	34								
Breadth	Pearson Correlation	-.192	-.437*	1							
	Sig. (2-tailed)	.347	.026								
	N	26	26	26							
FemBorr	Pearson Correlation	-.159	-.132	.419*	1						
	Sig. (2-tailed)	.369	.455	.033							
	N	34	34	26	34						
Bsize	Pearson Correlation	-.082	-.235	.415*	-.008	1					
	Sig. (2-tailed)	.644	.181	.035	.963						
	N	34	34	26	34	34					
Bcomp	Pearson Correlation	-.175	-.314	.445*	.243	.610**	1				
	Sig. (2-tailed)	.322	.071	.023	.166	.000					
	N	34	34	26	34	34	34				
FemDir	Pearson Correlation	-.027	-.313	.521**	-.136	.462**	.466**	1			
	Sig. (2-tailed)	.881	.072	.006	.444	.006	.005				
	N	34	34	26	34	34	34	34			
Fage	Pearson Correlation	.041	-.009	.365	.457**	.472**	.663**	.137	1		
	Sig. (2-tailed)	.818	.959	.067	.007	.005	.000	.440			
	N	34	34	26	34	34	34	34	34		
Fsize	Pearson Correlation	-.295	-.485**	.562**	.192	.676**	.611**	.414*	.284	1	
	Sig. (2-tailed)	.090	.004	.003	.276	.000	.000	.015	.104		
	N	34	34	26	34	34	34	34	34	34	
Lev	Pearson Correlation	.344*	.301	.535**	.140	.355*	.331	.449**	.300	.155	1
	Sig. (2-tailed)	.046	.083	.005	.431	.039	.056	.008	.085	.381	
	N	34	34	26	34	34	34	34	34	34	34
VIF		-	-	-	-	1.245	1.112	1.897	1.320	1.321	1.325

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Table 6. 12: Paired Samples Correlations

		N	Correlation	Sig.
Pair 1	ROA_2020 & ROA_2019	17	-.040	.879
Pair 2	ROE_2020 & ROE_2019	17	-.221	.395
Pair 3	OSS_2020 & OSS_2019	17	.924	.000
Pair 4	OCR_2020 & OCR_2019	17	.870	.000
Pair 5	YGLP_2020 & YGLP_2019	17	.941	.000
Pair 6	Fsize_2020 & Fsize_2019	17	.991	.000

The t-test procedure is a statistical procedure used to determine whether the mean difference between all sets of all variables involved in this study for 2019 and 2020 is zero. From Table6.12, apart from ROA and ROE, all other variables are strongly and positively correlated (r>0.8, $p < 0.001$). Also, from Table 6.13, almost all variables have alpha greater than 0.05, so we can safely conclude that there is no significant difference between the values recorded for those variables for the year 2019 and 2020. It therefore implies that, the difference between the means in the values recorded for 2019 and 2020 is very likely to have occurred merely due to chance, therefore, we can conclude that it is not a real difference.

Table 6. 13: T-test for 2019 and 2020

	2019		**2020**		**Mean**	**T-**	**Sig.**
	Mean	**SD**	**Mean**	**SD**	**Diff**	**Test**	**(2-tailed)**
ROA	0.6832	2.01430	0.0081	4.18373	-0.6758	-0.590	0.563
ROE	1.4550	13.41510	-0.8331	21.21459	-2.28810	-0.343	0.736
OSS	82.4529	58.33782	81.4424	60.48017	-1.01059	-0.179	0.860
OCR	61.8288	81.16999	70.6718	85.54467	8.84294	0.855	0.405
YGLP	75.6335	61.95845	69.2718	62.86447	-6.36176	-1.228	0.237
Fsize	7.2887	0.70841	7.3260	0.72734	0.03732	1.596	0.130

6.7 Regression Analysis of Financial Performance Results

The association between corporate governance mechanisms and MFIs financial performance indicators are evaluated in this section. As shown in Table 6.14, several governance mechanisms and performance indicators were utilised to estimate the panel OLS regression between the variables. Models 1, 3, 5, 7, and 9 provide the regression result including all control variables while models 2, 4, 6, 8 and 10 enable us to provide a comparison between the results obtained for 2019 and 2020 respectively.

6.7.1 Board Size

The regression result in Table 6.14 indicates that board size has a statistically significant negative relationship with ROA and ROE at 10 percent respectively for both 2020 and 2019 financial years. On the contrary, Table 6.14 revealed that board size has a positive statistically significant relationship with OCR and YOGLP at 5 percent and 1 percent respectively for both 2020 and 2019 fiscal years. However, board size has no significant relationship with OSS for either 2020 or 2019 financial years. Although board size showed some form of relationship with OSS, it's not statistically significant. The regression results confirm the variance analysis in Table 6.9. The findings are mixed as we find that board size has a significantly negative and positive relationship with financial performance variables in this study.

6.7.2 Board Composition

The regression result in Table 6.14 of this study suggest that board composition has no statistically significant relationship with any of the 5 financial performance indicators (ROA, ROE, OSS, OCR, and YoGLP). Although board composition has some positive relationship with ROA, ROE, and OCR for both 2020 and 2019 financial years, these relationships are not statistically significant. Similarly, board composition shows insignificant negative relationship with OSS and YOGLP. This result is consistent with the variance analysis in Table 6.10. As a result, we conclude that board composition has no relationship with the financial performance of MFIs in Ghana.

Table 6. 14: Panel OLS Regressions of Firm Financial Performance Indicators

Variable	Panel A(ROA)		PANEL B(ROE)		PANEL C (OSS)		Panel D (OCR)		PANEL E (YGL)	
	1	2	3	4	5	6	7	8	9	10
Bsize	.083*	.085*	.093*	.095*	.308	.310	.020**	.022**	.002***	.003***
	(-1.154)	(-1.151)	(-6.059)	(-6.052)	(-10.905)	(-10.901)	(36.856)	(36.852)	(35.425)	(35.422)
Bcomp	.311	.315	.260	.260	.818	.819	.0.874	.0.878	.371	.371
	(.636)	(.633)	(3.855)	(3.854)	(-2.354)	(-2.352)	(2.291)	(2.289)	(-9.272)	(-9.270)
FemDir	.238	.238	.486	.488	.775	.775	.0.328	.0.328	.197	.199
	(-.763)	(-.762)	(2.427)	(2.425)	(-2.988)	(-2.989)	(-14.636)	(-14.635)	(-13.808)	(-13.802)
Fage	.921	.923	.872	.871	.217	.219	.853	.855	.491	.495
	(-.347)	(-.346)	(-3.072)	(-3.073)	(72.158)	(72.156)	(-15.105)	(-15.101)	(40.119)	(40.117)
Fsize	.617	.619	.478	.481	.010**	.012*	.076*	.077*	.296	.296
	(.637)	(.632)	(4.927)	(4.922)	(56.385)	(56.382)	(-40.712)	(-40.710)	(-22.161)	(-22.160)
Lev	.607	.605	.864	.866	.983	.988	.603	.604	.903	.905
	(-2.178)	(-2.180)	(-3.921)	(-3.919)	(1.454)	(1.451)	(51.248)	(51.251)	(8.476)	(8.472)
Constant	.986	.989	.810	.810	.045**	.048**	.577*	.577*	.863	.866
	(0.170)	(0.167)	(-12.842)	(-12.841)	(-335.193)	(-335.187)	(127.541)	(127.540)	(27.860)	(27.858)
F-Statistics	0.462	0.466	0.520	0.522	0.087	0.088	0.102	0.101	0.035	0.033
	(0.973)	(0.968)	(0.884)	(0.881)	(2.093)	(1.987)	(1.989)	(1.992)	(2.697)	(2.701)
R-square	0.178	0.182	0.164	0.168	0.317	0.319	0.307	0.312	0.375	0.376

Standardized beta coefficients; t statistics in parentheses. *** p<0.01, ** p<0.05, * p<0.1

6.7.3 Female Directors (FemDir)

The regression result in Table 6.14 reveals that female director's representation has no statistically significant relationship with MFIs financial performance in Ghana. All financial performance variables have negative relationship with female representation on MFIs board with the exception of ROE which has a positive relationship with female directors. However, these relationships are not statistically significant. These results corroborate with the variance analysis in Table 6.10.

6.8 Regression Analyses of Social Performance Results

As shown in Table 6.15, several governance and performance variables were employed to estimate the panel OLS regression between the variables. Models 1, 3, 5 and 7 provide the regression result including all control variables while models 2, 4, 6 and 8 enabled us to provide a comparison between the results obtained for 2020 and 2019 respectively.

6.8.1 Board Size

Board size is significantly negatively associated with breadth of outreach and female borrowers for 2020 and 2019 financial years respectively as shown in Table 6.15. However, board size has no significant relationship with scope of outreach (capacity training and loan usage). This implies that an increase in board size or larger board size of MFIs decreases the absolute number of borrowers. This may be due to the excessive administrative cost of maintaining a larger board because of their level of qualification and experience. However, although board size showed a positive relationship with scope of outreach (capacity training and loan usage), this relationship is not statistically significant. These findings confirm the bivariate variance analysis in Table 6.11.

Table 6. 15: Panel OLS Regressions of Firm Social Performance Indicators

Variable	PANEL A (Cap Training)		Panel B (Loan Usage)		PANEL C (Breadth)		PANEL D (FemBorr)	
	1	2	3	4	5	6	7	8
Bsize	.546	.547	.0.584	.0.585	.070*	.071*	.027**	.028**
	(0.052)	(0.050)	(0.042)	(0.040)	(-0.317)	(-0.315)	(-0.088)	(-0.086)
Bcomp	.380	.382	.593	.593	.177	.178	.625	.627
	(-0.074)	(-0.071)	(-0.039)	(-0.038)	(-0.155)	(-0.153)	(0.018)	(0.017)
FemDir	.825	.825	.044	.046	.034**	.036**	.163	.165
	(-0.019)	(-0.018)	(-0.157)	(-0.154)	(0.326)	(0.322)	(-0.053)	(-0.051)
Fage	.566	.567	.812	.812	.055*	.058*	.036**	.036**
	(0.271)	(0.269)	(0.098)	(0.096)	(1.614)	(1.612)	(0.454)	(0.455)
Fsize	.336	.338	.081*	.082*	.002***	.004***	.075*	.076*
	(-0.165)	(-0.163)	(-0.269)	(-0.267)	(0.858)	(0.853)	(0.138)	(0.135)
Lev	.043**	.045**	.003***	.005***	.016**	.016**	.0237**	.0237**
	(1.190)	(1.189)	(1.585)	(1.580)	(2.043)	(2.045)	(0.299)	(0.298)
Constant	.620	.622	.256	.256	.015	.017	.250	.253
	(0.654)	(0.653)	(1.328)	(1.326)	(-4.484)	(-4.482)	(-0.674)	(-0.676)
F-Statistics	0.167	0.166	0.004***	0.002***	0.001***	0.002***	0.016**	0.017**
	(1.670)	(1.672)	(4.299)	(4.302)	(6.708)	(6.706)	(3.236)	(3.234)
R-square	0.271	0.273	0.489	0.501	0.679	0.681	0.418	0.422

Standardized beta coefficients; t statistics in parentheses. *** p<0.01, ** p<0.05, * p<0.1

6.8.2 Board Composition

The regression result in Table 6.15 reveals that board composition is negatively associated with scope of outreach (capacity training and loan usage) and breadth of outreach although these relationships are not statistically significant. On the contrary, board composition is positively associated with female borrowers although this relationship is equally insignificant statistically. We therefore conclude that board composition is not significantly related to the social performance of MFIs in Ghana. This result is consistent with the bivariate variance analysis in Table 6.11.

6.8.3 Female Directors

Female directors' presence on the boards of MFIs is statistically significant positively associated with breadth of outreach in this study as shown in the regression result in Table 6.15. However, female directors have a negative association with scope of outreach (capacity

training and loan usage) and female borrowers although these relationships are not significant statistically.

6.9 Effect of Control Variables

Firm age is not significantly associated with any of the financial performance indicators suggesting that when it comes to financial performance of MFIs age does not matter. Firm age is significantly positively associated with breadth of outreach and female borrowers for both 2020 and 2019 financial years respectively. This suggests that age matters in the social performance of MFIs. This implies that as MFIs mature in the market, they can expand credit facility to a wider beneficiary (the active poor) and also specialize in granting loans to female clients. This also reflect the fact that MFIs are business for women and the descriptive statistics in Table 6.9 shows that about 59% of MFIs clients in Ghana are women. This finding is inconsistent with Hartarska (2005) and Cull et al. (2007), MFI age positively and significantly affects financial performance (OSS). For these authors, the MFI's age negatively and significantly impacts financial performance (OSS). Strøm et al. (2014) corroborate these results. Kyereboah-Coleman and Osei (2008) found that the age of the MFI negatively and significantly affects financial performance (ROA).
Firm size is statistically significantly positively related to OSS for 2020 and 2019 fiscal years. This is supported by Mersland and Strøm (2009) found that the size of the MFI positively and significantly affects financial performance as measured by ROA and OSS. However, firm size is statistically negatively related to OCR. This means that the bigger the MFIs in terms of their assets size can meet its operating expenses from its internally generated funds or revenue. However, the bigger the assets size of an MFI rather increases administrative cost of operations. This is inconsistent with Boubacar (2018) who finds that MFI size has a significant negative effect on financial performance (ROA). This is corroborated with Kyereboah-Coleman and Osei (2008) found that the size of the MFI negatively and significantly affects financial performance (ROA). Theoretically, this suggest that a major company can reduce risk and boost productivity by diversifying its products and services. Again, firm size is positively and significantly associated with breadth of outreach and female borrowers for both 2020 and 2019 fiscal years respectively. However, firm size is negatively associated with scope of outreach (loan usage) for 2020 and 2019 respectively. This means that the bigger an MFI in terms of assets size can grant loans to a greater numbers of clients especially female clients. Also, MFIs

consider the amount spent on educating clients on how to use loans granted them productively as a reduction of the total loanable funds. This finding is consistent with Estapé-Dubreuil and Torreguitart-Mirada (2015) who found that an MFI's size has a positive and significant effect on social performance as measured by loan size and the percentage of female borrowers. Similarly, Boubacar (2018) found that an MFI's size has a significant and positive impact on both measures of social performance (loan size and female focus).

Leverage is not significantly associated with any of the financial indicators in this study. However, leverage (lev), from the regression result in Table 6.15 reveals a statistically positive relationship with all social performance indicators (scope of outreach, breadth of outreach and female borrowers) for 2020 and 2019 fiscal years respectively. This implies that the MFIs are highly leveraged (geared), and they tend to rely on borrowed funds to increase their social performance for their clients.

6.10 Robustness Test

To establish whether the effect of the independent and control variables on the MFIs' performance indicators is the same for years under study (2019 and 2020), the data was divided into two subsamples based on the year. However only the MFIs financial performance indicators were used for this analysis since they contained values for both years unlike the MFIs social performance indicators. Table 6.16 presents panel OLS regressions of MFIs financial performance for the subsamples. A robustness test was carried out to observe and confirm the regression results.

Table 6.16 panel OLS regression results reveal that the findings are confirmed in Table 6.14 as the findings are not different from the robustness test. The robustness test result indicates that board size has significantly negative associated with ROA and ROE for 2020 and 2019 fiscal years respectively although the strength of these relationships is stronger in 2019 than in 2020. Further, board size indicates a statistically significant positively associated with OCR and YOGLP for 2020 and 2019 financial years respectively. Again, the strength of these relationships appears to be stronger in 2019 than in 2020 financial year. Similarly, regarding control effect, firm size revealed in Table 6.16, a significant relationship with OSS and OCR for both 2020 and 2019 fiscal years although the effect is stronger in 2019 compared to 2020. This result also confirms the bivariate correlation results in Table 6.10.

The findings suggest that 2020 was a difficult year for MFIs to do business than 2019 in Ghana. This could be attributable to factors such as the outbreak of COVID 19 pandemic in 2020 and the fact that MFIs had to implement the provisions of corporate governance Directives 2018 which was issued by the BoG after the completion of its clean up exercise in the banking and financial services sector in Ghana. This could also be due to the strict monitory regime of MFIs by the BoG in 2020 compared to 2019. The robustness test results confirm the regression result in Table 6.14 and the correlation matrix result in Table 6.9 respectively. This suggests the reliability of the research data set.

Table 6. 16: Panel OLS Regressions of Firm Performance: Year Sub-Samples

Variable	ROA		ROE		OSS		OCR		YGL	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Bsize	**0.076***	**0.002*****	**0.087***	**0.025****	0.460	0.621	**0.051***	**0.023****	**0.053****	**0.036****
	(-1.908)	**(-0.372)**	**(-8.487)**	**(-3.361)**	(-13.127)	(-8.563)	**(44.448)**	**(29.133)**	**(31.029)**	**(39.715)**
Bcomp	0.167	0.258	0.228	0.385	0.839	0.626	0.804	0.638	0.850	0.365
	(1.864)	(-0.624)	(10.764)	(-3.177)	(3.354)	(-8.340)	(-5.915)	(11.008)	(-3.255)	(-15.425)
FemDir	0.119	0.894	0.134	0.558	0.979	0.712	0.325	0.852	0.338	0.552
	(1.618)	(-0.071)	(7.156)	(-2.129)	(0.450)	(-6.321)	(-25.068)	(-4.346)	(-17.640)	(-10.020)
Fage	0.908	0.584	0.906	0.958	0.535	0.368	0.903	0.893	0.772	0.582
	(-0.606)	(1.661)	(-2.863)	(-1.078)	(58.263)	(88.415)	(-16.387)	(-17.706)	(28.232)	(52.288)
Fsize	0.833	0.146	0.743	0.118	**0.055***	**0.026****	**0.011****	**0.006*****	0.556	0.512
	(-0.402)	(1.680)	(-2.902)	(12.242)	**(50.664)**	**(62.516)**	**(-32.329)**	**(-50.137)**	(-20.955)	(-22.638)
Lev	0.286	0.457	0.122	0.121	0.662	0.646	0.652	0.848	0.985	0.890
	(-12.026)	(7.414)	(-49.279)	(39.308)	(-50.359)	(51.996)	(74.737)	(29.463)	(2.242)	(15.273)
Constant	0.328	0.110	0.397	0.172	0.339	0.141	0.878	0.581	0.881	0.968
	(14.619)	(-14.528)	(58.179)	(-81.905)	(-252.434)	(-442.042)	(58.171)	(206.016)	(40.212)	(10.645)
F-Statistics	0.123	0.332	0.059	0.335	0.502	0.595	0.560	0.541	0.518	0.369
	(2.249)	(1.319)	(3.036)	(1.260)	(0.950)	(0.794)	(0.850)	(0.882)	(0.922)	(1.226)
R-square	0.574	0.442	0.646	0.431	0.363	0.323	0.338	0.346	0.356	0.424

Standardized beta coefficients in parentheses. *** p<0.01, ** p<0.05, * p<0.

6.11 Regression Models

The following are the multiple regression models including all independent and control variables and how they are related to the MFIs' financial and social performance indicators:

6.11.1 Regression Models of MFIs' Financial Performance Indicators

ROA = 0.170 – 1.154 (*Bsize*) + 0.636 (*Bcomp*) – 0.763 (*FemDir*) – 0.347 (*Fage*) + 0.637 (*Fsize*) – 2.178 (l*ev*).

ROE = -12.842 – 6.059 (*Bsize*) + 3.855 (*Bcomp*) + 2.427 (*FemDir*) – 3.072 (*Fage*) + 4.927 (*Fsize*) – 3.921 (*lev*).

OSS = -335.193 – 10.905 (*Bsize*) - 2.354 (*Bcomp*) - 2.988 (*FemDir*) + 72.158 (*Fage*) + 56.285 (*Fsize*) +1.454 (*lev*).

OCR = 127.541 + 36.856 (*Bsize*) + 2.291 (*Bcomp*) – 14.636 (*FemDir*) – 15.105 (*Fage*) - 40.712 (*Fsize*) + 51.248 (*lev*).

YGLP= 27.860 + 35.425 (*Bsize*) – 9.272 (*Bcomp*) – 13.808 (*FemDir*) + 40.119 (*Fage*) – 22.161 (*Fsize*) + 8.476 (*lev*).

The coefficients of the variables in the equations (Unstandardized coefficients) indicate how much the dependent variable varies with an independent variable when all other independent variables are held constant.

For each single increase in board size (*Bsize)*, female directors (*Femdir)*, MFIs age (*Fage)*, and leverage (*Lev)*, there is a corresponding decrease of about 1.154, 0.763, 0.347 and 2.178 in *ROA* respectively and for each single increase in board composition and MFIs size (*Bcomp and Fsize)* there is an increase of about 0.636 and 0.637 in *ROA* respectively.

A single increase in board size (*Bsize)*, MFIs age (*Fage)*, and leverage (*Lev)*, will result in a decrease of about 6.059, 3.072 and 3.921 in *ROE* respectively and for each single increase in board composition (*Bcomp),* female directors *(Femdir)* and MFIs size *(Fsize)* there is a corresponding increase of about 3.855, 2.427 and 4.927 in *ROE* respectively.

There is a decrease of about 10.905, 2.354 and 2.988 in operating self-sufficiency (*OSS)* for each single increase in board size (*Bsize)*, board composition (*Bcomp)*, and female directors

(*Femdir)* respectively and an increase of about 72.158, 56.285 and 1.454 in *OSS* for each single increase in MFIs age (*Fage),* MFIs size *(Fsize) and* leverage *(Lev)* respectively.

Also, for each single increase in female directors (*FemDir)*, MFIs age (*Fage)*, and MFIs size (*Fsize)*, there is a decrease of about 14.636, 15.105 and 40.712 in *OCR* respectively whilst a single increase in board size (*Bsize),* board composition (*Bcomp), and* leverage *(Lev)* will result in a corresponding increase of about 36.856, 2.291 and 51.248 in *OCR* respectively.

A single increase in board composition (*Bcomp)*, female directors (*Femdir)*, and MFIs size (*Fsize)* will result in a decrease of about 9.272, 13.808 and 22.161 in *YGLP* respectively and an increase of about 35.425, 40.119 and 8.476 in *YGLP* for each single increase in board size (*Bsize),* MFIs age (*Fage),* and leverage (*Lev)* respectively.

6.11.2 Regression Models of MFIs' Social Performance Indicators

Capital_Training = 0.654 + 0.052 (*Bsize*) - 0.074 (*Bcomp*) – 0.019 (*FemDir*) + 0.271 (*Fage*) - 0.165 (*Fsize*) + 1.190 (*lev*).

Loan_Usage = 1.328 + 0.042 (*Bsize*) – 0.039 (*Bcomp*) – 0.157 (*FemDir*) + 0.098 (*Fage*) – 0.269 (*Fsize*) + 1.585 (*lev*)

Breadth = -4.484 – 0.317 (*Bsize*) – 0.155 (*Bcomp*) + 0.326 (*FemDir*) + 1.614 (*Fage*) + 0.858 (*Fsize*) + 2.043 (*Lev*)

FemBorr = -0.674 -0.088 (*Bsize*) + 0.018 (*Bcomp*) – 0.053 (*FemDir*) + 0.454 (*Fage*) + 0.138 (Fsize) +0.299 (*lev*)

For each single increase in board composition (*Bcomp)*, female director (*Femdir) and* MFI size (*Fsize),* there is a corresponding decrease of about 0.074, 0.019 and 0.165 in *Capital_Training* respectively and for each single increase in board size (*Bsize),* MFI age *(Fage),* and leverage *(Lev),* there is an increase of about 0.052, 0.271 and 1.190 in *Capital_Training* respectively.

For each single increase in board composition (*Bcomp)*, female director (*Femdir)* and MFI size (*Fsize),* there is a corresponding decrease of about 0.039, 0.157 and 0.269 in *Loan Usage* respectively and for each single increase in board size (*Bsize),* MFI age *(Fage),* and leverage *(Lev),* there is an increase of about 0.042, 0.098 and 1.585 in Loan Usage respectively.

For each single increase in board size (*Bsize),* and board composition (*Bcomp),* there is a decrease of about 0.317, 0.157 and 0.155 in *Breadth of outreach* respectively and for each

single increase in female director (Femdir*), MFI age (Fage), MFI size (Fsize) and leverage (Lev),* there is an increase of about 0.326, 1.614, 0.858 and 2.043 in breadth of outreach respectively.

For each single increase in board size (*Bsize),* and female director (*Femdir),* there is a decrease of about 0.088 and 0.053 in female borrowers (FemBorr*)*respectively and for each single increase in board composition (*Bcomp),* MFI age *(Fage),* MFI size *(Fsize),* and leverage *(Lev),* there is an increase of about 0.018, 0.454, 0.138 and 0.299 in female borrowers (FemBorr) respectively.

6.12 Conclusion

This chapter presented the results of the study from both primary data and secondary data sources. The findings showed that the BoG Corporate Governance Directives and the OECD Principles of Corporate Governance, an international standard for gauging the implementation of corporate governance, had an impact on how MFIs in Ghana implemented their corporate governance practices (principles and mechanisms). This chapter presented descriptive results on challenges of implementing corporate governance in MFIs in Ghana as well as factors that impact on the implementation of efficient corporate governance in Ghanaian MFIs. Additionally, using OLS regression analysis to highlight the ramifications of such effects, this chapter presented the regression results of corporate governance mechanisms and its relationship on the performance of MFIs in Ghana. The association between the corporate governance mechanisms and the financial and social performance of MFIs were hypothesised, and their statistical significance was assessed. Chapter 7 presents the discussion and the implication of the research results.

Chapter 7: The Discussion and Implications of Research Results

7.1 Introduction

Chapter 7 reported the results and analysis of data of this study. This chapter therefore will discuss the results of the survey and secondary data in line with the objectives of the study. Further, the chapter will discuss the research hypotheses presented in Chapter 4, which was based on the conceptual framework developed in Chapter 3 using the regression results as presented in Chapter 7. The regression results critically analysed and determined the relationship between corporate governance mechanisms and the performance of MFIs in Ghana. To be able to test the relationships between corporate governance mechanisms and the performance of MFIs in Ghana, the following hypotheses were developed in chapter 4 of this study with appropriate justifications:

- ✓ H_{1a}: *Board size has a negatively significant relationship with MFI financial performance in Ghana.*
- ✓ H_{1b}: *Board size has a negatively significant relationship with MFI social performance in Ghana.*
- ✓ H_{2a}: *CEO duality has a positively significant relationship with MFI financial performance in Ghana.*
- ✓ H_{2b}: *CEO duality has a positively significant relationship with MFI social performance in Ghana.*
- ✓ H_{3a}: *Board composition has a significant positive relationship with MFI financial performance in Ghana.*
- ✓ H_{3b}: *Board composition has a significant positive relationship with MFI social performance in Ghana.*
- ✓ H_{4a}: *Internal auditor reporting to an MFI board in Ghana has a significantly positive relationship with MFI financial performance.*
- ✓ H_{4b}: *Internal auditor reporting to an MFI board in Ghana has a significantly positive relationship with MFI social performance.*
- ✓ H_{5a}: There is a *significant* positive association between female directors on MFIs boards and microfinance institutions financial performance in Ghana.

- ✓ H_{5b}: There is a *significant* positive association between female directors on MFIs boards and microfinance institutions social performance in Ghana.

The implications of results are presented in the following sections. Section 8.2 presents corporate governance principles implementation in MFIs in Ghana, whereas section 8.3 and 8.4 presents the challenges to, and the factors that impact on the implementation of corporate governance within MFIs in Ghana. Section 8.5 discusses the relationship between board size and the performance of MFIs, and Section 8.6 discusses the relationship between board composition and the performance of MFIs in Ghana. Section 8.7 presents the relationship between female board member representation and the performance of MFIs. Section 8.8 presents a summary of results and the implications CGMs and the performance of MFIs in Ghana. Finally, section 8.9 provides conclusion to this chapter.

7.2 Discussions and Implications of Result

Based on stakeholders' perspectives, this section discussed the implementation of five corporate governance principles by MFIs in Ghana. These principles include shareholder rights, equal treatment of shareholders, stakeholder role in corporate governance, disclosure and transparency, and board director responsibility. According to the stakeholder theory perspective, descriptive data reveal an improvement in the implementation of the five corporate governance principles among MFIs in Ghana. The findings reveal that, based on the OECD Principles (2004) and the Bank of Ghana corporate governance directives 2018, the application of good corporate governance principles in MFIs in Ghana has improved.

7.2.1 Rights of Shareholders

OECD (2015) indicate that the quality of shareholders' rights and the extent to which shareholders' rights were being protected were based on the principle of the rights of shareholders, which emphasises that the corporate governance framework should protect and facilitate shareholders' rights. Our results showed that "shareholders have the right to obtain information related to the MFI regularly" statement had the highest agreement as it showed a mean of 4.30. The statement with the second highest of agreement among the respondents was "shareholders have the right to discuss the external auditor's report at the Annual General Meeting", which had a mean of 4.26. The third ranked statement by respondents was

"shareholders have the right to vote in general meetings" which revealed a mean of 4.19. On the contrary, the least ranked statement in relation to the rights of shareholder principle was "there is opportunity for changes in shareholding structure by the board", with a mean of 3.74. These findings suggest that the respondents agreed, albeit to varied degrees that MFIs in Ghana implement the rights of shareholders principles with an average mean score value of 4.11.

7.2.2 Equitable Treatment of Shareholders

This principle states that any infringement of a shareholder's rights should result in effective remedies for all shareholders (OECD, 2004). Our results showed that "processes and procedures for general shareholder meetings allow for equitable treatment of all shareholders in the MFI" statement was ranked first by respondents with a mean of 3.91. The second ranked statement by the respondents is "in my view there is equitable treatment of all shareholders in the MFI" which indicated a mean of 3.89. The third and fourth ranked statements by participants are "shareholders have the right to obtain information about voting rights before they buy shares in the MFI" and "board members and key executives disclose material interests in any transaction or matter directly affecting the MFI", which showed means of 3.85 and 3.81 respectively. On the contrary, the least ranked statement regarding the equitable treatment of shareholder principle is "MFI shareholders who are from the same class are treated equally" with a mean of 3.64. This finding implies that with an average mean of 3.82, the participants agreed, albeit to varied degrees, on the implementation of the principle of equitable treatment of shareholders in MFIs in Ghana.

7.2.3 Role of Stakeholders in Corporate Governance

This principle asserts that a corporate governance structure should recognise stakeholder rights established by law or mutual agreement and encourage active cooperation between corporations and stakeholders in the creation of wealth, jobs, and the long-term viability of financially sound businesses (OECD, 2004). This principle is therefore consistent with the stakeholder theory propounded by Freeman (1984). Our result showed that respondents ranked first the statement "MFI board recognises the role and participation of all stakeholders to achieving its objectives", which showed a mean of 4.14. The second highest ranked statement by participants was "the MFI board encourages performance-enhancing mechanism for employee participation", which revealed mean of 4.02. Statements "MFI stakeholders have the right to obtain sufficient and reliable information on a timely basis" and "an effective corporate

governance framework enforces creditor rights in the MFI" were ranked third and fourth respectively by the respondents with means of 4.01 and 3.99. On the contrary, the least ranked statement by the respondents is "MFI stakeholders can obtain effective redress for violation of their rights" which revealed a mean of 3.79. The findings implies that the majority of participants agreed on the principle of stakeholders' role in corporate governance in MFIs in Ghana with an overall mean score of 3.98.

7.2.4 Disclosure and Transparency

This principle emphasises that corporate governance should ensure that all concerns concerning the corporation are appropriately disclosed and transparent. The corporate governance structure should ensure that all material information about the company, such as its financial status, performance, ownership, and governance, is disclosed in a timely and correct manner (OECD, 2004). Our results showed that the respondents ranked first the statement "MFI financial statements are prepared and disclosed in accordance with International Accounting Standards" as it showed a mean of 4.20. The second ranked statement by respondents is "an annual audit of the MFI is conducted by an independent auditor", which showed a mean of 4.13. Statements "transparency is a key practice by management of the MFI" and "channels for the dissemination of information on a timely basis to relevant users are clearly provided by MFI" were ranked third and fourth respectively by respondents, which had means of 4.10 and 4.01. However, the respondents ranked fifth and sixth statements "the objectives of the MFI are disclosed" and "there is clear flow of information amongst staff, customers, and the board members of the MFI" which had means of 3.99 and 3.85 respectively. Statements "my MFI has clear lines of accountability among the board and management" and "the financial and operating results of the MFI are disclosed" were both ranked seventh which disclosed means of 3.80. The least ranked statement by the respondents was "the remuneration of MFI board members and key executives is disclosed" with a mean score of 3.28. The findings show an aggregate mean score of 3.85, suggesting that the majority of participants agreed that the principle of disclosure and transparency has been implemented in MFIs in Ghana.

7.2.5 Responsibility of the Board of Directors

The board of directors' responsibilities are outlined in this principle. This principle states that corporate governance structure should ensure that the firm's strategy is well-guided, that the board effectively monitors management, and that the board is accountable to the company and

its shareholders (OECD, 2004). Our result show that the respondents ranked first the statement "the MFI board consists of members with diverse backgrounds and skills" which had a mean of 4.09. The second ranked statement by the respondents in relation to board responsibility was "the board has approved a strategic plan for the MFI" as it showed a mean of 4.04. The third ranked statement by respondents was "board members act in the best interests of the MFI and the shareholders" which recorded a mean of 4.02. Statements "the board takes all MFI stakeholders' interests into account in decision making" and "the board monitors the adequacy of internal control through the internal auditor as established by MFI's management" were both ranked fourth by the respondents respectively with means of 3.93. On the contrary, the least ranked statement regarding the board of directors' responsibility principles was "the MFI board monitors and manages potential conflicts of interest of management, board members and shareholders at all times" which indicated a mean of 3.63. The findings imply that with an overall mean of 3.84, the majority of the participants agreed, to varied degrees, with the implementation of the principle of board director responsibility in MFIs in Ghana.

7.3 The Implication of Implementation of Corporate Governance Principle in MFIs in Ghana

The descriptive results of the five Principles of Corporate Governance reveal that corporate governance principles have been implemented in MFIs in Ghana. The reasons for the findings could be largely related to the recent corporate governance reforms which resulted in the BoG issuing new CG Directive 2018 and implemented in Ghana as a response to the huge financial services sector failures. Furthermore, because of the BoG's stricter monitoring system in the post-reform period, most MFIs are paying more attention to strengthening the implementation of corporate governance principles. Implementation of the Principles of Corporate Governance is critical for good corporate governance, as outlined in Chapter 3 of this study. As a result, improving effective corporate governance helps protect investors, reduce risk investment, and manage healthy relationships between the firm and its stakeholders, all of which can contribute to improved firm performance. Our results also implies that the focus for corporate governance has changed drastically around the world from concentration on listed firms to now shifting towards all other firms whether listed on a stock exchange or not.

The findings of this study are therefore consistent with Gyamerah and Adjei (2016) who that found listed companies in Ghana implemented the OECD's CG principles with the rights of

shareholders being the most practiced as it had the highest mean and standard deviation scores of 3.94 and 0.8747. Similarly, our study result is also supported by Otman (2014) who found that listed companies in the UAE successfully implemented the OECD Corporate Governance principles. Shanikat and Abbadi (2011) found that largely companies in Jordan implemented the OECD's corporate governance principles and that - basic shareholder rights were honoured in decision-making, the role and rights of stakeholders in corporate governance were respected, disclosure and transparency were observed to a large extent, and that boards largely fulfilled their responsibilities. The authors however, found that shareholders were not given equitable treatment in companies in Jordan. In addition, Abu -Tapanjeh (2009) uncovered that the OECD principles have been successfully implemented and considered a very effective tool of corporate governance as compared to Islamic principles of corporate governance in Jordan.

According to Hussainey and Aljifri (2012), the effective implementation of the Codes of Corporate Governance could be facilitated by improved efficiency, effectiveness, and governance in the UAE stock market. Al-Tamimi and Charif (2012) assert that boards of directors understand and cultivate positive relationships with stakeholders in addition to taking into account the significance of the relationship with shareholders.

Hassan (2012) investigates the level of corporate governance reporting in UAE-listed corporations and discovers that the highest disclosures are associated with information about management structure and transparency, while the lowest disclosures are connected to information about external auditing and non-audit services.

The collapsed of MFIs in Ghana ignited public debates in Ghana among various stakeholders about the lack of adherence to corporate governance principles led by the BoG as the regulated of the financial services sector in Ghana. Therefore, our findings indicate that MFIs have started to implement the BoG's CG Directive 2018 which is good for their sustainability and the economic growth of Ghana. The OECD Principles of Corporate Governance, which demand good corporate governance practices from businesses to expand the economy, served as the foundation for the Bank of Ghana Corporate Governance Directive 2018 and thus encompasses all the principles for the implementation of firms. The BoG's actions are thus consistent with Okike's (2007) contention that the government can improve corporate governance by ensuring that businesses act in the best interests of all relevant stakeholders. The OECD Principles have been applied successfully in Ghanaian MFIs, and they are regarded as

a highly effective tool of corporate governance for preventing business failures and fostering the sustainability of MFIs.

However, our result contradicts Ssekiziyuvu et al. (2018) who examined CG practices of MFIs and found that MFIs have boards in place although the boards are inactive and passive in the performance of its responsibilities in Uganda. Furthermore, the study found that board committees are not fully constituted, shareholders rights most often not respected, and lack of accountability on the part of the boards.

The findings of this research back up the stakeholder theory in Ghana. This means that effective corporate governance rules help to manage the interaction between stakeholders and the company, and it considers the interests of all stakeholders rather than just shareholders' interests.

7.4 The Challenges to the Implementation of Corporate Governance in MFIs in Ghana

This section presents the perception of stakeholders concerning possible challenges to the implementation of corporate governance in MFIs in Ghana. These possible challenges presented to participants include the MFI board members do not exhibit professionalism due to lack of skills mix, the members of the supervisory board of MFI are not independent, it's not easy to decide on the composition of the board of MFI, it's not very easy to decide on the board size of an MFI, the lack of understanding between owners and the managers of the MFI, oversight and management operational responsibilities for the board are not adequately defined by the MFI, there is strict defined length of term of office for the MFI board members, the committees of the board are not always fully constituted in the MFI, the MFI rarely organises the annual general meeting, and MFI board members often succumb to political pressure.

The remainder of the challenges are, there is improper management and appropriation of loanable funds by some officials of the MFI, poor remuneration of MFI board members, weak legal controls and law enforcement by Bank of Ghana, culture of the Ghanaian community, poor-quality of staff recruited, weak IT infrastructures of MFI, poor supervision and monitoring of MFI by Bank of Ghana, government interference in MFI business activities, the costs of practicing good corporate government outweigh the benefits for the MFI, poor financial and non-financial disclosure, bribery and corruption of the board and management team in the MFI, inadequate female directors on MFI board, too many powers of owners and

CEOs in the MFI, and the appointment of friends and family members into board without knowledge of corporate governance.The majority of participants agreed that these potential challenges have an effect on improving corporate governance in Ghanaian MFIs based on our descriptive results. This section focused on addressing the second objective of the study, which was to critically assess the challenges that MFIs in Ghana faced in implementing corporate governance.

7.4.1 The Analysis and Implication of Results

The descriptive result indicate that respondents ranked “too many powers of owners and CEOs in the MFI” as the main challenge affecting the implementation of corporate governance in MFIs as it was ranked first. The second main challenge respondents identified as a challenge was “inadequate female directors on MFI board”. “The committees of the board are not always fully constituted in the MFI” was ranked the third main challenge affecting the implementation of corporate governance in MFIs in Ghana. The respondents, however, identified that “there is strict defined length of term of office for the MFI board members” was ranked fourth while the “culture of the Ghanaian community” was ranked as the fifth major challenge affecting the implementation of corporate governance in MFIs in Ghana. The descriptive results indicate that the respondents regard the above challenges as the top challenges impeding the implementation of corporate governance in MFIs in Ghana.

However, our results indicates that challenges such as “poor financial and non-financial disclosure”, “weak IT infrastructures of MFI”, “the MFI rarely organises the annual general meeting”, “the MFI board members do not exhibit professionalism due to lack of skills mix” and “poor-quality of staff recruited” were not regarded by respondents as major challenges affecting the implementation of corporate governance in MFIs in Ghana. The least ranked implementation challenge by the respondents is “the members of the supervisory board of MFI are not independent”. Our findings suggest that respondents agreed largely that the list of possible challenges they were presented affected the implementation of corporate governance among MFIs in Ghana.

This study has identified the major challenges to the implementation of corporate governance in MFIs in Ghana. These findings are based on the perception of stakeholders in MFIs in Ghana. Our results are therefore consistent with prior research which uncovered that these challenges could adversely affect corporate governance practices (Adekoya, 2011; Afolabi, 2016;

Baydoun et al., 2013; Kundus, 2016; Labie and Mersland, 2011; Mudibo, 2015; Mwasi and Nyasaka, 2020; Mwesigwa et al., 2014; Ssekiziyivu et al., 2018).The findings of this study suggest that policymakers and regulators in Ghana should concentrate their efforts on overcoming the obstacles that may obstruct the implementation of corporate governance in MFIs. This could be beneficial since MFIs will ensure that the Bank of Ghana's recently released Corporate Governance Directive 2018 is followed.

7.5 Factors Impacting the Implementation of Corporate Governance in MFIs in Ghana

This section presents the main findings on the factors that impacted the implementation of corporate governance in MFIs in Ghana. These factors were examined in Chapter 3 include the presence of independent internal audit department reporting to the MFI board, external audit quality, e.g., having a big4 audit firm to audit MFI accounts, the size of the MFI, the reputation of the MFI, the presence of diverse stakeholders representing on MFI board, the presence of female directors on MFI board, the religious affiliation of an MFI, stricter monitoring by the Bank of Ghana, investor representation on MFI board and external funding needs/investment opportunities, MFI board expertise and participation, MFI financial and social performance status, proper composition of MFI board and sub-committees, type of ownership of an MFI, ensuring wide adoption of international accounting and standards in preparing MFI financial statements, and intense competition in the MF sector.

The rest of the factors that was evaluated by stakeholders as influencing the implementation of corporate governance by MFIs are using training and other means of support by an MFI, developing incentive programmes for compliance with principles of corporate governance by MFI, awareness and business education for CEOs, directors and board members of MFI on benefits of good corporate governance, participating in international events, conferences, meetings and committees dealing with corporate governance by MFI, encouraging research into corporate governance in the MFI sector in Ghana, learning from the experiences of other countries concerning corporate governance practice, and initiating regional corporate governance partnership programmes with international organisations such as the OECD by an MFI.

7.5.1 The Analysis and Implication of Results

The descriptive results in chapter 6 (Table 5.5) indicate that the participants generally agreed that the main factors that impacted the implementation of corporate governance in MFIs in Ghana, were identified as "developing incentive programmes for compliance with principles of corporate governance by MFI" and "intense competition in the microfinance sector "as these were ranked first and second by respondents. The third and fourth factors that was ranked by the respondents as influencing corporate governance practice implementation were "type of ownership of an MFI" and "participating in international events, conferences, meetings and committees dealing with corporate governance by MFI". The fifth and sixth ranked factors that influenced corporate governance implementation in MFIs in Ghana by participants are "initiating regional corporate governance partnership programmes with international organisations such as the OECD by an MFI" and "awareness and business education for CEOs, directors and board members of MFI on benefits of good corporate governance". The least factor ranked by the respondents as influencing the implementation of corporate governance is "the presence of independent internal audit department reporting to the MFI board".

In conclusion, these factors are important in improving the implementation of corporate governance in MFIs in Ghana. Thus, this study evaluated the factors that impact the implementation of corporate governance in MFIs in Ghana, which addressed the third objective of the study that sought to evaluate the factors that impact the implementation of corporate governance in MFIs in Ghana. The study results provide useful insights into the factors that impact the implementation of good corporate governance in MFIs in Ghana. The participants' perspectives are consistent with previous research, which finds that these factors could be effective in improving corporate governance practices (Bassem, 2009; Beisland et al., 2014; D'Espallier et al., 2015; Djan and Mersland, 2017; Fall et al., 2021; Mersland, 2014; Mori et al., 2013). Furthermore, the findings of our study are supported by (Mori and Mersland, 2014; Pascal et al., 2015; Saidi, 2004; Strom et al., 2014; Tchakonte-Tchuigona, 2015; Waweru, 2014).The findings suggest that these factors are critical for the development of corporate governance practice in MFIs in Ghana, as they may lead to improved corporate governance, which is expected to benefit Ghana's political, economic, social, and cultural development, as well as that of other countries.

7.6 Relationship between Corporate Governance Mechanisms and the Performance of MFIs in Ghana

This section discusses the relationship between corporate governance mechanisms and the performance of MFIs based on the regression results presented in chapter 6. This result was based on secondary data of MFIs in Ghana. The corporate governance mechanisms include board size, board composition, and female board member representation. The discussions are based on both financial and social performance objectives of MFIs. These discussions are in relation to the objective 4 of this study, which sought to critically analyse and determine the relationship between corporate governance mechanisms and the performance of MFIs in Ghana. This then allow us to answer the research question "is there a relationship between corporate governance mechanism and the performance of MFIs in Ghana"?

The descriptive results in chapter 6 shows that CEO duality is non-existent within MFIs in Ghana suggesting that MFIs have started to implement the provisions of the BoG CG Directive (2018). The descriptive results in chapter 6 also indicate that there are no differences in responses as every MFIs had internal auditor or unit. Therefore, our discussions exclude these two variables as they were not regressed based on the descriptive results in Chapter 6. In line with agency theory, effective corporate governance mechanisms reduce the agency problem between management and shareholders, which ultimately improves performance. The results of this study indicate that MFIs in Ghana comply with the BoG Corporate Governance Directive.

7.6.1 Board Size and financial performance of MFIs

The size of the board was one of the corporate governance mechanisms used to test the relationship between corporate governance mechanisms and the performance of MFIs in Ghana. The hypothesis that board size has a negatively significant relationship with MFI financial performance in Ghana. Similarly, the conceptual framework is based on the same argument. However, the regression analysis results indicates that board size has a statistically significant negative relationship with ROA and ROE. On the contrary, regression result revealed that board size has a positive statistically significant relationship with OCR and YOGLP. However, board size has no significant relationship with OSS. The regression results confirm the variance analysis in chapter 6. The findings are mixed as we find that board size has a significantly negative and positive relationship among financial performance variables in this study. Based on the findings we partly accept and at the same time partly reject hypothesis (H1a) which states that board size has a negatively significant relationship with MFI financial performance in Ghana.

Analysis and Implication

This finding implies that an increase in board size has a negative impact on the profitability (ROA and ROE) of MFIs in Ghana. With an average of 6 board members in this study, it suggests that the allowances and incentives to attract highly qualified and committed board members reduces the profitability (ROA and ROE) of MFIs in Ghana due the high cost of maintaining a large board size. Contrary, the findings also implies that MFIs in Ghana may benefit from the diverse expertise, skill sets and experience of board members which contribute to reduce the cost of granting loans (OCR) to their clients. Similarly, board members assist in increasing the YOGLP for MFIs in Ghana which is partly attributable to the skills and experience of board members.

The statistically significant positive relationship between board size and financial performance (OCR and YOGLP), which shows that somewhat larger boards perform better than very small boards. Larger boards can make better decisions since they have a wider breadth of skills. Additionally, larger boards are better positioned to oversee management's actions and make sure that decisions are made that will benefit MFIs. A larger board membership should lead to a wider provision of expertise and interorganisational ties to the MFIs, given the nature of the

Ghanaian financial services sector. This is mainly because Ghanaian MFIs typically operate in the extremely risky informal sector of the economy. In addition, it is necessary for individuals with the necessary qualifications and experience to make policy decisions for the MFIs. Further, per Bank of Ghana CG Directive 2018, the bank must give its consent before appointing directors of MFIs. This guarantees that only individuals with the necessary qualifications—skills, experience, and real character—are appointed as directors, thereby improving the functioning of the board and, by extension, the MFIs. Additionally, it is exceedingly challenging for a strong CEO to control larger boards. Lager board size is also in support of the stakeholder theory as the board will be represented by diverse stakeholders of MFIs. The resource dependency theory also supports larger boards because board members are a greater resource for organisations which can help link up MFIs with the external environment. Finally, the agency theory supports the idea that the board can help monitor the management on behalf of shareholders in reducing the agency costs. However, this comes at a cost to MFIs due to difficulty in coordinating, costs of remunerating board members, and the possibility of free-rider problem and thereby reduces the profitability of MFIs (ROA and ROE).

The findings in relation to board size are consistent with prior literature. Jin (2021) found that board size of firms negatively relates to firm performance from the perspective of agency theory, stewardship theory as well as resource dependence theory in Taiwan. The findings of this study are inconsistent with prior literature. For example, Thrikawala et al. (2017) found that the size of MFI boards is statistically significantly negatively associated with MFI operating expenses (OCR). This implied that MFIs in Sri Lanka and India with larger boards tend to have high administrative costs, which eventually results in lower performance. Ofoeda (2016) found that board size has a significant positive relationship to NBFs financial performance (ROA) in Ghana although his study was only limited to ROA. According to Boubacar (2018), the board size of MFIs in Niger has a positive and significant impact on ROA and OSS which contradicts the finding of this study. Hussain et al. (2022) found that board size has positive impact of the financial performance of MFIs in India. Thrikawala et al. (2016) found that larger board size has a positive impact on financial performance in Sri Lanka and Indian MFIs. The result also contradicts the findings of Igbal et al. (2018), Aboagye and Otieku (2010), Bassem (2009), Galema et al. (2012) and Hartarska (2005) that good governance practices lead to improved financial performance in MFIs. Other studies that found board size

to be significantly positively related with firm performance are (Bazair, 2021; Collins et al. 2019; Khatib and Nour, 2021; Pucheta-Martínez and Gallego-Álvarez, 2020).
Interestingly, Tanweer et al. (2019) found no evidence to suggest that board size impacted on MFI performance in Bangladesh. Mersland and Strom (2009), found no statistically significant correlation between the size of the MFIs' boards of directors and the assessed financial performance (ROA). El-Chaarani et al. (2022) uncovered that board size had no significant impact on bank financial performance.

7.6.2 Board Composition and financial performance of MFIs

Board composition is one of the corporate governance mechanisms employed to examine the relationship between corporate governance mechanisms and the performance of MFIs in Ghana. We defined board composition as the percentage of non-executive directors to the total board size of an MFI. As ownership and control are separated in the corporate form of organisation, the board of directors' primary responsibility is to reduce agency conflicts (Fama and Jensen, 1983). According to agency theory, there is a strong correlation between board composition and firm performance. As indicated in chapter 4, the hypothesis is that board composition has a significant positive relationship with MFI financial performance in Ghana. The regression results in chapter 6 shows that board composition has no significant impact on the financial performance of MFIs in Ghana. This means that non-executive members on the boards of MFIs may lack specialised knowledge on the operations of MFIs or may lacked the needed independence to carry out their work. Based on this finding, we reject hypothesis (H3a), which states that board composition has a positive significant relationship with MFI financial performance in Ghana.

Analysis and Implication

This finding suggests that, in contrast to our priori expectations, the number of independent directors on the boards of MFIs has no significant impact on their financial performance. In this regard, the financial performance of MFIs in Ghana does not show a strong correlation between the value of non-executive directors and their external experience with respect to sound financial and legal expertise. This may be the case as inside directors may have access to data that is important for evaluating managerial competency and the strategic desirability of initiatives. Inside directors are therefore more adept at differentiating between legitimate and

illegitimate causes of organisational misfortunes. This implies that inside directors make better judgments for the MFIs because they have greater information about all facets of the management and operation of the MFIs. The issue of knowledge asymmetry makes it difficult for outside directors to perform the monitoring position successfully. Once more, inside directors are more likely to have experience relevant to the MFIs, whilst outside directors are more likely to have more general knowledge.

Therefore, independent directors must spend a large amount of money on the acquisition of firm-specific knowledge and experience in order to effectively carry out their advising and monitoring tasks, which may help to explain the subpar performance of MFIs. This is especially true given the MFIs sector's characteristics in Ghana, which is characterised heavily by uncertainty and inefficiencies leading to the failures of many MFIs in recent times. Additionally, retaining a board with a majority of outside directors may not be advantageous given the low salaries of MFIs in Ghana. This is because Ghanaian MFIs tend to be small in size, and the expenses associated with paying outside directors' allowances may far outweigh the advantages of doing so. Further, the non-executive directors are a minority and may not have much influence over MFIs decision-making, which may explain the MFIs' poor performance.

Our findings are consistent with prior empirical studies (Ofoeda, 2016) who found that board composition has no impact on the performance of MFIs. Hussain et al. (2022) confirmed that board composition has no significance impact on the performance of the MFIs in India. However, Bhaga and Bolton (2008) found no empirical evidence to confirm that an independent board leads to a better company performance. This finding is corroborated with Thrikawala et al. (2016) who claim that outside directors failed to have any impact on MFIs in Sri Lanka. Nyuyen et al. (2014) support this position by arguing that outside directors may lack knowledge about the firm and industry thereby playing only a minimal role on the board.

Studies such as (Arora and Sharma, 2016; Darko et al., 2016; Hartarska, 2004; Ofoeda, 2016) find significant negative association between outside directors on firms' board and performance. Thrikawala et al. (2017) found evidence that non-executive directors are statistically significantly negatively correlated with the OSS of MFIs in Sri Lanka and India respectively thereby contradicting the findings of this study. Similarly, Hartarska (2005) finds evidence that boards with larger proportions of independent directors attain better return on asset (ROA) and social outreach. Our study findings also contradict several prior empirical

studies (El-Chaarani et al., 2022; Otman, 2014;) who found evidence to the effect that board composition have a significant positive impact on firm performance. Dembel and Abdulselam (2019), Hideto et al. (2020), Kyereboah -Colemana and Osei (2008) all found that having a larger number of outside directors on the boards of companies resulted in positive performance. Sheikh et al. (2021) confirmed in their study that board composition positively influences MFIs financial performance.

7.6.3 Female Directors and the financial performance of MFIs

The presence of women on boards is seen to be associated with higher MFI performance since women have an edge in public relations and communications while working with under-privileged clients (Thrikawala et al., 2013). Female representation on boards is therefore supported by the resource dependency theory. This study measures female presence on boards as total number of female directors to the total MFI board size. The regression results in chapter 6 shows that the presence of female directors have no significant relationship with the financial performance of MFIs in Ghana. Based on this finding, we reject hypothesis (*H5a*) which states that there is a significant positive association between female directors on MFIs boards and microfinance institutions financial performance in Ghana.

Analysis and Implication

The findings imply that having women on the boards of MFIs do not result in increased profitability or efficiency in the operations of MFIs. However, this could also mean that women have not been given a fair chance as our descriptive statistics show evidence of low female board member participation in MFIs in Ghana with an average mean value of (1.3529). This indicates that only 1 female director is on the boards of MFIs in Ghana with some of the MFIs not even having a female representation on their boards at all. In addition to their professional responsibilities, corporate women also have to care for their homes, which takes up a lot of their time. As a result, they may have less time than their male counterparts to carry out their corporate duties, which may explain why they do poorly on the board. This could be as a result of the Ghanaian culture's expectation that women take care of the home, making them unable of performing their corporate responsibilities.

The findings are consistent with prior literature. Thrikawala (2016) finds that female board representation had a negative impact on financial and social performance of MFIs in India and Sri Lanka. Adusei et al. (2017) in a global study of 494 MFIs find that gender diversity is negatively associated with financial performance. Shettima and Dzolkamaina (2018) found that female representation in MFIs boards in Nigeria had a negative impact on their performance. Natamba et al. (2013) found that the increase in the number of female board members may negatively affect the financial performance of MFIs.

The result of this study also contradicts prior literature. For example, Vishwakarma (2017) finds evidence that women representation in MFIs in India have a positive significant effect on financial and social performance. Belaounia et al. (2020) finds that companies with more female board members had better overall performance. Boehe and Cruz (2013) concluded that female representation on MFIs boards effected performance positively in Africa. Recent studies such as Boubakar (2019), Strøm et al. (2014), and Tanweer et al. (2019) all found that the appropriate women representation on MFIs board impacted positively on their performance. Arora (2021), and Pucheta-Martínez and Gallego-Álvarez (2020) found that female directors on board has a positive significant association with firm performance. However, Neema and Mori (2014) found no evidence to suggest that female representation on boards of MFIs had any impact on their performance. El-Chaarani et al. (2022) found no evidence to show that female board representation has a positive and significant association with bank performance.

7.7 Discussion of Social Performance of MFIs

The association between corporate governance mechanisms and MFIs social performance indicators are evaluated in this section.

7.7.1 Board Size

Our regression results shows that board size has a negative significant relationship with breadth of outreach and female borrowers. On the contrary, board size has no significant relationship with scope of outreach. This means that increase in board size reduces the absolute number of borrowers which could be attributed to high administrative cost of maintaining a highly qualified board members with relevant experience for MFIs in Ghana. The regression results in chapter 6 also shows that the board size leads to a decrease in women borrowers in MFIs in

Ghana. The findings therefore support hypothesis (H1b) which states that board size has a negatively significant relationship with MFI social performance in Ghana. We thus accept H2b based on the results shown in Table6.15.

Analysis and Implication

The findings are inconsistent with prior literature. For instance, Estapé-Dubreuil and Torreguitart-Mirada (2015) examined the relationship between the mechanisms of governance and social performance and found that board size positively and significantly affects social performance as measured by the percentage of women borrowers. Boubakar (2019) finds evidence that board size has a positive and significant impact on MFIs' social performance.

7.7.2 Board Composition

Regression results revealed that board composition has a negative relationship with both scope of outreach and breadth of outreach measures albeit these are not statistically significant. The regression results in chapter 6 (Table 6.15) indicates in significate positive relationship with female borrowers. This suggest that board members may lacked specific knowledge on the operations of MFIs or may not be truly independent in the discharge of their duties in Ghana. Based on this finding, we conclude that board composition has no relationship with the social performance of MFIs in Ghana. Based on this finding, hypothesis (H4b) which states that board composition has a significant positive relationship with MFI social performance in Ghana is rejected.

Analysis and Implication

This finding implies that the number of independent directors on the boards of MFIs do not promote scope of outreach and in fact reduces lending to female borrowers. This finding suggests that independence directors on the boards of MFIs may lack specific knowledge and understanding of the diverse nature of the microfinance industry and may not be able monitor inside directors sufficiently. The result is, however, inconsistent with prior literature such as Mori et al. (2015) who study the effect of board composition on the outreach performance of MFIs. They discover that boards with independent, female, and foreign members perform very well in their outreach to the underprivileged. Thrikawala et al. (2017) uncovered that non-executive director are statistically significantly negatively associated with Breadth of outreach of MFIs in Sri Lanka and India. According Thrikawala et al. (2017) findings, independent

directors on MFI boards have a negative impact on social performance. This suggest that independent directors urge MFIs to lend more money to fewer people while considering their ability to pay back the loan. It's possible that independent directors at MFIs in India and Sri Lanka don't understand how microfinance operations affect society.

7.7.3 Female Directors

The percentage of female directors on the board is calculated by dividing the number of female directors by the total number of board members (Ainan et al., 2022; Arena et al., 2015). Female participation on boards has drawn attention in recent publications on gender diversity as a component of advocacy programmes for women's equal rights. According to Adams and Ferreira (2009), female board members are more effective and active monitors than male board members.

This suggest that the more female directors on the boards of MFIs they tend to expand or increase the total number of loan clients so as to reduce poverty among the under-privilege poor. Interestingly, our study shows that female directors on boards does not have a substantial increase on loans to women. The results of this study show that the proportion of female directors on boards is not significantly influenced by gender inequality in Ghanaian MFIs and that they do not actively promote microfinance loans to women borrowers. The findings also suggest that female directors on boards tend not to offer appropriate level of capacity training and specifically do not care whether clients use their loans for the purposes they take the loans for. This has the potential for increasing bad debts especially when borrowers use loans for unproductive economic activities repayment becomes difficult and hence reduces profitability as they become non-performing loans (NPL) and has to be written off to profit or loss statements. This result agrees with the result of the variance analysis as shown in Table 6.10. Based on this findings, hypothesis (H5b) which indicates that there is a significant positive association between female directors on MFIs boards and microfinance institutions social performance in Ghana is partially accepted.

Analysis and Implication

The result is consistent with prior literature such as (Abongeh et al., 2023; Ainan et al., 2022; Fall et al., 2021; Imran and Shafique, 2022; Nawaz et al., 2021) who all uncovered that gender diversity has a positive impact on microfinance social performance. Similarly, Boubakar (2019) found that female representation on MFIs board has a positive and significant impact on MFIs' social performance. The findings are also inconsistent with prior empirical studies such as Thrikawala et al. (2015) who uncovered evidence that female directors on the board are significantly negatively correlated with breadth of outreach and positively correlated with percentage of female borrowers in total active borrows in Sri Lankan MFIs. The findings also contradict Deschênes et al. (2015) who uncovered that female director have positive association with social performance (female borrowers) indicating that female directors appear to concentrate on gender inequality by promoting microfinance loans to more female clients and Adusei (2019) who found a negative relationship between board gender diversity and technical efficiency among MFIs across the world. Thrikawala et al. (2015) discovered that MFIs with a female chair have more active borrowers, but MFIs with female directors and client representation on the board have fewer active borrowers. Thrikawala et al. (2016) found in their study that female directors on the MFIs board are statistically significantly negatively correlated with Breadth of outreach and significantly positively correlated with female borrowers in Sri Lankan MFIs. in Sri Lankan MFIs.

7.10 Conclusion

This chapter discussed the results of the study from both primary data and secondary data sources. The findings showed that the BoG Corporate Governance Directives and the OECD Principles of Corporate Governance, an international standard for gauging the implementation of corporate governance, had an impact on how MFIs in Ghana implemented their corporate governance practices (principles and mechanisms). This chapter examined and identified challenges to Ghanaian MFIs implementing corporate governance. Further, the findings in this chapter suggested factors that could facilitate the implementation of efficient corporate governance in Ghanaian MFIs. Therefore, to enhance corporate governance practices in MFIs in Ghana, policymakers and regulators should take these considerations into account. Additionally, using OLS regression analysis to highlight the ramifications of such effects, this chapter discussed how corporate governance mechanisms affect MFI performance (financial

and social) in MFIs in Ghana. The association between the corporate governance mechanisms and the financial and social performance of MFIs were hypothesised, and their statistical significance was assessed. Agency, resource dependence, stakeholder, profit incentive, and welfare theories were all considered in the discussion. Based on the conclusion of this study, MFIs could enhance their performance by putting good corporate governance practices in place. The findings of the study are also partially supported and partially contradicted by the theoretical framework used in this, which may provide motivation for further investigation. Chapter 8 presents the conclusions and policy recommendations of the study.

Chapter 8: Summary of Findings and Conclusions

8.1 Introduction

Broadly, this study critically examined the perceptions of corporate governance practices in Ghana and its relationship on the performance of MFIs. The study focused on current state of CG practices among MFIs in the post reform periods (2019 -2020) of the financial services sector in Ghana. More specifically, the study critically examines stakeholder perceptions regarding implementation of corporate governance principles in MFIs in Ghana, assessed the challenges and the factors that impacted the implementation of corporate governance in MFIs in Ghana. Finally, the study critically analysed and determined the relationship between corporate governance mechanisms and the performance of MFIs (financial and social) in Ghana. Therefore, the findings of the study allow the researcher to answer the research questions that this study posed in chapter 1after critical review of literature:

1. What are stakeholders' perceptions of the implementation of corporate governance principles within MFIs in Ghana?
2. What are the implementation challenges of corporate governance within MFIs in Ghana?
3. What are the factors that impact the implementation of corporate governance in MFIs in Ghana?
4. Is there a relationship between corporate governance mechanism and the performance of MFIs in Ghana?

This study was motivated by poor governance culture by MFIs in Ghana which resulted in the failures of MFIs in Ghana (BoG, 2019). More so, the pressure by the BoG on the implementation of corporate governance practices in MFIs in Ghana, which led to a reform (from 2016 -2018) motivated the conduct of this study. Further, the scarcity of MFIs governance research (Kyereboah-Coleman, 2007; Kyereboah-Coleman and Osei; 2008; Ofoeda, 2016; Sarpong, 2018) in Ghana motivated this study in bridging the research gap by contributing to the governance literature and knowledge in Ghana and by extension the world. Therefore, this chapter provides summary of research findings, policy implications and recommendations. The chapter is organised as follows: summary of findings, theoretical and

practical contributions to knowledge, policy recommendations, direction for future research, and limitations of study.

8.2 Summary of Findings

On the one hand, descriptive statistics from analysing the research questionnaire were presented in Chapter 6. The objective of the research questionnaire in this study was to critically examine stakeholders' perceptions of the implementation of corporate governance principles within MFIs in Ghana. It also sought to critically assess the implementation challenges of corporate governance within MFIs in Ghana. Finally, it attempted to evaluate the factors that impact the implementation of corporate governance in MFIs in Ghana. On the other hand, descriptive statistics of the secondary data were also presented in Chapter 6 and detailed the analysis of corporate governance mechanisms in MFIs in Ghana. Therefore, this section of the study summarises the findings of this study to provide answers to our research questions above.

8.2.1 Results of the Research Questionnaire

Descriptive statistics were first used in this study to define the characteristics of the participants of the study and to assist in answering the research questions. Descriptive results showed that most respondents agreed concerning the implementation of corporate governance principles, which include: the rights of shareholders, equitable treatment of shareholders, role of stakeholders in corporate governance, disclosure and transparency, and responsibility of board directors. The descriptive results showed that most participants agreed that MFIs have indeed implemented CG principles in accordance with the stakeholder theory, and they also agreed that the implementation of corporate governance is important for all stakeholders in MFIs in Ghana including shareholders, investors, managers/CEOs, employees, creditors, customers, auditors, government, and the public. This is consistent with the BoG CG Directive 2018, which is closely aligned with the OECD Principles of Corporate Governance, which requires good corporate governance practice for enhanced performance of MFIs. These findings confirm that stakeholders' perceptions are consistent with the view of the OECD (2004;2015), which indicates that corporate governance engages in a set of relationships between a company's management, its board, its shareholders, and other stakeholders. The stakeholder theory is the appropriate definition of corporate governance by the BoG in the Ghanaian context from the stakeholders' perspective. This result is in line with recent literature by Otman

(2014), and Wanyama, Burton, and Helliar (2013), who found that corporate governance is considered a relationship with a range of stakeholders and that the stakeholder theory is proper in the Islamic economic system.
In conclusion, our study found that principles of CG have been implemented by MFIs in Ghana. This can be attributed to the fact the MFIs have started to implement the BoG CG Directive as issued in 2018. Furthermore, the results confirmed that the BoG Directives emphasise the stakeholder theory while recognising the conflict of interest created by the agency theory.

Part two of the research questionnaire addressed the second objective of the study, which sought to critically assess the implementation challenges of corporate governance within MFIs in Ghana. The descriptive result in Table 6.7 revealed that too many powers of owners and CEOs in the MFIs were regarded by respondents as the most important challenge affecting CG implementation in MFIs in Ghana. This was followed by inadequate female directors on the MFI board, and the MFI board members did not exhibit professionalism due to a lack of skills mix. The poor quality of staff recruited, and the members of the supervisory board of MFI not independent were not given as much importance as they had mean score values of 2.90 or less. The findings of this study suggest that policymakers and regulators in Ghana should concentrate their efforts on overcoming the challenges that may obstruct the implementation of corporate governance in MFIs. This could be beneficial since MFIs will ensure that the Bank of Ghana's recently released Corporate Governance Directive 2018 is followed strictly.

Part three of the questionnaire addressed the third objective of the study which sought to evaluate the factors that impact the implementation of corporate governance in MFIs in Ghana. The result showed that developing incentive programmes for compliance with principles of corporate governance by MFI was regarded as the most important factor in enhancing the implementation of CG in MFIs. This was followed by intense competition in the microfinance sector, type of ownership of an MFI, participating in international events, conferences, meetings, and committees dealing with corporate governance by MFI, initiating regional corporate governance partnership programmes with international organisations such as the OECD by MFIs and awareness and business education for CEOs, directors, and board members of MFI on benefits of good corporate governance. The findings suggest that these factors are critical for the development of corporate governance practice in MFIs in Ghana, as they may

lead to improved corporate governance, which is expected to benefit Ghana's political, economic, social, and cultural development, as well as that of other countries.

8.2.2 Secondary Data Results

The descriptive statistics for the variables of the corporate governance mechanisms were presented in Chapter 6. CG mechanisms variables included board size CEO duality, board composition, internal audit, and female board member representation. The descriptive statistics included the mean, standard deviations, minimum and maximum. The detailed analysis indicated that most of the MFIs are implementing the BoG CG Directive in Ghana. Based on the descriptive result of the secondary data CEO duality and the internal audit mechanisms are excluded in our further analysis. This is because, regarding CEO duality and internal audit, the standard deviation values suggest that there are no differences between MFIs. This means that there is no CEO duality among MFIs in Ghana. In other words, no one individual occupied the position of CEO and board chair at the same time, which indicates that MFIs have started to implement the BoG CGD 2018. Similarly, we find that all MFIs in our sample also had internal audit units again suggesting that MFIs are implementing the BoG CGD 2018.

The descriptive statistics for the board size of MFIs in Ghana showed a minimum board size of three members, while the maximum was 9 members; a mean value of 6 members was indicated. The BoG CG Directive requires that the board of directors should be between 5-13 members. This result is consistent with Jensen and Ruback (1983), who argue that a board size of 7–8 members would help guarantee the board's effectiveness. Lipton and Lorsch (1992) recommended a board size of 8–9. Based on this we conclude that some MFIs have large board sizes whereas for smaller MFIs we suggest that the minimum board size should be three.

The board composition of MFIs indicates the extent of the board's composition of executive and non-executive directors. It was measured by the proportion of non-executives who were appointed to the MFI board. The descriptive statistics for the composition, measuring the number of non-executives, reported a maximum value of 8 for independent members, while the mean value was 4. These results showed that most MFIs in Ghana complied with the BoG CG Directive 2018 requirement that most board members should be non-executive directors.

Based on the descriptive result of this study there is evidence of low female board member participation in MFIs in Ghana with an average mean value of (1.3529). This indicates that only 1 female director is on the boards of MFIs in Ghana with some of the MFIs not even having a female representation on their boards at all. Female board member representation on MFIs is not specifically dealt with by the BoG CG Directive. The Directive requires that board members are qualified with relevant experience regardless of whether such member is a female or male. Given the disproportionate representation of male and female board members, this study introduces this mechanism to be included in the BoG CG Directive.

8.2.3 Relationship between Corporate Governance Mechanisms and performance of MFIs

This section addressed research objective 4 of this study critically analyse and determine the relationship between corporate governance mechanisms and the performance of MFIs in Ghana. The study analysed performance into financial and social indicators. This reflects the double bottom line objectives of MFIs which seek to make profit but most importantly reduce poverty through the promotion of wellbeing of the economically active poor. In recent times there is an environmental dimension of MFIs performance, but this dimension of performance is not the subject matter of this study. The financial indicators included in this study are Return on Assets (ROA), Return on Equity (ROE), Operating Self-sufficiency ratio (OSS), Operating Cost ratio (OCR), and Yield on Gross Loan Portfolio (YGLP). The social performance measures included in this study are breadth of outreach, percentage of women borrowers, and scope of outreach which is measured by (capacity training and loan usage). This analysis was based on a combination of secondary data and a second research questionnaire sent to company secretaries and in some cases the HR and relevant officers to provide information on social performance and some corporate governance information. Financial statements were obtained from MFIs directly with only a few downloaded from company websites.

8.2.3.1 Board Size

Board members are significant stakeholder of the company (Aljaaidi and Hassan, 2020). The board of directors being the topmost decision-making body in an MFI implies that the number of directors on the board of the company has been widely considered to be an important determinant of firm performance (Arora and Sharma 2016; Mishra et al., 2020). From the

analysis discussed in chapter 6, the study finds mixed results and conclude that board size has a significant negative associated with the financial performance of MFIs (ROA and ROE). contrary, board size is significantly positively associated with MFIs financial performance (OCR and YoGLP). However, board size has no significant relationship with OSS (see Table 6.14, Ch.6). This finding resulted in the partial rejection of hypothesis **(H1a)** which stated that board size has a negatively significant relationship with the financial performance of MFIs in Ghana. Similarly, the study found that board size has a significantly negative relationship with MFIs social performance measures (breadth of outreach and female borrowers). Although board size has a positive relationship with scope of outreach it is not statistically significant (see Table 6.15, Ch. 6). This finding resulted in the acceptance of hypothesis **(H1b)** which stated that board size has a negatively significant relationship with the social performance of MFIs in Ghana.

The result is supported by stakeholder, agency, and resource dependent theories respectively. The idea that there is a strong correlation between a board's performance and its size served as the foundation for the hypothesis. The findings are consistent with prior literature. For example, some studies indicate that board size has a negative relationship between board size and firm performance (Collins et al., 2019; Fama and Jensen,1983; Jensen, 1993; Guest, 2009). Collins et al. (2019) studied the relationship between financial performance and microfinance sustainability, with a particular focus on the role of CG in improving the financial performance of microfinance banks in Nigeria and find that the correlation between board size and profitability means that board size has a negative impact on profitability of MFIs.

Bazhair (2021) uncovered that the board size was positively associated with firm performance in both return on assets (ROA) and return on equity (ROE) in Saudi Arabian firms. Shettima and Dzolkamaina (2018) investigated the impact of board characteristics on the performance of MFIs in Nigeria and discovered a relationship between board size and MFI performance that was both positive and significant. Ofoeda (2016) who investigates CG and its effects on non-bank financial institutional profitability in Ghana and finds a positive relationship existing between board size and the profitability of non-bank financial institutions measured by ROA. Consequently, Berezinets et al. (2017) reported that board size is directly associated with firm performance from the standpoint of Russia.Tanweer et al. (2019) found no evidence to suggest that board size impacted on the performance of MFIs. The study finding is inconsistent with prior literature such as Estapé-Dubreuil and Torreguitart-Mirada (2015) examined the

relationship between the mechanisms of governance and social performance and found that board size positively and significantly affects social performance as measured by the percentage of women borrowers.

8.2.3.2 Board Composition

Corporate boards are primarily responsible for overseeing management and they aid in the alignment of principals' and agents' interests (Agarwal and Singh, 2020). Hypothesis**(H3a)** focused on the makeup of the board, and it was proposed that a majority of non-executives has a favourable relationship with the performance of MFIs because outside directors who monitor the board effectively and safeguard shareholders' interests lead to better MFI performance.

This study revealed that board composition has no significant relationship with any of the financial performance indicators (ROA, ROE, OSS, OCR, and YoGLP). The study finds that board composition has a positive relationship with ROA, ROE, and OCR but these relationships are not statistically significant. Contrary, the study reveals insignificant negative relationship with OSS and YoGLP (see Table 6.14, Ch.6). The findings led to a rejection of hypothesis **(H3a)** which indicated that board composition has a positive significant relationship with the financial performance of MFI in Ghana. Similarly, the study uncovered that board composition has insignificant negative association with scope of outreach and breadth of outreach. On the contrary, board composition shows a positive insignificant relationship with MFIs social performance (female borrowers) (see Table 6.15, Ch. 6). As a result, hypothesis **(H3b)** which states that board composition has a significant positive relationship with MFI social performance in Ghana is rejected.

The result is consistent with Thrikawala et al. (2016) who found that outside directors failed to have any impact on MFIs in Sri Lanka. The authors posited that in some instances outside directors lacked experience compared to the inside directors. The result is also inconsistent with studies such as (Arora and Sharma, 2016; Darko et al., 2016; Hartarska, 2004; Ofoeda, 2016) who found significant negative association between outside directors on firms' board and performance. Thrikawala et al. (2017) uncovered that non-executive director are statistically significantly negatively associated with breadth of outreach of MFIs in Sri Lanka and India. These findings failed to support agency, stakeholder, and resource dependency theories. Agency theory advocates having a large proportion of independent directors on the board to effectively supervise the activities of the managers (Fama and Jensen, 1983) and limit

self-interested behaviour of the managers to maximise shareholder wealth (Muttakin et al., 2012) was not supported by this study. The skills and expertise of independent board members are considered and significant resource while independent board members also represent major stakeholders of the MFIs did not support the study findings either. Therefore, this study suggests that having most non-executive directors on the board is a crucial component of MFIs' performance. However, this study's findings did not have a significant impact on MFIs' performance, perhaps because of outside directors' lack of experience in MFIs operations.

8.2.3.3 Female Director Representation

For MFIs, women are their major clients and the representation on women on their boards has been argued to promote performance both financial and social performance (Strom et al., 2014). Female director representation on MFIs boards has no statistically significant relationship with the financial performance of MFIs in Ghana. This study reveals insignificant negative relationship with the financial performance of MFIs (ROA, OSS, OCR, and YoGLP). Contrary, female board member representation also reveals insignificant positive relationship with ROE (see Table 6.14, Ch.6). These findings led to a rejection of hypothesis **(H5a)** which indicated that there is a significant positive association between female directors on MFIs boards and microfinance institutions financial performance in Ghana. Female director presence on MFIs board is statistically positively associated with MFIs social performance (breadth of outreach). Contrary, female representation on MFIs board also reveals insignificant negative relationship with MFIs social performance (scope of outreach and female borrowers) (see Table 6.15, Ch. 6). Thus, these findings resulted in the partial acceptance of hypothesis **(H5b)** which suggested that that there is a significant positive association between female directors on MFIs boards and the social performance of microfinance institutions in Ghana.

This result is consistent with Vishwakarma (2017) who finds evidence that women representation in MFIs in India have a positive significant effect on financial and social performance. Thrikawala (2016) finds that female board representation had a negative impact on financial and social performance of MFIs in India and Sri Lanka. Shettima and Dzolkamaina (2018) found that female representation in MFIs boards in Nigeria had a negative impact on their performance. The result is also inconsistent with recent studies such as Boubakar (2019), Strøm et al. (2014), and Tanweer et al. (2019) all found that the appropriate women representation on MFIs board impacted positively on their performance. Other research (Carter et al., 2003; Dang et al., 2020; Garanina and Muravyev, 2020; Kim and Starks, 2016; Liu et

al., 2014; Post and Byron, 2015) has found a positive relationship between gender board diversity and firm performance. The result of this study partly supports the agency, resource dependency, welfare, profit, and stakeholder theories.

8.3 Theoretical and Practical Contribution to Knowledge

This research contributes to closing a significant gap in the literature about corporate governance practices in MFIs in Ghana. The major contribution of this study is the examination of CG in MFIs in Ghana. Undoubtedly, this study not only contribute to knowledge in Ghana but also to other developing countries with similar socio-economic and cultural environment. More importantly, the results of this study are informed by stakeholder, urgency, resource dependency, profit incentive, and welfare theories. As a result, it offers scholars insightful information about the necessity of implementing sound corporate governance.

This study contributes to the theory by developing a corporate governance model that is aimed at bridging the gap in the literature in Ghana and other emerging economies. The OECD Principles created for the study served as the foundation for the model. Five types of corporate governance principles make up this model: shareholders' rights, shareholders' equitable treatment, stakeholders' participation in corporate governance, disclosure and transparency, and board responsibilities. In addition, the model incorporates CG implementation challenges and the factors that impact CG implementation in MFIs in Ghana. When the model is adopted in the context of economic environment by policy makers it will help to resolve the implementation challenges of CG among MFIs as well as promoting the sustainability of MFIs in Ghana and other developing economies.

Another contribution of the study was to determine and analyse the relationship between corporate governance mechanisms and the performance of MFIs in Ghana. This research uses an empirical model to provide a critical analysis. Therefore, the research methodology adopted for this study has significantly advanced corporate governance research in Ghana. From the theoretical perspective, the main contribution of this study is that the findings are informed by the stakeholder, agency, resource dependency, profit, and welfare theories. The study also uses these theories to determine the relationship between CG mechanisms and the performance of MFIs in Ghana. The findings of the study confirm the stakeholder theory argument, which suggests that maintaining a good relationship between management and stakeholders can positively influence the performance of MFIs in Ghana. As a result, the BoG CG Directive

defines CG based on the stakeholder approach to CG in Ghana. According to Freeman (1984), companies should not only consider their shareholders but also the interests of other stakeholders in governance.

In addition, the development of a conceptual and theoretical frameworks provides MFIs and stakeholders, including researchers, to better understand the relationship between corporate governance and the performance of MFIs, and thus a significant theoretical contribution to the literature and body of knowledge already in existence. The theoretical and conceptual frameworks provide the linkages between the research theoretical foundations, corporate governance practices (corporate governance principles and mechanisms) while at the same time related corporate governance mechanisms to MFIs financial and social performance indicators. The better understanding of this linkages of these frameworks could help other researchers to replicate this in other emerging economies. This will also help MFIs to appreciate that to improve their performances (financial and social) it is important to improve on their corporate governance practices.

The empirical findings of this study are a significant contribution to knowledge. The study has identified implementation challenges and factors impacting corporate governance in MFIs in Ghana. It has also examined the implementation of corporate governance principles in MFIs. The study has analysed and establish a relationship between board size, board composition, and female board member representation and MFIs financial and social performance in Ghana. This provides an opportunity to the Bank of Ghana and other policymakers to make the necessary changes to the corporate governance Directives for MFIs in Ghana which will help to improve governance and better financial and social performance of MFIs in Ghana. The findings of this study draw the attention of the industry regulator (BoG) of the CG practices in MFIs in the post reform period, which will aid in the supervision and compliance with the provision of the BoG - CG Directives (2018) in order to improve organisational performance and economic growth and development. This is particularly important because the BoG has linked the failures of most MFIs to poor CG and risk management in recent times (BoG, 2019). This study has closed the gap of scarcity of MFI governance research in Ghana. To the best knowledge of the researcher this is the first study that study corporate governance practices (corporate governance principles and mechanisms) while using the corporate governance mechanisms to analyse the double bottom performance (financial and social) objective of MFIs

in Ghana. The few MFI governance studies in Ghana Kyereboah-Coleman (2007), Kyereboah-Coleman and Osei (2008), Ofoeda (2016), and Sarpong (2018) have concentrated on limited financial performance indicators thereby missing the fact that MFIs have dual objectives. Therefore, this will provide useful insights for future research in corporate governance in Ghana.

Finally, from a global perspective, it is clear from the literature analysis that most of the prior research on microfinance governance was carried out in Asia probably due to the availability of data and the prominence of microfinance practice in this Continent. To increase the understanding of microfinance corporate governance and social interventions in eradicating poverty, microfinance has also been adopted in other emerging markets, including Ghana. Thus, by evaluating the application of corporate governance principles, potential challenges, and enablers as well as by analysing the relationship between corporate governance mechanisms and MFI's performance in Ghana, a developing country with its own specific context, this study has significantly added to the body of local and global knowledge about microfinance governance literature.

8.4 Policy Implications of Study

Based on the findings of this study, the following policy recommendations are made which if implemented by policy makers will aid to improve the CG culture among MFIs in Ghana and ultimately impact positively on their financial and social performance measures.

8.4.1 Stringent Monitoring Regime and Training for MFIs on Corporate governance

This study recommend that Bank of Ghana continue its monitoring regime of MFIs in Ghana as the regulator of the sector. In addition, the BoG should support MFIs to undertake regularly corporate governance training on a quarterly basis which should be paid by government. MFIs should be awarded on an annual basis for the excellent corporate governance implementation in Ghana which will incentivise these institutions to realised that for them to achieve their double bottom objective must be through good governance.

8.4.2 Establishment of Central Database for MFI in Ghana

The government of Ghana should support MFIs to establish an operationalise central database of MFIs corporate governance data and make same freely accessible to researchers and policymakers around the world. The difficulty in accessing MFIs governance data for research is responsible for the limited MFIs governance research in Ghana. The government of Ghana

should also collaborate to share this data with MIX Markets, a global database for microfinance data. The majority of MFIs have failed to voluntarily report governance and research information to MIX Market and other global research databases on continuing basis. This will promote and facilitate research in the microfinance sector in Ghana not just by researchers from Ghana but around the world.

8.4.3 Facilitation of Merger of Selected MFIs

This study found that majority of MFIs are performing poorly both financially and socially. Majority of MFIs have been making losses and are not operating self-sufficient (i.e., their operating revenue are not able not cover their operating costs). The study also found that the microfinance sector is highly leveraged. In light of the findings, the study suggests that the Bank of Ghana support MFI mergers so that they can expand their operations and improve their ability to attract client deposits and savings. This planned merger will also lessen the number of MFIs in Ghana and offer the chance for efficiency and effectiveness in providing services and goods to the productive poor at a lower cost, improving corporate governance and raising the degree of outreach in MFIs in Ghana. In the long run, this proposed merger will also lower the cost of Bank of Ghana supervision.

This merger will result in increased branches and better corporate governance implementation. The Bank of Ghana could absorb the cost of merger and training for staff in relation to these mergers. Currently, there are too many MFIs in Ghana most of whom are inefficient and ineffective in their operations posing a threat to their financial performance and outreach. For example, the website of the Bank of Ghana currently has over 200 MFIs (microfinance companies 122, savings and loan companies 26, 144 rural and community banks) in Ghana compared with only 23 universal licensed banks.

8.4.4 MFIs Improved on Transparency and Disclosure

The researcher used 12 questions to assess the level of disclosure and transparency as one of the OECD Principles of corporate governance which has been embraced by the BoG corporate governance Directive 2018. Out of the 12 questions the respondents ranked first the statement "MFI financial statements are prepared and disclosed in accordance with International Accounting Standards" with a (mean = 4.20, SD = .781). However, although financial statements of MFIs in Ghana are indeed prepared in accordance with International Accounting Standards (IAS), MFIs failed to freely make available their financial statements for

stakeholders use. The researcher wrote letters requesting for financial statements of MFIs, but majority of these institutions declined to provide the financial statements. However, some of the MFIs provided the researcher with their financial statements. The research also noted during data collection that the requirement by the BoG CG Directive that MFIs publish their financial statements in their banking halls are not complied by some MFIs.

Based on the above, this study recommend that the Bank of Ghana should make changes to corporate governance Directives to ensure that MFIs make available their financial statements available to their stakeholders including microfinance researchers, clients, investors, and the public by publishing the financials on their websites. This will facilitate research in the microfinance sector which will inure to the benefits of the MFIs themselves.

8.4.5 MFIs Should Focus on Scope of Outreach

This study recommend that MFIs should expand their scope of outreach by not just granting loans to the productive poor but also make conscious effort to train the poor how to use loans granted productively in undertaken economic activities to enable repayment. Capacity training on loan usage and general knowledge on productive economic activities will facilitate prompt repayment of loans and avoid loan default which ultimately leads to non-performing loan portfolio contributing to losses of MFIs. Additionally, there is inadequate branches of MFIs in rural areas. Very few MFIs had branch presence in rural areas during data collection for this study. The researcher recommends that when government and BoG facilitate the merger of selected MFIs in Ghana, they will become much more efficient, better governed, and profitable which could have much presence in rural areas through branch networks.

8.4.6 A Quota of Female Board member representation in MFIs

This study has identified that the inadequate representation of female directors on MFIs board is a challenge to the implementation of corporate governance in Ghana. Further, the study uncovers that female director representation on MFIs boards has no statistically significant relationship with MFIs financial performance in Ghana. Female director presence on MFIs board is statistically positively associated with MFIs social performance (breadth of outreach). The low number of female representation and in some cases no female representation on MFIs board affects the financial and social performance of MFIs. These findings suggest that when there is adequate female representation on MFIs board breadth of outreach increases. The

insignificant statistical relationship between female representation and MFIs performance can be attributed to the low or lack of adequate representation of women on MFIs boards.

This study recommends that the Bank of Ghana and other policymakers in the microfinance sector should amend relevant regulations or amend the corporate governance Directive 2018 to introduce a 40 percent quota for female board members across all MFIs in Ghana. This is because the majority of MFIs clients are female, and females understand the MFIs market better. For MFIs, Strom et al. (2014) argue that women are their major clients and the representation on women on their boards has been argued to promote performance both financial and social performance.

8.4.7 Implementation of Corporate Governance Challenges

This study has identified possible challenges affecting the implementation corporate governance in MFIs in Ghana. The Bank of Ghana and relevant policymakers can use these challenges to improve on the existing corporate governance directives in improving the implementation of corporate governance in MFIs to improve and sustain their operations for economic development and stability and ultimately reduce poverty in Ghana. Similarly, the MFIs themselves can improve their governance by working to improve on these challenges to create value for their shareholders, clients and public. These challenges could also be useful to other developing countries with operations of MFIs. The following are the challenges identified in chronological order.

The findings suggested that a significant potential issue with the corporate governance arise from too many powers of owners and CEOs as well as the lack of adequate female board member representation. While this study finds that there is absence of CEO duality in our sample the Bank of Ghana should make changes to the current corporate governance Directive to resolve these challenges which is a risk to the operations of MFIs. Therefore, the Bank of Ghana should give special emphasis to training its supervisory personnel so that they are aware of the challenges, issues, and values associated with corporate governance and how to best supervise and mentor MFIs' efforts to improve their governance.

8.4.8 Implementation of Enabling Corporate Governance Factors

While this study identified possible challenges affecting the implementation of corporate governance in MFIs, it also identified the possible factors of the implementation of corporate governance among MFIs in Ghana. The study employed descriptive statistics and ranked mean

scores of the enabling factors in chronological order. The researcher therefore recommend that the Bank of Ghana and relevant policymakers and investors should support implement these enabling factors in MFIs in Ghana for improve corporate governance.

Good corporate governance practices are crucial in a developing nation like Ghana since they may not only help minimise corporate failures but also help businesses secure foreign direct investments. Through these procedures, Ghana's economy might flourish and grow more quickly. In this regard, the study could draw the attention of people concerned with corporate governance and who may be interested in applying its findings to impact any future endeavour policies in regulating corporate governance practises of Ghanaian MFIs. The policy ramifications from this study are anticipated to assist regulators and policy makers in identifying corporate governance development areas that require immediate attention.

8.8.9 Model of Corporate Governance

This study has developed a model of corporate governance based on the study objectives. The model proposes the review of Bank of Ghana CG Directives 2018 and the establishment of national code of CG for Ghana. This model is thus useful to the BoG CG Directive as well as the national code of CG in Ghana. The model focused on CG principles, challenges of CG implementation in MFIs in Ghana, and the enabling factors influencing the implementation of CG in MFIs in Ghana. Thus, this study provides evidence of CG in a developing country perspective that significantly contribute to the extant literature by developing a model of governance to improve the quality of CG practice in Ghana. While the BoG -CG Directive 2018 laid a strong foundation for CG in the financial services sector, and the SEC-gh for listed entities, Ghana needs a comprehensive national CG code to stimulate its economic growth agenda to minimise firm failures and its associated costs in relation to unemployment, government bail bailout to mention but a few. This model is therefore useful for the consideration of the Drafting Committee of the national CG Code for Ghana which is being spearheaded by the Institute of Directors-Ghana (IOD-GH) in consultation with relevant stakeholders in Ghana. Table 7.1 depicts the model of CG as developed by the study and expanded itemised variables detailed in Figure 7.1 in appendix G. If this model is adopted in the context of the economic and social cultural environment of Ghana it will resolve the challenges of CG implementation among MFIs and promote economic growth and stability as well as sustain the operational activities of MFIs in Ghana.

Table 8. 1: Model of Corporate Governance

Corporate governance principles
Shareholder rights: The CG Directive of the BoG should be reviewed, and emphasis placed on shareholders rights in MFIs in Ghana *(See Figure 7.1 in appendix G for specific factors)*
Equitable treatment of shareholders: The CG Directive of BOG should be reviewed to place emphasis on the equitable treatment stakeholder including doners and partners in creating wealth and economic growth for Ghana. *(See Figure 7.1 in appendix G for specific factors)*
Role of stakeholders in corporate governance: The CGD be reviewed to recognize and define the role and participation of stakeholders including their rights in line with the companies act 2019. This will promote participation and wealth creation. *(See Figure 7.1 in appendix G for specific factors)*
Disclosure and transparency: The CG D of BoG should be reviewed and require companies to provide accurately and timely release of relevant and material information including financial statements publications and accessibility to stakeholders including CG researchers to promote good practice in line with international standards. *(See Figure 7.1 in appendix G for specific factors)*
Board of directors' responsibility: The BOG CGD be reviewed and place emphasis on long term strategic direction of MFIs including monitoring management effectively and efficiently by the board. The board should therefore be accountable to the company and all its stakeholders. *(See Figure 7.1 in appendix G for specific factors)*
Challenges of CG implementation in Ghana
Too many powers of owners and CEOs in the MFI: The BoG should review the structure of ownership for existing MFIs and where applicable facilitate a merger for some MFIs. This will facilitate diversified ownership structure and reduce excessive powers within MFIs in Ghana *Inadequate female directors on MFI board* The BoG should review its CG Directive and introduce a quota of at least 40% female representation on MFIs as we inadequate female directors on MFI board. *The committees of the board are not always fully constituted in the MFI.* The BoG should be critical on composition of boards and its subcommittees in the MFI through stricter monitoring regime. *There is strict defined length of term of office for the MFI board members.* Increase the length of term of office for the MFI board members to five (5) years initially when appointed this will prevent board members from taking quicky and risky decision to impress. *Culture of the Ghanaian community* Culture of the Ghanaian community should be changed through educational programme supported by the BoG. *(See Figure 7.1 in appendix G for more specific challenges of CG)*
Factors influencing CG implementation in Ghana
Developing incentive programmes for compliance with principles of corporate governance by MFI

Intense competition in the MF sector -The BoG should facilitate merger of MFIs to make them more efficient and competitive sector which will promote implementation of CG
Type of ownership of an MFI -Facilitate and streamline the ownership structure of MFIs in Ghana
*Participating in international events, conferences, meetings, and committees dealing with corporate governance by MFI***:** Set up funding to support MFIs participate in CG training programmes both locally and internationally.
Initiating regional corporate governance partnership programmes with international organisations such as the OECD by an MFI
Awareness and business education for CEOs, directors, and board members of MFI on benefits of good corporate governance - BoG should work together with MFIs to promote CG awareness consistently. *(See Figure 7.1 in appendix G for specific factors)*

8.5 Implication for Future Research Direction

This study can be further explored to contribute to knowledge in the following areas:

1. The sample size of this study was limited to 17 MFIs across 4 regions of Ghana due to the accessibility of data and limited budget on the part of the researcher. Future research can expand the scope to include more MFIs in Ghana.
2. This study focused on internal stakeholders such as managers, deputy managers, board members, accountants, internal auditors, and senior staff. Future study could potentially examine the perceptions of external stakeholders such as academia, government, external auditors, and the public on the implementation of corporate government of MFIs in Ghana.
3. This study can be explored further by replicating it in another developing economy in different region as doing so could result in substantial contribution to knowledge and enriching the corporate governance literature.
4. This study employed financial statements of the sampled MFIs institutions for 2 years 2019 and 2020 fiscal years. This is because at the time of collecting the researcher data those were the full financial statements post reform ready. The Bank of Ghana completed its reforms in 2018 and post reform period started in 2019 onwards. Therefore, this study could be extended to look at including many years financial data to examine the in-depth relationship between corporate governance mechanism and MFIs performances.
5. Another area this research could be explored is the consideration of different corporate governance variables such as staff qualifications, CEO qualifications, CEO tenure, board meetings, audit committee meetings, CEO skills and performance, management incentives, executive compensation among others as corporate governance mechanisms in examining their relationship with MFIs in Ghana. Similarly, future researchers can examine external corporate governance mechanisms such as regulation and external auditors' relationship with MFIs in Ghana.
6. This study employed a quantitative method only in examining the relationship between corporate governance mechanisms and MFIs performance, future research could employ a mix research method (both quantitative and qualitative research methods).

8.6 Limitations of Study

The following are the limitations of the study:

1. Difficulty in accessing the financial statements of MFIs. MFIs indeed prepare financial statements in accordance with IASs in Ghana. However, there is lack of voluntary disclosure of financial statements for stakeholders use. The researcher excluded the responses of some MFIs because of the non-accessibility of their financial statements. This further reduced the sample size, but this did not affect the reliability of the research outcome. Although the BoG require that financial statements be posted on the banking halls of MFIs, majority of MFIs failed to do this due to poor financial performances.
2. The adoption of purposive sampling technique by the researcher assumed that managers, deputy managers, board members, accountants, internal auditors, and other senior staff of MFIs understand that there is a direct or indirect relationship between corporate governance practices and MFIs performance. However, if this is not the case then is a limitation.
3. The sampling size of this study is considered a limitation to this study. The study is limited to 17 MFIs across Greater, Northern, Eastern, Bono-East regions respectively, with majority of the companies in the Greater Accra region of Ghana. Therefore, care must be taken in the generalisation of the outcome of this study since the research could not cover all MFIs and hence a limitation. The most influential reason why the study was limited to 17 MFIs was due to the unwillingness of the majority of companies to complete research questionnaires and to make financial statements available to the researcher. In addition, the researcher had to reduce excessive traveling and transportation cost of collection of data as well as time for gathering the research data.
4. The concept of multiple realities in collection of primary research data is considered a limitation. However, this might invalidate the research results if the respondents were unreliable or reluctant to give information that they believed to be private, or if they overstated or understated their thoughts based on the primary data.
5. The use of financial ratios as financial performance indicators is historical in nature and may not reflect future performances. Financial statements could also be manipulated and hence a limitation.
6. The inability to include depth of outreach as a result of inadequate data is a limitation of this study.

7. This study employed quantitative research methodology. Perhaps a mixed method (quantitative and qualitative) could contribute to methodological literature.
8. The non-classification of data by each stakeholder group at the data collection stage could be deemed a limitation although this does not adversely affect the result due to aggregation of reporting data by all stakeholder groups instead of cross stakeholders' perspectives.

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Appendices

Appendix A: Research questionnaire 1

01 October 2021

Dear Sir/Madam,

I am a doctorate student at Birmingham City University (BCU), Birmingham, UK. This research questionnaire is part of the requirements for obtaining a PhD degree in Business at Birmingham City University, UK. This study is entitled 'Corporate Governance Practice and Microfinance Institutional Performance in Ghana'. The aim of this study is to investigate the perceptions regarding corporate governance practice in MFIs and its impact on their performance.

This research survey should take you 25 -30 minutes approximately to complete. Please kindly assist by completing this questionnaire in order to aid me complete this project. You are assured that any information you provide will be analysed and used solely for educational purposes. Furthermore, your entire response will be confidential. Thank you in advance for your assistance and cooperation, and I eagerly await your response.

Kind regards.

Yours sincerely,

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Part 1: The Principles of Corporate Governance

Q1. The following is a list of items relating to the corporate governance principles. Please state the extent to which you agree/disagree with the following items as they exist in your MFI.

Q1a. The rights of shareholders	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1. The board has respect for the rights of shareholders					
2. Shareholders have the right to participate in MFI profits.					
3. Shareholders have the right to obtain information related to the MFI regularly.					
4. Shareholders have the right to vote in general meetings					
5. Shareholders can vote in elections and remove members of the board of directors for non-performance.					
6. Shareholders are provided with adequate and timely information about MFI meetings.					
7. Shareholders have the right to discuss the external auditor's report at the Annual General Meeting.					
8. Details about the capital structure of your MFI are disclosed to shareholders.					
9. Shareholders have the right to be informed on decisions concerning key MFI operational changes					
10. There is opportunity for changes in shareholding structure by the board					
Q1b. Equitable treatment of shareholders	Strongly agree	Disagree	Neutral	Agree	Strongly agree
1.MFI shareholders who are from the same class are treated equally.					
2. Shareholders have the right to obtain information about voting					

rights before they buy shares in the MFI.					
3. Processes and procedures for general shareholder meetings allow for equitable treatment of all shareholders in the MFI.					
4. Board members and key executives disclose material interests in any transaction or matter directly affecting the MFI.					
5. In my view there is equitable treatment of all shareholders in the MFI					
Q1c. The role of stakeholders in corporate governance	Strongly agree	Disagree	Neutral	Agree	Strongly agree
1. Stakeholder rights that are established by law are respected by the MFI.					
2. The MFI board encourages performance-enhancing mechanism for employee participation					
3. MFI stakeholders can obtain effective redress for violation of their rights.					
4. MFI stakeholders have the right to obtain sufficient and reliable information on a timely basis.					
5. MFI stakeholders have the right to freely communicate their concerns about illegal or unethical practices to the board.					
6. An effective corporate governance framework enforces creditor rights in the MFI.					
7. MFI board recognises the role and participation of all stakeholders to achieving its objectives.					
Q1d. Disclosure and transparency	Strongly agree	Disagree	Neutral	Agree	Strongly agree
1.The financial and operating results of the MFI are disclosed.					
2. The objectives of the MFI are disclosed.					
3. Major share ownership is disclosed					
4. Foreseeable risk factors are disclosed					

5. The remuneration of MFI board members and key executives is disclosed.					
6. The issues regarding employees and other stakeholders, such as programmes for human resource development and training in MFI are disclosed.					
7. An annual audit of the MFI is conducted by an independent auditor.					
8. MFI financial statements are prepared and disclosed in accordance with International Accounting Standards.					
9. Channels for the dissemination of information on a timely basis to relevant users are clearly provided by MFI.					
10. Transparency is a key practice by management of the MFI					
11. There is clear flow of information amongst staff, customers, and the board members of the MFI.					
12. My MFI has clear lines of accountability among the board and management.					
Q1e. The responsibility of MFI board directors	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1. The MFI board consists of members with diverse backgrounds and skills					
2. The MFI has built a strong qualified and professional board					
3. Board members act in the best interests of the MFI and the shareholders.					
4. The board takes all MFI stakeholders' interests into account in decision making.					
5. There are systems for monitoring and evaluating compliance by MFI's board					
6. The board monitors the effectiveness of the MFI's governance practices.					

7. The MFI board of directors appoints, monitors and replaces executives as and when necessary.					
8. The MFI board monitors and manages potential conflicts of interest of management, board members and shareholders at all times.					
9. The MFI board supervises the process of disclosure and communication					
10. The MFI board members are provided with accurate and relevant information about the MFI by its management team					
11. The board has approved a strategic plan for the MFI.					
12. MFI board members devote sufficient time to their responsibilities.					
13. The responsibilities and roles of the board are clearly defined					
14. There are set ethical standards acceptable in the MFI					
15. The board provides proper guidance to management regarding the strategic direction for the MFI					
16. The board monitor and supervises effective risk management practices of the MFI through the internal auditor					
17. The board monitors the adequacy of internal control through the internal auditor as established by MFI's management					

Part 2: Possible challenges that affect Corporate Governance Implementation in MFIs in Ghana.

Q2. Please indicate the extent of your agreement as to whether the following possible challenges affect the practice of corporate governance in MFI in Ghana.

Possible challenges	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Q2a. The MFI board members do not exhibit professionalism due to lack of skills mix					

Q2b.The members of the supervisory board of MFI are not independent					
Q2c. It’s not easy to decide on the composition of the board of MFI					
Q2d. It’s not very easy to decide on the board size of an MFI					
Q2e. The lack of understanding between owners and the managers of the MFI					
Q2f. Oversight and management operational responsibilities for the board are not adequately defined by the MFI					
Q2g.There is strict defined length of term of office for the MFI board members					
Q2h.The committees of the board are not always fully constituted in the MFI					
Q2i. The MFI rarely organizes the annual general meeting					
Q2j. MFI board members often succumb to political pressure					
Q2k. There is improper management and appropriation of loanable funds by some officials of the MFI					
Q2l. Poor remuneration of MFI board members					
Q2m. Weak legal controls and law enforcement by Bank of Ghana					
Q2n. Culture of the Ghanaian community					
Q2o. Poor-quality of staff recruited					
Q2p. Weak IT infrastructures of MFI					
Q2q. Poor supervision and monitoring of MFI by Bank of Ghana					
Q2r. Government interference in MFI business activities					
Q2s. The costs of practicing good corporate government outweigh the benefits for the MFI					
Q2t. Poor financial and non-financial disclosure					

Q2u. Bribery and corruption of the board and management team in the MFI					
Q2v.Inadequate female directors on MFI board					
Q2w. Too many powers of owners and CEOs in the MFI					
Q2x. The appointment of friends and family members into board without knowledge of CG					
Q2y. The lack of independent internal auditors in the MFI					

Additional challenges not captured:
Please kindly provide any challenge to corporate governance implementation in your MFI that is not captured in the research questionnaire below:

…………………………………………………………………………………………………

………………………………………………………………………………………………

Part 3: Factors that Influence CG Implementation in MFIs in Ghana
Q3. Please indicate the extent of your agreement as to whether the following possible factors influence the practice of corporate governance in MFIs in Ghana.

Factors	Strongly agree	Disagree	Neutral	Agree	Strongly agree
Q3a.The presence of independent internal audit department reporting to the MFI board					
External audit quality, e.g., having a big4 audit firm to audit MFI accounts					
Q3b. The size of the MFI					
Q3c. The reputation of the MFI					
Q3d.The presence of diverse stakeholders representing on MFI board					
Q3e. The presence of female directors on MFI board					
Q3f. The religious affiliation of an MFI					
Q3g. Stricter monitoring by the Bank of Ghana					
Q3h.Investor representation on MFI board and external funding needs/investment opportunities					
Q3i. MFI board expertise and participation					

Q3j. MFI financial and social performance status					
Q3k. Proper composition of MFI board and sub-committees					
Q3l. Type of ownership of an MFI					
Q3m. Ensuring wide adoption of international accounting and standards in preparing MFI financial statements					
Q3n. Intense competition in the MF sector					
Q3o. Using training and other means of support by an MFI					
Q3p. Developing incentive programmes for compliance with principles of corporate governance by MFI					
Q3q. Awareness and business education for CEOs, directors and board members of MFI on benefits of good corporate governance					
Q3r. Participating in international events, conferences, meetings and committees dealing with corporate governance by MFI					
Q3s. Encouraging research into corporate governance in the MFI sector in Ghana					
Q3t. Learning from the experiences of other countries concerning corporate governance practice					
Q3u. Initiating regional corporate governance partnership programmes with international organisations such as the OECD by an MFI					

Additional factors not captured:
Please kindly write down in the space provided if in your opinion there are influencing factors that have not been captured by the research questionnaire below:

……………………………………………………………………………………………

……………………………………………………………………………………………

Part 4: Demographic information

Q4. Please kindly tick in the relevant box in each of these questions below:

Q4a. Please kindly indicate your age group

30 years or less	31–40 years	41–50 years	51–60 years	More than 60 years
Q4b. Your position				
Senior manager or CEO	Board member	Internal auditor	Accountant	Other senior staff
Q4c. Highest level of qualification				
PhD or DBA	Master	Bachelor	HND/Diploma	Other, please state
Q4d. Major of your last education qualification				
Accounting	Economics	Finance	Management	Other (please specify)
Q4e. Your experience in the microfinance sector				
Less than 5 years	5–10 years	11–15	16–20	More than 20
Q4f. Type of your MFI				
Savings and loan company		Rural and Community Bank	Microfinance company	

Thank you for your assistance in completing this research questionnaire. Your efforts are so much appreciated. If you have any other comments, please kindly indicate them below:

……………………………………………………………………………………………

Thank you very much once again for your interest shown in this research project. God bless you.

Appendix B: Research questionnaire 2

Dear Sir/Madam,

I am a doctorate student at Birmingham City University (BCU), Birmingham, UK. This research questionnaire is part of the requirements for obtaining a PhD degree in Business at Birmingham City University, UK. This study is entitled 'Corporate Governance Practice and Microfinance Institutional Performance in Ghana'. The aim of this study is to investigate the

perceptions regarding corporate governance practice in MFIs and its impact on their performance.

This research survey should take you 20 -25 minutes approximately to complete. Please kindly assist by completing this questionnaire in order to aid me complete this project. You are assured that any information you provide will be analysed and used solely for educational purposes. Furthermore, your entire response will be confidential. Thank you in advance for your assistance and cooperation, and I eagerly await your response.

Kind regards.

Yours sincerely,

Issahaku Salifu

Ph.D. Student

Accounting and Finance Department

Faculty of Business, Law and Social Sciences

Birmingham City University, Birmingham, UK.

Contacts:

Email: issahaku.salifu@mail.bcu.ac.uk or isalifu@tatu.edu.gh

Phone: 00447394064566 or 00233542977933

Research question II: This research question is for only CEO/Managers/Secretaries

Part 1: Institution and corporate governance mechanism information	
Q1a. What is the legal status of your microfinance institution? (Please tick one answer)	
Savings and loan company	
Rural and Community Bank	
Microfinance company	
Q1b. Please indicate the number of years of your MFI since establishment?	
Q1c. Do your MFI have a board in place? (Please tick one answer)	
Yes	
NO	
Q1d. If yes to Q1c above, what is the total number of board members?	

Q1e. How many outside or independent directors are on the board in relation to the total board size?	
Q1f.How many board members are female in relation to the total board size?	
Q1g. Is the position of the Chairman of the board and CEO combined in one person? (Please tick one answer)	
Yes	
No	
Q1h. MFI has internal audit department? (Please tick one answer)	
Yes	
No	
Q1i. If yes to Q1g., to whom is the internal auditor reporting to? (Please tick one answer)	
Board	
Chairman of the board	
CEO	
Part 2: Scope of Outreach information	
Q2a. Do your MFI provide capacity building programme to its clients? (Please tick one answer)	
Yes	
No	
Q2b. Do you offer capacity building training on how to use loans advance to benefit clients and be able to repay loans? (Please tick one answer)	
Yes	
No	
Q2c. What proportion (%) of the total borrowers are female?	

Part 3: Demographic information

Q4. Please kindly tick in the relevant box in each of these questions below:

Q4a. Please kindly indicate your age group (please tick one answer)				
30 years or less	31–40 years	41–50 years	51–60 years	More than 60 years
Q4b. Your position (please tick one answer)				
Senior manager or CEO	Board member	Internal auditor	Accountant	Other senior staff
Q4c. Highest level of qualification (please tick one answer)				
PhD or DBA	Master	Bachelor	HND/Diploma	Other, please state
Q4d. Major of your last education qualification				
Accounting	Economics	Finance	Management	Other (please specify)
Q4e. Your experience in the microfinance sector (please tick one answer)				

Less than 5 years	5–10 years	11–15	16–20	More than 20

Any other comments, please kindly state below:

……………………………………………………………………………………………………….

……………………………………………………………………………………………………….

Thank you for your kind support in completing this question

Appendix C: Participant consent form

08 November 2021

Version no. 8.2

PARTICIPANTS CONSENT FORM

INFORMATION TO PARTICIPANTS:

We'd like to invite you to participate in a research project led by student researcher Issahaku Salifu, who is a Ph.D. student in the Faculty of Business, Law, and Social Sciences at Birmingham City University in Birmingham, UK. The aim of this study is to examine perceptions regarding corporate

governance (CG) practices in Ghana and the influence of CG on the performance of microfinance institutions (MFIs). The data for this study will be gathered by a survey questionnaire sent to top management, board members, internal auditors, and accountants in MFIs in Ghana. There are minimal expected risks associated with participating in this study.

CERTIFICATION BY SUBJECT

I, ..., (please write your name), from...............................(country) certify that I am over 18 years old and agree to participate in the study Corporate Governance Practice and Microfinance Institutional Performance in Ghana, which is being conducted at Birmingham City University by Dr.KrishSaha and Professor Dr.Javed G. Hussain, Faculty of Business, Law, and Social Sciences, Birmingham, UK. I certify that Issahaku Salifu has thoroughly explained the study's aims, as well as any risks and precautions related with the procedures stated below to be carried out in the research, and that I freely consent to participation in the procedures listed below:

Survey questionnaire

I certify that I have had the opportunity to have any questions answered and that taking part in this study is voluntary and as such I am aware that I have the right to withdraw from this study at any time and that doing so will have no consequences. Information provided by participants who withdraw from the study will not be included in the statistical analysis. Early withdrawal means that the participant can withhold and securely destroy the information without submitting it to the researchers. However, if the information is submitted to the researchers and the participants expresses the desire not to take part in the study then the right of the participants will be respected as such and researchers will securely destroy the data without including it in the analysis.

I have been assured that the information I supply will remain private and confidential.

Signed: …………………………………Date: ……………………………………………….

After the completion of this project, data collected will be securely stored (encrypted and passworded) on researcher's BCU OneDrive account for a period of 10 years and the consent form for 3 years in line with BCU Ethics Guidelines.
Any queries about your participation in this research may be directed to the researcher through: Dr.KrishSaha. Email: krish.saha@bcu.ac.uk

If you have any questions or concerns regarding how you were treated, please contact the Faculty Research Ethics Officer by phone at +44 (0) 1213317185 or by email at blssethics@bcu.ac.uk

Appendix D: BCU ethical approval letter

Faculty of Business, Law & Social Sciences Research Office
Curzon Building,
Cardigan Street, No. 4.
Birmingham
B4 7BD

BLSSethics@bcu.ac.uk;

03/Dec/2021

Mr Issahaku
Salifu issahaku.salifu@mail.bcu.ac.uk

Dear Issahaku,
***Re**:* Salifu /#9867 /sub2 /R(A) /2021 /Nov /BLSS FAEC - Corporate Governance Practice and Microfinance Institutional Performance in Ghana

Thank you for your application and documentation regarding the above activity. I am pleased to take Chair's Action and approve this activity.

Provided that you are granted Permission of Access by relevant parties (meeting requirements as laid out by them), you may begin your activity.

I can also confirm that any person participating in the project is covered under the University's insurance arrangements.

Please note that ethics approval only covers your activity as it has been detailed in your ethics application. If you wish to make any changes to the activity, then you must submit an Amendment application for approval of the proposed changes.

Examples of changes include (but are not limited to) adding a new study site, a new method of participant recruitment, adding a new method of data collection and/or change of Project Lead.

Please also note that the Business, Law and Social Sciences Faculty Academic Ethics Committee should be notified of any serious adverse effects arising as a result of this activity.

If for any reason the Committee feels that the activity is no longer ethically sound, it reserves the right to withdraw its approval. In the unlikely event of issues arising which would lead to this, you will be consulted.

Keep a copy of this letter along with the corresponding application for your records as evidence of approval.

If you have any queries, please contact BLSSethics@bcu.ac.uk;

I wish you every success with your activity.

Yours Sincerely,

Dr Stefania Paladini

On behalf of the Business, Law and Social Sciences Faculty Academic Ethics Committee

Appendix E – Map of Ghana

Figure E. 1: The Map of Ghana - Source: Google (2021).

Appendix F: Table 3. 5: Summary of Previous Studies Analysis of Corporate Governance Impact on Microfinance Institutional performance

Literature	Broader theme	Specific theme	Sample size	Research methods	Impact indicator	Country studied	Summary of findings
Aboagye and Otieku (2010)	Are Ghanaian MFIsperformance associated with corporate governance?		30 rural and community banks	Quantitative survey and panel data	Financial and social	Ghana	CG mechanisms and current technology have no impact on the financial performance of rural community banks (RCBs).
Adusei et al. (2017)	Board and management gender diversity and financial performance	Gender diversity	494 MFIs – from MIX data	Quantitative - panel data	Financial performance (ROA and OSS	Global -76 countries	Board gender diversity is negatively and significantly related to MFI financial performance. Authors showed that 50% or higher diversity in either board or management is the threshold at which gender diversity is productive to MFIs.
Ahmed and Khan (2016)	Disclosure practices and governance quality: evidence from micro finance institutions	Internal board characteristic s	564 MFIs	Survey and quantitative - panel data		Bangladesh	Board size, independence, audit firm, and other control variables, on the other hand, had no effect on disclosure.
Ainan et al. (2022)	Female participation in achieving sustainability of MFIs	Female board member and managers	1997 MFIS -mix market data	Quantitative -Panel regression	OSS Breadth and Depth of outreach	Global -98 countries	Authors uncover women borrowers; board member and manager have significant positive impact on outreach to poor but have significant

							negative impact on financial sustainability
Literature	**Broader theme**	**Specific theme**	**Sample size**	**Research methods**	**Impact indicator**	**Country studied**	**Summary of findings**
Augustine et al. (2016)	Gender diversity within the workforce in the microfinance industry in Africa: Economic performance and sustainability	Gender diversity	1053 MFIs - sourced from MIX website	Quantitative - panel data	Financial -ROA	African countries	Gender diversity impacts MFI financial performance as measured by return on asset (ROA), and sustainability as measured by operating expense (OpEx) at board level as well as staff level
Bakker et al. (2014)	Governance and microfinance institutions	Board size, regulation etc	106 MFIs	Quantitative - cross-sectional data	Financial (ROA, OSS, FSS) and Social (number of active borrowers, % of women borrowers etc.	Global study	The study finds that boards with insiders are positively associated with MFI sustainability (ROA, OSS and FSS), but regulation is negatively associated with MFI sustainability.
Barry and Tacneng (2014)	The Impact of Governance and Institutional Quality on MFI Outreach and Financial Performance in Sub-Saharan Africa		200 MFIs – from MIX market	Quantitative - panel data	Financial and social – ROA, % of women borrowers, breadth of outreach	Sub-Saharan Africa	MFI ownership structures such as NGOs outperform shareholder-owned MFIs and cooperatives in terms of financial and outreach success
Literature	**Broader theme**	**Specific theme**	**Sample size**	**Research methods**	**Impact indicator**	**Country studied**	**Summary of findings**

Bakker et al. 2014	Governance and MFIs	Outside and inside directors	Secondary data	Multiple regression	Financial and social	Netherlands	Boards of MFIs with insiders, i.e., employees are significant predictor of MFIs sustainability
Bassem (2009)	Governance and performance of microfinance institutions in Mediterranean countries	Board size, board composition, auditing, etc	42 MFIs - Mix and annual reports	Quantitative- Survey and cross-sectional data	Financial (ROA, OSS) and social (average loan size and number of clients served	21 Mediterranean countries	board size, board independence, and auditing all positively influence MFI performance, while MFI ratings and CEO compensation have no association with MFI performance. Women directors and MFIs that operate as NGOs do better in terms of social performance.
Beisland et al. 2014	The Association between microfinance rating scores and corporate governance: a global survey	CEO duality, internal auditors, international board of directors	405 MFIs - rating agencies risk assessment reports from MIX market	Quantitative - panel data	Financial -rating scores	Global study -73 countries	The number of international board directors, the existence of internal auditors, and the level of competitive intensity are all positively related to rating scores. However, the study finds that CEO/Chair duality has a negative relation to rating scores
Literature	**Broader theme**	**Specific theme**	**Sample size**	**Research methods**	**Impact indicator**	**Country studied**	**Summary of findings**
Beisland et al. 2015	Audit Quality and Corporate Governance: Evidence from the Microfinance Industry	Internal and external auditing	379 MFIs - rating agencies risk assessment reports from MIX market	Quantitative - panel data	Financial	Global study -73 countries	MFI governance is highly correlated with audit quality as determined by the existence of an internal auditor and big four auditors.
Bibi et al. 2017	Impact of gender and governance	Gender diversity	101 MFIs – Mix and	Quantitative - panel data	Financial (financial	South Asian	The study finds a strong association between a MFI’s

	on microfinance efficiency		World Bank indicator		expenses, operating expenses) and social (number of active borrowers)	countries - India, Bangladesh, Nepal, Pakistan, Sri Lanka	governance and its financial and social efficiency. In addition, female loan officers are positive determinants of MFIs' efficiency.
Boubacar (2017)	Internal governance mechanisms and the performance of decentralized financial systems in Niger	Board size	13 MFIs - Microfinance sector in Niger, and National Institute of Statistics in Niger	Quantitative - panel data	Financial (ROA, OSS) and social (loan size, female borrowers)	Niger	Board size has a positive and significant impact on ROA. MFI's financial viability is enhanced by the duality of decision and control functions. Board size has a positive impact on loan size as social performance indicator.
Literature	**Broader theme**	**Specific theme**	**Sample size**	**Research methods**	**Impact indicator**	**Country studied**	**Summary of findings**
Boubakar (2019)	Women presence in top management and the performance of microfinance institutions in West Africa	Board Size and gender diversity	266 MFIs - from MIX data	Quantitative - panel data	Financial (ROA and cost per borrower) and social (number of clients and % of women borrowers)	West African countries	Board size and diversity have a positive and significant impact on MFIs' social performance, particularly when it comes to women's participation in decision-making on increasing services to the poor.
Chakrabarty and Bass (2014)	Corporate Governance in Microfinance Institutions: Board Composition and the Ability	Board composition and gender diversity	280 MFIs	Quantitative - panel data	Financial (ROA) and social (% of women borrowers, breadth of outreach	Global study - Eastern Europe, Asia, the Pacific, Africa, Latin America,	MFI's operating costs at the bottom of economic pyramid (BOP) are influenced by the composition of its board.

	to Face Institutional Voids					the Caribbean, and the Middle East	
Collins et al. (2019)	Financial performance, corporate governance and microfinance institutions sustainability in Nigeria	Board size and board composition	Selected MFIs banks - annual reports and firm website	Quantitative-OLS	Financial -PAT, ROE	Nigeria	board size and profitability mean that board size has a negative impact on profitability of MFIs. Positive association between MFI equity and profit after tax, implying that the bigger an MFI's equity, the higher its profitability.
Literature	**Broader theme**	**Specific theme**	**Sample size**	**Research methods**	**Impact indicator**	**Country studied**	**Summary of findings**
Dato et al. (2018)	Board committees and performance in microfinance institutions Evidence from Ethiopia	Board size and board committee	23 MFIs - from combination of source - MIX, Association of Ethiopian MFIs, etc.	Quantitative - panel data	Financial (ROA, OER, OSS) and social (breadth of outreach, average loan size)	Ethiopia	There is relationship between financial and outreach performance and how boards are organised in MFIs with larger than average boards. Importantly, the board committee benefits MFIs by improving operational self-sufficiency, lowering operating cost, increasing customer outreach, and targeting poorer clients using average loan size as a proxy.
Fall et al. (2021)	Gender effect on microfinance social efficiency:	Gender diversity	680 MFIs - Mix market data	Quantitative - Panel data	Social (% of women	Global study	Gender diversity has a positive impact on microfinance social performance. The nature of the

	A robust nonparametric approach				borrowers, loan size)		effect, however, is dependent on the heterogeneity component.
Literature	**Broader theme**	**Specific theme**	**Sample size**	**Research methods**	**Impact indicator**	**Country studied**	**Summary of findings**
George and Muiruri (2022)	CG and financial performance of MFIs	Board size and independen ce, CEO duality	Case study – INKINGI microfinanc e ltd	Quantitative -research questionnaire and secondary data	ROA	Rwanda	Authors found that board size, independent and CEO duality were positively associated with financial performance of Rwandan MFIs.
Gupta and Mirchandani (2020)	Corporate governance and performance of microfinance institutions: recent global evidence	Board of directors, Number of independent, and ownership structure	456 MFIs - rating agencies	Quantitative - panel data	Social -% of female borrowers, average loan size, customer outreach	Global study – 98 countries - representin g 6 geographic al regions	The results demonstrate that socially oriented MFIs have a larger percentage of female borrowers and a smaller average loan amount than commercially oriented MFIs.
Hartarska (2005)	Governance and Performance of Microfinance Institutions in Central and Eastern Europe and the Newly Independent States	Auditing, board composition, board diversity etc.	71 MFIs - through survey	Quantitative - survey and panel data	Financial (ROA, OSS) and social (breadth of outreach and average loan size)	Central and Eastern Europe	Executive compensation, auditing, rating, board diversity, and stakeholder representation have no impact on MFI performance, but board independence increases MFI performance.
Hassan et al. (2019)	Role of governance on performance of	CEO duality, board diversity,	68 MFIs - survey questionnair	Quantitative - panel data	Financial	Bangladesh	Powerful CEOs have a positive impact on MFI financial performance, and that gender

Literature	Broader theme	Specific theme	Sample size	Research methods	Impact indicator	Country studied	Summary of findings
	microfinance institutions in Bangladesh	Board size	e and secondary data - Annual reports and Bangladesh MF Statistics				diversity on boards can only be beneficial when complemented by gender diversity in management.
Hussain et al. (2021)	Effects of board independence on MFIs performance	Board independen ce and size	80 MFIs - annual reports through MFIs websites	Quantitative -Panel regression	ROA, OSS, FSS, Breadth and Depth of Outreach	Banglades h	The authors uncover that board independence and board size have significant positive impacts on microfinance sustainability although have negative impact on outreach to the poor.
Hussain et al. (2022	CG mechanisms and financial performance of MFIs	Board size, board compositio n, audit committee	60 MFIs from Mix market Exchange data	Quantitative – Regression analysis	ROA and OSS	Indian	Authors uncovered that the board size and audit committee have a significant impact on performance, but overall, CG has a moderate impact on the financial performance MFIs in India.

<table>
<tr><td>Igbal et al. (2018)</td><td>Financial performance and corporate governance in microfinance: Evidence from Asia</td><td>CEO duality, Board composition, board size, gender diversity</td><td>173 MFIs - MIX market data</td><td>Quantitative - Panel data</td><td>Financial -ROA</td><td>18 Asian countries</td><td>The authors found that profitability and sustainability of MFIs in Asia improved with good corporate governance practices. The governance index and MFI financial performance have a bidirectional relationship.</td></tr>
<tr><td>Kyereboah-Coleman (2007a)</td><td>Determinants of MFI capital structure in Ghana</td><td>Board composition, CEO duality and CEO tenure</td><td>52 MFIs</td><td>Quantitative panel data</td><td>Financial and social</td><td>Ghana</td><td>Board independence has a good impact on long-term and total leverage, whereas CEO duality has a negative impact on MFI long-term leverage.</td></tr>
<tr><td>Kyereboah - Coleman and Osei (2008)</td><td>Outreach and profitability of microfinance institutions: the role of governance</td><td>Board composition</td><td>52 MFIs</td><td>Quantitative-Panel data</td><td>Financial and social</td><td>Ghana</td><td>Independence of board has a positive correlation with MFIs financial performance and positive relationship between board composition and outreach among MFIs</td></tr>
<tr><td>Literature</td><td>Broader theme</td><td>Specific theme</td><td>Sample size</td><td>Research methods</td><td>Impact indicator</td><td>Country studied</td><td>Summary of findings</td></tr>
<tr><td>Mori and Charles (2018)</td><td>The role of boards of directors of family-owned microfinance institutions Lessons from the boardroom</td><td>Board independenc e</td><td></td><td>Qualitative - interviews and observation</td><td>Financial and social</td><td>Ethiopia</td><td>External board members were chosen for their various knowledge and capabilities and discovered that the board played a more service-oriented role in strategy formulation, resource mobilisation, and networking, allowing members to improve performance.</td></tr>
</table>

Mori and Mersland (2014)	Boards in microfinance institutions: how do stakeholders' matter?	CEO duality board size	379 MFIs - through rating agencies	Quantitative-panel data	Financial and social	Global study – 73 countries	Donors are associated with small boards, non-duality, and higher performance. Customers relate to dualism and high financial performance, whereas employees are associated with larger boards. Creditors choose dualism over social performance.
Literature	**Broader theme**	**Specific theme**	**Sample size**	**Research methods**	**Impact indicator**	**Country studied**	**Summary of findings**
Mori et al. (2015)	Board Composition and Outreach Performance of Microfinance Institutions: Evidence from East Africa	Board composition	103 MFIs - Mix data and from individual MFIs	Quantitative - panel data	Social -average loan size, number of customers female borrowers	East Africa	Large boards are inversely correlated with an emphasis on female clients and positively related with average loan size. Older MFIs have a greater breadth and depth of outreach. The study concludes that boards composition is important for MFIs looking to improve their outreach performance.
Ofoeda (2016)	Corporate governance and non-bank financial institutions profitability	Board size, board composition audit committee size	25 MFIs - Bank of Ghana Non-Bank financial institutions database	Quantitative-Panel data	Financial -ROA	Ghana	Positive relationship existing between board size, audit committee size. NBFI performance is negatively correlated with board composition, gender diversity.
Perilleux and Szafarz (2015)	Women Leaders and Social	Female board members	36 cooperatives	Quantitative - panel data	Social	Senegal	The study found that female-dominated boards support social orientation, whereas female

	Performance: Evidence from Financial Cooperatives in Senegal	and managers					managers tend to align their strategy with the preferences of local boards.
Literature	**Broader theme**	**Specific theme**	**Sample size**	**Research methods**	**Impact indicator**	**Country studied**	**Summary of findings**
Raboczki (2018)	Internal audit functions and corporate governance: evidence from Hungary	Internal audit, board supervision	49 firms	Quantitative	Financial	Hungary	Ordinal regression results confirm the negative impact of concentrated foreign ownership on the need of internal audit, and the complementary relation between internal audit and supervisory board monitoring.
Rasel and Win (2020)	Microfinance Governance: A Systematic Review and Future Research Directions	Governance characteristic s	68 papers analysed	Quantitative	Financial and social	Global study	Findings show that existing studies use a variety of techniques to measure MFI performance. The study also provides future research direction.
Saeed et al. (2018)	Microfinancing, governance, and performance: a South Asian perspective	CEO duality, board size, Regulation	43 MFIs - MIX data and through individual MFIs website	Quantitative - Pane data	Financial (ROA) and social (urban and rural markets served)	South - Asia- Afghanista n, Bangladesh , India, Nepal, Pakistan, Sri Lanka	Empowered CEO, a large board size, and individual lending boost MFI financial performance; and bank regulation and serving in the urban market are associated with MFIs' poor social performance
Literature	**Broader theme**	**Specific theme**	**Sample size**	**Research methods**	**Impact indicator**	**Country studied**	**Summary of findings**

Sheikh et al. (2021)	Influence of board composition of the financial performance of MFIs	Board composition	187 respondents from 25 MFIs-Questionnaire	Quantitative - regression	Financial -ROA	Kenya	Board composition positively influence MFIs financial performance.
Shettima and Dzolkamaina (2018)	Board Characteristics and Microfinance Institutions' Performance: Panel Data Evidence from Nigeria	Board size and female board representation	30 MFIs - MIX market data	Quantitative- Regression, OLS, fixed effects	Financial -ROA and ROE	Nigeria	Larger board size has positive impact of financial performance and fewer board size improves outreach performance. Similarly, study find negative relation between female directors and MFIs performance.
Strøm et al. (2014)	Female leadership, governance and microfinance performance	Gender diversity		Quantitative – panel data	Social	Global	Female chairman and CEO have a good impact on MFI performance; yet female leadership is associated with poor governance.
Thrikawala et al. (2015)	Corporate governance and MFI social outreach performance in Sri Lanka	Gender diversity		Quantitative – panel data	Social	Sri Lanka	MFIs with a female chair have more active borrowers, but MFIs with female directors and client representation on the board have fewer active borrowers.
Literature	**Broader theme**	**Specific theme**	**Sample size**	**Research methods**	**Impact indicator**	**Country studied**	**Summary of findings**
Thrikawala et al. (2016a	Board structure-performance relationship in	Board size, board	54 MFIs - MIX market data and Sri	Quantitative - Regression	Financial (ROA, OSS, capital asset ratio) and social	Sri Lanka	The performance – both financial and outreach of Sri Lankan MFIs

	microfinance institutions (MFIs) in an emerging economy	composition etc	Lanka Microfinance Network		(number of clients served, female borrowers)		is determined by their board structure.
Thrikawala et al. (2016b)	Governance practices and microfinance performance	Board size, board composition, internal audit, clients board representation, gender diversity	54 MFIs	Quantitative - panel data (Book chapter)	Financial and social	Sri Lanka	MFI financial performance is improved by large boards size and client's representation on the board, however internal audit, women directors, and independent directors have a negative impact on MFI financial performance. MFI's social performance is improved by foreign and outside directors.
Thrikawala et al. (2016c)		Board size	54 and 113 MFIs -Sri Lanka and India	Quantitative-Regression, OLS, fixed effects	Financial (ROA and ROE) and social	Sri Lanka and India	Larger board size has positive impact of financial performance, and fewer board size improves outreach performance
Thrikawala et al. 2017	Dynamic endogeneity and corporate governance-performance relationship Lessons from the microfinance sector	Board composition, international directors' representation, client representation	167 MFIs in Sri Lanka and India	Quantitative - GMM	Financial (OSS, ROA, YOGLP) and social (breadth of outreach and female borrowers)	Sri Lanka and India	There is statistically significant effect of the presence of international directors and/or donor representatives on the board, client representatives on the board, percentage of non-executive directors, and the quality of the national governance system on MFI performance.
Wamba et al. (2017)	Governance and performance of MFIs: the Cameroon	Board composition	All MFIs with available data	Quantitative - linear regression	Financial and social	Cameroon	Governance structures and MFI performance have a substantial relationship. Adjusting governance procedures according

	case						to the legal position of MFIs also enhances their efficiency.
Literature	**Broader theme**	**Specific theme**	**Sample size**	**Research methods**	**Impact indicator**	**Country studied**	**Summary of findings**

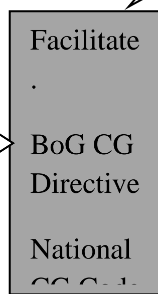
Q1a. The rights of shareholders
a1. The board has respect for the rights of shareholders.
a2. Shareholders have the right to participate in MFI profits.
A3. Shareholders have the right to obtain information related to the MFI regularly.
A4. Shareholders have the right to vote in general meetings.
A5. Shareholders can vote in elections and remove members of the board of directors for non-performance.
A6. Shareholders are provided with adequate and timely information about MFI meetings.
A7. Shareholders have the right to discuss the external auditor's report at the Annual General Meeting.
A8. Details about the capital structure of your MFI are disclosed to shareholders.
A9. Shareholders have the right to be informed on decisions concerning key MFI operational changes.
A10. There is opportunity for changes in shareholding structure by the board.

Q1b. Equitable treatment of shareholders
b1.MFI shareholders who are from the same class are treated equally.
b2. Shareholders have the right to obtain information about voting rights before they buy shares in the MFI.
b3. Processes and procedures for general shareholder meetings allow for equitable treatment of all shareholders in the MFI.
b4. Board members and key executives disclose material interests in any transaction or matter directly affecting the MFI.
b5. In my view there is equitable treatment of all shareholders in the MFI

Q1c. The role of stakeholders in corporate governance
c1. Stakeholder rights that are established by law are respected by the MFI.
c2. The MFI board encourages performance-enhancing mechanism for employee participation
c3. MFI stakeholders can obtain effective redress for violation of their rights.
c4. MFI stakeholders have the right to obtain sufficient and reliable information on a timely basis.
c5. MFI stakeholders have the right to freely communicate their concerns about illegal or unethical practices to the board.
c6. An effective corporate governance framework enforces creditor rights in the MFI.
c7. MFI board recognizes the role and participation of all stakeholders to achieving its objectives.

Q1d. Disclosure and transparency
d1. The financial and operating results of the MFI are disclosed.
d2. The objectives of the MFI are disclosed.
d3. Major share ownership is disclosed
d4. Foreseeable risk factors are disclosed
d5. The remuneration of MFI board members and key executives is disclosed.
d6. The issues regarding employees and other stakeholders, such as programmes for human resource development and training in MFI are disclosed.
d7. An annual audit of the MFI is conducted by an independent auditor.
d8. MFI financial statements are prepared and disclosed in accordance with International Accounting Standards.
d9. Channels for the dissemination of information on a timely basis to relevant users are clearly provided by MFI.
d10. Transparency is a key practice by management of the MFI
d11. There is clear flow of information amongst staff, customers, and the board members of the MFI.
d12. My MFI has clear lines of accountability among the board and management.

Q1e.
The responsibility of MFI board directors
e1. The MFI board consists of members with diverse backgrounds and skills
e2. The MFI has built a strong qualified and professional board
e3. Board members act in the best interests of the MFI and the shareholders.
e4. The board takes all MFI stakeholders' interests into account in decision making.
e5. There are systems for monitoring and evaluating compliance by MFI's board
e6. The board monitors the effectiveness of the MFI's governance practices.
e7. The MFI board of directors appoints, monitors and replaces executives as and when necessary.
e8. The MFI board monitors and manages potential conflicts of interest of management, board members and shareholders always.
e9. The MFI board supervises the process of disclosure and communication
e10. The MFI board members are provided with accurate and relevant information about the MFI by its management team
e11. The board has approved a strategic plan for the MFI.
e12. MFI board members devote sufficient time to their responsibilities.
e13. The responsibilities and roles of the board are clearly defined
e14. There are set ethical standards acceptable in the MFI
e15. The board provides proper guidance to management regarding the strategic direction for the MFI



Possible challenges corporate governance implementation in MFIs

Too many powers of owners and CEOs in the MFI
Inadequate female directors on MFI board
The committees of the board are not always fully constituted in the MFI
There is strict defined length of term of office for the MFI board members
Culture of the Ghanaian community
Poor financial and non-financial disclosure
Poor financial and non-financial disclosure
Weak IT infrastructures of MFI
Poor remuneration of MFI board members
The MFI board members do not exhibit professionalism due to lack of skills mix
Poor-quality of staff recruited
The appointment of friends and family members into board without knowledge of CG
It's not easy to decide on the composition of the board of MFI
Government interference in MFI business activities
The costs of practicing good corporate government outweigh the benefits for the MFI
There is improper managementand appropriation of loanable funds by some officials of the MFI
Oversight and management operational responsibilities for the board are not adequately defined by the MFI
The lack of understanding between owners and the managers of the MFI
It's not very easy to decide on the board size of an MFI

Possible factors influencing MFIs Corporate governance Implementation
Developing incentive programmes for compliance with principles of corporate governance by MFI
Intense competition in the MF sector
Type of ownership of an MFI
Participating in international events, conferences, meetings and committees dealing with corporate governance by MFI
Initiating regional corporate governance partnership programmes with international organisations such as the OECD by an MFI
Awareness and business education for CEOs, directors and board members of MFI on benefits of good corporate governance
MFI financial and social performance status
Learning from the experiences of other countries concerning corporate governance practice
External audit quality, e.g., having a big4 audit firm to audit MFI accounts
MFI board expertise and participation
Using training and other means of support by an MFI
Encouraging research into corporate governance in the MFI sector in Ghana
The presence of female directors on MFI board
The size of the MFI
Ensuring wide adoption of international accounting and standards in preparing MFI financial statements
The reputation of the MFI
The religious affiliation of an MFI
Stricter monitoring by the Bank of Ghana
The presence of independent internal audit department reporting to

Appendix H: Development of Corporate Governance in Western Countries – UK and USA

Development of CG in the Western Countries

A series of corporate failures in the western countries placed CG at the forefront of policymakers' agenda in those countries particularly in the U. K., U. S., and most European countries. To this end, Baker and Anderson (2010) and Otman (2014) opined that corporate meltdown resulting from managerial fraud, misconduct, and negligence resulted in a huge loss of shareholder wealth at the turn of the twenty-first century, highlighting the importance of CG in western countries. Governance failures in the U. S. and financial scandals that led to the collapse of several prominent companies were exposed in the late 1980s, 1990s and early 2000s in the U. K. and the US (Iskander and Chamlou 2000). Although there are historical precedents for CG in the 16th and 17th centuries, it is a relatively new field of economic and management practice. Theories, standards, and regulations relating to CG started to evolve properly in the 1990s.Corporate governance as a distinct discipline is still in its infancy, with academics from the fields of law, economics, accounting, and management debating how to define it (Anca, 2012; Armstrong, 2005). On the other hand, CG problems are not new; they have plagued many businesses since companies were initially established and ownership and control were separated. The monumental failures of Enron, WorldCom, Tyco, and Global Crossing in the U. S., and Robert Maxwell MMC, BCCI, and Polly Peck in the U. K. clearly sparked increased interest in CG (Otman, 2014).

As a result, this section examines the emergence of CG in western countries, particularly the U. K. and the U. S., which have experienced financial crises and company failures in recent decades.

3.4.1 Historical Development of CG in the UK

The U. K. uses an Anglo-Saxon or outsider-dominated system of CG, in which corporate equity ownership is distributed among a large number of outside investors or shareholders. Large firms are controlled by managers and directors in this type of system, but they are primarily owned by outside shareholders, and such a CG system faces agency issues (Jensen and Meckling, 1976). Agrawal and Cooper (2017) indicate that CG issues emerged in the U. K. because of highly published corporate scandals in the late 1989s such as Polly Peck and Maxwell giving this historic issue a new thrust. The corporate problems which arose, consisted

of many financial reporting irregularities such as creative accounting, surprising business failures, the auditors limited role and inconsistent link between director's remuneration and company performance to name few. Following a rash of corporate scandals in the U. K. and elsewhere, the Financial Reporting Council (FRC) was established to help investors regain faith in CG. The FRC has been responsible for CG regulation since 2005 in the U. K.

After a committee chaired by Sir Adrian Cadbury investigated governing practices within publicly traded firms in 1991/1992, the term CG became popular in the U. K. The London Stock Exchange (LSE) commissioned this investigation after Robert Maxwell allegedly misappropriated over £400 million from the Mirror Groups Pension Fund (Hamill et al., 2010). The committee's mission was to look into the roles of executive and nonexecutive directors, determine whether an audit committee was necessary, clarify auditor obligations, and consider the board of directors' responsibilities to other stakeholders. In 1992, the Cadbury Committee published their recommendations in the first code of best practice for CG. The Cadbury Report is named after Sir Adrian Cadbury, the lead investigator (Ward 2010). The Cadbury Committee made a number of recommendations including - the composition of the board of directors and their responsibilities, tenure of office of 3 years for executive and non- executive directors, which is subject to renewal by shareholders, avoidance of share options as part of remuneration packages for directors, establishment of remuneration and audit committees to supervise the internal audit function of companies (Ward, 2010).The report also recommended that the board of directors meet on a regular basis, take steps to ensure that they have complete control over the company at all times, and ensure that the board has adequate job segregation so that no single director has ultimate control.
Following the Cadbury report in1992, the London Stock Exchange (LSE) Listing Rules were updated to include these recommendations. However, after all of Cadbury's (1992) recommendations had been identified as adopted by publicly traded firms, failures continued, including the collapse of Barings Bank in 1995. This led to the Confederation of British Industry (CBI) to set up a group study Chaired by Sir Richard Greenbury over public and shareholders concerns regarding directors' remunerations in three main areas – the size of the basic pay rises, excessive gains on share options, and payments in relation to executive compensation for loss of office. The Greenbury Committee's mandate was to determine good practice in assessing direct remuneration and to draught a code of such practice for use in the

U. K. The Greenbury Report, released in 1995, attempted to reinforce some of the Cadbury Report's recommendations by recommending that all members of the remuneration committee be nonexecutive directors. The report also suggested that a remuneration report be included in annual reports of companies. The annual report should detail each director's remuneration (executive and nonexecutive).

The Financial Reporting Council commissioned Ronnie Hampel to review CG guidance recommendations of the Cadbury report (1992) and the Greenbury report (1995) to ascertain the level of compliance to implantation by companies. This review was sponsored by several organisations including LSE, the CBI, the Institute of Directors, the Consultative Committee of Accountancy Bodies (CCAB), the National Association of Pension Funds (NAPF), and the Association of British Insurers (ABI) (Hampel report, 1998). In 1998, the Hampel report stated that the Code did not need to be revised, but that it would be best if all of the guidance were contained in a single document called a combined code of practice. In addition, the Hampel report stressed some of the earlier Cadbury Report guidance that needed to be reemphasised. The Hampel report recommended that the chairman and chief executive roles be separated, that directors receive CG training, and that directors' duties be narrowed to their primary duty of increasing shareholder value (Hampel report, 1998).

The Turnbull Committee was established in 1999 to assess the effectiveness of the internal control system and to provide clear guidelines. The Committee was chaired by Nigel Turnbull (Solomon, 2010; Otman, 2014), and its goal was to "provide advice to help listed companies in implementing the code's criteria relating to internal control" (Kendrick, 2000). The importance of internal control and risk management, maintaining a sound internal control system, assessing the effectiveness of internal control, the board statement on internal control, and internal audit were all comprehensively covered in this guidance (Vinten, 2001). Additionally, internal controls within listed companies were also reviewed by the Institute of Chartered Accountants of England and Wales (ICAEW) at the time. Paul Rutteman led the taskforce that investigated this issue, and the resulting report, “Internal Control and Financial Reporting – Guidance for Directors of Listed Companies Registered in the U. K.,” was published in 1994 (Rutteman Report, 1994).

The unexpected high-profile corporate failures continued to wreak havoc on the world's financial markets. Nortel (2000), Enron (2001), WorldCom (2002), and Parmalat (2003) are

the most well-known examples, all of which led to the formation of the Smith Committee in 2002, chaired by Sir Robert Smith, to address CG vulnerabilities. The Smith Committee's primary goal was to assess the effectiveness of audit committees. Its goal was to "help a company board in making appropriate arrangements for their audit committees, and to assist directors serving on audit committees in carrying out their role" (Smith Report, 2003), since audit committees and internal auditing were one of the major reasons for the Enron case's failure in the United States (Solomon, 2010). The Smith Committee's primary recommendations were that the audit committee should have at least three independent non-executive directors and that one of the three members should have financial experience (Smith Report, 2003).

Furthermore, following the Enron and WorldCom scandals, the UK government commissioned Derek Higgs to look into the use of nonexecutive directors and the role of the audit committee as part of good CG, and to see if there were any areas of the Combined Code that could be improved. In 2003, the report that resulted was published. This report backed the U. K.'s current principles ‘based approach, arguing that the rules-based approach used in other countries, such as the U. S., would be ineffective in promoting acceptable executive behaviour. Outside of the U. K., the Combined Code and its philosophy of "compliance or explain" are becoming more popular. It provides for the legitimate exception to the sound rule while also providing flexibility and intelligent discretion. It also made recommendations to improve transparency in the director nomination and appointment procedures, as well as increase boardroom diversity (Rayton and Cheng, 2004). However, the Higgs Report was critical in three areas: the appointment of a senior independent non-executive director, the prohibition of a company's chief executive from becoming chairman, and the requirement that at least half of the board members be independent non-executive directors (Dewing and Russell, 2004).
The Combine Code (CC) of 1998 was revised in 2003 and incorporated the following specific recommendations (FRC, 2003):

6 at least half of a board (excluding the Chair) be comprised of NEDs;
7 the NEDs should meet at least once a year in isolation to discuss company performance;
8 a senior independent director be nominated and made available for shareholders to express any concerns;
9 potential non-executive directors should satisfy themselves that they possess the knowledge, experience, skills and time to carry out their duties with due diligence;

10 separation of the roles of chairman and the chief executive officer;
11 stating the number of meetings of the board, including the attendance records of individual directors in the annual report.
12 Chairmen and chief executives should ensure resources were in place for the training and induction of NEDs;
13 no one NED should sit on the three major committees (audit, nomination and remuneration) of the board.

Subsequently, the FRC revised the 2003 version of the Combine Code following extensive consultation in 2006. Following consultations in 2007, the FRC updated the Combined Code to reflect EU standards for Audit Committees and CG statements. There were also changes to the board chairman's appointment and the audit committee's composition.

The global business community, especially the financial sector, was thrown into chaos by the financial crisis in 2008. As a result, the U.K. government tasked Sir David Walker in 2009 with investigating and making recommendations on CG in U. K. banks and other financial industry entities. His inquiry looked into the functions and structure of the board of directors, as well as the size and composition of the board, the role of institutional investors, how banks handled their risks, director remuneration, and board member qualifications, as well as the board's operation and performance assessment. On July 16, 2009, the preliminary findings and recommendations were published in a consultation paper, and the final report was released on November 26, 2009. His proposals were systematic, considering the feedback obtained during the consultation process. In terms of board size, composition, and qualification, the study proposed that non-executive directors in banking and other financial institutions should devote more time to their jobs (Walker report, 2009).

Following the 2008 financial crisis, the FRC made reforms and renamed the Combine Code to U. K. CG Code in 2010. This is effective for reporting periods starting on or after June 29, 2010, and refers to companies with Premium Listing of equity securities, whether or not they are listed in the U. K. The core concepts, as in previous Codes, revolve around leadership, board effectiveness, transparency, remuneration, and shareholder relations. According to the Code, it is the board's duty to assess the scope and magnitude of the risks it is prepared to take in order to achieve its strategic objectives (FRC, 2010). The FRC has updated the UKCG Code in 2012, 2014, and 2016 taking into account recent developments in the corporate world and to

improve firm performance while making the U. K. economy a preferred centre for global investments.

A reliable investment climate is critical to the U. K. economy's success, especially in today's highly competitive global market. Institutional investors play an important role in CG in the U. K. The Stewardship Code was developed in 2010 and updated in 2012 to ensure that they communicate meaningfully and strategically with the organisation and its management. The Code seeks to strengthen the level of contact between the organisation and institutional investors, and it establishes best practices for interaction to ensure constructive dialogue. It also discusses topics that could be controversial at annual meetings, such as risk management, efficiency, and corporate strategy. The FRC has subsequently published a revised Stewardship Code in 2020 to take account of recent developments.

In 2018, the Financial Reporting Council (FRC) published a new CG Code in the U. K., dubbed "A Code Fit for the Future." On July 16, 2018, a new Code was released. According to the FRC, the new Code "places the relationship between businesses, shareholders, and stakeholders at the core of the U. K. economy's long-term sustainable development." For the financial years starting on or after January 1, 2019, the Code applies to all premium-listed firms.
The highlights of the new Code according to the FRC (2018) include the following:

1) An enhanced focus on corporate culture. In other words, companies are to align their strategy and values with culture
2) Having a board-monitored mechanism for whistleblowing
3) Engagement with stakeholders and the disclosure of section 172 of Companies Act 2006 requirements
4) The need for all boards to have a mechanism for engaging with their workforce
5) The requirement that boards chairs do not stay for longer than 9 years from the date of their appointment
6) Having a greater focus on gender, social and ethnic diversity in succession planning at board and senior management levels.
7) Reporting on diversity for board and senior management
8) An enhanced role for the remuneration committee to oversee company-wide remuneration policies

9) The requirements for executive remuneration reporting
10) Vesting and holding periods for long-term incentives should be at least 5 years.
11) Removal of some concessions for companies outside of FTSE 350.

CG Principles are evolutionary in nature and should be reviewed periodically in the light of significant changes in circumstances. In order to stay competitive in a changing world, companies must innovate and adapt their CG practices so that they can meet new demands and opportunities. Similarly, governments have an important responsibility to develop an efficient and flexible regulatory framework to allow markets function effectively and respond to shareholders and other stakeholders (Anca, 2012).

3.4.2 Development of CG in the US

The U. S. model for CG, like the U. K. system, is based on the "Anglo-American" model, which prioritises the needs of shareholders, management, and directors. It is based on a single-tiered board of directors, with nonexecutive directors elected by shareholders. Some single-tiered boards have both executive and non-executive directors, while others can have the CEO serve as Chairman of the board, resulting in CEO/Chair duality, and then use separate functional committees, such as audit, appointing, and compensation (Meier and Meier, 2014). CG has a long history in the US as empirical evidence suggest that the discussion on CG in the U. S. began in 1932 with a book by Berle and Means (Hopt, 1994; Otman, 2014). In the 1970s, during a surge of mergers and hostile takeovers, the first CG codes were published in the US. The role and composition of the board of directors of the large publicly owned corporation was reported by the U. S. Business Roundtable in 1978. This study, as noted by Aguilera and Cuervo-Cazurra (2004), shifted the position of directors from largely ornamental to one with significant responsibilities, and it represents the first set of guidelines aimed at improving the quality of CG within U. S. firms (Cicon et al., 2012).

Since then a number of institutions and stakeholders have made efforts to strengthen CG in the U. S. including the National Commission on Fraudulent Financial Statements made recommendations to the Securities and Exchange Commission (SEC) on how to minimise financial statement fraud, the Business Roundtable statements on CG and American competitive in 1990 and corporate responsibility in 1997, and the California Public Employees'

Retirement System (CaIPERS) developed CG standards and recommendations in 1998. In addition, The New York Stock Exchange (NYSE) and the National Association of Corporate Directors (NACD) formed a committee to investigate the effectiveness of audit committee in 1998. This committee's report, dubbed the Blue-Ribbon Committee, was published in 1999 (Blue Ribbon Committee, 1999; NACD, 2000; Otman, 2014). There were four parts in this report, which includes the responsibilities of the board, processes of meeting boards responsibilities, selection of directors, and evaluation of boards and directors.

However, CG in the U. S. became a hot topic among policymakers, academia, practitioners, and other stakeholders with the collapse of high-profile companies like Enron and WorldCom in the early 2000s. As a result, Solomon and Solomon (2004) argue that research in CG has been conducted in the U. S. more than any country in the world. Enron collapsed because of the non-functioning of CG mechanisms including gatekeepers reneging on their CG responsibilities. The stock of Enron was not valued fairly by its shareholders. The Enron board of directors declined to maintain the integrity of financial disclosure despite the presence of fourteen members, only two of whom were insiders. Stock options or other equity-based incentives enticed these board members, who also possessed a high degree of relevant experience. Enron executives were motivated to adopt high-risk strategies aimed at controlling earnings and propping up an overvalued portfolio in order to retain the value of their stock options. As a conduit between management and investors, gatekeepers like Arthur Anderson's auditing firm failed miserably. Enron's loss was primarily due to its excessive use of mark-to-market (MTM) accounting for its energy contracts, which enabled the company to report expected gains from future transactions into current period income (Dharan and Bufkins, 2008).

Therefore, the Sarbanes -Oxley Act of 2002, which was the product of the collapse of Enron on CG proposes a rule base law to governance in the U.S. This Act amends the Securities Acts of 1933 and 1934, making specific improvements to the CG system in the U. S. As a result, the Sarbanes–Oxley Act of 2002 made major changes to U. S. Federal securities laws since the 1930s legislation (Sarbanes-Oxley Act, 2002). The SOX narrowed the concept of an independent director, mandated that a majority of the board members be independent, required that independent director appointments are approved as well as executive officer compensation,

it also extended the scope of audit committee authority, and tightened audit committee member qualification standards (Sarbanes-Oxley, 2002; Meier and Meier, 2014).
The Sarbanes-Oxley Act of 2002 has five key objectives according to the American Bar Association (2004). These are 1) to enhance auditing firms' independence, 2) to improve the accuracy and accountability of financial statements and corporate disclosure, 3) to improve corporate governance, 4) to improve the objectivity of analysis, and 5) to strengthen the enforcement of federal securities laws, including the use of press.For example, Section 302 of the SOX Act requires the CEO and CFO to certify the effectiveness of internal controls and to notify the auditors and the board audit committee of any deficiencies. Section 404 also mandates that management report on the efficacy of internal controls, with the auditor attesting to and reporting on their findings. The SEC and the Public Company Accounting and Oversight Board (PCAOB) have updated these guidelines since 2007, making them more principle-based and oriented to firm-specific risk factors (Jackson, 2010).

During a review of its listed companies in 2002, the SEC recommended that responsibility, fairness, and transparency be improved in its CG listing requirements. The U. S. President at the time, President George W. Bush, the then SEC Chairman Harvey Pitt, institutional investors and state pension funds, leading scholars and commentators, the Business Roundtable and the Council of Institutional Investors, members of Congress, and CEOs of publicly traded firms have all supported the Sarbanes Oxley committee report aimed at transforming CG in the U. S. (NYSE, 2002). The Sarbanes-Oxley Act of 2002 did not alter the framework of corporate America, according to Meier and Meier (2014), but it did change the responsibility of a public corporation. Because of Section 302 of the Sarbanes-Oxley Act's requirement that financial statements be approved, the CEO and CFO are now personally responsible, and the board is solely responsible for maintaining an independent majority of board members.
The Conference Board Commission on Public Trust and Private Business was created to resolve the problems that have emerged as a result of recent corporate scandals and the subsequent lack of trust in U. S. capital markets. CG, auditing and accounting, and executive compensation were the three primary areas of emphasis for the Board Commission. In September 2002, the first report on executive compensation was published. Corporate Governance: Principles, Guidelines, and Concrete Best Practice Ideas was the second report. The focus of this report was on the board's relationship with management, the board's duties,

director credentials, the position of the nominating/governance committee, board assessment, hiring special investigative counsel, and long-term share ownership (Conference Board, 2003). In 2004, the Chartered Financial Analyst (CFA) Institute's Centre for Financial Market Integrity released a draught of the Asset Manager Code of Professional Conduct for industry discussion and comment. The code was created to incorporate individual conduct to the CFA Institute Code of Ethics and Standards of Professional Conduct. The following topics are covered in this code: Client Loyalty, Investment Process and Actions, Trading, Compliance and Support, Performance and Valuation, and Disclosures (CFA Institute Centre, 2004). The NYSE established the Proxy Working Group (PWG) in 2005 to assess the voting and proxy process, including rules that enable brokers to vote on behalf of beneficial owners of shares on certain issues. The PWG report was released in 2006, and it contained proposals for the NYSE and the SEC to improve the proxy voting system.

CG policies were developed in 2007 by the Teachers Insurance and Annuity Association–College Retirement Equities Fund (TIAA–CREF). Maintaining a culture of integrity; contributing to the strength and stability of corporate leadership; ensuring board and management accountability; and promoting the business enterprise's long-term growth and sustainability were all issues addressed in its Statement of Policy. Shareholder rights, director appointments, majority voting, the board of directors, board composition and procedures, board roles, executive compensation, the TIAA–CREF CG programme, international governance, environmental and social concerns, and securities lending policy were all covered under these CG policies (TIAA–CREF, 2007).

Before the dust from the post-SOX debates could settle, the United States' CG found itself at a historic crossroads with the onset of the banking crisis and the subsequent financial and economic crisis, which was marked by the failure of Lehman Brothers in 2008 (Jackson, 2010). Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) In response to the financial crisis of 2008 and 2009, the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) was passed in July 2010. The Dodd-Frank Act aims to restructure the financial regulatory process in the U. S. and to expand federal CG oversight to all public companies. The SEC has issued numerous rules to enforce the Dodd-Frank Act's provisions.

The NYSE decided to promote a holistic analysis of CG standards that could be generally embraced and endorsed by issuers, investors, directors, and other market participants and experts in response to the financial crises of 2008 and 2009. Furthermore, in 2009, the NYSE

created the Commission on CG to discuss fundamental governance issues such as the proper function and scope of a director's authority, management's responsibility for governance, and the relationship between shareholders' trading practices, voting decisions, and governance. The Commission's diverse members examined developments in the past decade, their effect on directors' perceptions of their employment, their relationships with management and shareholders, and how the new governance structure functioned in general (NYSE, 2010). Furthermore, the SEC and other regulators have highlighted significant challenges that have arisen as a result of structural reforms in CG, with CG being a hot topic in both the capital markets and with the general public. The NYSE set up four foundation governance principles for debate in 2010 that could be generally agreed and endorsed by issuers, investors, directors, and other market participants and experts.

The U. S. does not have a CG code for its companies. State and federal laws, legislation, and listing policies address CG issues. Furthermore, business rules, model laws, and legislation, such as the Securities Act of 1933, Securities Exchange Act of 1934, Sarbanes-Oxley, and Dodd-Frank are sources of CG rules. Importantly, the Council of Institutional Investors, as well as other stakeholders, are now actively involved in CG issues in the U. S. Since the 2008-2009 economic crisis, these laws and regulations have been revised to reflect recent developments in the field of CG. The U. S. CG, like that of the U. K., has evolved over time and will continue to do so as globalisation and corporate crime grow.