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Case study: Application of Corporate Governance Practices in the Banking Sector of the Ghanaian Financial Institutions

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ABSTRACT**:** *Separating the roles and duties of corporate directors, managers, and shareholders is necessary in corporations to reduce the domineering powers of corporate directors and managers over shareholder and to ensure accountability and stewardship. Corporate governance has evolved since the seventeenth and eighteenth centuries with several theories backing its principles and operations. Some of these theories include agency theory, stakeholder theory, and stewardship theory. This paper investigates the mandatory disclosures and risk management compliance of the Ghanaian financial institutions with reference to Company Code, 2019, Act 992, the Banking (Amended) Act, 2007) and Ghana Accounting Standard 27. Emphasis is on adequate disclosure, thus, the extent to which compulsory disclosures requirement of the code is adhered to by the Ghanaian banking institutions in their annual reports. The multiple linear regression model was used to link the disclosure level to the financial (including leverage and profitability) and non-financial (industry, listing status, audit, and firm size) variables. The paper established some intriguing results: The correlation matrix analysis indicates that each independent variable has a different impact on compulsory disclosure. Size and Non-executive directors were positively significant at 0.05 levels whilst the correlation between Return and Audit firm was positively significant at 0.01 levels. On the multiple regression analysis, the adjusted R squared was 0.460; therefore, 46% of the total variation of model could be explained by the linear relationship between the constant and the independent variable. The results, therefore, suggest that the regulator - Bank of Ghana, need to further ensure that adequate disclosure of mandatory information is made available in corporate annual reports for transparency purpose.*

KEY WORD: *Agency Theory, Banking Act, Corporate Governance, Mandatory Disclosure, Multiple Regression, Stakeholder Theory, The Company Code.*

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I. INTRODUCTION

Businesses are now faced with stiff challenges to survive in terms of resources and are expected to fulfil societal expectations of being responsible corporate citizens. Paradoxically, countries and organisations these days are becoming aware that they are all connected through globalisation. However, corruption in the corporate sector with recent events such as the Enron and WorldCom scandals, similar corporate failures especially in the banking sector leading to banking clean ups and other organizations in Ghana have put corporate governance in the front pages of the media.

Academic research surveys and studies predating the Combined Code in the UK in 2003 and Sarbanes-Oxley Act 2002 in the USA, required information disclosures by management of corporation on internal controls and risk management. Benjamin and Stanga (1977) showed that different users of annual reports and financial statement required different information disclosures to enable them to make informed decisions with high precisions. The development of stakeholder theory, transaction cost theory and of course, agency theory requires corporate disclosures of information as the principal means by which companies become transparent and accountable to stakeholders as responsible corporate citizens. Solomon, Solomon and Norton (2000) found that there is a strong need for increased corporate risk disclosures that will help to improve portfolio investment decisions. They also found that very little academics have tested the conceptual framework for risk management disclosures with empirical evidence.

1.1 Background to the Study

Ghana as a developing country in Africa, by the late 1980s to the late 1990s, had experienced substantial losses from several bad loans in their portfolios because of unethical behaviours of managers in the financial services sector. To strengthen the sector, many financial practitioners and stakeholders advocated for the adoption of a more stringent financial tool than existed. The adoption of good corporate governance guidelines for the Ghanaian financial institutions did not come as a surprise but as a fulfilment of the desire to have a formidable and efficient financial system (Adu, Marbuah & Mensah, 2013). Fundamentally, financial institutions must act in a way that promotes 'confidence' to the public and the market in general and, more specifically, to their primary stakeholders. Financial institutions play a crucial role in the flow of capital within the economy and are charged with a special public trust to safeguard customers' wealth. A stable and healthy financial sector is critical to the long-term growth of the economy. Therefore, good corporate governance and supervisory actions complement one another. However, the guidance, inspection and oversight activities of supervisors cannot guarantee, on their own, the prudent operation and financial soundness of a supervised financial institution.

The responsibilities of the Board of Directors and Management of each Financial Institution would include, among other things, approving ethical standards, establishing and maintaining strategic objectives, policies and procedures as well as ensuring that financial institutions comply with statutory and supervisory obligation. Therefore, disclosures of financial institutions will not be effective unless investors and depositors can rely on the credibility of the information disclosed. The most straight forward way to assure that credibility is to mandate disclosure by law and imposes significant penalties on those who publish inaccurate information.

In this context, the unique nature of financial services in developing economies such as Ghana requires a broad view of disclosures, internal control, transparency and risk management as elements of corporate governance, which will benefit shareholders, depositors and other stakeholders. This requires that disclosures and risk management which is necessary to protect all stakeholder groups as well as the overall financial system of the country to be stable, is crucial for sustained economic growth. Weak financial system can destabilise the economy, making it more vulnerable to external shocks, and may threaten the young financial market of Ghana (Ghana Stock Exchange).

1.2 Gap Analysis and Statement of Research Problem

Sound corporate governance practice in national economies is of great concern to Organization for Economic Co-operation and Development (OECD). This led to the revision of corporate governance principles in 2015 and in mid-2021 to be adopted by various national governing bodies (policy makers and regulators) as a tool for effective institutional, legal, and regulatory framework for the corporate governance practice in their listed corporations (Blume & Celik, 2021). Consistent to OECD's good corporate governance principles recommendations, researchers took keen interest to study the extent to which nations adopted and complied with the given principles as a governing tool to protect shareholders' interest. While some studies found somewhat compliance to the principles, others found minimal to no compliance to the principles. However, review of literature revealed that most of the studies conducted failed to disclose specific aspects of the principles that did not receive compliance. Conducting studies that targets specific areas of noncompliance of the corporate governance principles would be helpful to policy makers to make positive strides. Just as other countries, Ghana as a national economy adopts and practices corporate governance principles. Consequently, Ghana established the security exchange (SEC) to oversee the nation's financial sector and dealings. SEC developed financial instruments called the Company Code of 2019, Act 992 which is an amendment of Code 1963, Act 179 and 2004 also called Banking (Amendment) Act, 2007, Act 738. However, this paper remains sceptical about the compliance statuses of the Ghanaian financial institutions to specific components of the Ghana Code: a) mandatory disclosures, accountability, and transparency; b) risk management; and c) capital adequacy.

Financial institutions in a developing economy, such as Ghana, play crucial roles towards their nations' economic and financial wellbeing. King and Levine (1993a &b), and Levine (1997) made intriguing arguments in favour of the existence of financial institutions in developing economies: first, that, financial institutions in developing countries, have an overwhelming dominant position in the country's financial system and stability, and are important engines of economic growth; Secondly, as the financial market is underdeveloped, financial institutions are typically the most important source of finance for firms; Thirdly, as well as providing general acceptance means of payment, they are the main depository for the economy's saving; an fourthly, governments' recent liberalisation of the financial services sector through privatisation. Consequently, this has given the managers of these financial institutions greater freedom in the way, they run their organisations. As identified by Caprio and Levine (2002), this makes it easier for the managers to exploit the private benefit of control, rather than maximise and creating value, which intensifies the agency problem.

Underlying all these issues is a fundamental lack of control and adherence to the rule-based system. Oman and Blume (2005) stated that, "Developing countries face the challenge of transforming political and economic governance arrangement from relationship-based system unto rule-based systems. Many must enhance their ability to address corporate insider abusive use of schemes to expropriate or divert resources from other stakeholders. With enforcement at the heart of the challenge, the appropriate balance between regulatory and voluntary initiatives remains an open question". Therefore, mandatory initiative or disclosure will remain the only option for financial institutions in a developing country such as Ghana because they are supposed to be prudently regulated.

Not astonishingly, few public policy issues have moved from the periphery to the centre as quickly and decisively as corporate governance. Virtually every major industrialised economy and international organisations such as Organisation for Economic Co-operation and Development (OECD) and European Commission (EC) have made efforts to redefine how corporations should be organised and governed. Academics in Law, Accounting and Economics have also intensified their focus and research on corporate governance.

Unfortunately, the researchers have discovered that, though there is some talk about ethics and governance in the financial sector, it is a mere fuss as there is very little literature available dealing with standardisation, regulations and ethical standards in Ghana as compared to more economically advanced economies. Therefore, this research is purported to contribute towards filling the above research gap. More so, this research is aimed at creating awareness about the relevance of critically monitoring compliance with the compulsory disclosure requirements as the source of corporate success and of investor confidence which often end up in failure of the financial institutions in Ghana.

1.3 Research Question

To what extent do Commercial Banks in Ghana comply with the compulsory disclosure requirement by the Bank of Ghana as a regulatory body, to meet stakeholders' expectations?

1.4 Objectives of research

The objective of this research is to explore and evaluate transparency of financial institutions annual reports and financial statements, as an element of good corporate governance in Ghana about the:

- Mandatory disclosures, accountability, and transparency
- Risk management
- Capital Adequacy

This will be based on the Banking Act 2004, the Company Code 2019, Act 992, and The Accounting Standards of Ghana as legal requirements to enhance the performance of the financial services sector. Consequently, the study will examine whether financial institutions in Ghana, adhere to The Banking (Amendment) Act, 2007, Act 738, section 49, "Reporting on Exposure", section 70, "Guidelines on Ghana Accounting Standards and Disclosures in Financial Statement". And as to whether they comply with the Ghana Accounting Standards standard number 27, which is mandatory for financial institution to report on disclosures and risk management in the financial statement and annual reports. Further, the Company Code, 2019, Act 992, sections 123 to 136, specifically requires all companies in Ghana to disclose in their annual reports and financial statements an audit and accounting disclosures, internal controls, and executive remuneration.

II. LITERATURE REVIEW

Corporate governance is an area of public concern that has received widespread investigations by various researchers and academicians across the globe. Corporate governance is a system that provides guidance of how a corporation should be controlled and directed (Mohammad & Sori, 2011). Good corporate governance discloses fairness, disclosure, and transparency principle. Disclosure is a core principle of corporate governance that receives little to no compliance in some financial institutions including those in Ghana. Many researchers and academicians attempted to make meaning of the concept of disclosure as an underlying principle of corporate governance. Kiyanga (2014) defined disclosure as the communication of economic information, whether financial or non-financial, quantitative, or qualitative concerning a firm's financial position and performance. Disclosure is described as mandatory if firms are obliged under a disclosure regulatory regime to disclose information (Rappoport, 2017). Rappoport, (2017) argues that disclosure is the presentation of a minimum amount of information in corporate reports, sufficient to permit a reasonable evaluation of risk management. Indeed, Lang and Lundholm (2000) argues that 'disclosures have long been recognised as the dominant philosophy of most modern systems. But the development of stakeholder and agency theory might change disclosure behaviour and perception in recent years. Solomon et al. (2000) found there is a strong need for increased corporate risk disclosure that will help to improve portfolio investment decisions. They also found that very little academics have tested the conceptual framework for risk disclosure with empirical evidence.

In this study, the disclosure of applicable mandated information is the minimum standard of disclosure that regulatory body like Bank of Ghana (BOG) and other stakeholders expect from financial institutions. Hence BOG's mandatory information expectations. Solomon and Solomon (2004) argue that increased and improved information flow is likely to reduce agency cost as better information flows from the company to the shareholders and other stakeholders, which in turn reduces information asymmetry. Furthermore, Wallace (1988) believes that Shareholders and investors require access to regular, reliable and comparable information in sufficient detail for them to assess the stewardship of management, about the valuation of the company. Insufficient or unclear information may hamper the ability of the market to function which in turn could increase the cost of capital and results in poor allocation of resources.

Risk management is another essential consideration in this paper. According to Oliveira, Marian, Marcelo, and Geisa (2019), the term risk is used in a statistical sense. It refers to any deviation from the expected value, whether positive or negative. For this reason, risk is most quantitatively measured in terms of standard deviation from the expected return. Risk is an inherent reality for all businesses and individuals. As Perez-Cornejo, Esther and Juan (2019) points out, the goal of these various entities is not the minimization of risk, instead, it's the monitoring and management of risk to achieve the best possible balance of risk versus expected return. Risk comes in many different forms. Some risk must be assumed for a business to operate, and others can be diversified away. Oliveira, et al. (2019) argue that the concept of risk stems from the inability to see into the future because of any investment decisions taken by management of companies. Further, Bernstein (2001) defined risk as; 'Risk in our world is nothing more than uncertainty about the decision that other human beings are going to make and how we can best respond to those decision'. This definition by Rehman and Mohammad (2019) seems useful, since it contains the notion that it is possible to influence outcomes as a response to unforeseen effects; that is, it is important to manage and control risk, since it is impossible to opt out. Sax and his colleagues (2015) argue that businesses must always have some form of systems to deal with risk management and control. But the systems are fragmented and scattered across every business. Therefore, the discipline of risk management is concerned with the monitoring and assessment of risk. As financial institutions face greater risks will have to concentrate on measuring and managing risk and make sure that risk information needs is communicated to the outside world.

2.1 Corporate Governance Theories.

Admittedly certain behavioural theories exist to compliment the principles and working of corporate governance. Agency theory, stakeholder theory, signalling theory, and legitimacy theory will be discussed in the sections that follows:

Agency Theory: Agency theory is intended to draw a line between interests and responsibilities of managers and directors as agents on one hand, and corporation or shareholders as principals on the other hand. The usefulness of agency theory is enormous. Solomon and Solomon (2004), for instance, argue that, from an agency theory perspective the existence of information asymmetry results in managers being far more knowledgeable about the company's activities and financial situation than shareholders and potential investors. This applies equally to stakeholder theory, as inadequate information places all stakeholders, not just shareholders, at a disadvantage. Without a structured legal system of mandatory disclosure, and in particular financial reporting, it will be very difficult for shareholders to obtain appropriate and reliable information on their investment. Such information asymmetry leads to moral hazard and adverse selection problems. However, according to Ibrahim (2014), information disclosure does not lead to minimisation of cost of capital. If an announcement is interpreted differently by different market participants, then there is a possibility that information asymmetry will increase. The argument that the reduction of information asymmetry reduces cost of capital was extended to the cost of loan capital. Madi, Ishak and Manaf (2014) found that more information from the borrower reduces uncertainty in the risk estimates of the lender and ultimately lowers the cost of debts. And since financial institutions business is financial intermediation, they will need increased information about their clients and will also have to increase the disclosure of information about their operations for stakeholders.

Additionally, Andon, Baxter, and Chua (2015) highlight the importance of financial reporting as a means of reducing information asymmetry. They used the agency theory approach of Jensen and Meckling (1976), which indicated that accounting plays a contracting role, as accounting is used in the nexus of contracts aimed at monitoring managers. Armstrong, Guay and Weber (2010) believe that inefficiencies in the market for information have resulted in the need for mandatory disclosure by companies. For one reason in the literature for mandatory disclosure regulation is that accounting information may be regarded as a public good, because existing shareholders implicitly pay for its production but no means of exacting a share of this payment from new shareholders.

Stakeholder Theory: The stakeholder theory holds the view that a corporation is not only influenced by its managers and directors, but is also influenced by other stakeholders. The theory provides guidelines for managers and directors as internal stakeholders to hold a dual-responsibility of meeting shareholders' interests while fulfilling the corporation's social responsibilities. Corporate social responsibility (CSR) of a corporation may include resolving conflicts between individuals and institutions (called external stakeholders) that have a stake in the success and survival of the organization, as well as promoting their basic interests (Gordon, 2021).

***Signalling Theory**:* Signalling theory emphasises information access disparities between two parties in an institution. To improve an organization's health, the theory advocates for an honest conveyance of vital information from the agent to the principal. The existence of information asymmetries in corporations is a central issue in the relationship to owners and managers. Signalling theory can be considered in the context of information disclosures. When companies communicate fairly and clearly, reputations are enhanced leading to enhanced future performance. Unfortunately, perfect information is rare, especially in the context of agency theory with managers placing their interests higher than shareholders. Aryati and Wibowo (2017) also argue that companies, in an attempt to avoid political cost, not only manage accounting numbers but other disclosures as well. They might, for instance, choose to signal to the market that they employ superior risk management system to avoid stricter regulation by extending their relative disclosures.

***Legitimacy Theory**:* Within the context of organisational interaction with society, Legitimacy Theory does emerge, asserting 'organisation continually seek to ensure that they operate within the bounds and norms of their respective societies, that is, they attempt to ensure that their activities are perceived by outside parties as being 'legitimate' (Deegan, Ranking, & Tobin, 2002). Clarke and Gibson-Sweet (1999) postulates that Corporate Disclosure Policies are better described as ongoing means of reinforcing corporate legitimacy. They showed empirically that managers of bigger companies and firms in sectors with a high public presence were additionally inclined to use their annual reports to capitalise on their investment in the community by making more disclosures. Consistent with this, Toms (2000) empirically found that the larger the organisational size and the more controversial the sector in which the organisation operates, the higher the quality of information disclosed. Therefore, Legitimacy Theory provides the theoretical basis for understanding how and why management teams might use externally focussed disclosure reports to enhance a company reputation and manage risk. There appears to be very strong inextricably linked relationship between the notions of 'legitimacy', 'social contract' and 'corporate disclosure policies. The concept embedded in legitimacy Theory may be deemed to provide researchers with an invaluable tool that can be used to explain and comprehend corporate disclosure policies.

However, Gray (2002) argues that, whilst the key themes of the theory may provide useful insights, it can still be considered to be an under-developed theory. And there are many 'gaps' in academic literature and research which embrace the fundamental themes of legitimacy theory. Therefore, the conceptual framework may be deemed to be a potentially rich, but a scarcely completed intellectual project. The field is an exciting and rapidly developing area in financial accounting research related to corporate social reporting.

Based on reviewed literature of prior empirical research above, corporate disclosure reporting procedure suggests that several variables are capable of influencing transparency on mandatory disclosure requirements. The selection of variables for the study was based on the following hypothetical considerations: i) That the variable would likely be associated with mandatory disclosure either on a prior assumption or on theoretical consideration; ii) that the variable would be measured with ease for the purpose of statistical analysis; and iii) that the variable would be relevant to the development of the financial sector, thus, the socio-economic development of Ghana. Six independent variables were developed in the hypotheses.

III. RESEARCH METHODOLOGY

The sample population of the study was drawn from the entire banking sector registered under the Bank of Ghana (BOG). For purpose of data analysis, a sample of 21 available annual reports was drawn from various financial institutions spanning 2006 to 2013 accounting and financial years. Selection of dependent and independent variables was consistent with existing literature recommendations. A body of literature from research experts, for instance, suggests the use of less independent variable as possible. Though, excessive use of independent variables improves mathematical results, it invariably makes it more difficult to draw useful conclusions. Based on reviewed literature of prior empirical research above, corporate disclosure reporting procedure suggests that several variables are capable of influencing transparency on mandatory disclosure requirements. The selection of variables for the study was based on the following hypothetical considerations: i) That the variable would likely be associated with mandatory disclosure either on a prior assumption or on theoretical consideration; ii) that the variable would be measured with ease for the purpose of statistical

analysis; and iii) that the variable would be relevant to the development of the financial sector, thus, the socio-economic development of Ghana. Six independent variables were developed in the hypotheses. The selected variables include Size, Gearing, Return, Non-executive ratio, Audit firm and Audit committee.

The regression technique of data analysis was employed in this study. Previous studies used least squares method as explained by Johnson and Bhattacharyya (2001). The SPSS software was used to calculate the regression. This approach made entering and calculation of all predictor variables more feasible and simultaneously. The selection of variables, therefore, was firmly based on literature. Adequate disclosure is, operationalized as the number of mandated applicable information items. The banks in their decisions to disclose information and the degree by which they disclose that information in their annual reports, therefore, relate to risk management. This information cannot be measured directly.

3.1 Data Analysis and Discussion

In this section, tables and figures are employed to assist in the analysis and interpretation of test results. As this study investigates the extent to which transparency, mandatory, disclosure and risk management of financial institutions in Ghana are adhered to, statistical techniques of correlation and regression were utilised to identify significance. It's of great importance to determine the correlation between the index (dependent variable) and the independent Variables.

For the purpose of analysis, the statistical table 1 is used as a summary of study with the variables and their definition, while Table 2 contains descriptive statistics that have been examined using standard deviations to identify measure of dispersion or which do not indicate large spread in all the variables. The spread of the index standard deviation is 0.32715, the second smallest in the model.

Table 1. Summary of Variables Definition

VARIABLE	DEFINITION
Mandatory Index (Dependent)	Actual Disclosure/Expected Disclosure (35), Using Ordinal variable but treated as continuous (Field, 2000)
Size (Independent Variable)	Ratio of Total Assets Minus Current Liabilities Published in the Balance Sheet according to ICA (Ghana) standard in the Population
Leverage/Gearing (Independent Variable)	Ratio of Creditors over one year/Shareholders Fund Published in the balance sheet according to ICA Ghana Standards in the Population
Return (Independent Variable)	Ratio of Net profit before interest and tax/ capital employed published in the balance sheet in the population
Non-Executive Directors (Independent Variable)	Ratio of Non-executive Directors to the total number of Directors on the Board
Audit Committee (Independent Variable)	Ratio of Financial Experts on the Audit committee to the number of members of the committee
Audit Firm (Independent Variable)	Ratio of international Audit firm/ Local Audit firms in the Population

Table 2 contains the mean and standard deviations of the variables measured. As seen below, gearing, capital employed, non-executive directors, and Audit firm are statistically significant at 0.01 while return is statistically significant at 0.05. Following is a correlation matrix in table 3 with the correlation outcomes of the variables.

Table 2. Descriptive Statistics

	Mean	Std. Deviation
Index	0.8800	0.32715
Size	0.6133	0.49027
Gearing	0.8133	0.39227
Return	0.8533	0.35616
Non-Executive Directors	0.8133	0.39227
Audit Committee	0.4533	0.50117
Audit Firm	0.8133	0.39227

Furthermore, table 3 below shows the correlation matrix or Pearson correlation coefficient as a statistical device for the purpose of measuring the strength, or degree of a supposed linear association between two variables, each of which has been measured on a scale. The Pearson correlation as defined, can take values only within the range from -1 to +1, inclusive. The larger the absolute value (i.e., ignoring the sign), the narrower the ellipse, and the closer to the regression line the points in the scatter plot will fall. A perfect correlation arises when the values of one variable are exactly predictable from those of the other and the Pearson correlation with a value of + or – 1, in which case all the points in the scatter plot lie on the regression line as indicated in the table. The narrower the elliptical cloud of points, the stronger the association and the greater the absolute value of the Pearson correlation. When there is no association whatever between two variables, their scatter plot will be roughly circular cloud, in which case the correlation will be about zero.

Table 3. Correlation Matrix

Model	Index	Size	Gearing	Return	Non-Executive Directors	Audit Committee	Audit Firm
Index	1.000						
Size	0.265*	1.000					
Gearing	0.034	-0.174	1.000				
Return	0.385**	0.058	0.092	1.000			
Non-Executive Directors	0.285*	0.041	0.210	0.666**	1.000		
Audit Committee	0.171	0.448**	0.024	0.226	0.230*	1.000	
Audit Firm	0.473**	0.111	0.210	0.865**	0.139	0.161	1.000

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

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

A multiple regression model was applied with ranked data, following Lang and Lundholm, (1993)'s model. The model as rank regression treats all disclosure equally important in the data of mandatory disclosure, and that there is uncertainty over the nature of the relationship. Data was transformed, both dependent and independent variables into ranks before applying the regression. The regression was run with the independent variables, while the dependent variable remained constant of the model.

Table 4 below indicates the regression coefficient. From statistical viewpoint, both dependent and independent variables would have a strong positive linear correlation, if R is close to + 1 and a strong negative correlation, if R is close to – 1. From table 5, the value R = 0.710 indicates a strong correlation between the dependent variable (index) to all the independent variables. The coefficient of determination of R square, is useful because it gives the proportion of the variance (fluctuation) of one variable that is predictable from the other variables. It is a measure that allows the writer to determine how certain one can be in making prediction from the model below as it is the ratio of the explained variation to the total variation. The R square represents the percentage of the data closest to the line of best fit and a measure of how well the regression line represents the data. The closer R square is to 1, the better the fit of the least squares line to the actual data. Based on this, the value of R square = 0.504 in the model means that 50.4% of the total variation in the constant variable can be explained by the linear relationship between the constant and the independent variable as described by the regression equation above. The adjusted R square takes the size of the sample into effect, which gives estimation of how well the model would fit another set of data from the sample. Since the value of the adjusted R square is = 0.460 in the model, given that if other sample units were drawn the model would explain 46% of variance of the constant variable (dependent).

The analysis of variance (ANOVA) is to test the model hypothesis that variation in the response to the constant variable can be partitioned into different levels of any single independent variable. Since the independent variables are continuous, then the analysis of variance is equivalent to a linear regression, which tests for a significant slope in the best fit line describing change of the constant (dependent) with the independent Variable. More precisely, the significance level of a test is the maximum probability of accidentally rejecting a true null hypothesis (a decision known as a Type 1 error), and this is the indication of the results on the model of 0.000 significance from the table, of not finding an effect in the sample, due to the small sample size. The significance of a result is also called its p=value; the smaller the p=value, the more significant the result is said to be. A critical value p =0.05 is generally taken as marking an acceptable boundary of significance by most researchers. If the significance level is smaller, a value will be less likely to be more extreme than the critical value. So, a result which is significant at the 1% level is more significant than a result which is significant at the 5% level. Therefore, the results of p = 0.000 is more significant since it is close to 0.01. However, a test at the 1% level is more likely to have a Type 2 error than a test at the 5% level and so will have less statistical power. In other words, between the risk of Type 1 and Type 2 errors, it is important to note that Type 1 error is not necessary any worse than a Type 2 error and vice versa. The severity of an error depends on each individual case. If the alternative hypothesis is in fact true, then a sufficiently large sample size is likely to give a highly significant result, even if the difference between the null hypothesis and the research hypothesis is very small. The statistical significance of a result is therefore not an indication of how substantial or important the difference is.

Furthermore, analysis of variance reveals the significance of the hypothesis that constant variable, depends on the independent variable. It comprises the ratio of mean-square, which is regression and residual (error). The mean-square, is the average sum of squares divided by the appropriate degrees of freedom. The F-ratio tells us precisely how much more of the variation in the Constant is explain by the independent variables than is due to random or unexplained variation. The *F*-ratio value = 11.525 in the table and the observed significant level is less than 0.05. Therefore, since the probability associated with the *F* statistic is small, the hypothesis that R squared = 0 is rejected

Since all independent variables influence the outcome in various strengths, the goal of statistical analysis is to test a hypothesis. In a T-test analysis, an assumption is made on the normal and continuous distribution of values in the sample to evaluate the difference in the variance. Our experience using T-test indicates that the instrument seemed robust in coping with some degree of compliance given that the assumptions of the variables were not met. Therefore, it is assumed that the assumptions of the variables were met and for the purpose of this study the t-test value will be used in analysing the results. Beta in statistical analysis gives the strength and direction of correlation of independent variable and the outcome in absolute terms. Beta shows the change in the independent variable value for a change in standard deviation in the respective independent variable, if all the independent variables are held constant. The t-test is calculated as Beta divided by the standard error, which gives the measure of contribution of the variable. Previous research studies such as Field (2000) suggest the use of Beta since it gives information on the strength and direction of correlation at the same time. But further, argued that the results remain the same irrespective of the variable used.

Using the T-Test in analysing the results and significance, it's found that, size is positively correlated with information disclosures. Therefore, larger financial institutions, as hypothesized in this study, are disclosing much information. Firth (1979); Wallace (1988) and Owusu-Ansah (1998) who found size to be positively correlated with disclosures. The size-disclosure relationship is empirically the most robust, because Patten (2002) also found a positive relationship in their studies. This result can be claimed in support of political cost theory (Positive Accounting Theory) and legitimacy theory which have the ability to pose threats to larger financial institutions politically and legally, since their high visibility could potentially lead to more litigations and governmental interventions. In the 2001 fiscal year budget televised review, the government of Ghana's budget statement introduced, in addition to corporate tax, a reconstruction levy of 7.5% on Ghanaian financial institutions' profits. This confirms Patten (2002)'s view, that these results support the legitimacy theory where a firm must satisfy an implied contract with the society it operates in.

Despite, previous empirical studies provided otherwise contradictory outcome on gearing, its test outcome in this study proved insignificantly, negative correlation, and thus tends to increase agency cost of monitoring by the regulator. As the gearing component of financial institutions grow, agency theory predicts that the level of disclosure would increase to avoid agency cost of monitoring. Based on finance theory, Sudarsanam (1995) argued that, there's a transfer of wealth from owners of a firm to lenders. Therefore, the risks of high geared financial institutions obviously become financial in nature, since interest would have to be paid on secured loans irrespective of whether or not profits are made. This calls for information disclosure to owners and all stakeholders involved, especially the regulator. Also, signalling theory would provide signal to stakeholders, the financial structure of institutions, which would in turn, inform the regulator to correctly evaluate their risk exposures. This is consistent to McKinnon and Dalimunthe (1993), and Meek, Roberts, and Gray, (1995) whose studies found no correlation between gearing and information disclosure in the countries they researched. However, Hossain, Perera, and Rahman (1995), Brennan and Houigan (2000) and Etteredge et al (2002) found positive relationship between gearing and disclosure in their studies.

As agency theory suggests, managers of firms with higher returns potentials, as a measure of performance, are motivated to disclose more information. The results of return, in this study, did not have significant relationship with information disclosure. This invariably, means disclosure of information is not significantly increasing with increase in return. Though this finding is at variance with some previous studies, our finding is in harmony with Aerni (1999). Aerni argued that, profit or return is usually earned by accepting risk, and not through information disclosures. Admittedly, the insignificant correlation between returns and information disclosures as found in this study turned out to be a surprise to the researchers since financial institutions in Ghana disclose huge profits in their annual reports and financial statement. As our literature reviewed above indicates, a high profitability or return significant relationship with the level of disclosure was interpreted as supporting signalling theory. Thus, it's possible that, there exist a marginal indication of the effect of signalling for disclosure with financial institutions in Ghana.

Audit firm and information disclosure relationship was another interesting finding in this study. Information disclosure as independent variable is found to be positively correlated with audit firm. This finding is in conformance with prior empirical studies (not reported in this study). Inchausti (1997) argued that international audit firms will protect their reputation by encouraging their clients to disclosure much information. Generally, audit firms obviously do influence significant amount of information disclosure in annual reports and financial statements to enhance their reputations and to comply with mandatory regulations. Although, it might be outside the mandate of the audit firm, since section 74 of the Banking (Amendment) Act, 2007, Act 738 and section 270 of the Company Code 2019, Act 992 do not specify as to what auditors should require financial institutions to disclose in respect of risk control and management. Nevertheless, some degree of influence can be exercised by the audit firm in this disclosure. However, Firth (1979), Raffournier (1995) and Wallace, Naser, and Mora, (1994) reported no association between audit firms' reputation and the quality of compliance to financial disclosure requirement in their studies.

The next variable measured in this study was audit committee size and disclosure relationship. The result yielded negative correlation between committee size and disclosure. In Ghana, audit committee size is not legally mandated by the Banking (Amendment) Act, 2007, Act 738 and the company Code 2019, Act 992. However, corporate governance requirement under the Securities and Exchange Commission - Ghana, Governance Manual (which is not mandatory), provides financial institutions a wide discretion as to whether to have the audit committee and their mandate. Though, the corporate governance manual, as best practice, encourages companies to have audit committee. Therefore, the Securities and Exchange Commission-Ghana could be far from wrong in recognising the importance of audit committee in the corporate governance manual, as long as no empirical research on both variables exist in Ghana.

Non-executive directors are perceived to be playing a monitoring role on the executive directors of the board. This is mandated by the Company Code, 2019, Act 992. Byrd and Hickman (1992) provided empirical evidence in their study, showing that boards with significant independent non-executive directors benefit shareholders. The ratio of non-executive directors in this study was found to be positively correlated with information disclosure, confirming Byrd and Hickman (1992) study. The existence of non-executive directors tends to increase corporate control activity and reduce the risk of abuse of executive position.

Regression Coefficients: Table 5 displays the results of the regression coefficients for the purpose of analysis. Analysis and discussion of the outcome of this test have been done in previous sections of this study.

Table 4. Regression Coefficients

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
Model	Variable					
1	(Constant)	0.528	0.112		4.699	0.000
	Size	0.000	0.000	0.317	2.503	0.017
	Gearing	-0.072	0.077	-0.086	-0.940	0.350
	Return	0.161	0.176	0.175	0.915	0.363
	Non-Executive Directors	0.670	0.088	0.803	7.604	0.000
	Audit Committee	0.028	0.068	0.043	0.416	0.679
	Audit Firm	0.000	0.000	0.310	2.426	0.020
	R	0.710				
	R Square	0.504				
	Adjusted R Square	0.460				
	Standard Error of Estimation	0.24030				
	F	11.525				
	Sig.	0.000				

IV. CONCLUSION

The mandatory disclosure and transparency as a principle of corporate governance as required by Ghanaian financial institutions was thoroughly examined in this paper. The investigation brought to light varying discoveries that were either surprising or expected by the researchers. Typically surprising was the uncorrelated relationship between corporate returns and information disclosures. However, other outcomes of the investigation became somewhat expected.

The correlation matrix analysis indicated that each independent variable has a different impact on mandatory disclosure. Size and Non-executive directors were positively significant at 0.05 levels. Return and Audit firm was positively significant at 0.01 levels. On the multiple regression analysis, the adjusted R squared was 0.460; therefore, 46% of the total variation of model could be explained by the linear relationship between the constant and the independent variable. The results suggest that the regulator (Bank of Ghana) should further encourage and ensure adequate disclosure of mandatory information in corporate annual reports.

Legal requirements concerning accounting and auditing in Ghana have establish rules of disclosure and financial reporting. However, to some extent, corporate cultures cannot be legislated. Reforming corporate culture requires strong corporate governance in sending persistent message to both directors and auditors about the need to realise that their roles have changed in the monitoring of their corporate conduct. Corporate boards and managers of financial institutions need to shoulder their responsibilities. The surprises that typically occur at the collapse of financial institutions are due to the nature of risk exposures and the quality of risk management practice. In addition to applying sound accounting treatments, managers must ensure that public disclosure clearly identify all significant risk exposures, whether on or off the balance sheet and their effects on the financial condition and performance.

4.1 Policy Implication

The purpose and outcome of this study invariably have policy implications. The growing size and complexity of small financial institutions into complex ones means that appropriate structures and control mechanism such as strong internal reporting and communication system, is needed for effective disclosure of information without any extra cost. The external audit, by independent international audit firms, having a significant relationship, requires investors to rely on their certification of annual reports and financial statement since their reputation would be at stake when a misstatement is later on reported. Another area that draws policy makers' decisions is that the oversight function of the independent non-executive directors directly supports the effective supervision of the regulator since they act as monitors on management and performs an important corporate governance function. In Ghana, the Securities and Exchange Commission's corporate governance manual emphasises as best practice, the need for each company to have at least three quarters of the board members being independent non-executive directors. Therefore, the Company Code, 1963, Act 179 and the corporate governance manual have recognised the importance of non-executive directors' role in promoting and ensuring transparency of companies in Ghana. Impliedly, effective supervision and regulation for a stable and healthy financial sector which is critical for the long-term growth of the economy is needed. This further enhances investor and depositor confidence that their investment and savings are secured. Additionally, this policy has the tendency of increasing the much-needed foreign direct investment in the country.

4.2 Limitations

Of course, the researchers of this study took a fractional investigation of some principles of corporate governance in Ghana. In fact, the 20 principles of corporate governance as developed by OCED could not be investigated concurrently without incurring heavy cost. To save cost and time, researchers of this study limited themselves to investigating corporate information disclosures and transparency principle as an independent variable.

Other qualitative and statistical factors also hindered our ability to strongly support our findings for generalization purpose. Firstly, the subjectivity problem in scoring the disclosure in the annual reports of financial institutions may not be completely eradicated, because of unavoidable subjectivity in the process of one person scoring the data and the sample from one sector of the economy. Secondly, the results of this research are time-specific, which is a general limitation in disclosure studies when there are other factors strong enough to change disclosure over time. Thirdly, the mandated disclosure information item that was disclosed was assigned one mark and zero for non-disclosure. Thus, each disclosure item was assumed to have the same information content. But some information items may have higher value to users of annual reports than others; therefore, the items should have been weighted to reflect their relative importance. Fourth, regression analysis does not resolve issues of causality. Consequently, it may be that the sample data violated the parametric assumption of linearity which could adversely influence the outcome.

4.3 Recommendations

It's the hope of the researchers that future studies would include more independent variables in order to have a broader perspective. A repetitive study could be conducted by employing different statistical tools and approach. As stated above, the subjectivity based-scoring of disclosures in the annual reports of the selected financial institutions deserves a second look. A multiple investigation may confirm or negate our findings. Furthermore, assigning higher values for non-disclosure item other than one (1) and zero (0) as happened in our study, may yield different outcome.

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