UNIVERSITY OF EDUCATION, WINNEBA

CORPORATE GOVERNANCE, CORPORATE SOCIAL RESPONSIBILITY, AND PROFITABILITY OF LISTED MANUFACTURING COMPANIES IN GHANA

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DECLARATION

Student's Declaration

I, Klevor Enoch, declare that this dissertation, except for quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my original work, and 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 work were supervised under the guidelines for supervision of dissertation as laid down by the University of Education, Winneba.

Dr. Richard Oduro

Signature: ………………………………….

Date: ……………………………………….

DEDICATION

To my lovely wife Mrs. Mavis Adzigo, my parent Mr. Kwaovi Klevor and Mrs. Akua Massiga and to my family and friends. Who have been my constant source of inspiration. They have given me the drive and discipline to tackle any task with enthusiasm and determination. Without their support, this project would not have been made possible.

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ABBREVIATIONS AND ACRONYMS

CSR Corporate Social Responsibility

CSRM Corporate Social Responsibility Movement

SSA Sub-Saharan Africa

BOG Bank of Ghana

GSE Ghana Stock Exchange

IFRS International Financial Reporting Standards

CG Corporate Governance

ROA Return on Asset

PBT Profit Before Tax

ROCE Return on Capital Employed

ROE Return on Equity

ABSTRACT

The financial performance of the manufacturing industry is very important in terms of their profitability, as one of the ways that can be done by the company's management, to meet the obligations of the parties concerned in achieving the vision and mission of the company. As such, the research aims to provide evidence on how corporate governance and corporate social responsibility affect the profitability of manufacturing firms. The data from the audited annual reports of companies trading on the Ghana stock exchange from the years 2010 to 2021 made up the scope of the study. 165 firm-year observations were the sample for this study. Using this data, the study found out that board characteristics such as board independence, board size, board diversity (gender) firm size and age are all positively and significantly related to the performance of the manufacturing firms. The study concluded that the different attributes of corporate governance and corporate social responsibility influences performance indicators differently. Thus, it is recommended for Ghanaian manufacturing companies to improve their image/reputation, corporate companies in Ghana should engage in CSR operations in all its aspects, thereby growing their returns and should make adequate disclosures on CSR activities.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Throughout history, the manufacturing industry has been regarded as the primary factor behind economic expansion and progress (Herman, 2020). Recent crises involving corporations have put attention on the connection between good corporate governance and social responsibility on the part of corporations (Dias et al., 2017; Rodriguez-Fernandez, 2016). A company's shareholders, top management executives, customers, suppliers, financiers, the government, and members of the community are all examples of the various stakeholders whose interests must be taken into consideration in order to ensure good corporate governance. According to Bhaduri and Selarka (2016), the rules, customs, and procedures that make up a corporation's governance structure are what allow for the company to be directed and managed. There have been many attempts made at corporate governance by writers and organisations. It is characterised as a governance structure that considers the board of directors to be the highest monitoring institution and uses that institution to control the investment view of their firm in a manner that is congruent with its fundamental motivations (Aras & Crowther, 2016).

According to Dashe and Ande (2021), corporate governance consists of the systems, principles, processes, and guidelines that are used to direct or control the affairs of a company. The ultimate goal of corporate governance is to meet the goals and objectives that are beneficial to all stakeholders over the long term (Bhaduri & Selarka, 2016). According to this interpretation, corporate governance is an institutional arrangement aimed at the efficient administration of assets, with due consideration given to the requirement of catering to the various requirements of interested parties. This view is comparable to that of the Mallin (2016), which asserts that the term "corporate governance" refers to the structure through which stakeholders influence and control the activities of firms. Disclosing positive information or omitting risks and negative impacts in order to polish an image are two common examples of failures in disclosure; as a consequence, there has been an increase in the number of calls for global standards guiding corporate governance and transparency (Wagner & Seele, 2017).

Industrial expansion is impossible without strong corporate governance, which is why it is particularly important for economies in transition and those still in the development stage. The effectiveness of a company's corporate governance structure has a substantial bearing on the company's overall performance (Luqman et al., 2018). According to Scherer and Voegtlin (2020), good corporate governance facilitates the efficient deployment of resources, assists firms in attracting low-cost capital, and maximises profits for the owners of those businesses. It is obvious that excellent corporate governance is the first step in ensuring that workers, shareholders, and other stakeholders are pleased, and it is also the first step toward engaging in CSR practises (Luqman et al., 2018; Scherer & Voegtlin, 2020). A self-regulating business model that assists a firm in being socially accountable to itself, its stakeholders, and the general public is referred to as corporate social responsibility, or CSR for short (Latapí Agudelo et al., 2019).

Amponsah-Tawiah and Dartey-Baah (2016), indicate that civil society in Ghana is largely responsible for popularising the idea of Corporate Social Responsibility, also known as CSR. Initially, the emphasis of this movement was on the ways in which multinational corporations could contribute to the resolution of urgent social and environmental issues by acting on a voluntarily basis and forming partnerships with other stakeholders. In today's culture, there is a heightened interest in the appropriate role that businesses should play in society (Abukari & Abdul-Hamid, 2018; Patnaik et al., 2018). As a result, CSR has become increasingly essential. Issues such as environmental damage, improper treatment of workers, and faulty production leading to customer inconvenience or danger are being brought to light in the media in Ghana (Eze et al., 2021; Patnaik et al., 2018). Investors and consumers have become increasingly sensitive to the CSR programmes of the companies they engage with. These developments have helped to contribute to the pressure that is being placed on businesses to operate in a manner that is sustainable economically, socially, and ecologically (Eze et al., 2021).

Companies are aware of the sort of influence they are having on all elements of society, including the economic, social, and environmental spheres, when they engage in the practise of corporate social responsibility, which is also referred to as corporate citizenship (Kim et al., 2020; Latif et al., 2020). Corporate Social Responsibility (CSR) is defined as the broader responsibilities that result from the relationship that a company develops with both the environment and society in an effort to jointly achieve an integrated environmental management system and safety social objectives (Kim et al., 2020). A firm is said to be practising corporate social responsibility (CSR) when it conducts its day-to-day operations in a manner that contributes positively to society as well as the natural environment, rather than adversely (Kim et al., 2020; Latif et al., 2020). In Ghana, a group known as the Corporate Social Responsibility Movement (CSRM) has proposed the idea that a company's primary goal should not be to maximise its profits (Boateng, 2017).

1.2 Statement of Problem

Globalization and the use of technology have been gaining momentum for some time now, and as a direct result of this, many businesses have come to the realisation that in order to remain competitive, productive, and effective in today's business world, they must engage in good corporate governance and corporate social responsibility (Du Plessis et al., 2018; Veldman, 2018). The failure of corporate governance in many African countries, particularly in Sub-Saharan Africa (SSA), is substantially responsible for the failure of several enterprises operating in a variety of economic sectors (Ayandele & Emmanuel, 2013; Banahene, 2018). When businesses conduct in a manner that is honest and trustworthy, they inspire confidence in the minds of their stakeholders, which in turn leads to the implementation of socially responsible business practises. The concept of CSR refers to the relationship that exists between businesses and society as a whole, as well as the requirement that businesses must align their beliefs and ideals with the expectations of society in order to avoid potential conflicts and realise tangible benefits (Ayandele & Emmanuel, 2013).

In the early 2000s, Divine Sea Foods Limited, Ghana Cooperative Bank Limited, Bonte Gold Mines Limited, Bank for Housing and Construction Limited, Juapong Textiles Limited, and Ghana Airways Limited all went bankrupt in Ghana. The majority of the blame for these failures were placed on ineffective governance practises (Banahene, 2018). Ineffective corporate governance practises were reported by the Bank of Ghana (BoG) to be the primary cause of the banking crisis that occurred in Ghana in 2017–2018. This crisis resulted in the failure of several financial institutions, including Beige Bank, UT bank, UniBank, Capital Bank, Construction Bank, Royal Bank, and Sovereign Bank (Kosiba et al., 2020). The board of directors and the senior management of the banks were either unresponsive or engaging in activities that served their personal interests to the detriment of the banks' overall development (Ayandele & Emmanuel, 2013).

According to Gyamerah et al. (2020), the current state of corporate reporting and governance of listed firms on the GSE shows a worrying trend. This is due to the fact that at least 20 out of the 34 companies that are listed on the Ghana Stock Exchange have failed to comply with the International Financial Reporting Standards (IFRS), which are mandated by law. The most important thing to take away from this is that businesses have a responsibility to make good on their visions for society by adhering to ethical business practises, which will go a long way toward assuring reputational advantages. As a result, the purpose of this study is to conduct a comparative examination of the effects that effective corporate governance and responsible corporate governance have on the financial performance of publicly traded manufacturing businesses in Ghana. The general objective of the study is therefore to determine the impact of good corporate governance and corporate social responsibility practises on the financial performance of listed manufacturing companies in Ghana.

1.3 Research Objectives

The main aim of the study is to examine the impact of corporate governance and corporate social responsibility on the profitability of listed of listed manufacturing companies in Ghana.

Specifically, the study seeks;

1. to identify the relationship between corporate social responsibility and profitability of listed manufacturing firms in Ghana.

2. to identify the relationship between corporate governance and profitability of listed manufacturing firms in Ghana.
3. to examine the impact of corporate social responsibility on corporate governance and profitability of listed manufacturing companies in Ghana.

1.4 Research Questions

To achieve the main objective of the study, the following research questions are to be answered

1. What is the relationship between corporate social responsibility and profitability of listed manufacturing firms in Ghana?
2. What is the relationship between corporate social responsibility and corporate governance of listed manufacturing companies in Ghana?
3. What is the impact of corporate governance and corporate social responsibility on profitability of listed manufacturing companies in Ghana?

1.5 Significance of the Study

The study makes a number of contributions, both to existing research and to current practices. First and foremost, this research also makes a contribution to the expanding body of literature that examines how the financial performance of manufacturing companies is affected by the effect of corporate governance and corporate social responsibility. With the empirical data that we give from the perspective of manufacturing companies, this study makes a substantial contribution to the existing body of research. Second, by doing research into the role that social responsibility of corporations plays as a moderator in the relationship between good corporate governance and the financial success of publicly traded manufacturing companies in Ghana. The findings of this study provides policymakers with evidence that sheds light on the impact that corporate social responsibility initiatives have in the overall success of organizations. Empirical evidence on how corporate governance and corporate social responsibility, for example, the performance of manufacturing firms is important because it will provide key insights to policy makers and regulators on the subject of some board characteristics and corporate social responsibility activities of manufacturing firms in Ghana. This is important because empirical evidence on how corporate governance and corporate social responsibility affect the performance of manufacturing firms is important. The findings of this study would contribute vital material to scholarly debate in management science about the topic of corporate social responsibility.

1.6 Delimitations of the Study

Companies that are traded on the Ghana Stock Exchange are the primary subject of this study. The analysis relied on quantitative data and it pays a particular attention to the annual reports of corporations that are traded on stock exchanges. The data from the audited annual reports of companies trading on the stock exchange from the years 2010 to 2021 make up the scope of the study. Using this data, the researcher investigates corporate social responsibility, corporate governance, and profitability of firms trading on the Ghana stock exchange. In 2021, there were 39 firms that were listed on the stock exchange. Of them, 15 were chosen at random from the list of 39 companies, and information about those 15 companies that was relevant to the data was computed. As a result of the appearance of Covid-19, the majority of businesses were unable to file their annual report for the year 2020 on the Ghana Stock Exchange Market. The research also excludes any financial or banking organisations that are listed on the Ghana Stock Exchange (GSE). Instead, it will concentrate solely on manufacturing enterprises in Ghana that are also listed.

1.7 Organization of the Study

This research constitutes five main chapters. The first chapter gives a summary of the background of the study and the statement of problem. It also focuses on the purpose of the study and the specific objectives, and research questions that are answered in the study. The significance of the study was looked at and finally discussed the scope of the study. Chapter Two of this study looks at the prevalent literature associated with the study. The first part of this chapter talks about the introduction to the chapter and the theoretical reviews of the chapter. The second part consist of the conceptual review, empirical review and conceptual framework of literature from different research works and the final part of this chapter highlights the summary for the chapter. Chapter Three looks at the research method applied in the study, this is made up of introduction to the chapter then we move to the research approach and the research design. The population and the sampling procedure is discussed. This chapter also covers the data collection procedures and the data processing analysis and it climaxed by chapter summary. Chapter Four consists of the analysis of the results, the discussions of findings and interpretation of the gathered data, the presentation of the results and the summary of the chapter. The final chapter which is Chapter Five covers the summary of the study, conclusions made based on the findings and made recommendation based on the findings.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter encompasses a review of related studies and findings on corporate governance, corporate social responsibility and profitability which have been published by recognized scholars and researchers. The primary focus of this section was to assist readers and researchers to identify the variances, conformities, and connections associated with this current study and past finding. Furthermore, this literature review is relevant because it intends to help answer the questions this study attempt to answer.

2.1 Theoretical Framework

In this section, we will examine the theoretical frameworks that were used to guide the research. Any empirical or quasi-empirical theory of a particular and/or psychological process at a range of levels that may be employed as a 'lens' to the understanding of the phenomena is considered to be part of the theoretical framework (Creswell, 2013). Therefore, the theoretical framework explicates the reasons why an investigation should be carried out. When it comes to issues of corporate governance, there is always the problem of management and shareholders having intents that are at odds with one another (Delpiano & Chin-Loy, 2014). Therefore, several theories have been proposed in this context, all of which strive to describe the practise of corporate governance in an effort to emphasise the mission of the business and how it ought to respond to its various duties. Among these are the resource dependency theory, the institutional theory, the stewardship theory, the managerialism theory, the agency theory, and the stakeholder theory. Following is a condensed discussion of the many theories.

2.1.1 The Stewardship Theory

Opportunism on the part of managers is not significant, in accordance with the stewardship paradigm (Tirore, 2015). The message here is that the degree to which management strives to satisfy their own self-interest is not a primary priority of the business. Their primary goal is to maximise the firm's performance since doing so conveys the success and accomplishments of management to the company's stakeholders. Further, Tirore (2015) argues that management opportunism does not exist since the primary aim of a manager is "to perform a good job, to be a good custodian of company assets." This is why Tirore believes that managerial opportunism does not exist. Therefore, the personal goals and interests of managers can be satisfied when the performance of the company improves. The distinctive and important aspect of the stewardship theory is that it replaces the lack of trust that is referred to by the agency theory with respect for authority and a tendency to behave ethically. This is the key difference between the two theories. Therefore, according to the stewardship hypothesis, the board of directors, its leadership, and its relatively modest size are all considered to be crucial in ensuring that the influence on corporate governance is achieved (Zingales, 2017). In light of the findings of previous research, it is clear that the governance mechanism of a company aims to safeguard the interests of all of the firm's stakeholders. As a result of recent shifts in the legislative systems governing corporate governance, directors are now being held accountable for the success or failure of the companies they supervise (Wagner, 2011). The subject of corporate governance often centres on boards since boards are primarily responsible for all of the fundamental decisions that must be made, including alterations to the bylaws of the business, the issuance of shares, the declaration of dividends, acquisitions, and so on. It is the responsibility of an organization's board of directors, which serves as the "apex" of the organization's controlling structure, to oversee the actions of the organization's senior management in order to guarantee that the interests of the shareholders are adequately safeguarded (Shil, 2009).

2.1.2 The Agency Theory

The Agency Theory, which seeks to expound the inter-relationship between the "Principal" and the "Agent" within the corporate setting, was initially derived from the neo-classical theory of the firm. According to this theory, the purpose of a corporation is to increase economic efficiency as a means of increasing shareholder wealth. The Agency Theory was developed to explain this inter-relationship. As the shareholders are the ones who provide the firm with capital, they are also the owners of the company, and as such, they are the ones who are required to shoulder the risk of the company failing. According to Eisenhardt (2008), the principal and the agent may have distinct preferences on the course of action they choose because of their unique perspectives on risk. As a result, the principal-agent theory, which originates from the classical theory in the contemporary theory of cooperation and private property by Tirore, serves as the foundation for corporate governance. The primary agency problem, according to this idea, arises as a result of the fact that ownership and control of modern businesses are kept separate. Therefore, the division of ownership and control results in a rise in the authority of professional managers, who are then free to pursue their own goals and interests at the expense of those of shareholders. There are two issues that are now taking place in the agency relationship, both of which are of significance to agency theory. The first issue is that there is an imbalance of information since it is difficult for the principal (the owner) to check whether or not the agent (the manager) has acted in an appropriate manner. If both the principal and the agent had access to the same knowledge, it would prevent certain scenarios from arising in which the agent would act in a manner that the principal would consider unacceptable. Because of this, there is a board of directors at the company; it is their responsibility to reduce the impact of the principal-agent conflict (MacNeil, 2010). Contributors of capital, also known as principals, may lack the necessary experience or time to effectively run their businesses and manage their capital. As a result, they may delegate this responsibility to agents, also known as managers, who are responsible for controlling day-to-day operations. This practise results in the separation of ownership and control. When it comes to operating businesses, proprietors (owners) typically appoint board of directors members from their positions to serve as their representatives and guarantee that management acts in their best interest. There is also the possibility that management has other goals that they have determined to be appropriate, which may run counter to the expectations of the owners.

The fact that ownership is distinct from control makes it possible for management to try to over compensate themselves and award disproportionate bonuses, both of which are unacceptable to shareholders. However, shareholders may not be able to control the actions of the agents because of factors such as asymmetry of information and other factors (Wagner, 2011). This kind of incongruity gives rise to an issue known as the agent-principal dilemma. When seen from this angle, the most important issue to ask is: What steps can owners of capital (principals) take to guarantee that managers will work in their best interests in order to cut down on the costs associated with principal-agent conflicts?

2.1.3 The Stakeholders Theory

According to Davis (2012), the stakeholder theory proposes a more long-term strategy, in which the company works not just to improve the value it provides to shareholders but also the value it provides to other stakeholders. This theory builds on the shareholder theories by broadening the arguments of restricting shareholders as the only beneficiary of firm performance by incorporating other beneficiaries or looking at the theory in a broader spectrum, which is why stakeholders is used. This theory also expands on the narrow arguments of restricting shareholders as the only beneficiary of firm performance. According to Eyenbuo (2013), the definition of a stakeholder is "any group or individual who may impact or is affected by the fulfilment of the business objectives." This definition is "meant to generalise the concept of stock holders as the only group to whom management need to be responsive." It illustrates the notion that stakeholders of an organisation include a company's creditors, customers, workers, banks, governments, and society in general, and that all of these groups have an interest in the way a company conducts its business. The idea that each group of stakeholders "contributes to the success of the organisation, and without their efforts, there would be no profit for the shareholders" is a widely held one (Zingales, 2017). In light of this, the stakeholder theory proposes that companies should pay particular attention to the many different stakeholder groups in addition to the conventional focus that is placed on investors (OECD, 2014).

Stakeholder theory specifies that a corporate entity will invariably seek to provide a balance between the interests of its diverse stakeholders in order to ensure that each interest constituency receives some degree of satisfaction. This theory broadens the scope of interested parties and specifies that a stakeholder theory will always seek to expand the scope of interested parties (Kandel, Massa, & Simonov, 2011). As a result, the presence on board of representatives from each of these stakeholders is seen as appropriate for efficient corporate governance. Because of this, the board of directors is generally seen as the institution that is responsible for mediating between competing interests and for fostering the essential coherence (Renneboog & Szilagyi, 2011). As a result of this, the stakeholder theory appears to be superior than the shareholder theories in its ability to explain the function of corporate governance. This is because the stakeholder theory highlights the numerous elements of the organisation. A growing number of researchers have come to the conclusion that the actions of a corporate entity have an effect on the external environment, which necessitates the accountability of the organisation to a broader audience than simply its shareholders. This realisation has contributed to the rise in popularity of the stakeholder theory.

2.2 Corporate Social Responsibility

If it is in accordance with the growth in environmental and social obligations, the improvement of the company's performance will be enhanced, leading to a better overall result. Every company, no matter where it is located, is required to improve their corporate performance since it is an essential goal. Because it is a representation of the company's capability in managing and distributing its resources, it is extremely important. To effectively manage them, you need to have good corporate governance. In addition to this, the social context necessitates the fulfilment of corporate social duties, which are referred to as CSR, or corporate social responsibility (Supriyati dan Tjahjadi, 2017). According to Mahoney and Roberts (2007), which Razak and Mustapha (2013) mention, the practise of CSR not only improves the performance of the corporation but also draws the good reactions of the investors. This would imply that investors place equal importance on social information on corporations as they do on financial information, and that they factor social information into their decision-making processes. CSR, or corporate social responsibility, is a kind of corporate responsibility that seeks to address the social inequalities and environmental degradation that are the direct result of business operations carried out by corporations. When a corporation has a stronger sense of responsibility for the world around it, the public's perception of the business improves. Investors are more interested in businesses that have a positive reputation in the community. This is due to the fact that a positive corporate image is directly correlated to increased levels of consumer loyalty. Therefore, throughout the course of time, there will be a rise in both the sales of the company and the profitability of the company. If everything goes according to plan at the firm, then the value of the shares in the corporation will increase. The application of CG and the implementation of CSR activities cannot be divorced from the success of the organisation, as demonstrated by a number of the explanations that have been provided above.

There are many different types of businesses operating in Ghana. There are state-owned businesses in addition to limited liability companies, companies limited by guarantee, firms that are not based in Ghana but are registered there as foreign companies, and corporations limited by guarantee. In addition to this, there are a number of organisations that take the form of partnerships and co-operatives, as well as a number of unincorporated enterprises, such as sole proprietorships, that operate in a manner that is more or less comparable to that of corporations. In spite of the fact that there is neither a single document nor a regulation pertaining to CSR, Ghana has a number of policies, laws, practises, and initiatives that, when taken together, create a framework for the management of CSR (Ofori, 2014; Ofori & Hinson, 2014).

However, a few businesses in the banking industry, such as Ghana Commercial Bank Limited and Cal Bank PLC, have played an important role in the nation's overall societal development. In the lack of a unified CSR framework, volunteer groups such as the Corporate Social Responsibility Movement (CSRM) and the CSR Foundation both contend that the sole purpose of Ghanaian firms should not be the maximisation of profits. In spite of this belief, there are a number of social and environmental problems, such as pollution of the environment, violations of human rights at work, and the production of faulty and unsafe goods. These problems frequently cause inconveniences for customers or put a strain on the public health system. All of these are issues in Ghanaian society that are frequently brought to the public's attention by the local media. Despite the fact that a number of research have concentrated on the banking business (Ofori, Nyuur, & S-Darko, 2014) in addition to a variety of other industries (Oppong, 2014a). The industrial sector is going to be the primary focus of our investigation.

2.3 Concept of Corporate Governance

According to the World Bank, Corporate Governance (CG) is a collection of laws, regulations, and rules that must be complied with. This can encourage the performance of corporate resources to function efficiently in order to generate long-term, sustainable economic value for the shareholders and the surrounding community as a whole. CG can also be thought of as an umbrella term for all of these things. Therefore, it is expected that the application of CG will boost overall company performance (Arief, 2009; Qolbia, 2017). A number of different components make up the CG system, such as managerial ownership and independent commissioners. The term "independent commissioner" refers to a member of the board of commissioners who is not related to the board of directors, other members of the board of commissioners, or shareholders, and who is also free from any business or other relationships that could compromise his or her independence. The inclusion of independent commissioners is thought to enhance the board by monitoring management actions and ensuring that the interests of investors are protected. This is because independent commissioners are better able to act in their own best interests (Esa dan Anum Mohd Ghazali, 2012). As a result of the aftermath from the financial crisis, there has been a greater emphasis placed on best practises for principles of corporate governance. The pressure that is being put on boards of directors to be open and responsible is greater than it has ever been. Strong governance principles urge firms to have a majority of independent directors and to encourage well-composed, diversified boards of directors. Additionally, these principles encourage corporations to have a varied board composition. Both new and improved dangers have emerged as a result of technological progress, which has made governance more effective overall. Companies now face a new and very serious threat in the form of data breaches. The first institutions to come under attack were monetary institutions like banks. As a result of these organisations strengthening their security procedures, hackers have shifted their focus to targeting less well-protected businesses across a wide range of industries, including governments.

Today's boards of directors in corporations and organisations of all sizes are coming to the realisation that the most effective method for them to protect themselves, their shareholders, and their stakeholders is to use technology to their advantage and adopt an approach that is focused on total enterprise governance management. In order for boards to put their best foot forward in terms of ensuring openness, accountability, compliance, and efficiency, diligent software solutions are of great assistance. The annals of the practise of corporate governance are constantly being rewritten. In the years ahead, our understanding of what constitutes good corporate governance will continue to be fluid as new information emerges. No matter what the future holds, boards that are diligent in monitoring current trends and rules will be able to perform to the best of their abilities.

2.3.1 Corporate Governance Mechanisms

Corporate governance is the collection of institutional and market processes that compel managers to act in their own self-interest by increasing the value of the company's residual cash flows to levels that are ideal for the owners of the entity. This is done on behalf of the owners of the business. A governance mechanism should be able to bridge the gap between the interests of management and shareholders in order to have the necessary influence. Additionally, it should have a significant and beneficial impact on both the performance and value of the corporation (Denis, 2011). Therefore, a number of mechanisms have been put into place with the expectation that, in the long run, they would improve the performance of the company and increase the wealth of the shareholders. Division of Duties Between the CEO and Chairman: Both the Chief Executive Officer and the Chairman of the Board are considered to be the most prestigious roles in a corporation. When a single person has both of these roles, it gives the impression that this person possesses an excessive amount of influence; this is a circumstance that might be harmful to the business.

According to Cadbury (2012), a combined leadership structure is one in which the chief executive officer (CEO) serves in two distinct capacities simultaneously, first as the CEO and then also as the chairman of the board. On the other side, distinct leadership exists when there are two different people occupying the positions of Chief Executive Officer and Chairman of the Board (Rechner & Dalton, 2011). The contrast between the positions of chief executive officer and chairman of the board has its origins, first and foremost, in agency theory (Dalton et al. 2008). Merging the duties of the CEO and the chairman will lead to too much power being entrusted to one person, potentially making him excessively dominant, and this may result in ineffective monitoring of management by the board. The primary responsibilities of the board include supervising management and protecting the investment made by shareholders. Merging the duties of the CEO and the chairman will lead to this power being consolidated in one person (Lam & Lee, 2008). It is claimed that separating the two positions will result in a more independent review of both the CEO and executive management as a whole, therefore fostering an environment that is more conducive to responsibility (Monks & Minow, 2014). On the other hand, there are many who believe that having two CEOs is beneficial to the business as a whole and improves its chances of success. Suryanarayana (2015) argues that combining the roles of chief executive officer and chairman results in a more effective leadership structure. According to research conducted by Dehaene, De Vuyst, and Ooghe (2011), a mixed leadership structure has a considerable influence on ROA.

2.3.1.1 Board Size

Over the course of several years, several opinions on what constitutes the ideal number of board members for a company were spoken. According to Jensen (2013), board sizes should be limited since it is likely that a large board would have many of its members who are not actively participating in board activities (or free-riding). When this occurs, the board's function as a component of the management processes devolves into more of a simple formality, and it is unable to fulfil its potential in this capacity. On the other hand, a board that is too small may lack the diversity of information, skills, and experience that is necessary for the board to be successful.

The UK Combined Code is of the opinion that the board should be large enough to ensure that the requirements of the business can be fulfilled, as well as that any changes to the composition of the board as well as the make-up of its committees can be managed without causing any undue disturbance. It should also not be overly enormous, since this would prevent it from being handled well enough for it to fulfil its purpose (Jensen, 2013).

2.3.1.2 Board Composition

The term "board composition" refers to the structure of a board, specifically how its executive and nonexecutive directors, as well as its independent nonexecutive directors, are distributed across the board. According to Singapore's Corporate Governance Code (2012), there is supposed to be a powerful element on the board of directors that is able to exercise independent and impartial judgement on matters pertaining to the corporation. During the process of making decisions for the board, there should not be any room for one individual or a small number of people to exert undue influence. It is absolutely necessary for there to be executive directors on the board of directors. They lend the business both their skills in certain fields and a wealth of information overall thanks to the work that they have done in specialised areas (Weir & Laing, 2011).

According to the findings of Dalton et al. (2008), the majority of a board that operates effectively should be made up of non-executive directors. These directors are not directly involved in the management of the organisation, and as a result, it is anticipated that they will deliver superior results. Studies that were carried out by Fama and Jensen (2013) indicate that non-executive directors are more likely to protect the interests of the entity's owners because of the need to maintain their reputation within the business community. This need motivates them to protect the interests of the entity's owners. This view is supported by Ivory (2019), who states that non-executive directors are more effective at monitoring than executive directors because of the executive directors' concern for maintaining their reputation. Ivory argues that this is because executive directors are more concerned with maintaining their reputation.

2.3.1.3 Corporate Reporting and disclosures

When it comes to deciding how to allocate their capital, many investors place the utmost importance on the annual report as the single most important piece of information to consider. The fact that boards of directors are required to account to shareholders in a significant way is one reason why corporate reporting is so vital. The primary purpose of corporate reporting is to ensure that all relevant information is communicated to the appropriate stakeholders in an organization. Reporting for corporations typically encompasses both financial and non-financial aspects of the business. Because of the imbalance of information and the potential for conflict between company executives and shareholders, financial reports are frequently requested. (Healey & Palepu, 2011). According to the findings of several studies, corporate governance structures that result in a leadership structure that is both more transparent and accountable have a greater tendency to disclose information on their own initiative.

2.3.2 Measuring Corporate Bodies Performance

Before conducting a reliable evaluation of performance, it is necessary to identify the factors that are included in reliable performance indicators. This should be done as soon as possible. According to Oakland (2009), a good performance indicator must be quantitative, relevant to the performance of the company, and significant to the organization's overall performance. In addition to this, it needs to have some sort of significance, and the price tag attached to acquiring it should be lower than the value that can be extracted from having it. There are many different approaches that may be taken to evaluate the success of a company. Accounting-based measures and market-based measures are the two primary types of financial metrics that are utilised in empirical research on corporate governance, as stated by Kiel and Nicholson (2013). These metrics fall into one of two major groups. They also claim that return on assets (ROA), which is an accounting-based measure, is the one that is employed the most frequently. Return on capital employed (ROCE) is a measurement that is utilised often in accounting, according to Baysinger and Butler (2015). The question of which measurements produce the most accurate results is still the subject of a great deal of discussion. The available records of findings obtained through empirical studies on the relationship between measures of a company's performance as depicted by accounting and market-based performance indicators, and attributes of corporate governance show varied results. These findings were obtained by looking at the relationship between the two factors. The results of a meta-analysis of the research on corporate governance seem to indicate that there is no widespread agreement about the degree to which one metric is more reliable than another. (Dalton et al. 2008).

2.3.2.1 Return on Assets

Return on assets (ROA) is a performance measure that is extensively utilised in the governance literature for accounting-based indicators (Kiel & Nicholson 2013). According to Finkelstein and D'Aveni (2014), return on assets (ROA) is a metric of short-term success that is computed by dividing net income by total assets. It is a metric that evaluates the productiveness of the assets that are being used. (Bonn, Yoshikawa & Phan, 2014). According to Epps and Cereola (2008), ROA demonstrates to investors the profits that have been made by money that have been invested in capital assets. These profits have been earned as a result of the capital assets that have been purchased. The rate of return on an organization's assets is the greatest indicator of how efficiently its assets are being used by the organisation. ROA is a measure that allows users to ascertain how well an organization's corporate governance system is functioning in terms of enhancing the level to which the entity's management is running efficiently. This is because management is responsible for the activities of the firm and the deployment of the company's assets. ROA is a measure that allows users to determine how well an organization's management is running efficiently. (Epps & Cereola, 2008).

2.3.2.2 Return on Capital Employed

This is an additional important accounting-based indicator of an entity's performance that is utilised in study on the practises of corporate governance (Dehaene, De Vuyst & Ooghe, 2011). According to Epps and Cereola (2008), one of the primary reasons why businesses are in operation is to generate profits that will ultimately be distributed to the company's shareholders. Therefore, return on capital employed, or ROCE, is a measurement that relates to a financial ratio that may be used to evaluate the profitability and capital efficiency of a firm. In other words, utilising this ratio can assist in gaining a better understanding of how effectively a firm is making profits from the utilisation of its capital resources. ROCE is one of numerous profitability measures that financial managers, stakeholders, and potential investors may use while conducting research on a company to determine whether or not to invest in the business. Therefore, ROCE is not a performance metric that can be used on its own.

2.4 Corporate social responsibility and Profitability

The term "corporate social responsibility" refers to an organization's pledge to behave in an ethical manner, make a contribution to the growth of a sustainable economy, and work to enhance the quality of life for employees and their families, as well as for members of the community at large (Mardikanto, 2014). Every business will engage in some form of interaction with the society that surrounds it in the course of its operations. The consequences of such interactions require a reciprocal relationship between the company and the social environment in which it operates. This relationship has implications for the development of social impacts brought about by the operations of the corporation on the environment in which it operates. Disclosure of the social and environmental effects of economic activity will be made by the firm in the form of corporate social responsibility (CSR). In order to achieve sustainable development, economic growth must be based on policies that maintain and extend the environmental resource base. This growth must be able to alleviate the extreme poverty that exists in less developed nations (Tapang & Bassey, 2017).

(Elkington, 1998) argued that businesses shouldn't just concentrate on increasing their value by maximising their profits and outcomes; instead, they should also pay equal attention to the state of the environment and the problems facing society. This is done in an effort to prevent the adversarial relationship that exists between host communities and the companies that have recognised their obligations to the firm's shareholders and to the society because Corporate Social Responsibility (CSR) boosts their reputations. In accordance with Elkington's assertion, companies have, over the course of the years, spent millions of cedis on projects as their contribution to addressing the peculiarities of the social economic development challenges. These projects have aimed to alleviate the sufferings of the people who have been adversely affected by the activities of the companies, as well as to create an environment that is conducive to the continuation of business. The areas of healthcare, education, security, housing, agriculture, arts and tourism, sports, charity organisations, religion, social clubs, government agencies, youth development, public infrastructure development, and the creation of some level of employment opportunities are the primary beneficiaries of the corporate social responsibility (CSR) policies of businesses. On the other hand, according to Aduralere (2019), "this in recent times is swiftly becoming an excuse vehicle for reckless violation of social duty and protection of the environment in the drive for maximal profit." He refers to it as a highly touted altruistic and philanthropic effort, but it has not been successful in appeasing the victimised publics who have been destitute, neglected, malnourished, ostracised, jobless, and ecologically bastardised (Yomere, 2002). According to Ejumudo (2010, 2008), the notion that Corporate Social Responsibility (CSR) is in line with the principles of justice and that it seeks to achieve an accommodation or balance between access to environmental costs or burdens (such as pollution, unemployment, social and economic dislocation, and crime) and environmental benefits is in tandem with the principles of justice (nutrients, food, clean air and water, health care, educational assistance, skills acquisition and development, community development and transportation and safe jobs).

2.5 Corporate Governance and Profitability

Recent bad performance of financial institutions has been connected to the violation of numerous different norms of corporate governance (Oghoghomeh & Ogbeta, 2014). The continued existence of financial institutions is a primary issue for regulators, and the effectiveness of corporate governance necessitates that regulators keep an eye on the choices made by managers (Leventis & Dimitropoulos, 2012).

According to Fanta, Kemal, and Waka (2013), the fact that ownership and control are kept separate in publicly owned companies makes it imperative for those companies to have effective corporate governance. In line with agency theory, Valenti, Luce, and Mayfield (2011) claimed that sound governance rules are essential to high levels of performance. This view was supported by the literature. If a company prioritises safeguarding the interests of its shareholders, it will be able to direct its resources more effectively, so lowering its rate of waste and increasing the amount of money it makes. As a consequence, the shareholders will receive a higher return on their investment.

According to Fanta, Kemal, and Waka (2013), effective corporate governance improves economic performance, fosters growth, and bolsters shareholder trust. Oghoghomeh and Ogbeta (2014) found that effective governance and solid ethical behaviour increases banking performance. They hypothesised that this is due to the fact that governance protects the stability of the economy and promises a higher realisation of corporate goals. According to Kasum and Etudaiye-Muthar (2014), the primary objective of corporate governance is making certain that managers will utilise the organization's resources in a way that is beneficial to investors in order to solve agent-principal issues. Mishra and Monhanty (2014) made the observation that a badly managed organisation has a lower chance of being able to raise funds from a financial institution at a rate that is fair. In contrast, a properly governed company has a higher chance of being able to do so.

Mishra and Mohanty anticipated that potential investors would gravitate toward investing in a company that had a lower cost of capital due to the company's greater entrepreneurial worth and stock cost for a given cash flow forecast. It's possible that shareholders might be prepared to pay more for a firm that has good governance (Mishra & Monhanty, 2014). According to Waweru (2014), companies who have improved their financial performance have the wealth that enhances their capability to conform to the requirements of the corporate governance code, which would result in an improvement in the quality of the governance of corporations. Compliance with the Code of Corporate Governance in ensuring long-term sustainability of the business, as suggested by the Cadbury Committee in the United Kingdom, would improve an organization's performance, according to Doucouliagos, Haman, and Stanley (2012). This recommendation was made by the Cadbury Committee in the United Kingdom. According to the findings of Mishra and Mohanty, a business with good corporate governance is more likely to report outstanding financial performance than an organisation with bad management. This is because strong corporate governance is associated with better risk management.

Leventis and Dimitripoulos (2012) conducted an investigation into the role that corporate governance had in the manipulation of earnings in the United States. They found that corporate governance systems have an impact on the risk and returns that a firm experiences. Leventis and Dimistripolous hypothesised that good company governance would help eliminate agency conflict and provide shareholders with assistance in making sound decisions regarding their investments. Rachid and Ameur (2011) shown that bank board characteristics and formation frequently play a significant effect in the performance of banks as well as the level of risk that banks are willing to take. Siagian, Siregar, and Rahadian (2013) investigated the relationship between corporate governance and accounting reporting and the value of a company. According to Siagian et al., investors stand to profit from good corporate governance. According to Siagian et al., openness and disclosure lower the agency problem that exists between investors and management. This, in turn, leads to a reduction in risk for the company and an improvement in its profitability. According to the findings of Siagian and colleagues, businesses that have greater corporate governance in place also have higher profits. According to observations made by Ibrahim (2013), good corporate governance both raises the overall quality of financial reports and acts as a determining factor in investment choices.

2.6 Conceptual Framework

2.7 Empirical Review and Hypothesis Development

Both the resource dependence theory and the agency theory anticipate, as a general rule, a positive causal link between corporate governance and the success of a company. This is abundantly obvious. However, the literature is divided on the topic of this link since different scholars have come to different conclusions. The next sections will present some empirical findings about the effects of three corporate governance factors, namely board size, board independence, and gender diversity on company performance. These variables were employed in our research.

2.7.1 Board size and Firm Performance

According to the findings of a study that was carried out by Goodstein et al. (1998), the size of the board has a substantial positive link with performance. A research that was conducted by Makailu and Garba in 2005 on a dataset consisting of 93 Nigerian Listed businesses found a favourable correlation between the size of a company's board of directors and its profitability (return on equity). In addition, Saravanan (2012) conducted research on manufacturing companies in India and found that the size of the board and the company's financial success had a strong and favourable link. On the other hand, Yermack (1996) shows that there is a negative association between board size and company performance (Tobin's Q) on a dataset of 452 top level US public enterprises. In addition, research conducted by Eisenberg et al. (1998) on a total of 879 companies of varying sizes reveals a negative correlation between the number of board members and the return on assets (ROA).

2.7.2 Board independence and Firm Performance

According to Gordini (2012), there is a favourable correlation between the number of non-executive directors and a company's performance (ROA and ROE) among 950 Italian businesses. According to Bebchuk and Weisbach (2010), having a large percentage of directors from outside the company increases board independence. Furthermore, the authors' findings indicate that board independence has a favourable effect on the performance of the company. In addition, Khan and Awan (2012) examine the correlation between ROE, Tobin's Q, and ROA (all of which are performance indicators) and non-executive directors and find that there is a strong positive association. The existence of these beneficial interactions demonstrates that outside directors are capable of efficiently monitoring the activities of managers, which is in accordance with the opinions presented by the resource dependency and agency theories. On the other hand, research conducted by Yermack (1996), Knoeber and Agrawal (1996), and Bozec (2005) indicates that there is a negative association between performance and independent directors. Researchers Baysinger and Hoskinsson (1990), Hermalin and Weisbach (1991), and Kumar and Singh (2012) found no correlation between the performance of a company and the presence of independent directors. It is generally accepted that increased presence of non-executive directors on corporate boards contributes to increased independence of those boards. According to one point of view, inside directors (executives) are more familiar with the operations of a company, and as a result, they are in a relatively better position to ensure that senior managers adhere to good corporate management practises. This view is based on the assumption that inside directors have greater access to information about a company's operations (Nanka-Bruce, 2009).

On the other hand, it has been suggested that non-executive directors should take on the role of independent monitoring members of the board in order to ensure that internal rivalry drives behaviours that maximise shareholder value. As a consequence of this, it is believed that the presence of non-executive directors on the board improves the independence of the board. This, in turn, improves corporate governance and protects the interests of all stakeholders, notably the rights of minority shareholders (Gao, 2010). The empirical data about the connection between this and the performance of the firm is inconclusive. Chung et al. (2003), for example, show that board independence has a beneficial influence on performance through the capacity of outside directors to conduct effective management-monitor actions. On the other hand, Minton et al. (2011) and Aktan et al. (2018) indicate that the share of outside directors has a negative correlation with business value. On the other side, researchers Sarpong-Danquah et al. (2018), Kao et al. (2018), Enilolobo et al. (2019), and Boachie (2021) discover a positive and substantial association between the two variables. On the other hand, Bokpin (2013) and Adeabah et al. (2018) discovered that board independence has a detrimental influence on the financial performance of companies in Ghana.

2.7.3 Gender Diversity and Firm Performance

It is believed that the effectiveness of boards of firms may be affected by the diversity of its board members in terms of gender, educational background, study areas, abilities, and experience (Adams & Ferreira, 2009). Despite the fact that gender diversity on corporate boards is still a relatively new concept in the United States, numerous nations in Europe have established legislation that give significant weight to the concept. For instance, there is law on the books in Iceland, Spain, Norway, and France that stipulates that there must be at least 40% female participation on the boards of directors of publicly listed companies (Aghion et al., 2013). Despite this, there has been documented in the literature on corporate governance a correlation that cannot be definitively linked between the diversity of boards and the success of organisations. There are multitudes of academic research that appear to imply that a higher degree of board diversity is beneficial for higher levels of performance (Ararat et al., 2010). According to Chijoke-Mgbame et al finding's, the advantage of gender diversity on performance is greater for businesses with two or more female involvement on corporate boards and audit committees. According to the findings of Reguera- Alvarado et al. (2017), an increase in the proportion of female board members is positively correlated with improved economic performance. In contrast to the studies that reported a direct linkage between the diversity of the board and the performance of businesses, there are also several studies (Meah & Chaudhory, 2019; Shehata et al., 2017) that reported an adverse linkage between the diversity of the board and the performance of businesses. These findings contradict the findings of the studies that reported a direct linkage between the diversity of the board and the performance of businesses. There is further research that come to the same conclusion (Aldehayyat et al., 2017; Fernández- Temprano & Tejerina-Gaite, 2020), which is that there is no substantial relationship between the diversity of female boards of organisations and performance.

Research conducted by Carter et al. (2003) on Fortune 500 committees between the years 1998 and 2002 found a strong positive association between gender diversity and performance as measured by (Tobin's Q). In addition, Catalyst (2004) discovers that the presence of a majority of females on boards favourably influences return on invested capital, return on investment (ROI), and return on equity (ROE), in contrast to the presence of few females on boards among 500 US businesses. Kang et al. (2009) also present findings that are quite similar to these; they show that having a board that is majority female significantly improves the monitoring, control, and performance of companies. In addition, Parrotta and Smith (2013) conducted research on Danish companies between the years 1997 and 2007 and found that the presence of female board members had a beneficial impact on the return on equity (ROE) of Danish companies. ThaoThi (2014) finds more evidence that a strong positive association exists between the number of females on boards and the performance of listed companies in Vietnam. Bhren and Strm (2010) demonstrate that there is a strong negative significant link between gender diversity and company performance when considering (Tobin's Q), ROA, and market return on stock. This finding comes as a surprise. In the meanwhile, research by Alvarado et al. (2011) and Darmadi (2011) indicates that there is no substantial correlation between gender diversity and the success of businesses.

CHAPTER THREE

RESEARCH METHODS

3.0 Introduction

This section of the study presents the methods used in collecting and analyzing the data. The section presents the research design, target population, sample and sampling techniques, data collection methods, the study model, how the variables were measured, data analysis and ethical consideration.

3.1 Research Design

The research is going to be based on a design that combines causal and descriptive aspects of research. When researchers are attempting to determine the nature of a cause-and-effect connection between two variables, the causal research design is the method of choice. The purpose of the descriptive study design was to determine whether or not there is a correlation between effective corporate governance and the financial success of listed manufacturing businesses (Creswell & Creswell, 2017). An investigation of a particular issue at a predetermined point in time is called a cross-sectional study (Kumar, 2019). A research can also be longitudinal, which means that it investigates a certain occurrence at varying times during its duration (Kirmi, 2017). In order to investigate the impact of corporate governance mechanisms such as (board size, directors' equity interest, gender board diversity, etc.) and corporate social responsibility practises on the financial performance of publicly traded manufacturing companies in Ghana from the years 2010 to 2021, the researcher will use a longitudinal research design.

3.2 Target Population

The population refers to the entire group of individuals or objects to which researchers are interested in gathering data for the study (Creswell & Poth, 2016). The population of this study consists of all listed manufacturing firms (15) in Ghana out of the (39) listed firms on the GSE Market.

3.3 Sample and sampling technique

According to Morse (2016) sample size is a finite part or subset of participants drawn from the target population. The sample size represents a unit or a part selected which will be used for the research. If the researcher wants to get information from a large group of people the only way this can be done easily is by selecting a small group of people from the larger group which represents them well to prevent errors from occurring. The researcher focused on listed manufacturing firms.

3.4 Data Collection

In order to investigate the mediating effect of CSR on CG and financial performance, as well as the relationship between these two variables—corporate social responsibility, corporate governance, and firm performance of Ghanaian listed manufacturing companies—the research only use secondary data. The term "secondary data" refers to information that was gathered for another purpose, but which might still be relevant in this investigation. Over a period of ten (10) years, the researcher used a balanced panel dataset consisting of fifteen (15) manufacturing businesses that were registered on the Ghana Stock Exchange (GSE). This resulted in one hundred fifty (150) company year observations. The fifteen manufacturing companies were chosen for the study because their yearly financial reports were easily accessible and readily available throughout the time period under consideration

(2010-2021). Measures of both financial performance and corporate governance are utilised throughout this research as variables. The operationalization of financial performance is accomplished by the utilisation of two generally used accounting metrics, namely return on asset (ROA), profit before tax (PBT), and return on capital employed (ROCE). Included in the list of measures for good corporate governance are gender diversity, board independence, and board size. The age of the company and the size of the company are also included as control variables. For the purpose of this study, secondary data were collected from 39 different listed Ghanaian manufacturing companies during the course of the period of fiscal years spanning from 2010 to 2021. For the purpose of determining the CSR activities carried out by the various sub-sectors of the manufacturing industry, data was gathered from secondary sources such as the website of the Ghana Stock Exchange Market and the annual reports of the manufacturing corporations.

3.5 Study Model

Panel regression model that pools observation on a cross sectional unit over several time periods is used for the study since it helps to ascertain unbiased and consistent estimate. To avoid the problem of heteroscedasticity and autocorrelation, the generalized least squares (GLS) panel regression model is used to analyse the relationship between the corporate governance variables, firm performance measures and control variables used in the study.

The following regression equations are estimated for the analysis:

The study made use of a panel regression model. The mediation is tested using the causal step approach as follows:

$ROA_{it} = b0_{it} + b1EBE_{it} + b2COM_{it} + b3\ BIND_{it} + b4BGD_{it} + b5BSZ_{it} + b6FSZ_{it} + b7FAGE_{it} + e_{it}$

Where:

ROA = Return on Assets; EBE = Employee Benefits Expense; COM = Community Component; BIND = Board Independence; BDG = Board Gender Diversity; BSZ = Board Size; FAGE = Age of firm; FSZ = Firm Size; ei = error term.

3.6 Measurement of variables

3.6.1 Dependent Variable

Firm Performance

ROA (Return on Assets)

The term Return on Assets (ROA) refers to a financial ratio that indicates how profitable a company is in relation to its total assets. Thus, it is calculated by the net profit divided by total asset of the company.

3.6.2 Independent Variables

CSR Activities

EBE (Employee Benefits Expense)

Employee benefit expenses include all forms of consideration given by an organization in exchange for services rendered by employees. Employee benefit expenses are the entitlements which employees accumulate as a result of providing their services to an Agency. Employee Benefits Expense was taken from the annual report.

COM (Community)

The Community Component covers the company's commitment and effectiveness within the local, national, and global community in which it does business

CG Variables

BIND (Board Independence)

Independent directors are the person entrusted by shareholders to represent them and will help to reduce agency problems. Company boards should have an independent majority. An independent majority on the board is more likely to consider the best interests of shareowners first. It is measured by the number of non-executive directors divided by total number of directors

BGD (Board Diversity-Gender)

Diversity, including gender balance, drives innovation because board members have different ways of approaching challenges and finding solutions. It is measured by the percentage of total number of females on the board of a company

BSZ (Board Size)

Board size is taken to refer to the total number of members serving on a firm's board. This is measured by the total number of directors on the board of a firm for each financial year

3.6.3 Control Variables

FSZ (Firm Size)

Firm size is measured by both market value and fundamental variables. Market value is also called market capitalization, which can be determined by multiplying the listed company's stock price by the number of shares outstanding. It is measured by the natural logarithm of total assets.

FAGE (Firm Age)

Firm age is the number of years of incorporation of a company. It is measured by the total number of years a firm has been in existence.

3.7 Data Analysis

Aside from that, data are separated into two more groups according to the qualities they share. Because of this, the methods used to record, analyses, and gather them were modified. The method of regression analysis is utilized. The estimate of the connections that exist between a dependent variable and one or more independent variables may be accomplished via the application of a set of statistical procedures known as regression analysis. It may be applied for determining the degree to which variables are related to one another, as well as for modelling the potential future relationship between the variables.

Panel regression model, which pools observations on a cross sectional unit over various time periods, is employed for the study because it helps to determine unbiased and consistent estimate. This is because panel regression model pools observations on a cross sectional unit over several time periods. The generalised least squares (GLS) panel regression model is used to analyse the relationship between the corporate governance variables, the corporate social responsibility variables, the firm performance measures, and the control variables that were used in the study. This helps to avoid issues with heteroscedasticity and autocorrelation, which can occur when using other regression models.

3.8 Ethical Considerations

Ethical considerations are important in guaranteeing the validity of research findings, and they are more prominent in research investigations (Akaranga & Makau, 2016). As a result, when conducting research, the researcher is expected to use and pick the optimal methodology to guide data collection and methods for interpreting and reporting findings. The researcher and the research subjects are usually the focus of ethical considerations. Within the scope of this study, the researcher must guarantee that all university-related ethical problems are addressed as thoroughly as possible. As a result, plagiarism and copyright violations must be taken into account at all times.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

This chapter presents the empirical results of the study and discusses the results as well. This chapter presents the quantitative analysis of the data which was gathered from the Ghana Stock Exchange (GSE) and the Annual Reports Ghana, which are the financial statements of the sampled companies. The purpose of this study is to examine the impact of corporate governance and corporate social responsibility on the profitability of listed of listed manufacturing companies in Ghana. The study employed quantitative research design and the data was analysed using Statistical Package for Social Sciences (SPSS). A total of fifteen manufacturing companies which happen to be hundred percent (100%) listed on the Ghana Stock Exchange were featured on this study from the period of 2010 to 2021 making 165 firm-year observations.

4.1 Descriptive statistics

The researcher started the analysis by presenting key concise statistics of variables presented in Table 1 below. The return on assets (ROA) forms the profitability of the firms. The independent variable COM and EBE is community and employee benefits expenses respectively and they are measured by a dummy variable with value 1 for companies that represent the community component which covers the company's commitment and effectiveness within the local, national, and global community in which it does business and 0 for manufacturing companies which has the opposite. BSZ is the board size and it is measured by the number of board of directors in the firm. BGD is the Board Diversity (Gender) and it is measured by Percentage of total number of Females on the board of a company. BIND is the Board Independence and it is measured by Number of non-executive directors divided by total number of directors. All comes together to form (CG) corporate governance and (CSR) corporate social responsibility respectively. The control variables are (FSZ) which is the firm size and it is measured by the natural log of the firm's total assets and (FAGE) which is the firm age and it is measured by the total number of years a firm has been in existence.

Table 1: Summary statistics on selected firm level variables

Variable	*Obs*	*Min*	*Max*	*Mean*	*Std. dev.*
Independent Variables					
EBE	165	.00	7877.00	233.7778	1036.13602
COM	165	.00	1.00	.4833	.50112
BIND	165	.00	.89	.3085	.24537
BGD	165	.00	4.00	1.9721	1.08840
BSZ	165	.00	15.00	8.2667	2.94190
Dependent Variable					
ROA	165	-4.64	12.90	.1193	1.11253
Control Variables					
FAGE	165	9.00	71.00	39.0333	17.32338
FSZ	165	.00	21.07	13.2011	5.79639

Source: Field Study (2023)

For the dependent variable, ROA, the mean is 0.1193 with a maximum value of 12.90 and minimum value of -4.64. This shows that the firms were not performing well since the average ROA is far less than the maximum ROA. Meanwhile the firm size variable indicates a minimum value of 0, and a maximum value of 21.07, and average of 13.20 with a standard error of 5.79 and this condition shows that the data distribution for the firm size is relatively distributed. Also, the mean value for FAGE is 39.03 with a maximum value of 71.00 and a minimum value of 9.00. This shows that the firms chosen for the study are evenly distributed according to age. For the independent variables, the table shows that the data were evenly distributed as the minimum values are all 0.00 but maximum values of 7877.00, 1.00, 0.89, 4.00 and 15.00 for EBE, COM, BIND, BGD and BSZ respectively. The mean values for these variables are 233.778, 0.483, 0.3085, 1.9721 and 8.2667 respectively for EBE, COM, BIND, BGD and BSZ.

Comparing the firm age, the board independence, employee benefit expenses, community, board's gender, boards size appears to have a higher average score which indicates that corporate governance and corporate social responsibility have impact on the performance of manufacturing companies in Ghana.

4.2 Multicollinearity test

When two independent variables are substantially associated with one another, multicollinearity may be present. It is also possible for it to take place if an independent variable is computed using the outcomes of other variables in the data set, or if two independent variables provide results that are similar to one another and repetitious. Thus, the multicollinearity test is conducted to check for if there associations between the independent variables.

Table 2: Multicollinearity Test

Variance Inflation Factor (VIF) of ROA

ROA	**VIF**	**1/VIF**
Firm size	4.51	1.353
Firm age	3.95	1.226
Board independence	2.93	1.078
Board size	1.99	2.582
Board diversity (gender)	1.26	2.585
Mean VIF	2.93	

Source: Field Study (2022)

From Table 2, the values of the VIF of all the variables are less than 10 (the accepted threshold) and this shows a clear indication that the variables are not suffering from the problem of multicollinearity (Salmerón et al., 2018). The results from Table 2 do not suggest the presence of multicollinearity between the independent variables.

4.3 Correlation Analysis

This section of the study presents the correlation analysis of the data collected. The correlation analysis shows the relationships between the variables under study. Also, the correlation analysis also shows if two independent variables are associated with each other (multicollinearity).

Table 3: Correlation results

Variables	*ROA*	*BIND*	*FAGE*	*FS*	*COM*	*EBE*	*BGD*	*BS*
ROA	1.000							
BIND	0.025*	1.000						
FAGE	0.199*	0.159*	1.000					
FSZ	-0.071	-0.182	0.222*	1.000				
COM	-0.023	-0.060*	-0.028	0.011*	1.000			
EBE	0.085	0.245**	0.180*	-0.061	-0.107	1.000		
BGD	0.036	0.405**	0.037	-0.137	0.025	0.114	1.000	
BSZ	-0.058	0.210**	0.209**	-0.042	0.074	0.218**	0.726**	

Source: Field Study (2023)

*** represents p<0.01, ** represents p<0.05, and * represents p<0.1

Table 3 shows the correlation results between the dependent variable and the independent, mediating and control variables. The correlation results between Board Independence (BIND) and Return on Assets (RoA) shows a positive coefficient .025, this indicates that there is a positive and significant relationship (correlation) between board independence and profitability of firms at the 0.1 significance level. The correlation results between firm age (FAGE) and Return on Assets (RoA) shows a positive coefficient .199, this indicates that there is a positive and significant relationship (correlation) between board independence and profitability of firms at the 0.1 significance level. Firm size (FSZ) shows a negative coefficient of -0.071 and community component (COM) also shows a negative coefficient of -0.023. This shows that firm size and community component had a negative significant relationships with profitability of firms. Moreover, employee benefit expense and board gender diversity also show a positive and significant relationship with profitability of firms with coefficients of 0.085 and 0.036 respectively whilst board size (BSZ) also shows a positive and significant relationship of -0.058. Larger companies have larger boards – and larger companies with larger assets base are more inclined to make positive wave towards profit. Relationship between BIND and Firm size is negative which shows that concentration of ownership leads to reduce the presence of BIND on boards. This results in establishment of stronger control on firms. Domination of a board by a close family and absence of a reasonable number of BIND are the practices that are generally deemed against the spirit of good corporate governance. These practices adversely affect the performance of the company, however here there is negative relationship between BIND and profitability due to minority of BIND on board.

Table 3 also shows the effect of corporate governance mechanisms on the financial performance of manufacturing firms in Ghana. From the table, board independence and board size are observed to be statistically significant and positively related to profitability. This suggests that, the presence of independent directors and a larger board size enhance the financial performance of manufacturing firms in Ghana. This evidence is consistent with studies such as Dzingai and Fakoya (2017) who also find board independence to positively influence profitability. Annuar and Rashid (2015) and Chung et al. (2003) assert that, the presence of independent directors helps to reduce conflict of interests between agents and principals of companies and consequently extend positive effects on profitability. The research finding also supports this assertion.

On the control variables, firm size is found to be negative and significantly related to profitability, indicating that, an increase in the assets of manufacturing firms may constrain their financial performance. Evidence contradicts the finding of Boachie (2021) who find the size of banks to positively influence their financial performance. This may be due to the operational differences of banks and manufacturing firms. Banks are able to generate income from their main asset (loans). However, an increase in the size of a manufacturing firm may reflect in the form of a fixed asset which may become redundant and not generate income, putting negative pressure on profitability. Firm age is found to be statistically significant and negatively related to profitability. This indicates that, a decrease in this factor significantly results in an increase in the profitability of manufacturing firms in Ghana.

4.4 Regression Analysis

This section presents the regression analysis of the study. It contains the model summary and the regression results between the various variables.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.292[a]	.085	.048	23965073.53976

Source: Field Study (2023)

The results of the regression analysis summarized in Table 4 shows that Corporate Governance Practices and corporate social responsibility contribute significantly to and predicts 8.5% of the variation can be explained by this model.

Table 5: Mediating Effect Analysis (Testing of Hypotheses)

Hypothesis	**Regression**	**R2**	**F**	**Beta**	**T**	Sig.
H1	$CGCV_1CV_2 \rightarrow CSR$	0.224	220.573	0.346	10.502	0.030**
H2	CSR→P	0.151	104.375	0.275	7.224	0.032**
H3	$CGCSRCV_1$ CV2→P	0.207	170.857	0.322	9.243	.043**

Note: *significant at p < .05; ** with mediator variable (CSR).

Source: Field Study (2023)

Hypothesis 1 results in Table 5 indicate that there is a positive and significant relationship between corporate governance and corporate social responsibility.

Hypothesis 2 further showed that there is a positive and significant relationship between corporate social responsibility and profitability.

Hypothesis 3 explored the mediating effect of corporate social responsibility on the relationship between corporate governance and profitability, a series of steps were followed.

Firstly, corporate governance was regressed against corporate social responsibility. The relationship was found to be significant. Next the mediator variable (corporate social responsibility) was added to the model and the result was found to be significant. However, the beta value was less than the beta value for the direct corporate social responsibility profitability relationship. The results from the analysis show that corporate social responsibility partially mediates the relationship between corporate governance and profitability. The results indicated a partial mediation because the direct and the indirect effects were both significant. Hence, hypothesis 3 which states that corporate social responsibility has a mediating effect on the relationship between corporate governance and corporate social responsibility accepted. The implication of this result is that corporate social responsibility partially mediates the relationship between corporate governance and profitability.

4.5 Discussion of results

Firstly, the results of this study accepted the second hypothesis which states that CSR has an effect on profitability of the company. Through this ratio, one will be able to know whether the company has been efficient in utilizing its assets in the operational activities or not. Thus, the higher the value of this ratio, the better the condition of a company. In addition to ROA is the financial ratio used for measuring the level of profitability. It shows that increased in CSR activities contributes to the firm's image /reputation which results in increase in returns. Thus, CSR activities affects the profitability of a company measured by ROA indicators. The results of this study support the results of the studies conducted by Yuniasih et al. (2007) in Pramana et al. (2016), Hartono (2011), Mulyadi et al. (2012); and Haryanto et al. (2013).

This study revealed the influence of the board characteristics of corporate governance measures has on the financial performance of Ghanaian manufacturing companies. From the study, it can be said that "board size, board independence, board diversity (gender), firm size and firm age" are important variables for determining the manufacturing firms' performance (ROA) in Ghana. It can be inferred from the results derived above that board characteristics and firms' performance of manufacturing firms in Ghana. Theoretically, the effectiveness of board of directors, a central governance mechanism, is expected to be positively related to corporate governance quality. The study explored this relationship empirically with the use of board size, board independence and board diversity (gender) and found contradictory results regarding firms' performance parameters. These results were consistent and similar to previous studies (Arora and Sharma, 2015; Palaniappan and Rao, 2015; Sarpal and Singh, 2013).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The empirical data and findings produced or accomplished by the investigation are wisely summarized in this chapter. This chapter comprises primarily of a synopsis of the research study and the study's conclusion. The assessment of the offered data in this study also yielded recommendations and suggestions for further research.

5.1 Summary

This study examined the impact of corporate governance and corporate social responsibility on the profitability of listed of listed manufacturing companies in Ghana. Although the influence of corporate governance on firms' performance has been extensively studied in Ghana (Abor, 2007; Abor & Fiador, 2013; Bokpin, 2013; Sarpong-Danquah et al., 2018), it is necessary to examine the role played by corporate social responsibility in this nexus. Boachie (2021) investigates this phenomenon in the banking sector of Ghana. However, due to the operational differences between banking and manufacturing firms, it may not be appropriate to apply findings from the banking sector to the manufacturing sector. It is therefore crucial to provide empirical evidence specific to the manufacturing sector in Ghana, a contribution this study seeks to make to the literature. Findings show that, board characteristics such as board independence, board size, board diversity (gender) firm size and age are all positively and significantly related to the performance of the manufacturing firms. There exist a positive and significant influence of corporate social responsibility on performance even though weak. Corporate social responsibility, however, partially mediates the relationship between board size, board independence and the financial performance of manufacturing firms.

Findings from the study have important implications for theory and practice. This study demonstrates that manufacturing firms can improve their financial performance by having a higher number of independent directors on their boards. Also, a relatively larger size of the board proves beneficial to the financial performance of manufacturing firms as they tap into a wide range of experience and expertise as suggested by Cadbury (1992). This study supports the theorized effect of corporate governance practices on the performance of firms. In the context of this study, the practiced corporate governance in the form of board independence, and the board size stimulate higher performance of listed manufacturing firms in Ghana. Manufacturing firms in Ghana are recommended to increase the number of independent directors on their boards, engage in more CSR activities. Also, employee benefits of staffs should be regularly reviewed, improved and disclosed adequately. This study was based on the mediating role of corporate social responsibility in the nexus between corporate governance and financial performance of manufacturing firms. Future studies can look at different moderators and test for mediations in the link between corporate governance and performance. Future studies can also replicate this study using firms in the service and Agro industries.

The study found that board size of a firm has emerged as an important determinant of firm's performance but the interesting part is that it is negatively related with firm performance (Gugnani, 2013). The results indicate that among the various factors affecting the corporate governance, board characteristics are strongly and negatively related to firms' performance. The empirical findings of hypothesis one showed that corporate social responsibility has a positive and significant relationship with profitability. This result is consistent with the findings of (Achmad, 2018; Dickson & Nwosu, 2018; Orlitzky, 2001).

The study also revealed that corporate social responsibility has a positive and significant relationship with corporate governance and profitability. This result corroborated the findings of (Aduralere, 2019). Based on the results, it is concluded that large companies are investing more on corporate social responsibility than smaller companies. The study further concludes that corporate social responsibility has a partial mediation on the relationship between corporate governance and profitability.

5.2 Conclusion

This study has investigated the relationship between corporate social responsibility, corporate governance of manufacturing firms and performance over a period of ten years spanning 2010 – 2021. The interaction of corporate social responsibility, corporate governance and firms' performance as a measure differs. The study concludes that the different attributes of corporate governance and corporate social responsibility influences performance indicators differently. This means that there is a mixed relationship between the three variables.

5.3 Recommendations

In view of the findings in this study, it is recommended that

1. In order for Ghanaian Manufacturing companies to improve their image/reputation, corporate companies in Ghana should engage in CSR operations in all its aspects, thereby growing their returns and should make

adequate disclosures on CSR activities. It was revealed that even though there was positive and significant influence of CSR but it was weak. Consequent to that manufacturing firms should engage in CSR activities such as commitment to society.

2. The Regulators and Boards of manufacturing firms should keep a close check on influence of board characteristics which have a positive influence on performance. The relationship is positive and significant for board characteristics which means that firms board structure that consists of the appropriate size, exhibits qualities of board diversity, separate functions of CEO and Chairman will improve performance when measure with ROA. Equally, the existence of independent directors and non-executive directors on the Board of Firms will boost their independence and impact positively on performance.

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