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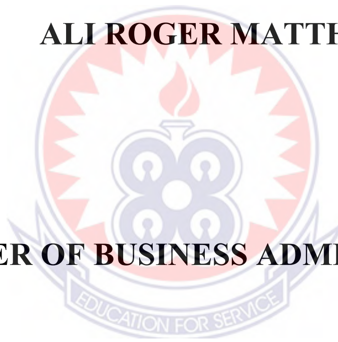
ASSESSING THE EFFECTS OF CORPORATE GOVERNANCE ON THE PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES (SMES) IN GHANA: A SURVEY OF SMES IN THE GREATER ACCRA REGION

ALI ROGER MATTHEW



MASTER OF BUSINESS ADMINISTRATION

2021

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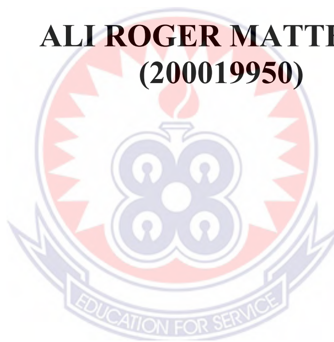
(200019950)



A dissertation in the Department of Management Sciences, School of Business, submitted to the School of Graduate Studies, in partial fulfilment of the requirements for award of the degree of Master of Business Administration (Human Resource Management) in the University of Education, Winneba

OCTOBER, 2021

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DECLARATION

Student's Declaration

I, Ali Roger Matthew, hereby declare that this dissertation, with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my own original work, and that it has not been submitted, either in part or whole, for another degree elsewhere.

Signature: ……………………………………

Date: ………………………………………….

Supervisor's Declaration

I hereby declare that the preparation and presentation of this dissertation were done in accordance with the guidelines for supervision of thesis laid down by the University of Education, Winneba.

Alhassan Salifu Bawah (Supervisor)

Signature: ……………………………………

Date: ………………………………………….

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DEDICATION

Firstly, I dedicate this work to the Almighty God for His mercy and grace throughout my course and for a successful academic work. My second appreciation goes out to my lovely parents, Mr. Ali Baba and Mrs. Agnes Ali Afua for their care and love for me. This research is further dedicated to my beloved wife Dorcas Weije, my lovely children Ali Barbara Abesiwini, Ali Audrey Wemuyie and Ali Roger Awuni for their encouragement and support.

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TABLE OF CONTENTS

Content	Page
DECLARATION	iii
DEDICATION	iv
ACKNOWLEDGMENTS	v
TABLE OF CONTENTS	vi
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ACRONYMS	xi
ABSTRACT	xiii
CHAPTER ONE: INTRODUCTION	**1**
1.1 Background of the Study	1
1.2 Statement of the Problem	3
1.3 Purpose of the Study	5
1.4 Research Objectives	5
1.5 Research Questions	5
1.6 Significance of the Study	6
1.7 Limitations of the Study	7
1.8 Definition of Terms	7
1.9 Organisation of the Study	10
1.10 Chapter Summary	10
CHAPTER TWO: REVIEW OF RELATED LITERATURE	**11**
2.0 Introduction	11
2.1 Corporate Governance Concept	11

University of Education,Winneba http://ir.uew.edu.gh

2.2 Corporate Governance Variables 13

2.3 Corporate Governance Theories 23

2.4 Relationship among Corporate Governance Theories 29

2.5 Corporate Governance in Ghana 31

2.6 Small and Medium Scale Enterprises' Firm Performance 33

2.7 Corporate Governance and the SMEs 35

2.8 Empirical Review 36

2.9 Conceptual Framework 43

2.10 Chapter Summary 44

CHAPTER THREE: RESEARCH METHODOLOGY 46

3.0 Introduction 46

3.1 Research Design 46

3.2 Population of the Study 48

3.3 Sample Size Determination 49

3.4 Sampling Technique/ Procedure 49

3.5 Data Collection Instrument 50

3.6 Validity of the Data Collection Instrument 50

3.7 Reliability of the Data Collection Instrument 51

3.8 Data Collection Procedure 52

3.9 Data Processing and Analysis 52

3.10 Chapter Summary 53

CHAPTER FOUR: RESULTS AND DISCUSSION 54

4.0 Introduction 54

4.1 Response Rate 54

University of Education,Winneba http://ir.uew.edu.gh

4.2 Results 54

4.3 Discussions of Results 70

4.4 Chapter Summary 75

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 77

5.0 Introduction 77

5.1 Summary of Findings 77

5.2 Conclusion 79

5.3 Recommendations 80

5.4 Suggestions for Further Research 82

REFERENCES 83

APPENDICES 95

University of Education,Winneba http://ir.uew.edu.gh

LIST OF TABLES

Table **Page**

1: SME Owner's Demographics 55

2: SME Business Demographics 57

3: Descriptive statistics showing the Board Characteristics of SMEs 57

4: Descriptive Statistics Showing Board Composition and Characteristics of SMEs 61

5: Descriptive Statistics Showing CEO Duality and Characteristics of SMEs 62

6: Descriptive Statistics showing the ownership structure of SMEs 64

7: Pearson Correlation Coefficient between Corporate Governance Practices and Financial Performance of SMES 65

8: Pearson Correlation Coefficient between Corporate Governance Practices and Non-Financial Performance of SMES 67

9: Linear Regression Showing the Effects of Corporate Governance Practices on Financial Performance of SMEs 69

10: Linear Regression Showing the Effects of Corporate Governance Practices on Non-Financial Performance of SMEs 69

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LIST OF FIGURES

Figure **Page**

1: Conceptual Framework of the Study 44

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LIST OF ACRONYMS

BoD - Board of Directors – Board of directors is an elected group of individuals that represent shareholders. The board is a governing body that typically meets at regular intervals to set policies for corporate management and oversight. Every public company must have a board of directors. Some private and non-profit organizations also have a board of directors.

CEO - Chief Executive Officers – A chief executive officer (CEO) is the highest-ranking executive in a company, whose primary responsibilities include making major corporate decisions, managing the overall operations and resources of a company, acting as the main point of communication between the board of directors (the board) and corporate operations and being the public face of the company. A CEO is elected by the board and its shareholders.

Corporate Governance – Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled.

GEDC - Ghana Enterprise Development Commission – GEDC was an institution set up to assist SMEs in Ghana. GEDC was set up to strengthen SMEs through financial and technical assistance.

GDP - Gross Domestic Product – Gross Domestic Product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of the country's economic health.

IT - Information Technology – Information technology (IT) is the use of computers to store, retrieve, transmit, and manipulate data or information. IT is typically used

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within the context of business operations as opposed to personal or entertainment technologies.

KDI - Korean Development Institute - KDI is an institution founded by the Korean government in recognition of the need for a think tank that researches economic policy issues concerning Korea in both systematic and applicable ways, and assists the government in formulating the economic development plans

OECD - Organization for Economic Co-operation and Development - OECD is a forum where the governments of 36 member states with market economies work with each other, as well as with more than 70 non-member economies to promote economic growth, prosperity, and sustainable development.

SMEs - Small and medium-sized enterprises – SMEs are non-subsidiary, independent firms which employ less than a given number of employees. This number varies across countries.

SPSS - Statistical Package for Social Sciences - SPSS is a software package used for interactive, or batched, statistical analysis. It is a widely used program for statistical analysis in social science.

UK - United Kingdom – United Kingdom of Great Britain and Northern Ireland, commonly known as the United Kingdom (UK or U.K.) is a sovereign country located off the north western coast of the European mainland.

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ABSTRACT

Small and Medium Scale Enterprises (SMEs) development in Ghana unfortunately is hindered by a number of factors, notable amongst which is the lack of adequate financing. This stems from the fact that the SMEs in Ghana have limited access to capital markets, locally and internationally, in part because of the lack of managerial competencies and proper governance systems in the SME sector. This study assessed the effects of corporate governance on the performance of SMEs in the service sector in the Greater Accra Region of Ghana, to determine the extent to which corporate governance affect the performance of SMEs. To achieve the purpose of the study, quantitative descriptive research design was used. A sample size of two hundred and twenty-four SMEs in the service sector in the Greater Accra Region of Ghana was used for the study. Simple random sampling technique was used to select the SMEs. The data for the study was obtained primarily through the use of a questionnaire, and was analyzed using Pearson Product Moment Correlation and Multiple Regression Analysis. The findings of the study revealed that there is no significant effect of board size, CEO duality, and board composition on the financial performance of the SMEs in the service sector. However, it was revealed that the ownership structure of the SMEs has a significant effect on the financial performance of the SMEs. It is recommended that the shareholders of the SMEs, should delegate the powers of major financial decisions to the board in order to increase the financial performance of the companies concerned.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate governance is crucial for the development of a country, because proper corporate governance practices attract investment capital, reduce the risk for investors and increase the performance of the business. Corporate governance is widely viewed as one of the key foundations of an organization to be more productive, properly governed and controlled (Changezi & Saeed, 2013). The absence of good corporate governance has been the main driving force for the collapse of many companies (Michael & Goo, 2015). Berger, Imbierowcz and Rauch (2016) observed that good corporate governance practice result in a significant improvement in the financial performance of firms. Similarly, Saparovna and Sayatovna (2015) also argued that a properly structured system of corporate governance, leads to an improved efficiency in the firm's management, which in turn facilitates access to capital markets at favourable borrowing terms. Corporate governance is a concept that involves practices that entail the organization of management and control of companies. Corporate governance is all about running an organization in a way that guarantees that its owners as stakeholders are receiving a fair return on their investment (Adekunle & Aghedo, 2014). In broad terms, corporate governance refers to the processes by which organizations are directed, controlled and held accountable (Maranga, 2014). Corporate governance encompasses authority, accountability, stewardship, leadership, direction and control, exercised in corporations. It reflects the interaction among those persons and groups, which provide resources to the company and contribute to its performance, such as shareholders, employees, creditors, long-term suppliers and subcontractors (Sharma, 2015).

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One important enabling factor for SME development and enhanced financial performance is corporate governance. Indeed, practicing good governance will help SMEs establish robust business processes and prepare them for future expansion. Corporate governance lays the foundation for SMEs to be more accountable and transparent in their operations, thus enabling them to attract huge investments. Corporate Governance is ultimately concerned with the decision-making processes, procedures, and attitudes that assist the company in achieving its objectives. The understanding and implementation of a good corporate governance framework presents SMEs with a structured path to better management practices, effective oversight and control mechanisms which lead to opportunities for growth, financing and improved performance (Ndagu & Obuobi, 2010, as cited in Maranga, 2014).

Corporate governance can shift the SME firm from a survivalist entity incapable of growing past the abilities of its owners, to being an enterprise with factual and sustainable growth through improved competitiveness, bright performance and value (Bates 2013). As such, the present-day global world has gradually been apprehensive with the application of corporate governance in SMEs, owing to the vital developmental roles fulfilled by these SMEs in a number of economies (Hove-Sibanda, Sibanda & Pooe, 2017).

Although, corporate governance has been established to affect the firm's performance, there is little consideration given to the influence of corporate governance on SMEs' performance, particularly among some SMEs in Accra. On the other hand, not much is known about the state of corporate governance and its connection with performance among Ghanaian companies (Amoateng, Osei, Ofori & Gyabaa, 2017).

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1.2 Statement of the Problem

Small and Medium-sized Enterprises are very important to the growth of any nation. It is no surprise that developed countries enjoying growing and booming economies, attribute most of their achievements to a flourishing SMEs sector (Abor & Biekpe, 2007). In fact, there is a growing recognition of the important role small and medium enterprises (SMEs) play in economic development (Frimpong, 2013). They are often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines. Even in the developed industrial economies, it is the SME sector rather than the multinationals that is the largest employer of workers. SMEs is the backbone of the Ghanaian economy contributing to almost 70% of Ghana's GDP and almost 92% of Ghana's business sector (Frimpong, 2013).

SME development in Ghana is however hindered by a number of factors, notable amongst which is the lack of adequate financing (Afande, 2015). This stems from the fact that the SMEs in Ghana have limited access to capital markets, locally and internationally, in part because of the lack of managerial competencies and proper governance systems in the SME sector. This underscores the need for SMEs to adopt good corporate governance practices to ensure enhanced performance, given that this would have major implications for financing opportunities for the sector (Abor & Biekpe, 2007).

Corporate governance and performance of SMEs has received considerable attention in the finance, accounting as well as management literature, especially in the developed countries and in other parts of Africa (Mishra & Mohanty, 2014; Oskar, 2012; Eisenberg et al., 1998; Haniffa and Hudaib, 2006; Gadi, Emesuanwu & Shammah, 2015; Adeusi, Akeke, Aribaba & Adebisi, 2013; Akingunola, Adedipe &

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Olusegun, 2015; Wanyama & Olweny, 2013; Opanga, 2013; Bauer et al., 2004; Okwee, 2011). However, the existing literature on corporate governance and SMEs performance has been inconclusive.

Some research studies have reported a positive relationship between corporate governance and SMEs performance (Mishra & Mohanty, 2014; Oskar, 2012; Eisenberg et al., 1998; Haniffa & Hudaib, 2006; Akingunola, Adedipe & Olusegun, 2015; Opanga, 2013; Bauer et al., 2004; Okwee, 2011).Yet other studies found no significant relationship between corporate governance and SMEs performance (Gadi, Emesuanwu & Shammah, 2015; Adeusi, Akeke, Aribaba & Adebisi, 2013; Shahwan, 2015; Wanyama & Olweny, 2013; Fratini & Tettamanzi, 2015, Yasser et al., 2011). The lack of consensus evidence between corporate governance and SMEs performance has created a gap for further studies to be carried out on the subject.

On the other hand, in Ghana, studies that have been conducted on corporate governance and SMEs performance (Amoateng, Osei, Ofori & Gyabaa, 2017; Abor & Biekpe, 2007; Ansong, 2015; Agyei & Appiah, 2014), looked at corporate governance and SMEs performance in general without focusing on a particular sector of the SMEs. This has created a void in literature with respect to corporate governance and performance of some specific SME sectors in Ghana. This study therefore hopes to fill this gap by examining the effects of corporate governance on the performance of SMEs in the service sector in the Greater Accra Region of Ghana. It will also help to determine the extent to which corporate governance affects the performance of SMEs in the service sector.

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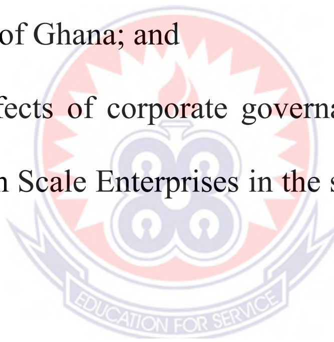
1.3 Purpose of the Study

The purpose of the study aimed at assessing the effects of corporate governance on the performance of SMEs in the service sector in Ghana.

1.4 Research Objectives

The main objective of this study examined the effects of corporate governance on the performance of SMEs in the service sector in Ghana. Specifically, the study sought to:

1. Determine the corporate governance nature of Small and Medium Scale Enterprises in the service sector in the Greater Accra of Ghana;
2. Examine the relationship between corporate governance practices and performance of Small and Medium Scale Enterprises in the service sector in the Greater Accra of Ghana; and
3. Investigate the effects of corporate governance practices on performance of Small and Medium Scale Enterprises in the service sector in the Greater Accra of Ghana.



1.5 Research Questions

The following research questions, guided the study:

1. What is the nature of corporate governance of Small and Medium Scale Enterprises in the service sector in the Greater Accra of Ghana?
2. What is the relationship between corporate governance practices and performance of Small and Medium Scale Enterprises in the service sector in the Greater Accra of Ghana?
3. What are the effects of corporate governance practices on the performance of Small and Medium Scale Enterprises in the service sector in the Greater Accra of Ghana?

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1.6 Significance of the Study

Existing knowledge on corporate governance and SMEs performance in the service sector in the Greater Accra Region of Ghana is scarce in Ghana. This study will therefore fill a significant gap in the literature by providing empirical evidence on the effects of corporate governance on Small and Medium Scale Enterprises in the service sector in the Greater Accra of Ghana.

The findings from this study will help policymakers at the various levels of management of SMEs to gain value added information on the corporate governance practices applicable to the SMEs in Ghana. This will help them to address any issues with regards to their corporate governance, so as to improve their productivity and performance. The SMEs could also take advantage from the findings of this study to plan, develop and implement good and workable corporate governance codes that will help improve their performance, especially in terms of attracting more investment.

This study will also assist the government, and other stakeholders of SMEs to come out with policies that will help build solid corporate governance structures of SMEs so as to improve the performance of SMEs for the economic development of the nation. In the meantime, policy makers will be able find out from the study areas that negatively impact corporate governance implementation in SMEs in Ghana in order to offer immediate solution to those problems.

The study will further provide information to scholars in the subject area with regard to the effects of corporate governance on the performance of the SMEs in Ghana. In addition, researchers will be able to gain additional knowledge from the study, given that it is focusing on some specific SMEs within the Greater Accra Region of Ghana.

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Researchers can use the findings of this research as a source of reference and also to identify further research gaps to be undertaken in the future.

1.7 Limitations of the Study

The study is limited by the following:

The study focused on assessing the effect of corporate governance on the performance of SMEs in the service sector in the Greater Accra Region of Ghana.

The inclusion-exclusion criteria of the study included all SMEs in the service sector in the Greater Accra Region of Ghana, which are known and registered by the state and also have been in operation for more than one. SMEs outside of the Greater Region of Ghana were excluded from the study. Furthermore, SMEs which are not in the service sector in the Greater Accra Region, were also excluded from the study.

1.8 Definition of Terms

SME Definition in the Ghanaian Context

There have been various definitions of small-scale enterprises in Ghana, but the most commonly used criterion is the number of employees of the enterprise (Kayanula & Quartey, 2000). The Ghana Statistical Service (GSS) defines SMEs as enterprises that employ less than 10 persons while those that employ more than 10 people are classified as Medium and Large-Scale Enterprises. Alternatively, the National Board for Small Scale Industries (NBSSI) in Ghana combines both the fixed assets and number of employees' criteria to define Small and Medium Scale Enterprises. Thus, small enterprises employ between six and 29 people or with fixed assets not exceeding US$100,000 excluding land and buildings. However, those with between 30 and 100 employees are classified as medium-size firms.

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Section 28 of the Venture Capital Trust Fund Act, 2004 (Act 680), defines SMEs as "an industry, project, undertaking or economic activity which employs not more than 100 persons and whose total asset base, excluding land and building, does not exceed the cedi equivalent of US$1 million in value". This definition automatically places a greater percentage of Ghanaian firms under SMEs. A study conducted by the Korean Development Institute (KDI) also concluded that more than 90% of all businesses in Ghana can be classified as SMEs.

The Ghana Enterprise Development Commission (GEDC) on the other hand, uses a 10 million Ghanaian cedis upper limit definition for plant and machinery. It is important to note that the process of valuing fixed assets in itself poses a problem. Secondly, the continuous depreciation of the local currency as against the major trading currencies, often makes such definitions, outdated (Kayanula & Quartey, 2000, as cited in Abor, 2007).

Steel and Webster (1991), and Osei et al (1993) used an employment cut-off point of 30 employees. Osei et al (1993) as cited by Abor (2007), however, classified small-scale enterprises into three categories. These are: (i) micro - employing less than 6 people; (ii) very small – employing between 6-9 people; (iii) small – employing between 10 and 29 staff. A more recent definition is the one given by the Regional Project on Enterprise Development Ghana manufacturing survey paper. The survey report classified firms into: (i) micro enterprise, less than 5 employees; (ii) small enterprise, 6 - 29 employees; (iii) medium enterprise, 30 – 99 employees; (iv) large enterprise, 100 and more employees (Teal, 2002).

This study therefore applies the definition of the NBSSI as criteria for the selection of the SMEs.

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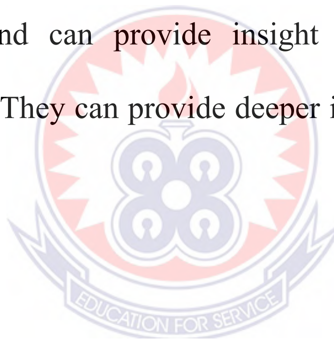
Financial Performance

Financial performance is a measure of how well a firm can use assets from its primary mode of business and generate revenue. The term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Njagi, 2016).

Non-Financial Performance

Non-financial performance is a quantitative measure that cannot be expressed in monetary units. By themselves these metrics do not adequately capture a company's strengths and weaknesses. However, they can serve as leading indicators of future financial performance and can provide insight as to organization's impact on stakeholders and society. They can provide deeper insights into the inner workings of a business (Njagi, 2016).



Corporate Governance

Corporate governance is the process and structure used to direct and manage business affairs of an entity or firm towards enhancing prosperity and corporate accounting with the ultimate objective of realizing shareholders long-term value, while taking into account the interest of other stakeholders (Bauer et al., 2004). Corporate governance as defined by Abor and Biekpe (2007) as the process as well as a structure used to direct and manage the business affairs of a firm towards enhancing business prosperity and corporate accountability, with the ultimate goal of realizing shareholder value.

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1.9 Organisation of the Study

The study is organized into five chapters. Chapter One presents introduction of the study. The chapter covers a description of the background to the study, the statement of the problem, the purpose of the study, objectives of the study, research questions, significance of the study, limitations of the study and organization of the study.

The literature related to the study is reviewed in Chapter Two, which comprises of the theoretical and empirical review of the study. In Chapter Three, the general methodology of the study is given prominence. This includes the research design, the population and the sample of the study, the sampling design, a description of the instrument used in the data collection, the procedure for the collection of the data and the method of data analysis.

Chapter Four focuses on discussion of the results of study. Finally, in Chapter Five presents the summary, conclusions, and recommendations of the study.

1.10 Chapter Summary

This chapter has given a general background to the study in order to give the researcher a clear direction for the study. First of all, the chapter discussed the research topic within the context of academic writing, touching on the nature and meaning of corporate governance, small and medium scale enterprises (SMEs) and the importance of corporate governance to SMEs. The chapter went further to specifically state the problem of the study. This is followed by the purpose of the study, research objectives and the research questions. The chapter continued further by discussing significance of the study, and the limitations of the study. Finally, the chapter concludes with definition of terms, and the organization of the study.

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CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 Introduction

This study aims at assessing the effects of corporate governance on the performance of SMEs in Ghana to determine the extent to which corporate governance affect the performance of SMEs. This chapter presents the review of literature related to the study. The literature related to the study is reviewed based on the main objectives of the study. The literature review is presented under three main headings. First, the theoretical review related to the objectives of the study is presented. Next, the empirical review of the study is presented. Finally, the literature review presents the conceptual framework of the study.

2.1 Corporate Governance Concept

The concept of corporate governance varies greatly. Okike (2007) contends that different countries have different legal, political, socio economic and cultural systems that have considerable influence on corporate governance. Nonetheless, some authors have attempted to provide definitions of corporate governance that cuts across different legal, socio economic, cultural and political settings. Yasser et al. (2011) defines corporate governance as a set of relationships that govern different members of an institution or a company.

Bell, Filatotchev and Aguilera (2014), defined corporate governance as actions, structures or mechanism in which management is held responsible to those who have a genuine stake in a business. Sharma (2015) asserts that corporate governance is about putting in place the arrangements, measures and devices that guarantee that the firm is focused and accomplished in a way that augments long-term shareholder value

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through responsibility of managers. Adegbite (2012) explains corporate governance as the collection of influential micro-policy tools in an organization to confirm a well-organized and operative usage of assets in attaining the crucial purposes of its investors, flourish in the marketplace, as well as exploiting its optimistic encouragement on extra investors and at the same time, decreasing its adverse influences on them.

According to Michael and Goo (2015), corporate governance initiates who the organization is there to assist. The authors explained that corporate governance theory should be seen as the relationship between the organization, its workforces, creditors and the physical atmosphere in which the organization operates. In the view of Berger et al. (2016), corporate governance must move beyond monetary disclosure and agency difficulties to include composition of the board, independence of the board members, presence of audit committee, management involvement in the day-to-day administration of a firm, ownership structure, minority representation, disclosure, employee's compensation, board procedures and proper financial reporting etc.

Elshandidy and Neri (2015) contend that corporate governance is meant to facilitate the effective and efficient use of corporate resources in order to actualize the aims and objectives of a business. Claassens (2003) categorizes the definition of corporate governance into two. The first set of definition concerns itself with a set of behavioral patterns: such as performance, efficiency, growth, financial structure, and treatment of shareholders and other stakeholders. The second set concerns itself with the normative framework: that is, the rules under which firms are operating – with the rules coming from such sources as the legal system, the judicial system, financial markets, and factor (labor) markets.

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Amoateng, Osei, Ofori and Gyabaa (2017) defined corporate governance as a recommended arrangements and procedures with the aim to reduce the agency costs in a business body. Corporate governance is defined by Abor and Biekpe (2007) as the process as well as a organisation used to direct and manage the business affairs of a firm towards enhancing business prosperity and corporate accountability, with the ultimate goal of realizing shareholder value. According to the authors corporate governance in SMEs is referred to as 'the respective roles of the shareholders who are the owners, managers, directors as well as other officers of the firm'.

2.2 Corporate Governance Variables

Corporate governance has a number of different variables. Bansal (2005) asserts that some of the variables of corporate governance are board size, board composition, CEO/chair duality. Saad (2010) found that the level of corporate compliance is consistently high for all corporate governance mechanisms or practices concerning BOD that include: BOD composition; BOD responsibilities i.e. division of power between the Chairman and the CEO; BOD meeting; board committees; remuneration of directors; and (iv) BOD training which form the basis for elements of good corporate governance in organizations. Some of the variables of corporate governance are explained as follows:

Board Composition

The board of directors is one of the most visible aspects of Corporate Governance and as such deserves special attention and scrutiny. Board of directors provide the formal link between owners responsible for the day-to-day operations of the firm (Brunninge et al., 2007). Fama and Jensen, (1983, p. 311) describe them as the 'apex' of the firm's decision control system'. Most SMEs are closely held and owner-managed and

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owners thus have direct and detailed insights into internal processes of the firm (Cowling, 2003) as a result there is less need for the control function of the board and many SME boards exist on paper only (Brunnige & Nordqvsit, 2004; Ford, 1988; Huse, 2000, as cited in Brunninge et al., 2007) .

John and Senbet (1998) argue that boards of directors are seen to be more independent as the proportion of their non-executive directors increases (as cited in Abhor & Biekpe, 2007). Another slant to the discussion is that outside members are more likely to view the tasks of the board as being distinctly different and complementary to that of management, while insiders may view the board's work as an extension of their managerial responsibilities (Forbes & Milliken, 1999; Mace, 1986, as cited in Brunninge et al., (2006). Their experiences from contexts other than the firm also help generate new perspectives and ideas and can increase cognitive diversity (Brunninge et al., 2007).

Still, outside directors can further add value by sharing their wealth of experience with top management team members. Brunninge et al (2007) argue that by assuming the crucial ''enterprising'' role, outside directors can encourage managers to focus on investing in knowledge-based resources for internationalization that provide SMEs with knowledge and wisdom gathered from their personal experiences. Thus, as the ratio of outside directors serving on the board increases, these directors, diverse experiences, skills and capabilities will augment SME managers' insights into how to further develop SMEs' knowledge-based resources, which can ultimately increase SMEs' growth, development and performance.

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Additionally, a wealth of other benefits has been proffered by other proponent researchers. Forbes and Milliken, (1999) as cited in Burnninge et al., (2007) opine that outside board members are not tied to the daily operations of the firm and, they are likely to think more freely concerning the strategic alternatives open to the firm. Drawing upon their individual contacts they can also connect the firm with important stakeholders in the environment (Borch & Huse, 1993; Zahra & Pearce, 1989 as cited in Brunninge et al., 2007) and improve the reputation and legitimacy of the organization (Hung, 1998; Johannisson & Huse, 2000; Pfeffer & Salancik, 1978, as cited in Brunninge et al., 2007).

Outside directors in closely held firms can point out new strategic directions and also offer information and guidance during a change process (Borch & Huse, 1993, as cited in Burnninge et al., 2006). Likewise they are more professional and are in a better position to wield control over management. Fama (1980) as cited Brunninge et al., (2006) concurred by stating that independent directors are also better at managing and checking management self-interest and opportunism. The debate still continues on which set of directors bring more value to the table, past research have shown mixed results on the performance influence of outside versus inside directors on firm performance. What is important is that directors can be critical resources to SMEs which if monitored and utilized correctly could create the long-term benefits and value these firms require to survive in an uncertain global environment.

Board Size

Though should not be so large as to be unwieldy, but at least half of the number of the board members, excluding the chairman, should be non-executive directors; with integrity, having a blend of knowledge, skills, objectivity, experience and

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commitment to the board. (Kawor, Anshong & Boateng 2008) Lipton and Lorsch (1992) as cited in Abor and Biekpe (2007) contend that large boards are less effective and are easier for the CEO to control. They further contend that when a board gets too big, it becomes challenging to co-ordinate and often creates problems, conversely, smaller boards also reduce the likelihood of free riding by, and increase the accountability of individual directors. Raja and Kumar, (2007) added ammunition to the arsenal of suggestions by asserting that in a smaller board, members are more likely to agree on a specific outcome. However, Raja and Kumar (2007) opposed this standpoint by positing that there is no clear-cut evidence that smaller boards perform more effectively than larger boards. In contrast to this view, larger boards may act as an increased pool of expertise and may have a better ability to form reasonable judgment (Goldstein, Gautam & Bocker, 1994, as cited in Raja & Kumar, 2007).

Additionally, for SMEs, one of the most important transitions is that from a single/owner-manager to a wider board. Instituting a team approach permits clearer development and definition of the choices facing the business, and it could also permit a stronger development of a more open and less oppressive internal human relations structure (Drucker, 1992; Sparrow, 1993 as cited in Abor & Biekpe, 2007). Moreover, Cadbury, (2000) concurred that the benefit of encouraging team development through a widen board has been argued to be an important step in improved corporate governance in SMEs (as cited in Abor & Biekpe, 2007). Such widened board development for SMEs has been noted as directly improving firm performance (Wynarczyk et al., 1993; Goodstein et al., 1994) especially where these are non-executive directors (Cowen & Osborne, 1993 as cited in Abor & Biekpe, 2007). Notwithstanding the conflicting pronouncements on what is considered to be the

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'ideal' size, what is of interest for SMEs owner/manager to note is that the insertion of a board could greatly affect the growth and development of the firm.

Board Training

The level of training among board members and mangers could have a strong effect on the performance of the firm. Lybaert (1998) as cited in Abor and Biekpe, (2007) argues that better performance is due to the proven positive relation of higher levels of education among entrepreneurs and their willingness to use external information, develop networks, make use of consultants or develop more detailed accounting and monitoring systems. However, there is contrary evidence about the level of training among SMEs owners and managers. Lawrie (1998) as cited in Abor and Biekpe (2007) opines that gaps in management expertise are less of a recognized barrier to SME development than the availability of specialist staff skills, chiefly IT and languages. Therefore, although higher-level management qualifications may be useful to SMEs, there is still some doubt as to their relevance. These arguments have clearly not presented enough evidence for a conclusive decision to be taken regarding the value of/and relationship of training and education to SMEs growth, it therefore merits that further research be undertaken in this area of study to guide managerial decision making.

Board Meetings

One of the main objectives of board meetings is to provide a medium in which, executives can report on operational activities and they are also held responsible for the way they conduct the business in the board meetings. Raja and Kumar (2007) posit that there is a relationship which exists between number of board meetings held and firm performance, and that this tool is an important element in the board of

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governance. It is evident from the discussions on board meetings, that they form an integral aspect of enabling the proper development of corporate governance systems in SMEs, the opportunities provided for monitoring and information sharing could be invaluable towards the growth and development of these firms.

CEO Duality

It is common practice that the CEO of an SME may act as chairman of the board of directors (Raja & Kumar, 2007). The literature reveals a board structure typology, the system where the CEO also acts as chairman of the board and the system where the positions of CEO and chairman are occupied by two individuals. It has been noted that the system where the CEO also acts as board chairman leads to leadership facing conflict of interest and agency problems (Brickley, Coles & Jarrell, 1997, as cited in Raja & Kumar, 2007) thus giving preference for the system where the CEO's role is separated from that of the board chairman. There is contrasting opinion among researchers regarding CEO of the firm concurrently acting as chairman of the board. One set of researchers argued against it, just because board effectiveness may come down drastically due to lack of independence.

CEO can give ultimate direction to the boards regarding SME's future strategy and thus being able to operate in a proper way. Daily and Dalton (1992), as cited in Raja and Kumar (2007), identified no relationship between CEO duality and performance in entrepreneurial firms. Brickley et al. (1997), as cited in Raja and Kumar (2007) showed that CEO duality is not associated with inferior performance. Rechner and Dalton (1991), as cited in Raja and Kumar (2007), however, reported that companies with CEO duality have stronger financial performance relative to other companies. Similarly, Anderson and Anthony (1986) as cited in Raja and Kumar (2007), argued

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that it may reduce conflict between CEO and board of directors, and that leads to effective functioning of board.

The opposing viewpoints maintained that CEO duality could create challenges for the growth and development of SMEs. Yermack (1996) argues that firms are more valuable when the CEO and board chair positions are separate. Fama and Jensen (1983) as cited in Abor and Biekpe (2007), concurred by suggesting that concentration of decision management and decision control in one individual reduces the board's effectiveness in monitoring top management teams. Additionally, Sanda et al. (2003) as cited in Abor and Biekpe (2007) found a positive relationship between firm performance and separating the functions of the CEO and Chairman and Fiegener (2005) lend further support to the arguments by postulating that the board is less likely to participate in strategic decisions in SMEs if the CEO is the majority owner. He argues that the owner-manager has the power to influence strategic decision and change in other ways that forestall the participation of the board. Finally, Fama and Jensen (1983), as cited in Abor and Biekpe (2007) and Hsiang-Tsai (2005) found it negatively related to firm performance if CEO assumes role of chairman of the board. The myriad of conflicting typologies on the position and value of CEO duality in SMEs have identified a gap in literature that would merit further research to provide conclusive evidence and also to extend this area of study.

Ownership Structure

Jensen and Meckling (1976) as cited in Abor and Biekpe (2007) used principal-agent conflict to explain divergence of thinking in firm related issues between owners and management of firm. Fama (1980) and Fama and Jensen (1983) as cited in Abor and Biekpe (2007) suggested that these agency problems could be solved through

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ownership structure and Shleifer and Vishny (1997) as cited in Abor and Biekpe (2007) concurred that ownership concentration can influence the SME's performance. Jensen and Warner (1988) stated there is relationship between ownership structure and operating performance. They also indicated that a company with a highly concentrated ownership structure has superior performance (as cited in Raja & Kumar, 2007).

Inside ownership - A high level of inside ownership is said to create conditions conducive for managerial entrenchment and self-aggrandizing behaviour. Consequently, it reduces outside owner's ability to monitor and control the behaviour of the firm's leadership, which reduces the value of the firm. The firm actually incurs high agency cost for the lack of transparency (Randoy & Goel, 2003) as cited in Raja & Kumar (2007). In the case of SMEs which receive less scrutiny from other stakeholders that can provide Corporate Governance monitoring compared to large publicly listed firms, a high level of insider ownership is not efficient, given that managers will pursue policies to their own advantage instead of aiming at innovative entrepreneurial opportunities and shareholder value maximization. Randoy and Goel (2003) also found that a high level of board and insider ownership has a positive impact on firm performance in founder-led firms, but a negative performance effect in non-founder firms. One could infer from these viewpoints that inside ownership brings more disadvantages and conflicts and less value to the SMEs operations. The gauntlet is however still out on the issue, and more research is merited to form any type of valuable opinion on the issue.

Family ownership – Family governance is concerned with the coordination of the relationships within the family arena, and between the family and the business

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(Fahed-Sreih, 2009). Family meetings play an important role in fostering this task. It is often argued that the benefit of founding family leadership of firms is that family traits, such as trust, altruism and paternalism can create an atmosphere of love and commitment towards the business (James, 1999) and therefore curtail agency costs. Previous studies by Kang (1998), James (1999) and Mishra et al. (2001) as cited in Abor and Biekpe (2007) showed that founding family businesses provide special kind of CORPORATE GOVERNANCE that offers lower agency costs and better performance. Other studies however indicated that entrepreneurs and managers of founding family firms are more likely to engage in managerial entrenchment to the detriment of the firm, resulting in weaker performance (Thomsen & Pedersen, 2000; Gomez-Mejia et al., 2001, as cited in Raja & Kumar, 2007).

Handler (1989), as cited in Fared-Sreih (2009) opine that a family business can be defined as a business that is owned, managed and controlled or influenced by one or more family members. Randoy and Goel, (2000) as cited in Raja and Kumar (2007) stretched out this description by asserting that family firms are corporations in which the founder or their descendants have a major role in managing the firm, and Raja and Kumar (2007) concludes that these firms are businesses in which a single family exercises significant management and financial authority. Klein et al (2005), as cited in Fared-Sreih (2009) spoke to the critical role of the family in respect to its influence on the business in terms of exuding powers, experience and culture which can create positive of negative results relating to SMEs growth and development.

According to early Agency theorists growth will not often be the primary objective of family firms due to the over-riding need to retain control of the firm for the family (Daily & Dollinger, 1992). The authors further opine however, that for non-family

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SME managers, growth is preferred because it provides opportunities for higher executive compensation and promotion. Conversely, studies by Teal, Upton and Seaman (2003) and Daily and Dollinger (1992) as cited in Smith (2008) found no differences between the growth of family and non-family firms in their samples. This finding was also supported by Westhead and Cowling (1997) in a UK-based study and Jorissen et al (2005) in a Belgium-based study (as cited in Smith, 2008). Based on the empirical evidence provided in the foregoing discussions Smith (2008) concludes that the theoretical precepts unlinking the expectation of lower growth for family firms is in need of refinement, thus inferring that further research is required to inform and gives clarity to the issue.

Casson (1999) as cited in Smith (2008) stated that family shareholders are widely considered as the owners and residual claimants who control firms that largely belong to their own family and pass the firm's assets to their descendants rather than wealth to shareholders. Davis (1983) as cited in Abor and Biekpe (2007) argued that family firms have a long-term orientation, which encourages a strategic approach. While Abor and Biekpe (2007) stated that the business has such appeal for owners that they may unconsciously care little about its future when they are not around. In addition, off spring are seldom keen on planning to replace their mother or father and a general aversion to planning (Abor & Biekpe, 2007). Fahred-Sreih (2009) argued that family controlled firms rarely gave up management control to non-family managers and they are experts at retaining ownership (as cited in Raja & Kumar, 2007).

Klein (2000) as cited in Fahed-Sreih (2009), introduced a model of family business which identified four dimensions of a family business: family, ownership, leadership and the business. The model possesses two advantages pertaining to family business

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governance. Firstly, it does not focus on the individual but also shows the interactions among the four dimensions. Klein maintained that a family can influence a firm either through the ownership function, but mainly by the control function through staffing the board of directors, or through the leadership function by occupying top management position within the firm. Conversely, Klein concurred that, since the majority of the owners and managers are family members, the business also has an impact on the family through both dimensions.

Foreign ownership - Foreign ownership is said to facilitate stronger monitoring of managers (Randoy & Goel, 2003) as cited in Smith (2008). In addition, the firm's cost of capital can be reduced by having large foreign institutional investors who actively monitor the actions of management (Randoy et al., 2001) as cited in Abor & Biekpe, (2007). Prior empirical evidence suggests that the existence of foreign institutional investors leads to lower agency cost (Stulz, 1999 as cited in Abor & Biekpe, 2007) and this is especially relevant in small countries with smaller investor community and in small businesses (Oxelheim et al., 1998, as cited in Abor & Biekpe, 2007). Firms with high foreign ownership may tend to institute certain control measures such as auditing and frequent reporting systems. These actions are likely to reduce agency costs and thus result in higher firm performance (Abor & Abiekpe, 2007) which will undoubtedly enhance the positioning of SMEs as 'worthy' prospects capable of forging alliances with for global business opportunities.

2.3 Corporate Governance Theories

2.3.1 Agency Theory

Jensen and Meckling (1976) as cited in Njagi (2016) put forward the theory of the agency explaining that the interest of management and shareholders interest often

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conflict because managers try to give priority to their interest at the expense of shareholders. In turn shareholders who are owners have to incur costs to monitor and direct the managers. Agency theory is defined as "the relationship between the principals, such as shareholders and agents such as the company executives and managers". In this theory, shareholders who are the owners or principals of the company, hires the agents to perform work. Principals delegate the running of business to the directors or managers, who are the agents to the shareholder (Clarke, 2004). Daily et al. (2003), argued that two factors can influence the prominence of agency theory. First, the theory is a simple theory that reduces the corporation to two participants of managers and shareholders. Second, agency theory suggests that employees or managers in organizations can be self-interested.

The agency theory shareholders expect the agents to act and make decisions in the principal's interest. On the contrary, the agent may not necessarily make decisions in the best interests of the principals (Padilla, 2000, as cited in Njagi, 2016). Such a problem was first highlighted by Adam Smith in the 18th century and subsequently explored by Ross (1973) and the first detailed description of agency theory was presented by Jensen and Meckling (1976), as cited in Njagi (2016). Indeed, the notion of problems arising from the separation of ownership and control in agency theory has been confirmed by (Schoorman and Donaldson, 1997, as cited Njagi, 2016). In agency theory, the agent may be succumbed to self-interest, opportunistic behavior and falling short of congruence between the aspirations of the principal and the agent's pursuits.

Although with such setbacks, agency theory was introduced basically as a separation of ownership and control (Bhimani, 2008). Holmstrom and Milgrom (1994), as cited

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in Njagi (2016), argued that instead of providing fluctuating incentive payments, the agents will only focus on projects that have a high return and have a fixed wage without any incentive component. Although this will provide a fair assessment, but it does not eradicate or even minimize corporate misconduct. Here, the positivist approach is used where the agents are controlled by principal-made rules, with the aim of maximizing shareholders value. Hence, a more individualistic view is applied in this theory (Clarke, 2004).

Indeed, agency theory can be employed to explore the relationship between the ownership and management structure. However, where there is a separation, the agency model can be applied to align the goals of the management with that of the owners. Due to the fact that in a family firm, the management comprises of family members, hence the agency cost would be minimal as any firm's performance does not really affect the firm performance (Eisenhardt, 1989, as cited in Njagi, 2016). The model of an employee portrayed in the agency theory is more of a self-interested, individualistic and are bounded rationality where rewards and punishments seem to take priority (Jensen & Meckling, 1976, as cited in Njagi, 2016). According to this model, people or employees are held accountable in their tasks and responsibilities. Employees must constitute a good governance structure rather than just providing the need of shareholders, which maybe challenging the governance structure (Njagi, 2016).

2.3.2 Stewardship Theory

In the stewardship model, managers are good stewards of the corporations and diligently work to attain high levels of corporate profit and shareholders returns (Donaldson & Davis 1994, as cited in Maranga, 2014). Stewardship theory addresses

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the underlying agency theory assumption that there is a tension between the risk propensity of principals and their agents whereby agents focus their actions upon mitigating their personal risk at the expense of their principals. Unlike agency theory, stewardship theory assumes that managers are stewards whose behaviors are aligned with the objectives of their principals. The theory argues and looks at a different form of motivation for managers drawn from organizational theory.

Managers are viewed as loyal to the company and interested in achieving high performance. Stewardship Theory places greater value on goal convergence among the parties involved in corporate governance than on the agent's self-interest (Van-Slyke, 2006). The dominant motive, which directs managers to accomplish their job, is their desire to perform excellently. Specifically, managers are conceived as being motivated by a need to achieve, to gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority, and thereby to gain recognition from peers and bosses. Therefore, there are non-financial motivators for managers (Maranga, 2014).

Stewardship theory also argues that individuals can abandon self-interest. In this case, the managers are not motivated by personal or individual goals but rather by the firm interests (Wesley, 2010). The theory also argues that an organization requires a structure that allows harmonization to be achieved most efficiently between managers and owners. In the context of firm's leadership, this situation is attained more readily if the CEO is also the chairman of the sub-committee. This leadership structure will assist them to attain superior performance to the extent that the CEO exercises complete authority over the corporation and that their role is unambiguous and unchallenged. In this situation, power and authority are concentrated in a single

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person. Hence, the expectations about corporate leadership will be clearer and more consistent both for subordinate managers and for other members of the corporate sub-committee.

2.3.3 Resource Dependency Theory

There is an additional theory used in corporate governance research, namely, resource dependency theory. According to this theory, organizations attempt to exert control over their environment by co-opting the resources needed to survive. The concept of co-optation has important implications for the role of the board and its structure. Boards are important boundary spanners. Boards can be used as a mechanism to form links with the external environment. Inter-organizational linkages, such as the appointment of outside directors and board interlocks, can be used to manage environmental contingencies. Directors who are prestigious in their professions and communities can be a source of timely information for executives (Pfeiffer and Salancik, 1978, as cited in Njagi, 2016).

Pfeffer and Salancik (1978), as cited in Njagi (2016) is of the view that when an organization appoints an individual to a board, it expects that the individual will come to support the organization, will concern himself with its problems, will favorably present it to others, and will try to aid it. This assistance is believed to raise organizational performance, and increase returns to shareholders. Pfeffer (1972) as cited in Njagi (2016) has made the case that the board's co-optation role, in which he includes establishing contacts and raising funds, best explains board composition. His evidence shows that board size and type of outside director are related to an organization’s needs for capital and the degree of regulation in its environment.

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2.3.4 Stakeholder Theory

Stakeholder theory was embedded in the management discipline in 1970 and gradually developed by Freeman (1984) incorporating corporate accountability to a broad range of stakeholders. In essence, stakeholder theory considers the firm as an input-output model by explicitly adding all interest groups: Employees, customers, dealers, government and the society at large- to the component mix. Stakeholder theory can be defined as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Fernando, 2009).

Unlike agency theory in which the managers are working and serving for the stakeholders, stakeholder theorists suggest that managers in organizations have a network of relationships to serve – this include the suppliers, employees and business partners. And it was argued that this group of network is important other than owner-manager employee relationship as in agency theory (Freeman, 1984, as cited in Njagi, 2016).

Furthermore, the stakeholder theory attempts to address the group of stakeholder deserving and requiring management's attention (Sundaram & Inkpen, 2004). Whereas, Donaldson and Preston (1995) as cited in Maranga (2014) claimed that all groups participate in a business to obtain benefits. Nevertheless, Clarkson (1995) as cited in Maranga (2014) suggested that the firm is a system, where there are stakeholders and the purpose of the organization is to create wealth for its stakeholders. Freeman (1984) as cited in Njagi (2016) contends that the network of relationships with many groups can affect decision making processes as stakeholder theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders.

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2.4 Relationship among Corporate Governance Theories

The resource dependence approach, developed by Pfeffer (1973), and Pfeffer and Salancick (1978), emphasizes that external directors enhance the ability of a firm to protect itself against the external environment, reduce uncertainty, or co-opt resources that increase the firm's ability to raise funds or increase its status and recognition. Firms attempt to reduce the uncertainty of outside influences to ensure the availability of resources necessary for their survival and development. The board is hence seen as one of a number of instruments that may facilitate access to resources critical for company success. There are four primary types of broadly defined resources provided by boards of directors. These are: (1) advice, counsel, and know-how; (2) legitimacy and reputation; (3) channels for communicating information between external organizations and the firm; and (4) preferential access to commitments or support from important actors outside the firm (Pfeffer & Salancick, 1978). This resource role is played by board of directors mainly through their social and professional networks (Johannisson & Huse, 2000), and through interlocking directorates (Mizruchi & Stearns, 1988; Lang & Lockhart, 1990).

Similarly, the stakeholder approach also considers the provision of resources as a central role of board members. The main resource stakeholder proponents refer to is consensus. According to this view, the board should comprise representatives from all parties that are critical for a company's success. This will result in the firm's ability to build consensus among all critical stakeholders. The board of directors is hence seen as the place where conflicting interests are mediated, and where the necessary cohesion is created (Donaldson & Preston, 1995; Luoma & Goodstein, 1999). The stakeholder theory argues for the importance of a firm paying special attention to the various stakeholder groups in addition to the traditional attention given to investors

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(Freeman, 1984; Gibson, 2000). These various groups of stakeholders, which include customers, suppliers, employees, the local community and shareholders, are deemed also to have a stake in the business of a firm. The representation of all stakeholder groups on boards is therefore necessary for effective corporate governance.

The stewardship theory, on the other hand suggests that managerial opportunism is not relevant (Donaldson & Davis, 1991; Davis et al., 1997; Muth & Donaldson, 1998). The aim of management is to maximize the firm's performance since that speaks of the success and achievements of management. Donaldson and Davis (1991) argue that managerial opportunism does not exist because the manager's main aspiration is "to do a good job, to be a good steward of corporate assets". This clearly replaces the lack of trust to which the agency theory refers with the respect for authority and inclination to ethical behaviour.

2.4 Relationship between Corporate Governance Theories and SMEs

Corporate governance has traditionally been associated with larger companies. This is mainly due to the separation between ownership and control of the firm. It is tempting to believe that corporate governance would not apply to SMEs since the agency problems are less likely to exist. In many instances, SMEs are made up of only the owner who is the sole proprietor and manager (Hart, 1995). Basically, SMEs tend to have a less pronounced separation of ownership and management than larger firms.

It is sometimes argued that, because SMEs have few employees, who are mostly relatives of the owner and thus there is no separation of ownership and control, there is no need for corporate governance in their operations. Also, the question of accountability by SMEs to the public is non-existent since they do not depend on public funds. Most especially, the sole-proprietorship businesses do not necessarily

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need to comply with any disclosure requirements. Since there is no agency problem, profit maximization, increasing net market value and minimizing cost are the common aims of the members. Members also disregard outcomes of organizational activities that will cause disagreement. They are rewarded directly and as such need no incentives to motivate them. Thus, disagreement does not exist and hence there is no need for corporate governance to resolve them.

In spite of these arguments, there is a global concern for the application of corporate governance to SMEs. It is often argued that similar guidelines that apply to listed companies should also be applicable to SMEs. The ongoing tendency toward improving board functions within publicly listed firms will extend to SMEs by mimicry and institutional pressures (Corbetta & Salvato, 2004). The extant empirical literature on corporate governance of SMEs focuses on a number of factors including board size, board skill level, board composition and control, CEO duality, percentage of shares closely held, family ownership, and foreign ownership. These are discussed in turn above.

2.5 Corporate Governance in Ghana

The code of corporate governance in Ghana covers every part of the business set up right from how assets are created and how they are used. There has been a monitoring structure position put in place to ensure good corporate governance practice in Ghana. This involves the promulgation of various laws, including: the Criminal Code (causing financial loss Act 29) 1960; the Companies Code 1963(Act 179); the Economic and Organized Crime Office (Act 408) and the Bank of Ghana regulations.

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The major legislative references for corporate governance practice in Ghana are the Companies Code 1963 (Act 179), the Securities Industry Law 1993, and the Ghana Stock Exchange (GSE) rules. Of this three the one with the most relevance to SMEs in Ghana is the Companies Code 1963(Act 179). The Companies code though have not seen a major review since its passage was assessed by the World Bank as 'fairly strong'. The code outlines specific rules with to different categories of stakeholders, adherence for which will ensure some adherence to corporate governance principles. These include but not limited to

- Rights and responsibilities of Shareholders and Stakeholder
- The Responsibility of the board
- The role of the board Chairman
- Directors responsibility
- Auditor-appointment procedure and role
- Disclosure and transparency
- Equitable treatment of shareholders.

All companies registered under the Companies Code 1963 (Act 179), SMEs or not are by default bound by these rules contained therein. However without the ability to monitor and ensure compliance even these minimal corporate governance provision will not be adhered to.

Adegbite (2012) opined that these structures have been instituted to promote the cause of good corporate governance. It should however be acknowledged that the world is moving near a common principles of preparation as a results of globalization. Companies in the country cannot however isolate themselves from international drive which is influencing typical doctrines of businesses management.

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Oppong et al. (2016) is also of the opinion that like other British colonies, Ghana inherited many rules and regulations left behind by the colonial government. The authors explained that at the time of the colonialism, British company legislation was introduced into the country; hence Ghana's legal system and corporate governance practices mirrored the UK pattern.

Okike (2007) explained that before Ghana obtained independence, foreigners, generally British, were in control of the operations of business enterprises in many of their old colonies and as a result brought along with them their economic interest and their legislation.

Bokpin and Isshaq (2009) also explained that the Ghanaian corporate governance structure is influenced by the corporate governance systems internationally. This is because, majority of the local firms are either owned by foreign firms or normally seek investments from foreign investors. In this regard, it will be very difficult for companies in Ghana, particularly SMEs to compete both internationally and domestically if they do not accept the ideologies of good corporate governance.

Bokpin and Isshaq (2009) further explain that the prospect of firms obtaining investments will be subject to the extent to which these firms in Ghana accept globally acknowledged rules and structures of corporate conduct.

2.6 Small and Medium Scale Enterprises' Firm Performance

Firm performance indicates how the amassed technology-enabled performance influences in each of the firm activities, for instance revenue enhancement cost reduction, and competitiveness (Melville, Kraemer & Gurbaxani 2004). Vorhies and Morgan (2005) support that, in spite of the overall acceptance that robust firm

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capability improves firm performance, voluminous indefiniteness is existent on the measurement of enterprise performance.

A number of articles including Homburg and Pflesser (2003), Hooley et al. (2005) and Wong and Merrilees (2007) have actually focused on measuring firm marketing performance, which represents but a proportion of the aggregate performance of the business. Nonetheless, in this study firm performance is measured utilising the balanced score card, which combines all aspects of firm performance.

According to Pienaar and Vogt (2012) a balanced score card by design ensures a balance between financial and non-financial performance. Badenhorst-Weiss, Biljon and Ambe (2017) in support add that 'a balanced score card recognises that performance measurement should include more than just financial measures and adds three key performance indicators: customers, business processes along with innovation and learning'. As such this study also recognizes that SME firm performance goes beyond the financial aspects (profitability) and that these financial measures need to be supplemented with the customer, business processes, as well as innovation and learning measures. This provides a balanced view of SME firm performance.

Hence, for the purposes of the current study, SME firm performance includes exportation, sales growth, profitability, employee satisfaction and retention, employee productivity, cost reduction, return on investment, return on assets, return on equity, customer satisfaction and retention, new product development and innovation and learning.

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2.7 Corporate Governance and the SMEs

Corporate governance as a concept has been associated with larger companies. This is obviously so because of the existence of the agency problem in such companies. The agency problem arises mainly as a result of the relationships between shareholders (owners) and managers. SMEs however in many cases are made up of only the owner who is the sole proprietor and manager (Hart, 1995 as cited in Dzigba, 2015). The separation of ownership and management is not as pronounced in SMEs as it is with larger firms. This makes it some people argue that corporate governance should not apply to SMEs.

Another argument is that because SMEs have few employees - who are mostly relatives of the owner, and for that matter no separation between ownership and control there is no need for corporate governance in their operations. Also, the question of accountability by SMEs to the public is non-existent since they do not depend on public funds. Most especially the sole proprietorship businesses - do not necessarily need to comply with any disclosure requirement, and hence is in little or no need of corporate governance principles. (Abor & Adjasi, 2007). Notwithstanding all the above arguments, a strong case have still been made for the adoption of corporate governance principle by SMEs. In the words of Bill Witherell, Director of Financial and Enterprise Affairs, OECD "good corporate governance underpins market confidence, integrity and efficiency and hence promotes economic growth and financial stability".

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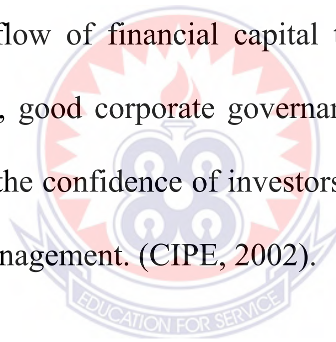
A number of writers have also linked firm-level corporate governance practices to firm value (e.g., Durnev & Kim, 2005; Black, Jang & Kim, 2006). Overall these studies support the importance of firm level corporate governance, especially in countries with weak legal protections for investors (e.g., Klapper & Love, 2004). External board members bring into the firm expertise and knowledge on financing options available and strategies to source such finances, thus dealing with the credit constraint problem of SMEs. They are able to able to challenge strategies by management (Pettigrew & McNulty, 1995, as cited in Dzigba, 2015); and are thus able to inject better management practices to attract resources.

Corporate governance has implications for economic development especially in helping to increase the flow of financial capital to firms in developing countries. When fully implemented, good corporate governance would ensures that SMEs are well-run in other to earn the confidence of investors and lenders. The process ensures safeguards against mismanagement. (CIPE, 2002).



2.8 Empirical Review

There are various studies done by different researchers to look at the effects of corporate governance on performance of various firms. Adeusi, Akeke, Aribaba and Adebisi (2013) in their work Corporate Governance and Firm Financial Performance used a sample of 10 selected banks' annual reports covering 2005-2010 to examine the relationship between corporate governance and performance in Nigeria banking sector. The main objective of the study was to determine if ownership and board size matter in financial performance. They used return on asset, board size, board composition that is, number of executive director and number of non-executive director. The result indicates that improved performance of the banking sector is not

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dependent on increasing the number of executive directors and board composition. It showed further that when there are more external board members; performance of banks tends to be worse. The study concluded that there is a need for increase in board size and decrease in board composition as measured by the ratio of outside directors to the total number of directors in order to increase the bank performance.

Akingunola, Adedipe and Olusegun (2015) examined corporate governance and bank's performance in Nigeria. Their main objective was to evaluate the impact of corporate governance and bank's performance in Nigeria (post–bank's consolidation). They used earnings, return on equity and return on assets as variables. They employed the ordinary least squares regression method to analyze their data. Their result shows that Bank deposits mobilized and credits created over these period increased over the years but were more positively related to bank performance during the period of consolidation although not significant. Furthermore, managerial traits of managers employed in the bank seemed to be the major determinant factors of bank performance when they are positively embraced. They concluded that to minimize financial and economic crime in the system, banks must embrace fiduciary duty which include transparency, honesty and fairness (corporate governance codes) in dealing with all its stakeholders.

Wanyama and Olweny (2013) investigated the effects of corporate governance on the financial performance of listed insurance firms in Kenya. The study evaluated the impact of board size, CEO duality, board composition and leverage on the financial performance (ROA and ROE) of the listed insurance firms. The study established that the size of a board negatively affect the financial performance of the firms. In addition, the study established a positive relationship between board composition and

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financial performance. The study further provided evidence that the segregation of the CEO and Chairman's roles positively influenced the financial performance of the listed insurance companies.

Gadi, Emesuanwu and Shammah (2015) examined the impact of corporate governance on the performance of microfinance banks in Nigeria. The study determined whether board composition and board committees had relationship with the financial performance of the banks. Earnings per Share (EPS) and Return on Assets (ROA) were used as measures of performance. The evidence showed a significantly positive relationship between EPS and board composition and board committee. The study could not however establish any impact of corporate governance on ROA. Shahwan (2015) conducted a similar study in Egypt and could not establish any relationship between corporate governance practices and financial performance.

Opanga (2013) did a study whose objective was to establish the relationship between CORPORATE GOVERNANCE and financial performance of Insurance companies in Kenya. The study targeted 45 insurance firms registered by the time of the study. The results concluded that there was a strong positive correlation between corporate governance and financial performance of the firms and secondly, the positive regression model confirmed that corporate governance (independent variables) if consistently applied contribute to increase in financial performance (dependent variable).

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In Malaysia, Haniffa and Hudaib (2006) investigated the relationship between the structure of corporate governance and performance of 347 companies listed on the Kuala Lumpur Stock Exchange (KLSE). The study found that board size and shareholding structure were significantly associated with share price and financial performance. The study further established a significant relationship between multiple directorships and share price. In addition, their results found a significant relationship between financial performance and role duality and managerial shareholdings.

In India, Mishra and Mohanty (2014) also examined the impact of corporate governance on financial performance. With a sample of 141 companies listed on the Mumbai Stock Exchange, the study used a step-wise regression analysis to evaluate the influence of three corporate governance indicators: legal, board and proactive indicators on the performance of the firms. The study found that the performance of the firms were significantly influenced by proactive indicators. On the other hand, the study reported that legal compliance was not a good predictor of a firm's performance.

In Finland, Eisenberg et al. (1998) as cited in Amoateng, Osei, Ofori and Gyabaa (2017), used a small sample size and midsize Finnish firms to evaluate the impact of corporate governance on financial performance. The authors established a positive relationship between corporate governance and financial performance. In a similar study in Italy, Fratini and Tettamanzi (2015) found no relationship between corporate performance and corporate structure. In addition, Yasser et al. (2011) conducted a similar study in Pakistan and could not establish any relationship between corporate governance and corporate performance.

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Bauer et al. (2004) argued that good corporate governance leads to higher common stock returns, firm value or operating performance using a sample of 269 firms from the FTSE Eurotop 300 over the period 2000-2001. The authors used Deminor's corporate governance ratings in order to measure the firms' quality of corporate governance. Deminor's rating can be attributed to four categories: shareholder rights, takeover defenses, disclosure on corporate governance and board structure and functioning. They argue that good corporate governance will increase investor trust and subsequently lower Australian Treasury (2009) conducted a study on corporate governance and financial performance in an Australian context. The aim of the study was to examine the relationship of a company's adoption of the corporate governance principles and best practice as outlined by the Australian Securities Exchange and the financial performance of Australia's top listed 300 companies. The study findings revealed that companies that implemented the corporate governance principles and best practice as outlined by the Australian 20 Securities Exchange had a better financial and overall performance than companies that had poor implementation of the same. The study concluded that corporate governance is a vital concept in most contemporary organizations' financial performance.

Okwee (2011) carried out a study on the influence of corporate governance and financial performance of SME's in Lango sub region of Uganda. The study involved a sample size of 63 SME‟s that were drawn from a population of 75 SME‟s in Lango sub region. The questionnaires were used to collect data from the selected SME‟s. It was found that there was a significant number of SME‟s that were found to comply less with the corporate governance guidelines. Risk was found to be weakly and negatively correlated with corporate governance and financial performance where as corporate governance and financial performance was found to be strongly positively

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correlated. The study also outlined a number of corporate governance practices that are likely to impact on the financial performance of organizations. These practices include CEO dualism, sub-committee size and the skills of the sub-committee members.

Oskar (2012) conducted a study to establish the relationship between corporate governance and a firm's performance and dividend payouts during the financial crisis in Poland. Corporate Governance was measured using the Corporate Governance Index (CORPORATE GOVERNANCEI). The study also sought to construct a comprehensive measure of the corporate governance for 298 non-financial companies listed on Warsaw Stock Exchange from the year 2006-2010. The findings from the study confirm that there is a positive relationship between corporate governance and performance of an organization. It was also evident that higher corporate governance leads to an increase in cash dividends. The study was also able to establish a link between corporate governance and with return on assets during the global financial meltdown that also affected Poland. The study also revealed that during the financial crisis, companies with good corporate governance still managed to pay dividends less generously than firms with lower corporate governance standards.

Amoateng, Osei, Ofori and Gyabaa (2017), examined the impact of corporate governance practices on the performance of SMEs in Ghana. Both descriptive and correlational research design were employed for the study. Convenience sampling technique was used to select one hundred (100) SMEs from two regions in Ghana. The study utilized the annual reports of the SMEs from 2012 to 2016 financial years. Net profit margin (NPM) and return on assets (ROA) were used as proxies for performance and Ordinary Least Square (OLS) regression model was used to estimate

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the level of impact of corporate governance on the performance of SMEs in Ghana. The study found empirical evidence to support the view that the board size (BS) has a negative impact on NPM, though insignificant. In addition, the evidence obtained indicate that board gender (BG) and management ownership (MO), all have positive impact on NPM. The evidence also showed that role difference for CEO and board chairman (DR) has a negative and positive impact on both ROA and ROE. Similarly, the results showed that board size (BS) has an insignificant negative impact on ROA. Additionally, it was ascertained that board gender (BG) and management ownership (MO) have positive impact on ROA, though the level of impact of board gender (BG) and management ownership (MO) are statistically insignificant. The results further provided evidence that the control variables: firm age (Fage) and industry of the firms (FInd) have a significant positive impact on both NPM and ROA. Generally, the evidence obtained showed that corporate governance has positive but insignificant impact on performance of SMEs.

Abor and Biekpe (2007), assessed the adoption of corporate governance structures and how these influence the performance of SMEs in Ghana. Using the regression analysis, their findings revealed that corporate governance structures (foreign ownership, CEO duality, board composition, family business, inside ownership and board size) have a significant positive impact on performance (profitability) of SMEs in Ghana.

Also conducted in Ghana is the study by Ansong (2015) which explored the effects of board size and level of board participation on SMEs' financial performance. The study established that the size of the board and financial performance do have a

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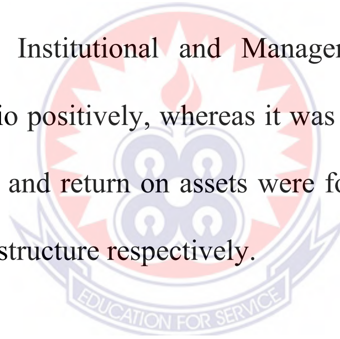
progressive connectedness, while the level of board participation had no relationship with financial performance.

Agyei and Appiah (2014) examined the relationship between ownership structure and corporate governance on capital structure of some listed manufacturing companies in Ghana Stock Exchange. The study covered the period of 2007 to 2011 for which firm level data for eight (8) randomly selected manufacturing listed companies from Ghana Stock Exchange were examined by using descriptive, correlation and multivariate regression analysis. Corporate governance variables employed were board size, board composition, and CEO/Chair duality. Impact of ownership was examined by using managerial and institutional shareholding. Similarly influence of controlled variables like firm size and profitability on firms' financing mechanism was investigated. The findings of the study revealed that Board Size, Board Composition, Institutional and Managerial shareholding was significantly correlated with leverage ratio positively, whereas it was negatively influenced by CEO/Chair duality. However, firm size and return on assets were found to have a positive and negative significant effect on capital structure respectively.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2.9 Conceptual Framework

On the basis of literature review, the following conceptual framework has been developed for this study:

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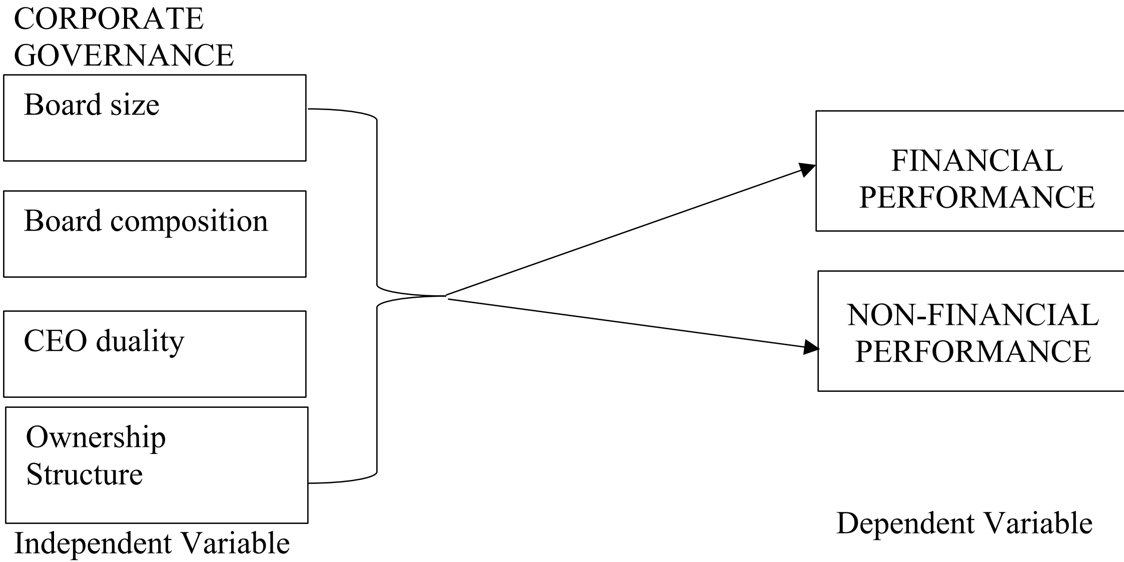

Figure 1: Conceptual Framework of the Study

Source: Author's construct

The research conceptual framework explains that corporate governance, which in this study consists of board size, board composition, CEO duality, and ownership structure, will have a direct effect on the performance of the SMEs, which in this study is measured by firms' export, sales growth, profitability, employee satisfaction and retention, employee productivity, cost reduction, return on investment, return on assets, return on equity, customer satisfaction and retention, new product development and innovation and learning.

2.10 Chapter Summary

The area of corporate governance and organizational performance has attracted many researchers in the recent past. It is evident that most studies that have so far been conducted have largely focused on corporate governance and general performance of an organization. This general performance includes the financial, social and environmental performance of an organization. There are few studies however, that

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have examined the relationship between corporate governance and performance of organizations more especially in the SMEs sector of the economy. In Ghana, available literature has indicated a gap on the effect of corporate governance and performance of SMEs in the service sector in Accra.

More literature on corporate governance and performance of organizations is available. The theoretical literature has divergent views on corporate governance and performance of organizations. Empirical literature both global and local, show evidence of some relationship between corporate governance and performance of organizations. However, despite the existence of lots of studies in this area, the SMEs in the service sector has not been thoroughly studied to find out how corporate governance affects their performance as well as the extent of adoption of the corporate governance principles. The fact that there is a paucity of studies on the relationship between corporate governance and performance of SMEs in the service sector in Accra leaves a research gap that needs to be filled. This study is therefore being undertaken to bridge this gap.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The study proposes to assess the effects of corporate governance on the performance of SMEs in Ghana and to determine the extent to which corporate governance affect the performance of SMEs. This chapter gives a brief description of how this research will be conducted. This includes a description of the research design, the population of the study, the sample size, the sampling procedure, the data collection instruments, the data collection procedures and the data processing and analysis.

3.1 Research Design

This study employed quantitative descriptive research design. In quantitative research design the aim is to determine the relationship between one thing (an independent variable) and another (a dependent or outcome variable) in a population. Quantitative research designs are either descriptive (subjects usually measured once) or experimental (subjects measured before and after a treatment). A descriptive study establishes only associations between variables. The study employed quantitative research design because the aim of the study is to examine the relationship between corporate governance (independent variable) and SMEs performance (dependent variable). The study in addition, employed descriptive research design because the study seeks to describe the level of adoption of corporate governance and SMEs performance. Descriptive research aims to accurately and systematically describe a population, situation or phenomenon. It can answer what*,* when*,* where*,* when and how questions, but not why questions (Babbie, 2007).

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Study Area: Small and Medium Scale Enterprise (SMEs) make up the majority of the businesses operating around the world. Generally, they are independent firms with not less than 50 employees. However, the definition of SMEs varies from one country to the other. For most countries, the upper range sits around 250. Some countries put the total number of employees at 200. For instance, the United States defines an SME, among other characteristics, as having not more than 500 workers. The U.S. also has a specific definition of SMEs based on the industry they operate in. For example, if a company is part of the manufacturing industry, it can be classified as an SME if it has a maximum of 500 employees, but a company involved in the wholesale trade can only have 100. Differences also exist among the sectors of an industry. For example, in the mining industry, companies that mine for nickel or copper ore can have up to 1,500 employees, but a silver mining company can only have a maximum of 250 employees in order to be considered an SME (CFI, 2015).

In Canada, SMEs are businesses that have fewer than 500 employees. Businesses with 500 or more employees are strictly considered large businesses. To further break it down, Industry Canada – an organization that works to facilitate economic and industry growth in Canada – deems small businesses as having fewer than 100 employees, provided the company produces goods. The cut-off for small businesses that provide services is 49 or fewer employees. Companies that fit somewhere between these employee-count cut-offs are considered an SME (CFI, 2015).

The European Commission (EC) defined SMEs largely in term of the number of employees as follows:

firms with 0 to 9 employees - micro enterprises;

10 to 99 employees - small enterprises;

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100 to 499 employees - medium enterprises.

European commission (2003) also defines SMEs as enterprises which employ fewer than 250 persons and/or have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million. UNIDO defines SMEs in terms of number of employees by giving different classifications for industrialized and developing countries. The definition for industrialized countries is given as follows:

Large - firms with 500 or more workers;

Medium - firms with 100-499 workers;

Small - firms with 99 or less workers.

The classification given for developing countries is as follows:

Large - firms with 100 or more workers;

Medium - firms with 20-99 workers;

Small - firms with 5-19 workers;

Micro - firms with less than 5 workers

In Ghana, Osei et al (1993) as cited Abor (2007), classified small-scale enterprises into three categories. These are: (i) micro - employing less than 6 people; (ii) very small - employing 6-9 people; (iii) small - between 10 and 29 employees. Teal (2002) also classified firms in Ghana into: (i) micro enterprise, less than 5 employees; (ii) small enterprise, 6 - 29 employees; (iii) medium enterprise, 30 – 99 employees; (iv) large enterprise, 100 and more employees (Teal, 2002).

3.2 Population of the Study

The target population for the study comprised of all SMEs in the service sector in the Greater Accra Region of Ghana. The target population of SMEs in the service sector

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in the Greater Accra Region of Ghana is 534, according to the 2017 database of the National Board for Small Scale Industries (NBSSI).

3.3 Sample Size Determination

The sample size for the study was determined using the Easterby-Smith et al. (1999) formula:

$$SS = Z^2 pq\left(\frac{N}{E^2(N-1)+Z^2 pq}\right)$$

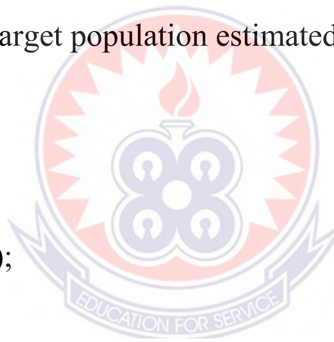
where

SS = required sample size;

z = z value at 95 % confidence level (1.96);

p = the population in the target population estimated to have characteristics being measured (50 %);

q = 100 − p = 50 %;



N = total population (534);

E = margin error (5%).

Assuming 50 % of the population being measured, a sample size of 224 SMEs in the service sector in the Greater Accra Region of Ghana was computed from the population of 543 SMEs.

3.4 Sampling Technique/ Procedure

Simple random sampling was used to select the sample for the study. Simple random sampling was used to select the SMEs in the service sector from the target population of SMEs in the service sector in the Greater Accra Region. A sampling frame, which contains all the relevant details of all the SMEs in the service sector in the Greater Accra Region of Ghana, including size, business description, physical and telephone

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contacts, was obtained from NBSSI. Random digit numbers were assigned to each of the SMEs and then selected using a computer program.

3.5 Data Collection Instrument

A data collection instrument entitled "SMEs and Corporate Governance Questionnaire" was used to collect the data for the study. The questionnaire was designed by the researcher by consulting other related works on corporate governance and SMEs performance. The questionnaire consisted of three sections.

Section A of the questionnaire elicited information on the demographic characteristics of the participants. Section B of the questionnaire elicited information on corporate governance practices of SMEs in the service sector in the Greater Accra Region of Ghana. The response format was based on a 5-point Likert scale [1 – Strongly disagree, 2 – Disagree, 3 – Neither agree nor disagree, 4 – Agree, 5 – Strongly agree]. Section C of the questionnaire measured the SMEs performance. The response format was based on a 5-point scale [1 – significant decrease, 2 – decrease, 3 – same as before, 4 – increase, 5 - significant increase].

3.6 Validity of the Data Collection Instrument

Validity of a research instrument refers to the degree to which the research instruments measure what it is supposed to measure (Joppe 2000; Mugenda, 2008). It is usually categorized into two – face validity and content validity. Copies of the research instrument were given to my colleague masters students for their perusal and their comments which were constructive were included in the development of the main instrument for the main study. This procedure was used because face validity is usually granted by the peers of a researcher.

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Content validity is normally granted by experts in the area. The content validity of this study was determined by first discussing the items in the instrument with three experts who are to indicate against each items (with a rating scale of 1–4) in the questionnaire whether it measures what it is meant to measure or not in relation to the research objectives. The comments which were given by the experts were therefore considered before the actual study.

The questionnaire was pilot studied through a convenient distribution to 24 SMEs living outside of the study area. The pilot study resulted in the deletion of some items in the questionnaire which were not relevant.

3.7 Reliability of the Data Collection Instrument

Reliability of a research instruments measures the degree to which the research instrument is free from bias and therefore ensures consistent measurement across time and several items within the instrument (Kothari, 2004). Usually, the Cronbach's alpha coefficient is used to determine the internal consistency of the scale. As a result of that, Cronbach alpha was computed on the interval or the ratio measured variable, since those are the variables fit for Cronbach alpha.

A Cronbach's alpha of 0.85 was obtained for the board size; 0.72 was obtained for board composition; 0.88 was obtained for CEO duality; 0.84 was obtained for ownership structure; and 0.87 was obtained for SMEs business performance. Overall, a Cronbach's alpha of 0.84 was obtained for the study. A Cronbach's alpha of 0.7 to 0.8 is usually considered to be good (Cooper & Schindler 2008; Mugenda & Mugenda, 2003; Sekaran & Bougie, 2013).

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3.8 Data Collection Procedure

Ethical clearance was obtained from each management of the SMEs and a convenient date was scheduled for the administration of the data collection instrument. Informed consent was sought and obtained from each participant at the time of the study. The researcher with the help of colleagues at the Office administered the questionnaire to the participants. The administration and collection of the questionnaire a period of one month.

3.9 Data Processing and Analysis

The data collected through the questionnaire was organized through data coding, cleaning, and entry. The data collected was evaluated using both descriptive and inferential statistics. The background information of the SMEs was investigated using frequencies and percentages and presented in an APA format table.

Multiple linear regression and Pearson Product Moment Correlation were used to study the research questions. The research question one was examined using descriptive statistics of mean, standard deviation, minimum, and maximum and the results presented in an APA format table. The research question two was scrutinised using Pearson Product Moment Correlation coefficient and the results also presented in an APA format table. Finally, the research question three was examined using multiple linear regression analysis and the findings also presented in an APA format table and discussed. A p-value of (0.05) was used as the threshold for statistical significance. The IBM SPSS program version 20 and Microsoft Excel Version 2010 was used for all the analysis.

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3.10 Chapter Summary

The chapter discussed the methods underpinning the study. The research designs adopted for the study was quantitative descriptive research design. Simple random sampling procedure was used to select 224 SMEs in the service sector in the Greater Accra Region of Ghana. The data for the study was obtained using a questionnaire designed by the researcher by consulting related works. The questionnaire was validated, pretested through pilot study conducted on some SMEs living outside of the study area. The data for the study was analyzed using descriptive as well as inferential statistics. The descriptive statistics used for the analysis of the data include frequencies, percentages, mean, standard deviation, minimum, and maximum values. The inferential statistics used comprised multiple linear regression and Pearson Product Moment Correlation. An alpha level of 5 per cent was used as threshold for test of significance. The study focused only on the effect of corporate governance on the performance of SMEs in the service sector in the Greater Accra Region of Ghana. Hence, the findings from this study may not be applicable to the entire SMEs in Ghana. Therefore, caution would have to be taken when generalizing the findings from the study. The activities of the participants of the study, that is, the SMEs in the Greater Accra Region, other than the administration of the questionnaire, could not be controlled. This in a way may have affected the participants' response to the questionnaire.

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CHAPTER FOUR

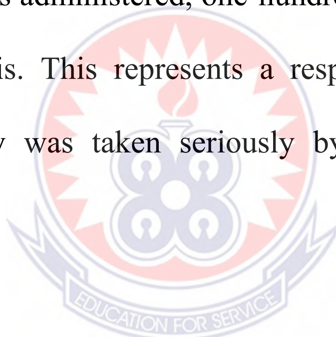
RESULTS AND DISCUSSION

4.0 Introduction

This chapter provides the results and discussions of the study. The results and discussions of the study are presented based on the objectives of the study.

4.1 Response Rate

A total sample size of two hundred and twenty-four Small and Medium Scale Enterprises was estimated for the study and, as a result, two hundred and twenty-four questionnaires were administered. Out of the total number of two hundred and twenty-four questionnaires administered, one-hundred and ninety-eight were retrieved and used for the analysis. This represents a response rate of 88.4%. This is an indication that the study was taken seriously by the Small and Medium Scale Enterprises.



4.2 Results

This section presents the results of the analysis of the findings of the study.

4.2.1 Demographic Characteristics of the Respondents

SME Owners' Characteristics

The demographic characteristics of the SMEs owners comprise the age, gender, level of education, and position in the business or firm. These variables were selected for the SMEs owners as a result of evidence in the literature that these variables have an influence in the SMEs corporate governance. The results of the analysis of the demographic characteristics of the SMEs owners are shown in Tables 1 and 2.

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Table 1: SME Owner's Demographics

Demographics	Frequency	%
Age group		
21-30 years	38	19.2%
31-40 years	77	38.9%
41-51 years	31	15.7%
51-60 years	27	13.6%
Above 60 years	25	12.6%
Gender		
Male	119	60.1%
Female	79	39.9%
Marital status		
Single	56	28.3%
Married	79	39.9%
Separated	27	13.6%
Divorced	20	10.1%
Widowed	16	8.1%

Source: Field work (2021)

Table 1 shows the demographic characteristics of the owners of the SMEs who participated in the study. As shown in Table 1, majority (38.9%) of the SMEs owners were between the ages of 31-40 years, 19.2% were aged between 21-30 years, 15.7% were aged between 41-51 years, 13.6% were aged between 51-60 years, while 12.6% were above 60 years.

Regarding gender, 60.1% were male, while 39.9% were female. Furthermore, 39.9% of the participants were married, while 28.3% were single, with 13.6% having separated from their spouses, 10.1% having divorced their spouses, and 8.1% losing a partner through death. Majority (26.8%) of the participants had undergraduate degrees, 16.2% had postgraduate degrees, 15.2% had secondary school certificate, 13.1% had a higher national diploma certificate, and 10.1% had primary education.

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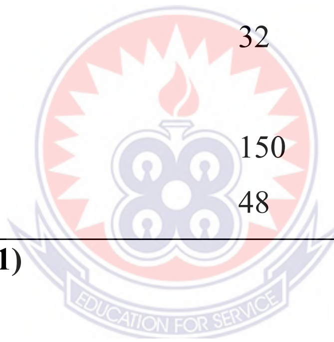
Almost ten percent had middle school leaving certificate, 9.1% had technical or vocational education. With respect to business ownership, 75.5% of the participants were the SMEs owners, while 24.5% were business partners.

Table 1. Cont.

Demographics	Frequency	%
Level of education		
Primary	20	10.1%
Middle School	19	9.6%
Technical/Vocational	18	9.1%
Secondary School	30	15.2%
Polytechnic	26	13.1%
University	53	26.8%
Postgraduate Degree	32	16.2%
Position		
Business owner	150	75.5%
Business partner	48	24.5%

Source: Field work (2021)



Business Characteristics

The demographic characteristics of the SMEs include the business status, the business category, the number of years in business, the number of employees, and the number of branches. These variables were also chosen for the SMEs due to the evidence in literature that these variables also have an influence in SMEs corporate governance structure. The results of the analysis of the demographic characteristics of the SMEs are shown in Table 2.

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Table 2: SME Business Demographics

Demographics	Frequency	%
Business status		
Sole Proprietorship	63	31.8%
Partnership	45	22.7%
Private Limited Company	60	30.3%
Co-operatives	30	15.2%
Business category		
Trade	76	38.4%
Manufacturing	57	28.8%
Service	65	32.8%
Number of Years in Business		
2 years or less	29	14.6%
3-5 years	33	16.7%
6-10 years	51	25.8%
11-20 years	36	18.2%
21 years or more	49	24.7%
Number of Employees		
Less than 30	97	49.0%
30-99	65	32.8%
100 or more	36	18.2%
Branches		
Only one branch	30	15.2%
2-5 branches	68	34.3%
6-8 branches	67	33.8%
More than 8 branches	33	16.7%

Source: Field work (2021)

Table 2 shows the demographic characteristics of the SMEs in the service sector in the Greater Accra Region that participated in the study. As shown in Table 2, majority (31.8%) of the SMEs were Sole Proprietorship, 22.7% were Partnership, 30.3% were Private Limited Liability Companies, while 15.2% were Co-operatives. In terms of

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business category, 38.4% of the SMEs were in the trade sector, 28.8% were in the manufacturing sector, whiles 32.8% were in the service sector. Meanwhile, 14.6% of the SMEs have been in business for 2 years or less, 16.7% have been in business for 3-5 years, while majority (25.8%) of the SMEs have been in business for 6-10 years. Furthermore, 18.2% of the SMEs have been in operation for 11-20 years while 24.7% have been in operation for 21 years or more. With regards to the number of employees, majority (49.0%) of the SMEs have less than 30 employees, 32.8% have 30-99 employees, while 18.2% have 100 or more employees. Majority (34.3%) of the SMEs have 2-5 branches, 33.8% have 6-8 branches, 16.7% have more than 8 branches, and 15.2% have only one branch.

Corporate Governance Nature of Small and Medium Scale Enterprises

The first objective of the study was to determine the corporate governance nature of Small and Medium Scale Enterprises in the service sector in the Greater Accra of Ghana. As the participants were asked to indicate their responses on a scale of 1 to 5, in respect of corporate governance structure that centered mainly on the board size and characteristics, board composition and characteristics, CEO duality and ownership structure, which were found in the literature. This section presents the results on the nature of corporate governance of the SMEs in the service sector in the Greater Accra Region of Ghana.

Board Size and Characteristics

The board size and characteristics of the Small and Medium Scale Enterprises was assessed by imploring participants to indicate their level of agreement to statements on their board size on a scale of 1 to 5, with 1 being Strongly disagree, 2 being Disagree, 3 being Neither agree nor disagree, 4 being Agree, and 5 being Strongly

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agree. The mid-point of the scale is 3.0, which implies that a mean value above 3.0 indicate agreement, while a mean value below 3.0 indicate a disagreement. A mean value of 3.0, which is the mid-point indicate neither agree nor disagree. Table 3 shows the descriptive statistics results of the analysis.

Table 3: Descriptive statistics showing the Board Characteristics of SMEs

Board size and characteristics	N	Mean	Std. Dev.	Min.	Max.
The board size of the company is large	198	3.00	1.40	1.00	5.00
The board of the company meets regularly to discuss issues affecting the company	198	3.67	1.36	1.00	5.00
The company has a system for evaluating board and individual directors	198	2.99	1.41	1.00	5.00
The company has a constitution that governs board meetings	198	3.1	1.42	1.00	5.00

Source: Field work (2021)

As shown in Table 3, the participants neither agreed nor disagreed that the board size of their companies is large (M=3.0, SD=1.40). However, the participants of the study indicated that the boards of the companies meet regularly to discuss issues affecting the companies (M=3.67, SD=1.36), and also the companies have constitutions that governs board meetings (M=3.1, SD=1.42). However, the participants disagreed that the companies have systems for evaluating board and individual directors (M=2.99, SD=1.41).

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Board Composition and Characteristics

The board composition and characteristics of the Small and Medium Scale Enterprises was assessed by imploring participants to indicate their level of agreement to statements on their board composition on a scale of 1 to 5, with 1 being Strongly disagree, 2 being Disagree, 3 being Neither agree nor disagree, 4 being Agree, and 5 being Strongly agree. The mid-point of the scale is 3.0, which implies that a mean value above 3.0 indicate agreement, while a mean value below 3.0 indicate a disagreement. A mean value of 3.0, which is the mid-point indicate neither agree nor disagree. Table 4 shows the descriptive statistics results of the analysis. As shown in Table 4, the participants of the study neither agreed nor disagreed that the boards of the companies are composed mainly of family members (M=3.0, SD=1.42), and also the boards of the companies are appointed based on family ties (M=3.0, SD=1.44). However, the participants of the study indicated that the boards of the companies are appointed based on friendship ties (M=3.15, SD=1.38), and disagreed that the boards of the companies are not appointed based on professionalism (M=2.90, SD=1.46).

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Table 4: Descriptive Statistics Showing Board Composition and Characteristics of SMEs

Board composition and characteristics	N	Mean	Std. Dev.	Min.	Max.
The board of the company is composed mainly of family members	198	3.00	1.42	1.00	5.00
The company has many of the shareholders as part of the board	198	3.02	1.45	1.00	5.00
The company has many of the management members who are not shareholders as part of the board	198	3.10	1.40	1.00	5.00
The board members of the company were appointed based on family ties	198	3.00	1.44	1.00	5.00
The board members of the company were appointed based on friendship ties	198	3.15	1.38	1.00	5.00
The board of the company were appointed based on professionalism	198	2.90	1.46	1.00	5.00
The firm has two-thirds or more of board members as independent non-executive directors	198	3.00	1.49	1.00	5.00

Source: Field work (2021)

The participants of the study neither agreed nor disagreed that the companies have many of the shareholders as part of the boards (M=3.02, SD=1.45). The participants however agreed that the companies have many of the management members who are not shareholders as part of the boards (M=3.10, SD=1.40). The participants of the study also neither agreed nor disagreed that the companies have two thirds or more of board members as independent non- executive directors (M=3.00, SD=1.49).

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CEO Duality and Characteristics

The CEO duality and characteristics of the Small and Medium Scale Enterprises was assessed by imploring participants to indicate their level of agreement to statements on their CEO on a scale of 1 to 5, with 1 being Strongly disagree, 2 being Disagree, 3 being Neither agree nor disagree, 4 being Agree, and 5 being Strongly agree. The mid-point of the scale is 3.0, which implies that a mean value above 3.0 indicates agreement, while a mean value below 3.0 indicate a disagreement. A mean value of 3.0, which is the mid-point indicate neither agree nor disagree. Table 5 shows the descriptive statistics results of the analysis.

Table 5: Descriptive Statistics Showing CEO Duality and Characteristics of SMEs

CEO Duality	N	Mean	Std. Dev.	Min.	Max.
The CEO of the company is the Chairman of the board of the company	198	2.80	1.40	1.00	5.00
The CEO of the company takes the major decisions for the company other than the board	198	3.10	1.43	1.00	5.00
The CEO has the power to sack any employee of the company without notifying the board of the company	198	3.25	1.45	1.00	5.00
The CEO being the Chairman of the company is good for the company	198	3.10	1.39	1.00	5.00
The CEO being the Chairman of the board of the company hinders progress of the company	198	2.92	1.38	1.00	5.00

Source: Field work (2021)

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As indicated in Table 5, the participants of the study disagreed that the CEOs of the companies serves also as the chairman of the board of the companies (M=2.80, SD=1.40), and that the CEOs being the chairman of the boards of the companies hinder progress of the companies (M=2.92, SD=1.38). However, the participants of the study indicated that the CEOs of the companies have the power to sack any employee of the company without notifying the board of the companies (M=3.25, SD=1.45). The participants in addition indicated that the CEOs of the companies takes major decisions for the companies other than the boards (M=3.10, SD=1.43), and that if the CEOs serves as the chairman of the boards of the companies, it will be good for the companies (M=3.10, SD=1.39).

Ownership Structure

The ownership structure and characteristics of the Small and Medium Scale Enterprises was assessed by imploring the participants of the study to indicate their level of agreement to statements on the ownership structure of their companies on a scale of 1 to 5, with 1 being Strongly disagree, 2 being Disagree, 3 being Neither agree nor disagree, 4 being Agree, and 5 being Strongly agree. The mid-point of the scale is 3.0, which implies that a mean value above 3.0 indicate agreement, while a mean value below 3.0 indicate a disagreement. A mean value of 3.0, which is the mid-point indicate neither agree nor disagree. Table 6 shows the descriptive statistics results of the analysis. As indicated in Table 6, the participants of the study reported that the owners of the companies are also the management of the companies (M=3.58, SD=1.27), and they disagreed that the owners of the companies are different from the management of the companies (M=2.17, SD=1.24).

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Table 6: Descriptive Statistics showing the ownership structure of SMEs

Ownership Structure	N	Mean	Std. Dev.	Min.	Max.
The owners of the company are the management of the company	198	3.58	1.27	1.00	5.00
The owners of the company are different from the management of the company	198	2.17	1.24	1.00	5.00
The management of the company is in the hands of one person who is the owner of the company	198	3.50	1.31	1.00	5.00
The company is owned by a family who takes the main day to day decision for the company	198	3.00	1.45	1.00	5.00
The company is owned by an insider who also an employee of the company	198	2.45	1.35	1.00	5.00

Source: Field work (2021)

The participants of the study also indicated that the management of the companies is in the hands of one person who are usually the owners of the companies (M=3.50, SD=1.31). On the other hand, the participants of the study neither agreed nor disagreed that the companies are owned by a families who take the main day to day decision for the companies (M=3.0, SD=1.45). Meanwhile, the participants disagreed that the companies are owned by insiders who are also employees of the companies (M=2.45, SD=1.35).

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Relationship between Corporate Governance Practices and Performance of Small and Medium Scale Enterprises

To achieve this objective, Pearson Correlation Coefficient and its significance levels were computed on the two variables –corporate governance practices and performance of SMEs – Financial and Non-Financial Performance. Table 7 shows the calculated Pearson Correlation Coefficient between the corporate governance practices and the financial performance of the SMEs. From the table, though there was a positive correlations between board size and financial performance (r=.081, p>.05) as well as positive correlation between CEO duality and financial performance (r=.028, p>.05), the correlation were not significant at the level of 5%. This implies that as board size of the SMEs increases the financial performance of the SMEs also increases though not significant. On the other hand, the findings also implies that as the CEO duality of SMEs increases the financial performance of the SMEs also increases.

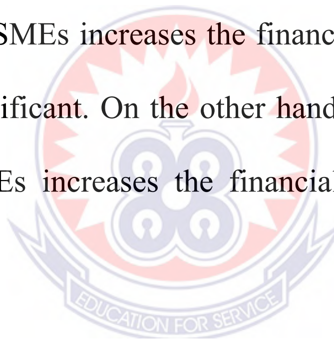

Table 7: Pearson Correlation Coefficient between Corporate Governance Practices and Financial Performance of SMES

	Mean	Std. Dev.	Board Size	Board Composition	CEO Duality	Ownership structure
Board Size	3.04	0.70	1			
Board Composition	3.02	0.50	-.031	1		
CEO Duality	3.00	0.66	-.091	.062	1	
Ownership structure	2.91	0.56	.041	-.006	.044	1
Financial Performance	3.01	0.51	.081	-.029	.028	-.151*

Source: Field work (2021)

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The findings of the study on the other shows that there is a negative correlation between board composition and financial performance (r= -.029, p>.05), the correlation was not significant at the level of 5%. On the contrary, a significant negative correlation was found between ownership structure and financial performance (r= -.151, p<.05) of the SMEs. This implies that as board composition increases, the financial performance of the SMEs decreases though not significant, and also as the ownership structure increases, the financial performance of the SMEs in the service sector in the Greater Accra Region also decreases.

Table 8 shows the calculated Pearson Correlation Coefficient between the corporate governance practices and the non-financial performance of the SMEs. From the table, though there was a positive correlations between board composition and the non-financial performance (r=.135, p>.05) as well as positive correlation between CEO duality and non-financial performance (r=.007, p>.05), the correlation were found not to be significant at the level of 5%. The implication is that as board composition, and CEO duality increases the non-financial performance of the SMEs in the Greater Accra Region also increases, though not significant. Also, though there was a positive correlation between ownership structure and non-financial performance (r= .040, p>.05), the correlation was not significant at the level of 5%. However, a significant positive correlation was found between board size and non-financial performance (r= .153, p<.05) of the SMEs. The implication of this finding is that as ownership structure increases, the non-financial performance of the SMEs in the service sector in the Greater Accra Region of Ghana increases, though not significant, and as the board size of the SMEs increases, the non-financial performance of the SMEs in the service sector in the Greater Accra Region of Ghana also increases. This therefore suggests that the board size of the SMEs has an influence on the non-financial performance of

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the SMEs. This could be as a result of the fact that the management of the SMEs are in the hands of one person, usually the owners of the SMEs, who usually take the day-to-day financial decisions of the company. This is so because most of the SMEs are Sole-proprietorship.

Table 8: Pearson Correlation Coefficient between Corporate Governance Practices and Non-Financial Performance of SMES

	Mean	Std. Dev.	Board Size	Board Composition	CEO Duality	Ownership structure
Board Size	3.04	0.70	1			
Board Composition	3.02	0.50	-.031	1		
CEO Duality	3.00	0.66	-.091	.062	1	
Ownership structure	2.91	0.56	.041	-.006	.044	1
Non-Financial Performance	3.01	0.47	.153*	.135	.007	.040

Source: Field work (2021)

Effect of corporate governance practices on performance of Small and Medium Scale Enterprises

To achieve this objective, multiple linear regression analysis was performed using corporate governance practices as the independent variables and each of the performance of SMEs – Financial and Non-Financial Performance as the dependent variable. The prediction multiple linear regression equation model is written as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

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Where Y = SMEs performance and X_1 = Board Size, X_2 = Board Composition, X_3 = CEO Duality, and X_4 = Ownership structure, and ε = error term.

Table 9: Linear Regression Showing the Effects of Corporate Governance Practices on Financial Performance of SMEs

	B	Std. Error	t	p-value
(Constant)	3.213	.364	8.823	.000
Board Size	.066	.052	1.267	.207
Board Composition	-.030	.072	-.421	.674
CEO Duality	.035	.055	.634	.527
Ownership structure	-.142	.064	-2.208	.028
R	.182			
R-square	.033			
Adjusted R Square	.013			

Source: Field work (2021)

Table 9 shows the results of the multiple linear regression of the effect of corporate governance practices on the financial performance of the SMEs. As shown in the table, overall, the corporate governance practices of the SMEs accounted for only 3.3% of the variation in the financial performance of the SMEs. The prediction linear regression equation model written as:

$$Y = 3.213 + .066X_1 - .030X_2 + .035X_3 - .142X_4$$

The prediction regression equation model shows that a unit increase in the board size of SMEs results in .066 increases in the financial performance of the SMEs, a unit increase in board composition results in .030 decreases in financial performance of SMEs, a unit increase in CEO duality results in .035 increases in SMEs financial performance, and a unit increase in ownership structure results in .142 decreases in

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SMEs financial performance. This finding therefore implies that though not significant at the level of 5%, as board size of the SMEs as well as CEO duality increases, the financial performance of the SMEs also increases. On the other hand, though not significant, as board composition increases, it leads to decreases in the financial performance of the SMEs. However, the findings shows that as the ownership structure increases, the financial performance of the SMEs rather decreases. This was found to be significant at the level of 5%, meaning that as the management of the SMEs are left solely in the hands of one person, usually the owners of the SMEs, who usually take the day-to-day financial decisions of the SMEs, it leads to financial loss of the SMEs. Table 10 shows the results of the multiple linear regression of the effect of corporate governance practices on the non-financial performance of the SMEs.

Table 10: Linear Regression Showing the Effects of Corporate Governance Practices on Non-Financial Performance of SMEs

	B	Std. Error	t	p-value
(Constant)	2.184	.336	6.496	.000
Board Size	.106	.048	2.224	.027
Board Composition	.131	.066	1.974	.050
CEO Duality	.008	.051	.156	.876
Ownership structure	.028	.059	.472	.637
R	.211			
R-square	.044			
Adjusted R Square	.025			

Source: Field work (2021)

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As shown in the table, overall, the corporate governance practices of the SMEs accounted for 4.4% of the variation in the non-financial performance of the SMEs. The prediction linear regression equation model written as:

$$Y = 2.184 + .106X_1 + .131X_2 + .008X_3 + .028X_4$$

The prediction regression equation model shows that a unit increase in the board size of SMEs results in .106 increases in the non-financial performance of the SMEs, a unit increase in board composition results in .131 increases in non-financial performance of SMEs, a unit increase in CEO duality results in .008 increases in SMEs non-financial performance, and a unit increase in ownership structure results in .028 increases in SMEs non-financial performance. This finding therefore implies at a significant level of 5%, as board size of the SMEs as well as board composition of SMEs in Accra increases, the non-financial performance of the SMEs also increases. On the other hand, though not significant, as CEO duality and ownership structure increases, the non-financial performance of the SMEs also increases.

4.3 Discussions of Results

4.3.1 Corporate Governance Nature of Small and Medium Scale Enterprises

The findings of the study revealed that the SMEs have a board that meet regularly to discuss issues affecting the company. These boards also have bye laws that govern the board meetings. However, the findings of the study revealed that the SMEs do not have the effectiveness of the board and individual directors of the SMEs to determine whether they are doing well or not. This could be as a result of the fact that majority of the members of the board of the SMEs are appointed not based on professionalism but based on friendship as pointed out by the participants of the study. This revelation is consistent with previous findings. Abor and Biekpe (2007) examined the

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relationship between corporate governance and capital structure decisions of Ghanaian Small and Medium Enterprises (SMEs) by using multivariate regression analysis, and found that there is a negative relationship between board size and decision making of SMEs. The authors indicated that SMEs with larger boards generally have low level of gearing. Although, the participants of the study neither agreed nor disagreed that the boards of the SMEs are large, from the discussions of the findings it can be deduced that the SMEs have large boards which accounts for their low gearing. Lipton and Lorsch (1992) argue that large boards are less effective and are easier for the CEO to control.

The findings of the study revealed that, although the SMEs have many of the shareholders, as well as many of the management members who are not shareholders as part of the boards, the findings of the study revealed that the most of the board members of the SMEs are appointed based on friendship ties not based on professionalism. According to Bansal (2005), because owners who usually are the managers and CEOs of SMEs are the major investors and shareholders (owners) they use this power and capacity to influence company's fundamental issues including election of board of directors, amendments in company's organic documents, approval of extraordinary transactions, modifications in company's internal status and even appointment of auditors. This decision by the owners of the SMEs usually affects the SMEs as aboard whose size and composition is devoid of experts cannot make any experts inputs (Dzigba, 2015).

Although, the participants of the study, who were predominantly SMEs owners and partners, indicated that the CEOs' of the SMEs are not the same people who serves as the chairman of the board of the SMEs, the participants of the study indicated if the

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CEOs serves as the chairman of the boards of the companies it will be good for the companies. This finding therefore suggests that some of the owners of the SMEs could be playing that role, serving as an owner and at the same time as the board chairman. Meanwhile, the although the participants indicated they are not the board chairman of the SMEs, the reported their autonomy irrespective of there is a board or not by indicating that that the CEOs' of the SMEs have the power to sack any employee of the companies without the notifying the board of the companies, and also the CEOs' of the SMEs have the power to make major decisions for the companies without approval from the boards. This finding therefore suggests that even though most of the SMEs have boards, they only exists, but are ineffective. This finding has a negative implications for the SMEs. In fact, it has been noted that the system where the CEO also acts as board chairman leads to leadership facing conflict of interest and agency problems (Brickley et al., 1997) thus giving preference for the system where the CEO's role is separated from that of the board chairman. Yermack (1996) argues that firms are more valuable when the CEO and board chair positions are separate.

The findings of the study also indicated that the owners of the companies are also the management of the companies. The participants of the study reported that management of the SMEs is usually in the hands of one person, or group of persons who are usually the owners of the SMEs. This finding is consistent with the findings of Abor and Adjasi (2007) who investigated the relationship of corporate governance implementation and SMEs performance in Ghana and found that SMEs in Ghana only consists of the owner and some employees. According to the authors, SMEs in Ghana tend to have a less pronounced separation of ownership and management than larger firms. As a result, some have argued that because SMEs have few employees who are

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mostly relatives of the owner and thus no separation of ownership and control, there is no need for corporate governance in their operations.

4.2.1 Relationship between Corporate Governance Practices and Performance of Small and Medium Scale Enterprises

The findings of the study revealed a positive non-significant correlation between board size, CEO duality and financial performance of SMEs. This finding is not in line with Eisenberg et al., (1998) who found a negative correlation between board size and profitability when using a sample of small and midsize Finnish firms. However, this result is in line with Wen, Rwegasira and Bilderbeek (2002) who found a positive relationship between board size and financial performance. The findings of the study also revealed a negative non-significant correlation between board composition and financial performance of SMEs. This finding is inconsistent with Bhagat and Black (2002), who found no significant relationship between board composition and performance. Meanwhile, a significant negative correlation was revealed between ownership structure and financial performance of SMEs. This finding therefore suggests that the ownership structure of the SMEs, where the management of the SMEs are in the hands of one person, usually the owners of the SMEs, has a negative correlation with the financial performance of the SMEs. This finding is therefore inconsistent with the findings of Randoy and Goel (2003) who indicated that a high level of board and insider ownership has a positive impact on the firm performance in founder-led firms, but a negative performance effect in non-founder firms.

The findings of the study revealed that there is a non-significant positive correlation between board composition and the non-financial performance of the SMEs as well as a non-significant positive correlation between CEO duality and non-financial

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performance of the SMEs. This finding is consistent with Daily and Dalton (1992) who also found no relationship between CEO duality and performance in entrepreneurial firms. Brickley *et al*. (1997) research established that CEO duality is not associated with inferior performance. However, this finding is inconsistent with other previous research findings. Sanda *et al*. (2003) found a positive relationship between firm performance and separating the functions of the CEO and Chairman. Rechner and Dalton (1991) however reported that companies with CEO duality have stronger financial performance relative to other companies. The findings of the study also revealed a non-significant positive correlation between ownership structure and non-financial performance of the SMEs. Meanwhile, the findings of the study revealed a significant positive correlation between board size and non-financial performance of the SMEs. This therefore suggests that the board size of the SMEs has an influence on the non-financial performance of the SMEs. This could be as a result of the fact that the management of the SMEs are in the hands of one person, usually the owners of the SMEs, who usually take the day-to-day financial decisions of the company. This is so because most of the SMEs are sole-proprietorships, as indicated at the background of the study and also confirmed by Abor and Adjasi (2007).

This finding revealed that though not significant, as board size of the SMEs as well as CEO duality increases, the financial performance of the SMEs also increases. On the other hand, though not significant, as board composition of the SMEs increases, it leads to decreases in the financial performance of the SMEs. The findings of the study also revealed that as the ownership structure increases, the financial performance of the SMEs decreases. This finding could be explained to be as a result of the fact that according to Bansal (2005), because owners who usually are the managers and CEOs of some SMEs are the major investors and shareholders (owners), they use this power

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and capacity to influence the company's fundamental issues, including election of board members, amendments in the company's organic documents, approval of extraordinary transactions, modifications in the company's internal status and even appointment of auditors. This gives them the freedom to use the finances of the company anyhow, even for personal issues.

The findings of the study further revealed that at a significant level, thus 5%, of the board size of the SMEs as well as board composition increases, the non-financial performance of the SMEs also increases. The findings of the study on the other hand, indicated that, though not significant, as CEO duality and ownership structure increases, the non-financial performance of the SMEs also increases. This finding therefore suggests that the corporate governance practices of the SMEs in Accra lead to increases in the non-financial performance of the SMEs more than the financial performance of the SMEs. This is not surprising as major financial decisions are taken by the owners, rather than the boards (Wen, Rwegasira and Bilderbeek 2002), and also as result of the CEO duality being played by most of the owners.

4.4 Chapter Summary

This chapter presented the results and discussion of the study. Using both descriptive statistics - frequencies, percentages, mean, standard deviation, minimum and maximum values, and inferential statistics – multiple linear regression and Pearson Product Moment Correlation Coefficient. To achieve the objectives of the study, the data for the study was analyzed based on the study objectives. One of the key major findings of the study is that most of the SMEs in the service sector in the Greater Accra Region of Ghana have a board which usually meet to discuss the affairs of the company. However, the study further revealed that these SMEs boards are mostly

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appointed based on friendship ties and not on competence of the individuals, which in a way affect the financial and the non-financial performance of the SMEs.

The next chapter, which is the chapter five of the study, presents the summary of the study, the key findings, implications of the findings and recommendations for further study.

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The purpose of this study was to assess the effects of corporate governance on the performance of SMEs in the service sector in the Greater Accra Region of Ghana, and to determine the extent to which corporate governance affect the performance of SMEs in the service sector. To achieve the purpose of the study, quantitative descriptive research design was used. A sample size of two hundred and twenty-four was estimated for the study. The participants of the study were selected using simple random sampling technique. The data for the study was obtained primarily through the use of questionnaires. This chapter presents the summary of the findings, conclusion and recommendations.

5.1 Summary of Findings

The summary of the results of the study is done based on the objectives of the study.

Corporate Governance Nature of Small and Medium Scale Enterprises

The findings of the study revealed that the SMEs have boards that meet regularly to discuss issues affecting the company. These companies have constitutions that govern their board meetings.

The findings of the study revealed that most of the board members of the SMEs are appointed based on friendship ties and not based on professionalism. The SMEs have many of the shareholders, as well as many of the management members who are not shareholders as members of their boards.

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The findings of the study revealed that the CEOs of the SMEs have the power to sack any employee of the company without prior notification the board. Also, the CEOs of the SMEs take major decisions without notifying the board. Though the comments of the participants of the study were not clear, it can be deduced from the participants of the study that some of the CEOs play a dual role and a majority of the participants indicated that if the CEOs serves as the chairman of the boards of the companies, it will be good for the companies.

The findings of the study also indicated that the owners of the SMEs are also the management of the companies. The participants of the study stressed that management of the SMEs are usually in the hands of one person, or group of persons who are usually the owners.

Relationship between Corporate Governance Practices and Performance of Small and Medium Scale Enterprises

The findings of the study revealed a positive non-significant correlation between board size, CEO duality and financial performance of the SMEs. Furthermore, the findings of the study revealed a negative non-significant correlation between board composition and financial performance of SMEs. A significant negative correlation was also revealed between ownership structure and the financial performance of SMEs.

The findings of the study indicated that at a non-significant level of 5%, as board size of the SMEs as well as CEO duality increases, the financial performance of the SMEs also increases. On the other hand, at a non-significant level of 5%; as board composition of the SMEs increases, it leads to decreases in the financial performance of the SMEs. The findings of the study further revealed that at a significance level of

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5%, as the ownership structure increases, the financial performance of the SMEs decreases.

5.2 Conclusion

It can be concluded that the corporate governance structure of SMEs in the service sector in the Greater Accra Region of Ghana is associated with boards that meet regularly to discuss issues affecting the companies concerned. The composition of the boards of these SMEs in the service sector are predominantly based on friendship ties and not professionalism, although some of the SMEs in the service sector have many of the shareholders, as well as many of the management members who are not shareholders as part of their boards. It was also found out that the CEOs of the SMEs in the service sector play duality roles. The CEOs of some of the SMEs in the service sector in the Greater Accra Region of Ghana, serve as board chairs, as well as the CEOs of the companies.

Based on the results of the Pearson Product Moment Correlation analysis, it is concluded that there is a positive non-significant correlation between board size, CEO duality and financial performance of the SMEs in the service sector in the Greater Accra Region of Ghana. There is also a negative non-significant correlation between board composition and financial performance of the SMEs in the service sector in the Greater Accra Region of Ghana. Also, there is a significant negative correlation between ownership structure and financial performance of the SMEs in the service sector in the Greater Accra Region of Ghana.

The results from the multiple regression analysis helps to concluded that there is no significant effect of board size, CEO duality, and board composition on the financial performance of the SMEs in the service sector in the Greater Accra Region of Ghana.

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However, based on the findings of the study, it be concluded that the ownership structure of the SMEs in the service sector in the Greater Accra Region of Ghana, has a significant effect on the financial performance of the SMEs in the service sector in the Greater Accra Region.

It is further concluded that the board size of the SMEs in the service sector in the Greater Accra Region of Ghana as well as board composition of the SMEs have a significant effect on the non-financial performance of the SMEs in the service sector. On the contrary, CEO duality and ownership structure of the SMEs in the service sector do not have a significant effect on the non-financial performance of the SMEs in the service sector in the Greater Accra Region of Ghana.

5.3 Recommendations

The following recommendations based on the key findings of the study are made:

The SMEs in the service sector in the Greater Accra Region of Ghana should have a system in place to check the effectiveness of the boards and individual directors of the SMEs to determine whether they are doing well or not, and if they are found not to be doing well, they should be removed from the boards to ensure effective performance of the SMEs.

The owners of the SMEs in the service sector in the Greater Accra Region of Ghana as way to increase the financial performance of the companies, should delegate some of the major financial decisions to the boards of the companies. This way, they will not bring their personal matters or family issues into the financial affairs of the companies which may end up having a negative effect on the financial performance of the company.

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The owners should appoint professional people, people with expert knowledge, and not merely friends on their boards. In this way, they will get technical advice that will go a long way to benefit the affected companies. Meanwhile, the owners should allow the boards to work, and should also implement any decisions the board may suggests. They should see that the boards are there for the interest of the company.

From the findings of the study that, majority of the owners of the SMEs in the service sector in the Greater Accra Region of Ghana play CEO duality role. They serve as chairman of their boards and at the same time the CEOs of their companies. This makes them have more power, which in essence does not make the other board members have any major influence in the decision making of the companies. It is therefore recommended that the SMEs in the service sector in the Greater Accra Region of Ghana should separate the chairmanship of their boards from their CEO roles. Board of directors takes oversight responsibility in the corporate structure and so it must not be controlled by CEO. Presence of CEO or Chair duality signals the absence of separation of management and control decisions, and this is likely to lead to agency problems.

Small and Medium Scale Enterprises in Ghana seeking to implement corporate governance structure in their businesses learns from the findings of this study to prevent the mistakes some of the already existing SMEs in the service sector in the Greater Accra Region of Ghana have committed which have been found in the study to have been contributory factors in their financial woes. They should take a critical look at small board sizes; delegation of some management functions to experts; avoidance of CEO duality; and if possible, as soon as the business takes root, they

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should hand over the overall management of the business to qualified people and remain as owners (shareholders).

5.4 Suggestions for Further Research

Further research can be undertaken to evaluate corporate governance and SMEs in the service sector performance at a national level in order to have a broader idea and view of corporate governance and its effects on SMEs in the service sectors in Ghana. It is also recommended that future researchers should consider variables such as capital structure, family ownership, foreign ownership, and board control, in the corporate governance structure of the SMEs.

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APPENDICES

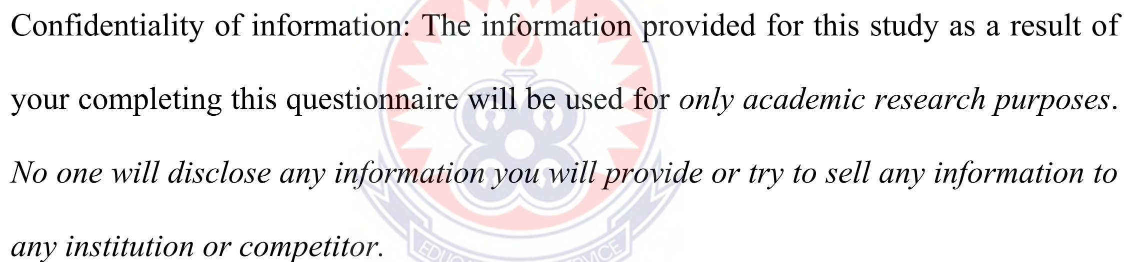
APPENDIX A

UNIVERSITY OF EDUCATION, WINNEBA

SMES AND CORPORATE GOVERNANCE QUESTIONNAIRE (SMES)

Purpose of study: This study is being conducted to "*analyze the effects of corporate governance on the performance of Small and Medium Scale Enterprises (SMEs) in Ghana"* for the purpose of a master's degree program at the University of Education, Winneba. You are kindly requested to complete this questionnaire which forms part of the study.

Confidentiality of information: The information provided for this study as a result of your completing this questionnaire will be used for *only academic research purposes*. *No one will disclose any information you will provide or try to sell any information to any institution or competitor.*



Voluntary Participation: Your participation in this study is *voluntary*. By completing the questionnaire and handing it over to the Researcher, you are voluntarily agreeing to participate in the study. You are free to decline answering any particular question you do not wish to answer for any reason.

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CORPORATE GOVERNANCE PRACTICES.

PLEASE READ EACH OF THE FOLLOWING STATEMENTS CAREFULLY, KEEPING IN MIND THE CORPORATE GOVERNANCE PRACTICES OF YOUR INSTITUTION

Q1. Which of the following statements best describe the board size of your company? PLEASE TICK (√) IN THE SPACE PROVIDED. Likert scale [1 – Strongly disagree, 2 – Disagree, 3 – Neither agree nor disagree, 4 – Agree, 5 – Strongly agree].

Board size characteristics	1	2	3	4	5
The company has a board that oversees the affairs of the company					
The board size of the company is large					
The board of the company meet regularly to discuss issues affecting the company					
The company have a system for evaluating board and individual directors					
The company have bye laws that govern board meetings					

Q2.Which of the following statements best describes the board composition of your company? PLEASE TICK (√) IN THE SPACE PROVIDED. Likert scale [1 – Strongly disagree, 2 – Disagree, 3 – Neither agree nor disagree, 4 – Agree, 5 – Strongly agree].

Board composition characteristics	1	2	3	4	5
The board of the company only exist on paper					
The board of the company is composed mainly of family members					
The company has many of the shareholders as part of the board					
The company has many of the management members who are not shareholders as part of the board					

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The board of the company were appointed based on family ties					
The board of the company were appointed based on friendship ties					
The board of the company were appointed based on professionalism					
The firm have two third or more of board members as independent non- executive directors					

Q3.Which of the following statements best describes the CEO of your company? PLEASE TICK (√) IN THE SPACE PROVIDED. Likert scale [1 – Strongly disagree, 2 – Disagree, 3 – Neither agree nor disagree, 4 – Agree, 5 – Strongly agree].

CEO Duality	1	2	3	4	5
The CEO of the company is the chairman of the board of the company					
The CEO of the company takes the major decision for the company other than the board					
The CEO has the power to sack any employee of the company without the notifying the board of the company					
The CEO being the chairman of the board of the company is good for the company					
The CEO being the chairman of the board of the company hinder progress of the company					

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Q4.Which of the following statements best describes the ownership structure of your company? PLEASE TICK (√) IN THE SPACE PROVIDED. Likert scale [1 – Strongly disagree, 2 – Disagree, 3 – Neither agree nor disagree, 4 – Agree, 5 – Strongly agree].

Ownership structure	1	2	3	4	5
The owners of the company are the management of the company					
The owners of the company are different from the management of the company					
The management of the company is in the hands of one person who is the owner of the company					
The management of the company is in a group of persons who are owners of the company					
The company is owned by a family who takes the main day to day decision for the company					
The company is owned by a foreigner who takes the main decision of the company					
The company is owned by a private person or entity					
The company is owned by an insider who also works with the company					

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B. BUSINESS PERFORMANCE

PLEASE READ EACH OF THE FOLLOWING STATEMENTS CAREFULLY, KEEPING IN MIND THE PERFORMANCE OF YOUR COMPANY

Q5. On a scale of 1 to 5, with 1 = significant decrease, 2 = decrease, 3 = same as before, 4 = increase, 5 = significant increase, how will you describe the financial growth of your business in the past year in the following areas. (PLEASE TICK THE ONE APPROPRIATE IN EACH CASE)

Financial Business Growth		1	2	3	4	5
FBG1	Efficiency					
FBG2	Return on investment					
FBG3	The growth of market share					
FBG4	The growth of sales					
FBG5	Growth in return on investment					
FBG6	Profit margin on sales					
FBG7	Productivity					
FBG8	Return on assets					
FBG9	Return on equity					

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Q6. On a scale of 1 to 5, with 1 = significant decrease, 2 = decrease, 3 = same as before, 4 = increase, 5 = significant increase, how will you describe the non-financial growth of your business in the past year in the following areas. (PLEASE TICK THE ONE APPROPRIATE IN EACH CASE)

Non-Financial Business Growth		1	2	3	4	5
NBG1	Firm's export (if applicable)					
NBG2	Employee satisfaction					
NBG3	Employee retention					
NBG4	Employee productivity					
NBG5	Cost reduction					
NBG6	Customer satisfaction					
NBG7	Customer retention					
NBG8	New product development					
NBG9	Innovation and learning					

C. DEMOGRAPHIC INFORMATION

PROVIDE SOME DEMOGRAPHIC INFORMATION ABOUT YOUR COMPANY BY CIRCLING THE APPROPRIATE ONE OR WRITING IN THE SPACE PROVIDED

C1. Which age group do you belong to?

Below 20 years 01

21 – 30 years 02

31 – 40 years 03

41 – 51 years 04

51 – 60 years 05

Above 60 years 06

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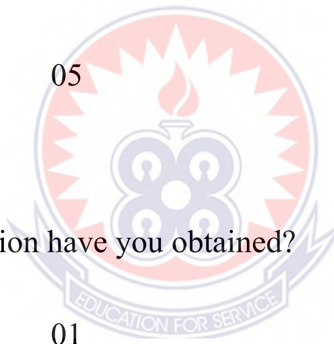
C2. What is your gender?

Male	01
Female	02

C3. What is your marital status?

Single	01
Married	02
Separated	03
Divorced	04
Widowed	05



C4. What levels of education have you obtained?

Primary	01
Middle School	02
Technical/Vocational	03
Secondary School	04
Polytechnic	05
University	06
Postgraduate degree	07

Other (*please specify*) ____________

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C5. What is your business status?

Sole proprietorship	01
Partnership	02
Private Limited Company	03
Co-operatives	04
Other (*please specify*) ____________	

C6. Please specify your business category

Trade	01
Manufacturing	02
Service	03

C7. How many years have the company been in business?

2 years or less	01
3 – 5 years	02
6 – 10 years	03
11 – 20 years	04
21 years or more	05

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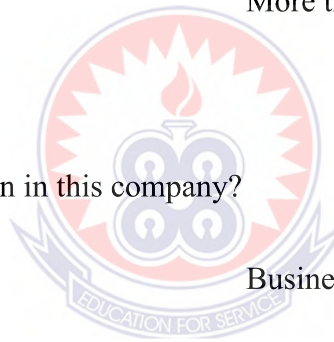
C8. How many employees does the company have?

Less than 30	01
30 – 100	02
101 – 200	03

C9. How many branches does the company have?

Only 1 branch	01
2 – 4 branches	02
6 – 8 branches	03
More than 8 branches	04



C10. What is your position in this company?

Business owner	01
Business partner	02

Other (*please specify*) ____________

THANK YOU