The Relationship between Boards and Bank Performance among Listed Banks in Ghana

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ABSTRACT
The relationship between board characteristics and the performance of 10 listed banks in Ghana between 2016-2017 was critically examined through the use of an unbalanced panel data. A two-staged analytical process was used in estimating the relationship. The theoretical outcome of this article confirmed an existence of a positive relationship between bank performance, board size and board composition. A significant relationship between large board size and the financial performance of banks was realized after the research. Again, banks with large board size were deemed to have good monitoring function compared with small board size. Large board of directors was also seen to perform better in terms of accountability as compared with small board size in a Ghana. However, it also came to fore that board diversity in terms of gender had no effect on the performance of banks in Ghana. Therefore, it is recommended that outside directors and large board size should be practiced in Ghana looking at the significant effect it has on the financial performance of banks.

Key words: board, performance, banks, listed, companies

INTRODUCTION
Corporate disappointment among businesses across the globe has become profuse over the last few decades. As a result, serious attention is being sought in management across firms in the areas of information disclosure, the viability of boards, auditing, the independence of directors, internal control mechanisms and so on. Consequently, the Basel Committee responsible for banking regulation has opined the need to have a diagnostic look into the management or corporate governance of all financial institutions. Having a management structure made up of a senior management and board of director was a recommendation made by the Basel committee (Doláková, 2015). Levine (2005), laid credence to the committees’ resolve that a good corporate mechanism fosters an effective monitoring, an improved productivity, as well as having a complete financial framework not just for the financial sector, but an improvement of a given country’s economy in general. The setting up of roles and relationship that must exist between management structures and the ownership of any business entity for the betterment of all stakeholders involved, is the core aim of corporate governance (Russo & Perrini, 2010). This same structure determines the appointment procedures in any given business entity at all times. An Agency theory can be defined as the relationship that exists between a shareholder (principal) and a business executive (agent) (Jones, Felps, & Bigley, 2007). The principal is an owner of a firm, whereas, the agent, is the individual(s) that is tasked to manage the day-to-day activities of a firm on behalf of the principal (shareholder). A principal-agent problem arises when both the agent and the principal have conflicting interests (Laffont & Martimort, 2009). The Sarbanes-Oxley Act of the USA suggested the increase in transparency to reduce agency conflict. As a matter of fact, transparency, is one of the several requirements under the of SOX Act (Chiang
& He, 2010). Goh and Rasli (2014) posited the presence of an independent board to ameliorate conflicts between an agent and a principal. Though board of directors performs various roles in financial firms, the most significant of them is their monitoring and controlling function, and the formulation of business strategies (Carter, D'Souza, Simkins, & Simpson, 2010). Means (2017) stated that the management of shareholders wealth and interest is the most important job of boards. Boards of directors are responsible for formulating business plans, setting corporate objectives, managing business activities, monitoring and evaluating and finally, seeing to the efficient implementation of corporate agenda (Wheelen & Hunger, 2011). Boards are again responsible for the appointment of senior managers, providing supervisory roles, planning remuneration packages, monitoring as well as influencing the total business strategy of firms (Adams, Hermalin, & Weisbach, 2010). Due to the broad responsibilities and risks associated with banks and their regulations, boards in financial institutions tend to undertake much more significant roles as compared with boards in non-financial firms (Mehran, Morrison, & Shapiro, 2011). A major risk associated with banks is them becoming insolvent and this will lead to liquidation (Wagner, 2010).

Shareholders and customers alike, lose their equity when banks become insolvent (Macey & O'Hara, 2003). The provision or creating of an informed understanding of corporate governance works and also how different boards perform in the Ghanaian banking sector will be the contribution of this research. The age of boards, the independence of directors, the size of boards and finally the gender of board members is what this research work will be looking at. Measuring the performance of banks is very critical to the bank’s existence and survival. It is upon the measurement of these banks that equity shareholders can get to know whether their investments are doing well or not, and also to determine their returns. Return on Equity (ROE) will be used in this study in measuring the performance of banks.

RELATED STUDIES
The Independent Directors and Performance
A major challenge encountered by all forms of business entities is the composition of its board (Neubauer & Lank, 2016). Boards are formed for several strategic reasons depending on the type of the environment a business finds itself in (Freeman, 2010). Due to this and many other reasons, it’s very important for researchers to know or identify the impact that these board members do have on banks (Hermalin & Weisbach, 2001). (Adams et al., 2010; Drucker, 2012) have all agreed that a high number of board members who happens to be person outside the directors of a firm tends to be productive in their performance. Thailand and Turkish banks have been found to have a positive relationship with performance as a result of the independence of their board members and the firm as a whole (Khan, Muttakin, & Siddiqui, 2013). Non-executive board members have effective control over management and bank performance as a result of their independence and this inures to all stakeholders.

The theory of agency, posits that, outside directors can only have the needed impact on organizational management if they remain independent in their decision making. Currently, governments, researchers and academicians alike have taken keen interest in the composition of boards due to their impact on total performance of banks. The vigilance of outside directors in the area of management helps to enhance the performance of banks. However, the works of Hermalin and Weisbach (2001) and Kyereboah-Coleman and Biekpe (2006) found no relationship between bank performance and board composition. Below is the hypothesis:

$H_{1a}$: There is a significant relationship between high presence of external directors on boards and the financial performance of banks.

$H_{1b}$: There is a significant relationship between high presence of institutional investors on boards and the financial performance of banks.

Board Size and Performance
A board is composed of all persons with voting rights tasked with the responsibility of making strategic decisions on behalf of any given business entity (Freeman, 2010). Members of a board are not just tasked with maintaining the equity of shareholders but also, to ensure that all administrative mechanisms work as expected so as to control or manage agency problems (Liu & Lu, 2007). Different scholars have different opinions on the performances of boards when it comes to board size and the performance of banks (Giovannini, 2010; Hafsi & Turgut, 2013). Bennington (2010) posited that an increase in the size of a board also brings about a commensurate increase in communication and coordination challenges among board members, thus, the increase in size brings about a challenge in monitoring. Normally, huge board sizes do have difficulty in calling regular meetings due to the non-availability of members and also the inability to have a quorum even when they
are present (Pearson, Seyfang, & Jenkins, 2013). Zahra, Filatotchev, and Wright (2009) stated that, other difficulty of an increased board size is the slow pace associated with decision making, which sometimes even prevents firms from taking advantage of business opportunities when it arrives. One other deficiency associated with large board size share by Yin (2011), is the peculiar challenges associated with calling for emergency meetings under certain situations.

However, small boards do have the benefit of an enhanced monitoring by management (Wincent, Anokhin, & Boter, 2009). In the works of Kyereboah-Coleman and Biekpe (2006), they posited that a board that is made up of more than eight (8) persons has a negative effect on the performance of CEOs, that is, they found no positive impact of large boards on the performance of banks. Also, Means (2017) found the inability of some members of boards to express themselves on issues of importance due to the fact that the board size were more than ten (10) people. Big boards can also lead to job loss for some employees, loss of money by stakeholders, due to monies used in maintaining these board members. A study undertaken in USA, Canada, France, Italy, Spain and UK on commercial banks between the period 1995 - 2005 on board size showed an inverted U-shape relationship with performance (Chao & Kumar, 2010). The Agency theory also associates value with large board size since it prevents CEOs from dominating banks, thereby increasing performance. Looking at how the inconsistencies associated with board size and bank performance by various researchers, the researcher presumes that, large boards do have a positive relationship with performance.

Consequently, the hypothesis testing can be found below:

\[H_2: \text{There is a significant relationship between the size of the board and the financial performance of banks.}\]

**Gender Composition of Board and Performance**

Though there has been an increase in the number of women taking to managerial jobs, the ratio of women directors is very low even in developed economies (Boserup, Tan, & Toulin, 2013). A census undertaken in 2008 by an Australian firm by name Equal Opportunity for Women in the Workplace in Australia, UK and the USA, showed a percentage of ratio of 10.7 for Australia, 12.2 and 15.4 respectively U.K and USA (EOWA, 2008). Different researchers have diverse opinions on the association between banks competitive performance and gender diversity (Bear, Rahman, & Post, 2010). Good cognitive style of women enables them to focus on harmony, and as well as being able to communicate outcomes effectively even in the face of adversity (Robinson, 2016). The apparent non- involvement of female representation on boards could be due to the lack of women with top credentials, discrimination or even both (Seierstad, 2016). Diverse teams perform better than homogeneous teams (Hoogendoorn, Oosterbeek, & Van Praag, 2013). A problem-solving capacity, innovation and the know-how to manage banks is an attribute associated with board diversity (DuBrin, 2015). Hale (2012) showed how diversified boards presents multiple outlook in challenge solving in banks. The more diversified a board is, the more unique the members become and the more their value also becomes, thereby improving their effectiveness on the total performance of banks in the long run (Campbell & Mínguez-Vera, 2008). The works of Dezső and Ross (2012) showed that female board members fosters stock price information through an increased public disclosure (This result was due to either a female board member being made part of board directors based on company regulations). Other benefits associated with female board members are their communication skills, personality, career expertise, experience and good educational background (Bear et al., 2010). Kaner (2014) revealed that female board members do not only make important decisions, but also, good at brainstorming. Also, Terjesen, Sealy, and Singh (2009) stated that female board directors are usually less power inclined, rather, they are much more compassionate than male directors. Further works by Adams and Ferreira (2009) and Anderson, Reeb, Upadhyay, and Zhao (2011) showed that having a female board director brings about a diversified decision-making process and monitoring. Again, female directors are also known for attending meetings more than their fellow male directors, thereby increasing their monitoring and decision-making function (Grant, 2016). Regular attendance of meetings also shows how hard working and committed female directors can be (Grant, 2016). Miller and del Carmen Triana (2009) also founded a positive relationship between bank performance and having female board members. Though, there are several literatures to show the positive relationship between female directors and banks performance, there are also works that depict a rather conflicting outcome (Fauzi & Locke, 2012). Carter et al. (2010) and Terjesen, Couto, and Francisco (2016) showed a negative relationship between bank performance and female directors. Patkan and Faff (2013) showed a non-significant connection between banks
performance and female directors. According to the Agency Theory, the works of boards are much more effective when they have diverse members and independent (Bear et al., 2010). His work also showed a positive relation between performance of banks and female board members. The SOX act of the USA, also proved the same positive tendency (Wheelen, Hunger, Hoffman, & Bamford, 2017). As a result, the hypothesis for the test is stated as:

\[ H_3: \text{There is a significant relationship between high presence of female directors on boards and the financial performance of banks.} \]

**Control Variables**

The control variable is introduced so as to mediate the relationship between boards and banks financial performance. The size of any bank be it small or big has its own economic relevance because it has the ability to enhancing financial performance (Berger & Bouwman, 2013). Due to this, bank size will be used as a control variable by the researcher (Demirguc-Kunt & Maksimovic, 2002). Non-performing loans (NPL) will also be used as another control variable. NPL is also an important attribute that can be used in measuring the performance of a bank, as they are also known to have a positive impact on financial performance (Messai & Jouini, 2013). Capital Adequacy Ratio (CAR) becomes the third control variable to be used by this research because it also used in moderating bank performance and corporate governance (Tulung & Ramdani, 2016). The last control variable is Gross Domestic Product (GDP). It is also widely used as a control variable in researches associated with bank performance and corporate governance (Leuz, Nanda, & Wysocki, 2003). We thus postulate that:

- **H4a:** There is a significant relationship between the size of a bank and the financial performance of banks.
- **H4b:** There is a significant relationship between Non-performing loans (NPL) and the financial performance of banks.
- **H4c:** There is a significant relationship between Capital Adequacy Ratio (CAR) and the financial performance of banks.
- **H4d:** There is a significant relationship between Gross Domestic Product (GDP) and the financial performance of banks.

**MATERIALS AND METHODS**

**Data and Model Design**

Board characteristics used in this research is namely, board size (BODS), board gender (BODG) and board composition (BODC). Return-On Equity (ROE) will be used in measuring this work. ROE is defined as the total income returned as a percentage of shareholders’ fund. Just as Mashayekhi and Bazaz (2008) used ROE in measuring board composition, the researcher will do same with this work. Board size can be explained as the group of individuals appointed to represent the interest of shareholders (Arosa, Iturralde, & Maseda, 2010). Nielsen and Huse (2010) defined board gender as the ratio of men and women who represent positions on a board. A loan that is in default or the inability of a borrower to pay either the interest on a loan or the loan itself is termed as a Non-performing loan (Addae-Korankye, 2014). Capital adequacy ratio is calculated as the overall capital to total weighted assets (Cohen & Scatigna, 2016). Out of annual financial reports of the banks, an unbalanced panel data will be used in measuring all the 16 banks in Ghana between the period 2002–2017. The use of panel data in the data analysis of this research allows the reduction in data estimation biases to some extent, as well as reducing the challenges of multicollinearity (Hsiao, 2014). It also gives a time-variant association when investigating the relationship between dependent and independent variables (Hsiao, 2014).

**Analytical Model**

We performed a two-staged analytical process to obtain the results of this study. This involved establishing co-integration among the variables and establishing causality among the variables. The study employs the dynamic ordinary least square regression to estimate the relationship between the independent variables and the dependent variables. In the dynamic ordinary least square regression model, the co-integration regression is augmented with lags and leads to ensure that the resulting co-integration regression is orthogonal to the entire history of the stochastic regressor innovations. We first determined the appropriateness of the data for long run co-integration using the ARDL bound testing method prescribed by Pesaran (as cited in Al-Malkawi, Marashdeh, & Abdullah, 2012). This model is preferred to others since it accommodates (efficient and consistent) every type and quantity of data. Moreover, our proffered co-integrated test (the ARDL bound test) does mandate first order integration of all the variables. Finally the ARDL bound test is preferred as it ignores the need for I (0) or I (1), mutual or fractional co-integration of the variables. The ARDL estimator used in our study is mathematically expressed as follows:
\begin{align*}
\Delta \text{ROA}_t &= \beta_0 + \sum_{i=1}^{j} \delta_i \Delta BODC_{t-i} + \sum_{i=1}^{j} \phi_i \Delta BODS_{t-i} + \sum_{i=1}^{j} \omega_i \Delta BODS_{t-i} + \sum_{i=1}^{j} \gamma_i \Delta BANKZ_{t-i} + \sum_{i=1}^{j} \varphi_i \Delta NPL_{t-i} + \sum_{i=1}^{j} \rho_i \Delta CAR_{t-i} + \lambda_i \Delta GDP_{t-i} + \lambda_d \epsilon_{t-i} \\
\end{align*}

\section*{Causality among the Variables}

Following an earlier work of causality estimation by Hacker & Hatemi-J, 2006; Ko & Ogaki, 2015, the Bootstrap Granger Causality, was used to generate the simulated data, the Vector Error Correction Model (VECM) was initially estimated as follows:

\begin{equation}
(1 - L) \begin{bmatrix}
\text{ROE}_t \\
\text{BODC}_t \\
\text{BODS}_t \\
\text{NPL}_t \\
\text{CAR}_t \\
\text{GDP}_t
\end{bmatrix} = \begin{bmatrix}
\text{ROE}_{t-1} \\
\text{BODC}_{t-1} \\
\text{BODS}_{t-1} \\
\text{NPL}_{t-1} \\
\text{CAR}_{t-1} \\
\text{GDP}_{t-1}
\end{bmatrix} + \sum_{i=1}^{p} \begin{bmatrix}
\lambda_i \\
\lambda_i \\
\lambda_i \\
\lambda_i \\
\lambda_i \\
\lambda_i
\end{bmatrix}
\end{equation}

This \( (1 - L) \), the lag operator, denotes the number of lags in the model; and the \( \epsilon \) denotes the error correction term. We then estimated the test statistics \( \hat{\chi} \) by as shown in the equation below.

\[ \hat{\chi} = T \left( \ln |H_{\epsilon_{t-1}}| - \ln |H_{\epsilon_{t-1}}| \right) \]

Where \( H_{\epsilon_{t-1}} \) and \( H_{\epsilon_{t-1}} \) are the residual covariance matrices under the Granger causality hypothesis. Our study repeats this step 10,000 times, to obtain 10,000 bootstrapped samples. Subsequently, our study re-estimated the coefficients in the VECM model \((9)\) for each of the bootstrapped sample. We further constructed their corresponding test statistics \( \hat{\chi} \) as in the first step as shown in equation below.

\[ \hat{\chi} = T \left( \ln |H_{\epsilon_{t-1}}| - \ln |H_{\epsilon_{t-1}}| \right) \]

Finally, we used the 10,000 test statistics \( \hat{\chi} \) obtained from the bootstrapped replications in the third step to construct the empirical distribution and as well as to specify the new p-value (bootstrapped p-value).

\section*{RESULTS}

\subsection*{Descriptive Statistics}

\begin{table}[h]
\caption{Descriptive Statistics}
\begin{tabular}{ccccccccc}
\hline
\textbf{Variable} & \textbf{Min} & \textbf{Max} & \textbf{Mean} & \textbf{Std. Dev.} & \textbf{Skew} & \textbf{Kurt} \\
\hline
ROE & 0.139 & 0.121 & 0.128 & 0.260 & & & \\
BODC & 0.313 & 0.115 & 0.166 & 0.166 & & & \\
BODS & 6.000 & 1.275 & 6.000 & 5 & & & \\
BODG & 0.044 & 0.014 & 0.001 & 0.30 & & & \\
NPL & 0.210 & 0.065 & 0.210 & 0.066 & 0.470 & & & \\
CAR & 0.510 & 0.234 & 0.510 & 0.234 & & & \\
\hline
\end{tabular}
\end{table}

\section*{Unit Root Test}

Table 1 shows the analysis of the unit root test. This is tested using the ADF and the PP test as well as the KPSS Unit Root Test. The results as reported indicate that all the Variables are non-stationary in their levels but they become stationary after the first differencing. Thus the ADF and the PP TEST suggest that the null hypothesis that the time series are integrated at first order cannot be rejected at the 5% significant level in the case of each variable. This is also the F-values are greater than the critical values at 5% critical level. The results of the KPSS Unit Root Test are not significantly different from the others. Together it is concluded that the series are stationary at level. At first difference analysis, the t-statistic values are less than variables are not stationary at level but become stationary at first difference.

\begin{table}[h]
\caption{Non-stationary and stationary test statistic}
\begin{tabular}{cccccccc}
\hline
\textbf{Variable} & \textbf{ADF} & \textbf{t-Statistic} & \textbf{Critical Value} & \textbf{PP} & \textbf{t-Statistic} & \textbf{Critical Value} & \textbf{KPSS} & \textbf{t-Statistic} & \textbf{Critical Value} \\
\hline
BODC & -0.74088 & -2.90103 & 0.341235 & -2.90103 & 0.172488 & 0.485 & \\
BODS & -0.74088 & -2.90103 & 0.341235 & -2.90103 & 0.172488 & 0.485 & \\
BODG & -2.41534 & -2.02006 & 0.395466 & -2.41534 & 0.172488 & 0.485 & \\
NPL & 0.57009 & 1.02006 & 0.395466 & 1.02006 & 0.172488 & 0.485 & \\
CAR & -0.74088 & -2.90103 & 0.341235 & -2.90103 & 0.172488 & 0.485 & \\
GDP & -0.95118 & -2.90103 & 0.341235 & -2.90103 & 0.172488 & 0.485 & \\
\hline
\end{tabular}
\end{table}

The ADF, PP and KPSS regressions include an intercept and trend. Optimal lags are determined using the Akaike Information Criterion. ADF and PP tests represents non-stationarity test whilst the KPSS
represents the stationarity test. Each critical value is at 5% significant level.

**CO-Integration Analysis**

We use critical bounds from Pesaran et al. (2001) to make decision either co-integration exists or not. Intercept and but no trend are used. AIC was used to select the optimum lag length for diagnostic tests. The next level of analysis involved the ARDL model test as prescribed by Pesaran et al. to test and establish whether there is a long and short run relationship of the time series data. The results of the ARDL model bound test for the co-integration shows that where ROE is the dependent variable other variables (Board Composition, Board Size, Board Gender, Bank Size, Non-Performing Loan, capital adequacy ratio, gross domestic product growth) are independent of the. F-statistic values are greater than the upper bound value of 8.27 at 2.5% significant level. However, at 1% significant level, our F-statistic fall in-between the lower and upper bounds. Thus we reject the assumption that there is no co-integration. This invariably implies that at 2.5% significant level, Board Composition, Board Size, Board Gender, Bank Size, Non-Performing Loan, capital adequacy ratio, gross domestic product growth are co-integrated with ROE. Similarly, when we run model 2 with ROE as dependent variable and Board Composition, Board Size, Board Gender, Bank Size, Non-Performing Loan, capital adequacy ratio, gross domestic product growth as independent variable, the F-statistic figures are higher than the upper bound value of 5.61 at 1% significant level. This result is interpreted that, at 1% significance level, the null hypothesis of no co-integration is rejected and it is concluded that there is co-integration relationship between ROE and Independent Directors, Board Size, Board Gender, Bank Size, Non-Performing Loan, capital adequacy ratio, gross domestic product growth. The validity of the above model was tested using the Breusch-Godfrey Serial Correlation LM Test and Breusch-Pagan-Godfrey Heteroskedasticity Test diagnostic Tests. From the two tests, the results of the calculated F-statistic value p-values, we accept the null hypothesis of no serial correlation.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>t-Statistic</th>
<th>Prob.</th>
<th>Variable</th>
<th>Coefficient</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>RODC</td>
<td>0.38261</td>
<td>3.327077</td>
<td>0.004</td>
<td>D(MEI)</td>
<td>0.3908</td>
<td>0.0380</td>
<td>0.043</td>
</tr>
<tr>
<td>RODS</td>
<td>0.18831</td>
<td>3.327077</td>
<td>0.004</td>
<td>D(MEO)</td>
<td>0.2108</td>
<td>0.0901</td>
<td>0.043</td>
</tr>
<tr>
<td>RODI</td>
<td>0.18831</td>
<td>3.327077</td>
<td>0.004</td>
<td>D(MEO)</td>
<td>0.2108</td>
<td>0.0901</td>
<td>0.043</td>
</tr>
<tr>
<td>BANKS</td>
<td>0.227827</td>
<td>3.327077</td>
<td>0.004</td>
<td>D(MEI)</td>
<td>0.3908</td>
<td>0.0380</td>
<td>0.043</td>
</tr>
<tr>
<td>NPL</td>
<td>0.38261</td>
<td>3.327077</td>
<td>0.004</td>
<td>D(MEI)</td>
<td>0.3908</td>
<td>0.0380</td>
<td>0.043</td>
</tr>
<tr>
<td>CAR</td>
<td>0.18831</td>
<td>3.327077</td>
<td>0.004</td>
<td>D(MEO)</td>
<td>0.2108</td>
<td>0.0901</td>
<td>0.043</td>
</tr>
<tr>
<td>GDP</td>
<td>0.18831</td>
<td>3.327077</td>
<td>0.004</td>
<td>D(MEO)</td>
<td>0.2108</td>
<td>0.0901</td>
<td>0.043</td>
</tr>
</tbody>
</table>

After establishing co-integration, the long and short run impact of independent directors, Board Size, Board Gender, Bank Size, Non-Performing Loan, capital adequacy ratio, gross domestic product growth on ROE is explored. The information is presented in table 4. The results show a positive and significant relationship for each of the independent variables on return on equity and this supports existing literature. Invariably, the analysis indicates that independent directors (ratio of non-executive directors) is significantly associated with the performance of banks, which means that an increased in the non-executive directors of a bank will increase its performance. The outcome supports the agency theory, which posits that a board with a high number of outside director results in an effective firm performance. This result is consistent with (Tian, Haleblian, & Rajagopalan, 2011).

The outcome of the hypotheses showed a positive association between independent directors and performance of the bank. The illustration above also shows that bank performance has a significant relationship with the board size. The output also confirms the works of (Belkhir, 2009). Further, the results showed that women directors on board lead to lower bank performance in Ghana. This finding is consistent with the works of (Galal, 2017) in Egypt but it’s in contradiction to the works of SPINA (2014) for banks in Italy. However, the hypothesis H3 cannot be accepted per the findings above which portray an insignificant relationship between female directors and bank performance. There are diverse reasons for the negative relationship for the outcome. A diverse board might have challenges during meetings and decision making. Different view point, varied state of mind and distinctive styles can be a source of worry and ruin cohesion at meetings (Freeman, 2010). Such subtle negative tendencies can greatly impact on the effectiveness of focused group deliberations (Freeman, 2010), Harrison, Price, Gavin, and Florey (2002) acknowledged the cost
associated with analyzing distinctive perspective and identifying contradictions is another challenge with gender diversity. It is noted that the board diversity may expand the likelihood of ambiguities, false impressions, and decision mistakes (Randøy et al., 2006). Further, findings show that the percentage of non-performing loan has a significant negative influence on performance as measured by ROE, which is according to the notion that non-performing loan in the financial sector increases the possibility to lead establishment to difficulty and worse bank performance (Messai and Jouini, 2013). Nonetheless, GDP growth has a significant positive influence on banks financial performance. However, bank size and capital adequacy ratio does not have significant impact on banks financial performance. In sum, the findings indicate that practices of governance in Ghanaian banks are good, including board characteristics (the number of directors, independent directors, and gender of the board). These variables are significantly linked with banks’ performance across financial measures such as Return on Equity.

Conclusion

The principles of agency theory were used as fundamentals of this work. To measure the desired corporate governance characteristics of interest against performance, we used unbalanced pooled of 16 banks in Ghana over a period of fifteen years from 2002-2017 into a panel data. A significant relationship between large board size and the financial performance of banks was realized after the research, again, banks with large board size were deemed to have good monitoring function compared with small board size. Large board of directors was also seen to perform better in terms of accountability as compared with small board size in a Ghana. However, it also came to fore that board diversity in terms of gender had no effect on the performance of banks in Ghana. Therefore, it is recommended that outside directors and large board size should be practiced in Ghana looking at the significant effect it has on the financial performance of banks. Again, other sectors of the Ghanaian economy such as the manufacturing and processing factories, the agricultural industry, the extractive industry as well as the tourism sector and many others were not involved. Though the research had limitations, it’s believed that looking at how the financial sector has become very pivotal to the development of Ghana and Africa as a whole, the positive feedbacks out of this work will be very vital to not only investors but to all players in the financial sector across the world. Future works are encouraged in the limited areas of this work to enhance literature on banks and financial performance. Though there has been an increase in the number of women taking to managerial jobs, the ratio of women directors is very low even in developed economies (Powell, 2018). A census undertaken in 2008 by an Australian firm by name Equal Opportunity for Women in the Workplace in Australia, UK and the USA, showed a percentage of ratio of 10.7 for Australia, 12.2 and 15.4 respectively U.K and USA (Strachan, 2010). Different researchers have diverse opinions on the association between banks competitive performance and gender diversity (Triana, Miller, & Trzebiatowski, 2013). Good cognitive style of women enables them to focus on harmony, and as well as being able to communicate information effectively even in the face of adversity (Banda, 2018).

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CONFLICT OF INTEREST

The authors of this research ardently state that there was no conflict of interest in the study.

ETHICS APPROVAL

The study does not require any human/animal subjects to acquire an ethical approval.

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