THE INFLUENCE OF CORPORATE GOVERNANCE ON THE FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN GHANA: THE MOODERATING ROLE OF FIRM CONTROLS AND STRATEGY.

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Abstract

Corporate governance has become an important concept because of the number of corporate issues that have led to low investor confidence and numerous bank failures. The main purpose of the study was to understand the corporate governance variables that influence financial performance of banks. The corporate governance variables focused on only board characteristics. As such, the study focused on examining the relationship between board characteristics and financial performance as well as to determine the moderating role of firm strategy and controls in the relationship between board characteristics and financial performance. A mixed methods approach was employed in this study. The main target of respondents was management of commercial banks in Ghana. The study targeted four hundred (400) directors and management members using the purposive sampling technique. A structured questionnaire was used for the quantitative component and interview guide for the qualitative component of the study, respectively. Using regression analysis to test the outcome of the hypothesized relationships, the study showed that board size and composition are positively related to financial performance, while firm control positively moderates the relationship between board size, composition, foreign ownership and financial performance. The investigation prescribed that there is a need to build up a great connection between top managerial staff and the executives. This is on the grounds that by actualizing great corporate governance, there is a higher preferred position of improving a firm's performance. Thus, the two board and ranking directors ought to be worried about the connections between corporate governance and the financial firms. This study suggests that the banks ought to advance great corporate governance by concentrating on the board size and board composition to impart positive signs to potential financial potential investors and depositors. The business banks need to have a barricade made of a larger part of non-official executives. This will bring autonomy of mind and judgment on issues of strategy and governance in the running of a financial business. Additionally, there is the requirement for these banks to build up board committees (audit, nomination, and remuneration).

Keywords: corporate governance, board characteristics, board size, board composition foreign ownership, firm controls, firm strategy and financial performance.