

**AKENTEN APPIAH-MENKA UNIVERSITY OF SKILLS TRAINING
AND ENTREPRENEURIAL DEVELOPMENT**

**CORPORATE GOVERNANCE AND FINANCIAL DISTRESS AMONG
UNIVERSAL BANKS IN GHANA.**

OWUSU OKYERE EMMANUEL

MASTER OF PHILOSOPHY (ACCOUNTING)

2023

**AKENTEN APPIAH-MENKA UNIVERSITY OF SKILLS TRAINING
AND ENTREPRENEURIAL DEVELOPMENT**

**CORPORATE GOVERNANCE AND FINANCIAL DISTRESS AMONG
UNIVERSAL BANKS IN GHANA.**

OWUSU OKYERE EMMANUEL

(8211360006)

**A Thesis in the Department of Accounting Studies Education, submitted to the
School of Graduate Studies in partial fulfillment of the requirements for the
award of the Degree of Master of Philosophy (Accounting)
in the Akenten Appiah-Menka University of Skills Training and
Entrepreneurial Development**

SEPTEMBER, 2023

DECLARATION

STUDENT'S DECLARATION

I, **OWUSU OKYERE EMMANUEL**, hereby declare that except for references made to other people's work and quotations which I duly acknowledged and cited, this Thesis is the result of my own research and that no part of it has neither been presented in part nor whole elsewhere for another degree.

SIGNATURE:

DATE:

SUPERVISOR'S DECLARATION

I hereby declare that the preparation of this work was supervised in accordance with the guidelines on supervision of Thesis laid down by the Akenten Appiah-Menka University of Skills Training and Entrepreneurial Development.

DR. JOSEPH ANTWI BAAFI

SIGNATURE:

DATE:

DEDICATION

The work is dedicated to the Almighty God for the guidance and protection given me, then to my able supervisor, Dr. Joseph Antwi Baafi, my mother, Mad. Georgina Agyekumwaa, and all my siblings, Collins Owusu Poku, Richard Owusu Yeboah, Helen Owusu Serwaa, Lucy Owusu Tima and Edwin Adu Appiah Jnr.

ACKNOWLEDGEMENT

My sincere gratitude goes to the Almighty God for seeing me through the entire program years. I also wish to place on record my profound gratitude to my supervisor, Dr. Joseph Antwi Baafi for his painstaking effort in reading through, editing, suggestions and selfless dedication in spite of his numerous duties, guided me to come out successfully with this work. My profound gratitude also goes to all friends and love ones for their contribution towards this work.

TABLE OF CONTENTS

CONTENT	PAGE
DECLARATION	iii
DEDICATION	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS.....	vi
LIST OF TABLES	ix
LIST OF FIGURES	x
ABSTRACT.....	xi
CHAPTER ONE: INTRODUCTION.....	1
1.1 Introduction.....	1
1.2 Background of the Study	1
1.3 Statement of the Problem.....	6
1.4 Purpose of the Study	9
1.5 Objectives of the Study.....	9
1.6 Research Questions	10
1.7 Significance of the Study	10
1.8 Limitations of the Study.....	11
1.9 Delimitations.....	11
1.10 Organization of the Study	12
CHAPTER TWO: LITERATURE REVIEW.....	13
2.1 Introduction.....	13
2.2 Concept Review	13
2.2.1 Corporate Governance	13

2.2.2 Financial distress.....	21
2.3 Theoretical Review	23
2.3.1 The agency theory.....	23
2.3.2 The stewardship theory	29
2.4 Empirical Review.....	36
2.5 Industry Review	43
2.6 Conceptual Framework.....	44
CHAPTER THREE: METHODOLOGY	47
3.1 Introduction.....	47
3.2 Research Design.....	47
3.3 Population and Sampling	48
3.4 Data Collection	48
3.5 Data Analysis and Presentation	49
3.5.1 Model Specification.....	49
CHAPTER FOUR: RESULTS OF THE STUDY	54
4.I Introduction	54
4.2 Results and Findings of the Study	54
4.2.1 The risk of Financial Distress against the strength of Corporate Governance ...	54
4.2.2 The relationship between Micro factors and Financial Distress given the strength of Corporate Governance.....	57
4.2.3 The effect of Corporate Governance on Financial Distress.....	62

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION	63
5.1 Introduction.....	63
5.2 Summary	63
5.3 Conclusion	65
5.4 Implications of the Study to Researcher/Scholars	65
5.5 Implications of the Study to Managers, Practitioners, Professionals and Policy Makers.....	66
5.6 Suggestions for Further Research	67
REFERENCES.....	68

LIST OF TABLES

Table 1: Conditional Expectation, Treatment and Heterogeneity Effects (Counterfactual Analysis)	52
Table 2: Variable Description	53
Table 3: Summary statistics for the Corporate Governance Variables	54
Table 4: Summary statistics for dependent and independent variables in the Strong Corporate Governance Group	55
Table 5: Summary statistics for Dependent and Independent Variables for the Weak Corporate Governance Group	56
Table 6: Correlations Matrix for all Variables in the Strong Corporate Governance Group	57
Table 7: Correlations Matrix for all Variables in the Weak Corporate Governance Group	58
Table 8: Random Effects-Generalized Least Square Regression Results for the Strong Corporate Governance Sample	59
Table 9: Random Effects-Generalized Least Square Regression Results for Weak Corporate Governance Sample	60
Table 10: Effect of Corporate Governance on Financial Distress (Counterfactual Analysis)	62

LIST OF FIGURES

Figure 1: Conceptual Framework	44
--------------------------------------	----

ABSTRACT

The corporate world have been hit by or experienced a series of financial crisis across the globe in all spheres of economic endeavors which have over the years abruptly ended the lives of many corporate bodies which hitherto appeared with great potentials. The Ghanaian banking sector has not been spared of such a cancerous phenomenon, with the recent one causing the collapse of a number of banks, some of which appeared among the parents in the industry. Nonetheless, banks are predisposed banks are predisposed the risk of financial distress owing to the nature of their activities. This has necessitated the need to continually consider possible means of mitigation and hence the look into corporate governance and financial distress. This study adopts an approach that allows for a comprehensive view of the relationship between corporate governance and financial distress, that is the use of an endogenous switching regression model approach which provides a basis for a more comprehensive and a better look at relationships compared to the traditional logistics model, employed in previous studies that looked at the relationship between corporate governance and financial distress. The study revealed that, firms with strong corporate governance have less probability of financial distress whiles firms with weak corporate governance are more probable to financial distress. Also, employing an unbalanced panel data with random effects generalized least squares regression, the study revealed that, Profitability, Liquidity and Overly Aggressive Activity were crucial determinants of Financial Distress among Ghanaian universal banks. Moreover, a counterfactual analysis employed by the study to measure the marginal effect of Corporate Governance on financial distress revealed a positive transitional heterogeneity, indicating that, there is an effect of improved corporate governance on financial distress.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This study is to examine the strengths of corporate governance practices and their relationship with financial distress among Universal banks in Ghana. The chapter highlights the background of the study, statement of the problem, purpose and objectives of the study, research questions, significance of the study, limitations of the study, delimitations and organization of the study.

1.1 Background of the Study

The Organization of Economic Corporation and Development (OECD) defines Corporate governance as “involving a set of relationships between a company’s management, its board, its shareholders and other stakeholders. The purpose of corporate governance is to help build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies. Corporate governance in achieving its purpose provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders and should facilitate effective monitoring, thereby encouraging firms to use resources more efficiently”, (OECD, 2010). Cadbury Committee (1992) defines Corporate Governance as “mechanisms put in place to protect stakeholders’ interests while Campbell (2007) sees it as functions, structure and role board of directors play in organizing companies to achieve a stated

goal". The board's responsibilities include overseeing the company's operations, and also see to it that all applicable legislations are diligently adhered to by the company, as well as ensuring that the best interest of owners are represented. Through its actions and decisions, the board helps shape the company's direction and performance, making it a key component of effective corporate governance. (Krechovska & Prochazkova, 2014).

In contemporary times, there has been a notable apprehension among capital markets, financial statement users, and accounting practitioners regarding the inability of companies to meet their obligations, along with deficiencies in their corporate governance frameworks. This heightened concern is attributed to the pivotal role of robust corporate governance practices, which contributes crucially to ensure transparency and steadfastness of reporting activities. Notably, when investor trust is effectively cultivated, it facilitates an environment where companies can secure external financing at more favorable terms, as posited by Fama and Jensen (1983), Lipman (2007). It is imperative for investors to remain cognizant of the influence exerted by an entity's governance structure and ownership attributes on its operational results. Also, it is essential to consider the disparities in both economic and non-economic social factors across countries, as these factors are likely to affect significantly the performance of an entity. Again, with strong Corporate Governance practices, optimal business practices is harnessed to keep related future risks in moderation and improve firm value. That is, the entity's activities are kept in check to ensure they match with standard of practices that helps in risk mitigation.

Not only does Corporate Governance enhance the value of financial statement through improving financial reporting quality to create the edge for accessing finance externally at lower cost as evident empirically. Corporate governance variables have imperative implications on firm performance (Sarpong-Danquah, Gyimah, Afriyie & Asiamah, 2018). That is, a firm's direction is affected by management decisions.

Corporate governance in the corporate world endeavors to improve firm performance and hence firm value from empirical studies has transcended to unveiling the potential of earnings management in improving firm performance under a robust corporate governance structure (Tang & Chang, 2015).

Indeed, the shocking failures and scandals involving major corporations like Enron, WorldCom, Lehman Brothers, and others had a profound impact on the global business landscape. These corporate collapses exposed significant issues related to the governance systems of a corporate entities, transparency, and adherence to ethical standards within the ambit of the entity. The fallout from these failures affected not only the companies themselves but also investors, employees, and economies at large. In the wake of these corporate scandals, there was a heightened awareness which necessitated instituting and maintaining a governance structure for a corporate entity that ensures the accountability of management, protect shareholders' interests, and maintain the integrity of financial markets. Governments and regulatory bodies in many countries responded by implementing reforms and regulations aimed at enhancing corporate governance standards and transparency.

Acknowledging the negative connection that relates corporate performance and financial distress (Wang & Deng, 2006; Abdullah, 2006), and also following (Black, Love & Rachinsky, 2006) of their assertion that, corporate governance has the

tendency to affect significantly firm performance, a couple of empirical studies over time have been raptly attentive to the assessment of whether the state of a firm's corporate governance have the tenacity to influence a firm's financial health.

The condition where a firm's financial health degrades to a degree where it becomes incapable of fulfilling its financial commitments is commonly referred to as financial distress as asserted by Baldwin & Scott (1983). Key terms used to characterize financial distress include bankruptcy, insolvency, and failure, as outlined by Maina & Sakwa (2012). Notably, the decisions made by managerial personnel hold a substantial influence on a firm's financial well-being, and inappropriate financial choices can have a profound and adverse impact on a company's operations. The severity of financial distress escalates when a company cannot muster sufficient resources to meet its obligations in a timely manner, potentially leading to total bankruptcy or liquidation due to inadequate assistance in settling its liabilities.

Typically, the initial indicators of financial distress encompass inability of a corporate body to honor its part of a debt agreement, accompanied by owners conceding to sacrificing all or part of dividend receivable. Whitaker (1999) characterizes the onset of financial distress as the start point of a company's cash flows falling below the quantum of its matured long-term debts. This implies that a primary indicator of a financially distressed firm is when the firm lacks the capacity to honor its obligations relating to contractual debts. Nonetheless, Financial distress is not only associated with firms that are incapable of honoring their debt obligations, but an incubation of economic setbacks, and recessions in performance which results from poor management as articulated by Wruck (1990). As asserted by Reinhart & Rogoff

(2012), financial crisis has dire consequences on individuals, households, firms, the central government and hence, the entire economy.

Effective governance structure of a corporate entity is widely acknowledged for its role in ameliorating agency conflicts and fostering optimal conduct among corporate managers. This, in turn, contributes to an enhancement in the overall performance of a company. In alignment with the discoveries of Hodgson, Lhaopadchan & Buakes, (2011), obviously the implementation and maintenance of a potent governance structure for a corporate entity serves to fortify its performance. Concurrently, these practices act as a shield, guarding companies against the perils of financial distress, a viewpoint substantiated by Parker et al. (2002) and Abdullah (2006).

The aftermath of corporate governance structure on financial distress and, subsequently, business failure is a topic of significant concern, particularly in light of the numerous corporate collapses experienced by developed countries during the 1990s and 2000s. These events prompted a call for the adoption of robust corporate governance measures, coupled with heightened corporate transparency, disclosure, accountability, corporate social responsibility, and diligent risk management practices.

To address these challenges, numerous developed and developing nations have instituted measures aimed at reducing, if not eliminating, instances of corporate failures. For instance, in 2002, the United States of America (USA) introduced the Sarbanes-Oxley Act, which is a legislative instrument which provides a rule-based foundation to companies incorporated in the USA on corporate governance issues.

Similarly, the Securities and Exchange Commission of Ghana issued a voluntary corporate governance code on October 8, 2020, intended to be applied to all companies whose securities are admitted for trading on the Ghana Stock Exchange.

Aside the jurisdictional measures to regulate corporate governance practices, international interest groups such as the Organization of Economic Corporation and Development (OECD) among others, have developed measures on corporate governance practices. Thus at the global level also, there is an increasingly significant consideration given to Corporate Governance as a tool to mitigating the rate of corporate failure across the length and breadth of the globe. It is on these grounds that the researchers motivation was bred to conduct a study on Corporate Governance practices among universal banks in Ghana and how it affects financial distress, not only assessing how the governance structure Corporate bodies affects Financial health among universal banks in an emerging economy like Ghana, but to also contribute to the limited empirical studies conducted in that regard.

1.2 Statement of the Problem

The growth of the Ghanaian banking sector recorded an expansion in size of the indigenously owned banks to match foreign owned banks with the size of local banks equaling foreign banks at the end of 2017. The banking sector in Ghana holds a prominent position within the country's financial landscape and plays a pivotal role in its overall development, with banking institutions accounting for approximately 85% of the total assets in the financial sector, as reported by the Bank of Ghana in 2018. This underscores the undeniable importance of the banking sector in the societal and economic advancement of the nation, as emphasized by Arif and Nauman (2012).

Banks serve as critical components of the financial sector and contribute indispensable when it comes to driving socio-economic progress in every country, a viewpoint shared by Sikka (2009) and the PricewaterhouseCoopers in collaboration with the Association of Bankers (2016). However, it is imperative to recognize that banks are susceptible to elevated levels of risk, and when these risks are not managed effectively, they can potentially lead to bank failures or crises.

A banking crisis is an economic scenario in which there is significant evidence of distress within the banking sector. This distress is typified by numerous occurrences of bank runs, the collapse of banks, substantial losses incurred by banks, or the implementation of significant policy intervention measures targeted at addressing issues within the banking system, as described by Laeven and Valencia (2010). Financial distress hitting banks leading to collapse or failure has not been a phenomenon exclusive to certain jurisdictions but has visited many corners of the world as almost every country in the world has at a point experienced bank failures, emanating from poor financial conditions.

Financial crisis resulting into bank failures which has been adjudged a global phenomenon has not spared the Ghanaian banking sector with the recent one causing the collapse of nine banks, most of which are local banks. The failure of banks has devastating social and economic implications. The collapse of financial institutions places a significant financial burden on both the local population and the government. From an economic perspective, bank failures and the subsequent bailouts are costly to taxpayers, as underscored by Minford (2010). This expense arises from the utilization of substantial amounts of taxpayers' funds, which could otherwise have been allocated to more productive purposes, aimed at rectifying the issues at hand. For instance, as

evidenced in the aftermath of the recent banking crisis in Ghana, the Bank of Ghana expended approximately 14 billion Cedis, equivalent to approximately 3.5% of the Gross Domestic Product, in an effort to resolve the sector's challenges, as reported by Dzawu (2019) and PricewaterhouseCoopers in collaboration with the Association of Bankers (2019).

Banking crises have far-reaching consequences, including contributing to unemployment, as observed by Laeven (2011), thereby impeding economic growth. Additionally, investors who have stakes in these failed institutions often incur losses, which can discourage others from making investments in the economy. Moreover, these developments can erode the trust and confidence of citizens in the banking system, which may already be perceived as being under-subscribed, as reported by PricewaterhouseCoopers in partnership with the Association of Bankers (2016). Consequently, these failures can trigger adverse ripple effects across various sectors of the economy and potentially lead to a recession.

In an attempt to uncover the causes of financial distress and hence the failure of these financial institutions, an investigation was conducted and the report highlighted, poor corporate governance as one of the primary contributors. Nonetheless poor reporting practices and insider dealings were also identified as other key contributors (Bank of Ghana, 2018). Poor reporting practices and insider dealings themselves are the ramifications of the disastrous consequences of poor corporate governance practices. Moreover, the primary factors responsible for financial crises are often linked to regulatory inadequacies, a lack of adherence to rigorous corporate governance

standards, and the undertaking of poorly assessed risks, among other contributors, as documented by Roy & Kemme (2012), and Winkler (2010).

It is perfectly conspicuous that the Ghanaian banking sector has been a victim of the ruins of the series financial hitches that have visited almost every corner of the globe over the years with corporate governance practices being highlighted by every inch of inquiry as one of the major practices. Moreover, it is noteworthy that banks are predisposed to high levels of financial risk due to the nature of their activities. It is therefore imperative efforts are made continually to unravel the prospective viable ways through which the tendency of financial distress can be mitigated. It is on this grounds that the motivation for this study was bred to reconsider the already established relationships between corporate governance and financial distress by measuring the strength of corporate according to strong and weak pattern to assess the tendency of financial distress according to the two regimes and the marginal benefits of transitions between the two states of corporate governance, as well as the impact of the strength of corporate governance on the relationship between financial distress and other determinants of it.

1.3 Purpose of the Study

The main purpose of this research is to examine corporate governance structures and how it affects financial distress among universal banks in Ghana.

1.4 Objectives of the Study

1. To assess the risk of financial distress against the strength of corporate governance.

2. To examine the interactions between micro factors and financial distress given the strength of corporate governance.
3. To determine the effect of improved corporate governance structures on financial distress.

1.5 Research Questions

1. What is the risk of financial distress against the strength of corporate governance?
2. What are the interactions between micro factors and financial distress given the strength of corporate governance?
3. What is the effect of improved corporate governance structures on financial distress?

1.6 Significance of the Study

The study will help business leaders and investors in emerging economies like Ghana in handling corporate governance issues by throwing more light on how the strength of the governance practices of body corporates and how it affects their financial soundness, particularly in the banking sector which has recorded a series of financial crisis. Numerous research works on the subject of corporate governance and financial distress have predominantly focused on developed nations, as indicated by Roy & Kemme (2012), and Winkler (2010). However, a significant proportion of these studies have primarily regarded corporate governance as one of the key contributors to financial crises, without thoroughly exploring the potential linkages of the governance systems of corporate entities and financial health. There is therefore a lacuna left in literature with regards to the connection between how a corporate body

is governed and its tendency to influence the financial status of the entity. The study therefore tends to extend and adds to the limited empirical research works on corporate governance practice and financial distress in a developing economy like Ghana by adopting an endogenous switching regression model approach. The use of this model helps to classify the governance strength of corporate bodies into strong and weak categories and as well specify and compare the different benefits of these categories which the traditional logistics and the simple linear models employed in the previous studies cannot do. The study establishes the outcome of strengthening the governance practices of corporate entities on mitigating financial distress. In addition, the study expand literature by elucidating the marginal benefits of swings in the governance structure of corporate bodies on mitigating susceptibility to financial constraints among universal banks in the Ghanaian context as well as creating room for examining how the governance of a corporate entity influences the interactions between other determinants and financial distress.

1.7 Limitations of the Study

A limitation of this study is that, there was unavailability data for some banks and for some years of the period that the study covered giving rise to reliance on unbalanced panel data for analysis. Also, corporate governance was measure by board characteristics without considering other aspects of corporate governance.

1.8 Delimitations

The study was conducted within the boundaries of universal banks in Ghana. Hence, conclusions and generalizations may not apply to all firms in the financial sector of the country and beyond since the sample used may not be a representative.

1.9 Organization of the Study

The study is organized into five chapters. Chapter one covers the background of the study, statement of the problem, purpose of the study, research questions, significance of the study, limitations of the study, delimitations of the study and organization of the study. Chapter two contains the introduction, concept review, theoretical review and empirical review and conceptual framework for the study. Chapter three contains the introduction, research design, population, sampling and sampling technique, data collection instruments, data collection procedures and data analysis. Chapter four contains the introduction, background analysis of data, findings of the study, and discussion of results and findings. Chapter five also begins with an introduction and presents the summary of findings, implication of the study, recommendation and suggestions for further research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The main purpose of this research is to examine the strengths of Corporate Governance practices and their relationship with financial distress among universal banks in Ghana. The chapter deals with concept review, theoretical review, empirical review, industry review and conceptual framework.

2.1 Concept Review

2.1.1 Corporate Governance

Cadbury Committee (1992) defines Corporate Governance as “mechanisms put in place to protect stakeholders’ interests while Campbell (2007) sees it as functions, structure and role board of directors play in organizing companies to achieve a stated goal. Corporate governance involves a set of relationships between a company’s management, its board, its shareholders and other stakeholders”. “The purpose of corporate governance is to help build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies” (OECD, 2004; 2010).

The company's board of directors is responsible for devising corporate management policies and making strategic decisions on critical matters, as emphasized by Krechovska and Prochazkova (2014). Corporate governance practices are measured against a number of indicators as developed by researchers, jurisdictional corporate governance codes such as the voluntary corporate governance code by the securities

and exchange commission of Ghana and global interest group such as the Organization of Economic Development and Corporation (OECD). This includes amongst others Board size, Board Independence, Board Gender Diversity, Director Ownership, Blockholder ownership, CEO Chairman Duality, Audit committee independence and Nomination committee independence.

Board size

The board size refers to the overall number of members comprising the board of directors. There is no one-size-fits-all answer to the optimal board size. The ideal board size can vary depending on the firm's specific circumstances, objectives, and industry. Many experts suggest that an effective board should balance size with diversity, expertise, and the ability to make timely and informed decisions. As per the voluntary corporate governance code put forth by the Securities and Exchange Commission of Ghana, it stipulates that "The size of the Board shall not be too large to impede interactive discussions during Board meetings or too small to hinder the inclusion of a broader range of expertise and skills that can enhance the Board's effectiveness." It is acknowledgeable that, the size of the board substantially contributes when it gets to influencing the occurrence of financial distress, as indicated by Abugri (2022).

In conclusion, the linkages between board size and the outcome of the operations of firm are complicated and context-dependent. While there is no universal consensus on the ideal board size, firms should carefully consider their unique circumstances, objectives, and corporate governance needs when setting limits on determining what the strength of their board should be with regards to size. It's important to strike a

balance between having enough directors to provide expertise and oversight while avoiding excessive size that can lead to inefficiencies and conflicts.

Board Independence

Board independence pertains to the composition of independent non-executive directors serving on a corporate board. According to agency theorists, external directors offer a mechanism for overseeing managerial activities by placing a greater emphasis on a company's financial performance, thereby reducing agency costs, as theorized by Fama and Jensen (1983). Building upon this perspective, Rutherford and Buchholtz (2007) argue that enlarging the composition of non-executive directors positively relates with the level of vigilance, maintained by the board to keep in control the level of information asymmetry and enhancing information quality. An upward adjustment in the composition of outside directors can serve as an effective means of adapting to the business environment and mitigating uncertainties related to strategy development and implementation, as noted by Pearce and Zahra (1992). It is expected that outside directors are motivated by the need to protect their image to increase their odds of attracting and winning other appointments, which drives them to maximize the financial well-being and value of the firms they oversee. This commitment on the part of independent directors in making substantial contributions to improving a firm's financial condition, underscoring the notion that directors who are internally associated with the entity may lack the objective lenses in handling matters of crucial nature which will amount to compromising their independence necessary for effective oversight (Elloumi & Gueyle 2001).

Board Gender Diversity

This represents the gender composition regarding the membership of the board of a body corporate, thus the percentages of both male and female members serving on the board. This issue has gained significant attention in corporate governance discussions and academic research in recent years. Gender diversity on boards is considered important for various reasons. It can lead to improved decision-making, better governance, and a broader range of perspectives. Companies with diverse boards are often seen as more inclusive, progressive, and better equipped to address the needs of diverse stakeholders, including customers and employees. Historically, corporate boards have been predominantly composed of men, with limited representation of women. Barriers to gender diversity include traditional gender roles, biases, and stereotypes, as well as a lack of women in leadership pipelines. However, there exist a noteworthy positive connection between the representation of females on corporate boards and the operational results of corporate entities, as indicated by ThaoThi (2014). Consistent with this, the presence of female board members is positively associated with the return on equity, as affirmed by the findings of Parrotta and Smith (2013).

Furthermore, boards with a majority of female members contribute positively to the enhancement of supervision, control, and overall firm performance, as demonstrated by Kang et al. (2007). Board gender diversity is a topic of ongoing debate and research. While there is a growing recognition of the importance of diverse boards, the linkage between gender diversity and operational performance of firms is and context-specific and hence associated with complications. Many believe that greater gender diversity is a step towards more inclusive and effective corporate governance,

but achieving it requires a multi-faceted approach that addresses cultural, structural, and societal factors.

CEO-Chair Duality

CEO-chair duality involves a scenario in which the CEO of an organization doubling as the chairperson of the board of a corporate entity. According to agency theorists, when leadership roles are concentrated, meaning when the individual serving as the CEO also serves as the chairperson of the board, it can lead to that individual occupying these two positions to be overly empowered which can result into compromising the independence of the board as far as corporate management is concerned. In contrast, when the positions of CEO and board chair are separated and held by two distinct individuals, this diminishes the Chief Executive Officer's overall authority and empowers the board to more effectively fulfill its supervisory functions, aligning with the theories proposed by Fama & Jensen (1983). Researchers such as Dalton & Kesner (1987), as well as Mallette & Fowler (1992) contend that the division of the CEO and board chair roles results in a more influential and effective board of directors, enhancing its ability to oversee management. On the other hand, CEO-chair duality, which consolidates power in the CEO's hands, makes the CEO less susceptible to any form of intimidation by the board of directors, potentially hindering effective governance (Chen et al., 2005). Furthermore, it is noted that the presence of CEO-chair duality can lead to an increased likelihood of earnings management, as suggested by Liyu, Wright, and Evans (2007).

Blockholder Ownership

A blockholder is an individual or an organization that holds a substantial amount of a company's shares. Jensen & Meckling (1976) posit that block holders, due to the significant ownership interest they have in companies, are inherently motivated to closely oversee the decisions and actions of corporate managers, as this approach serves to minimize the possibility of losing their investment in shares financial failure through ensuring maximization of their share value. In cases where an entity's performance fails to reach expectations, block holders possess the authority to chastise directors based on their substantial holdings the company in terms of ownership or shares. This exerts pressure on managers to act in the interests of the owners, other than solely advancing their personal interests (Ely & Song, 2000). It is argued that having block holders within an organization has the tendency to influence managers actions and decisions, and directors may consider relieving managers of their post when the company appears to be underperforming relative to its potential, as also discussed by Ely & Song (2000).

Director Ownership

The director ownership looks at the proportion of the holding of the directors of a company in a company's shares. Prior research has established that directors occupying proportion of the ownership space of the organization provides a tool for the effectiveness of internal control for addressing agency issues, in line with the insights of Jensen & Meckling (1976). Additionally, directors should possess significant equity stakes in the respective corporate entities they serve, with this; managers will be motivated to act in ways that will get the interest of shareholders protected (Jensen & Ruback, 1983). Furthermore, Director Ownership, also known as

insider ownership, is a crucial aspect of when it comes to the governance of corporate body and can play an appreciable role in enhancing a director's in-depth understanding of a company's operations for effective decision-making as discussed by Lenne et al. (2005). Mehran's findings, suggest that, when directors hold a considerable ownership stake in a corporate entity, their interests and that of the shareholders takes a common direction, thus becoming well aligned. This conjunction of interest means that directors are more motivated to act in a manner that inures to their interests and that of shareholders concurrently as they have a financial stake in the company's success. Investors tend to view this alignment as a positive factor there by enhancing the firm's attractiveness for investment. In the context of examining financially distressed firms, Abdullah (2006) as well as Elloumi & Gueyle (2001) demonstrate that directors having a stake in a company's holdings add to the directors' reasons to intensify their checks on management to prevent financial distress.

Audit Committee

An audit committee, is a division or a section of the board of directors of a corporate entity, which is tasked with overseeing the integrity of the accounting and financial reporting system and reporting its findings to the full Board. This committee constitutes an integral part of corporate governance and as such contributes to handling agency costs, as recognized by Forker (1992). It is also essential in aiding the board to execute governance responsibility in the entity, as highlighted by Spira (2003). From Collier (1993) in order for the directors' statutory and fiduciary duties of the preparation of accounting records, the completion of the annual audit process, and ensuring the quality of the financial reporting and control system to be honored,

the existence of such committee is necessary. The committee additionally facilitates non-executive directors in contributing independent judgment and positively influencing the firm's business affairs, as noted by Hicks & Goo (2008). Furthermore, reports indicate that corporate entities who have registered such committees on their board tend to record impressive performance which makes them stand superior to their peers. In accordance with the voluntary corporate governance code set forth by the Securities and Exchange Commission, the audit committee should consist of at least three directors, with a majority of them being independent non-executive directors.

Nomination Committee

A nominating committee constitutes a vital component of the board of directors of a corporate entity, specialized committee within a board that is entrusted with managing the nomination policy for directors and formulating a succession plan for the CEO and other senior executive officers, as determined by the Board. The nomination committee is charged with the identification and evaluation of prospective candidates suitable for appointment to the board of a corporate body. This includes assessing their qualifications, skills, experience, and independence. The committee plays a crucial role in succession planning for the board. This involves anticipating and preparing for future vacancies, ensuring that there is a pool of qualified candidates to replace outgoing directors. The committee may be tasked with promoting diversity on the board, which can include gender diversity, ethnic diversity, and diversity in skills and backgrounds. Once suitable candidates have been identified and evaluated, the nomination committee recommends individuals for election or appointment as directors to the board. The presence of a nominating committee is strongly linked to a

firm's performance, as corroborated by the research of Bruno and Claessens (2007). In accordance with the Corporate Governance code established by the Securities and Exchange Commission of Ghana, the nominating committee should comprise no fewer than three members, with a majority of these members, including the chairman, being independent non-executive directors. The effectiveness of the nomination committee in fulfilling these responsibilities contributes significantly to the overall governance and strategic direction of a corporate entity. It helps ensure that the board is composed of qualified individuals who can provide valuable insights, make sound decisions, and act in a manner that contributes to enhancing the value the entity, there by safeguarding the interests of the equity participants.

2.1.2 Financial distress

Baldwin & Scott (1983) defines financial distress as “a situation where a firm experiences deterioration to the extent that it can no longer meet its financial obligations”. Fundamental factors used to describe financial distress encompass bankruptcy, insolvency, and failures, as noted by Maina and Sakwa (2012). Initial signs of distress frequently involve failure to honor debt obligations in conjunction with cuts in dividend payments. Whitaker (1999) defines the onset of financial distress “as the first year in which a firm's cash flows fall below the current maturities of long-term debts”. This signifies that a primary indicator of a financially distressed firm is its inability to honor debt obligations when they fall due. The severity of financial distress escalates at the inability of firms to secure adequate resources to honor its obligations on time. In extreme cases, a firm's financial situation may lead to total bankruptcy or liquidation, particularly in scenarios where there is insufficient assistance to settle its debts, as indicated by Hu (2011).

However, it is essential to recognize that financial distress is not solely linked to entities that are unable to meet their debt obligations; it can also be rooted in economic distress, deteriorating performance, and poor management, as suggested by Wruck (1990). The ramifications of financial distress extend beyond the corporate realm, impacting individuals, households, businesses, government entities, and the broader economy, as underscored by Reinhart and Rogoff (2012).

Various studies, including by Younas, UdDin, Awan & Khan (2021), have demonstrated the significance of several key determinants of financial distress. These determinants encompass:

1. Return on Assets: Return on Assets is determined by the ratio of net income to the book value of total assets. It has been identified as a crucial factor affecting financial distress.
2. Leverage: Leverage is computed as the percentage of the book value of total debt in relation to the book value of total assets. It is another important determinant of financial distress.
3. Firm Size: Firm size is typically proxied by the logarithm of market value and has been found to have an impact on financial distress.
4. Liquidity: Liquidity is gauged by the measure of Net Liquid Assets to Total deposits and Short-Term Liabilities. It plays a role in affecting financial distress.
5. Credit Risk and Asset Quality: The quality of assets, often quantified by the ratio of Gross Non-performing Loans to Gross loans, is a significant determinant of financial distress.

6. **Overly Aggressive Activity:** Overly aggressive activity is typically assessed by the ratio of customer deposits to customer loans and is observed to have a notable impact on financial distress.

These determinants are instrumental in assessing and predicting the financial health and stability of firms, and they provide valuable insights for risk management and decision-making in the context of corporate finance.

2.2 Theoretical Review

2.2.1 The agency theory

An agency relationship is characterized by one party acting on behalf of the other, where the party appointed to act is known as the agent and the one for whom and on whose behalf the agent acts is known as the principal. The theory of agency is centered on the problem that arises from the separation of management from ownership and how it can be resolved (Jensen & Meckling, 1976; Ross, 1973). Agency problem can be traced or dates back to the period of the evolution of joint stock companies, thus the era when human civilization led to business practices where risks were shared and attempts made to maximize interest.

Agency theory is primarily focused on the prevalent agency relationship, a scenario in which one party, referred to as the principal, entrusts tasks or responsibilities to another party, known as the agent, who carries out these tasks on behalf of the principal. Agency theory endeavors to elucidate this relationship by employing the metaphor of a contract, as initially proposed by Jensen & Meckling (1976). This theoretical framework serves to shed light on the dynamics, motivations, and potential conflicts within these principal-agent relationships, precisely in the terrain of ensuring effective governance of a corporate and the management of its operations.

The theory of Agency has been widely applied in numerous scholarly works which includes among others Fama (1980), and Eisenhardt (1985). Agency theory is primarily concerned with addressing two important issues concerning agency relationships:

The Agency Problem: This problem occurs when there is a misalignment or conflict between the desires or objectives of the principal (the party delegating tasks) and the agent (the party performing the tasks). Furthermore, it is often challenging or costly for the principal to verify or monitor the actions and behavior of the agent. The core issue here is that the principal cannot readily ascertain whether the agent has acted in a way that is in line with the principal's interests.

The Problem of Risk Sharing: This problem emerges when the principal and agent possess differing risk preferences. Consequently, they may have varying preferences for certain actions or decisions due to their distinct attitudes toward risk. The challenge in this context is that the principal and the agent might favor different courses of action because of their distinct risk-related preferences.

In the context of agency theory, the primary focus is on identifying and designing the most efficient contractual arrangements that govern the principal-agent relationship. This involves considering assumptions about the individuals involved (e.g., self-interest, bounded rationality, risk aversion), the characteristics of organizations (e.g., conflicts of goals among members), and the nature of information (e.g., treating information as a commodity that can be acquired or purchased). The aim is to create contracts that align the interests of both parties, mitigate conflicts, and ensure that the

agent acts are ones that contribute to advancing the interest of the principal, despite the inherent challenges and differences in risk preferences.

According to “agency theory”, managerial actions may deviate from those required to maximize shareholders' returns, as discussed in the works of Berle & Means (1932). That is, there is the possibility that the endeavors of managers may not necessarily contribute to enhancing shareholders value Pratt & Zeckhauser (1985). This deviation can lead to what is known as "agency loss." In the context of agency theory, the owners of a company are considered the principals, and the managers who run the company on their behalf are seen as agents. The agency loss represents how the returns receivable by the owners deviates downwardly from what would have been earned if the owners themselves were in charge of the operations the entity, as Jensen & Meckling (1976) articulates

In essence, the “agency theory” framework acknowledges that when managers act in a manner that pursues their own personal interest or make decisions that barely advance the interests of shareholders (the owners), a gap can emerge between the actual returns achieved by shareholders and what those returns would have been if shareholders had direct control over the company. This concept underscores the potential conflicts and challenges inherent in the principal-agent relationship and underscores the need to design mechanisms, such as corporate governance structures, to mitigate agency losses and align the interests of managers and shareholders.

Agency theory provides a framework for understanding and addressing agency losses. One of the key mechanisms outlined by agency theory, as discussed by Eisenhardt (1989), is the use of incentive schemes for managers. These schemes are designed to

financially reward managers for actions that maximize shareholder interests. In particular, incentive schemes often involve plans through which senior executives are granted shares, sometimes at a reduced price, in order to align their financial interests with those of shareholders, as initially proposed by Jensen and Meckling (1976).

By tying managerial compensation to the performance of the company and its stock price, incentive schemes serve as a means of encouraging managers to act in ways that benefit shareholders. In essence, these schemes aim to control the conflicts of agency by ensuring managers' interests are kept in line with that of owners, thereby reducing the likelihood of agency loss.

The organizational theory of economics, which aims to prevent managerial "opportunistic behavior," including actions such as shirking and exorbitantly pursuing personal pecuniary interest which ends at sacrificing the interest of shareholder, is outlined by Williamson (1985). This theory proposes that the board of directors serves as a key structural mechanism to curtail such managerial "opportunism." The board have a primary responsibility to continually check the actions and inactions of managers on shareholders' behalf to ensure that such actions and inactions pander to the best interests of the entity.

To achieve this impartial oversight, it is essential that the chairperson of the board remains independent of the executive management. However, when the chief executive officer (CEO) also serves as the chair of the board of directors, it may happen that the independence and impartiality of the board will be compromised. In such cases, agency and organizational economics theories posit that the interests of

the owners will be somewhat subordinated to the interest of the managers. This can lead to instances of managerial opportunism and result in agency loss, as the CEO's dual role may blur the line between managing the company and overseeing management's actions on behalf of shareholders.

Indeed, both agency theory and organizational economics theories are often based on a model of human behavior known as "homo-economicus." This model portrays individuals, including subordinates such as managers, as self-interested, opportunistic, and primarily driven by their personal economic gain. The underlying "model of man" in these theories is individualistic and assumes that individuals will act in a manner that rationally maximizes their own self-interest.

Furthermore, these theories are grounded in the concept of an inherent misalignment of interest between owners (shareholders) and managers. The presumption is that managers will prioritize their own interests over those of the owners (shareholders) when there is a misalignment of incentives or when the pursuit of personal economic gain conflicts with the ultimate interests of the corporate entity and its owners.

While these theories provide valuable insights into the dynamics of organizations and corporate governance, it is important to recognize that real-world human behavior is often more complex and multifaceted than the simplified assumptions of homo-economicus. Many individuals may consider a broader set of motivations, values, and ethical considerations in their decision-making and not all human actions are solely driven by narrow self-interest.

In effect, Agency theory posits that, there exists a misalignment as far as managers' interest and shareholders interest are concerned. According to this theory, managers are inclined to pursue their personal interest, which can lead them to employ various tactics or behaviors that reduce the wealth of shareholders. This potential misalignment of interests between managers and shareholders is a central concern of agency theory, which seeks to design mechanisms and incentives that mitigate such conflicts and encourage managers to act in the best interests of the owners. By addressing these agency conflicts, the theory aims to protect the investment of shareholders in the entity and ensure that managers make decisions that enhance the overall value and the operational outcome of the firm.

The theory relate to this study following the opportunistic, individualistic and the self-serving model man conceived by the agency and organizational economic theories which perceives the manager as a self-centered individual whose sole aim is to pursue their personal interest to the neglect of the shareholders' own and that a rigorous governance structure is imperative combat such managerial "opportunism". In relation with the first objective of the study, If strong corporate governance produces a less probability of financial distress per the results of the study, then the position of the agency theory is affirmed regarding the model man assumed as outlined and that a rigorous corporate governance structure is essential to ensure managers' efforts are streamlined to enhance the entity's performance to help reduce the risk of financial distress. With regards to the second objective the other determinants interacting with financial distress in a direction that reduces its tendency of occurring in a strong corporate governance environment indicates that the robustness of corporate governance is imperative for such connection. Lastly, for the third objective, a

positive transitional heterogeneity indicates improvement in corporate governance strength affects the tendency of financial distress, additionally affirming the position of the agency theory.

2.2.2 The stewardship theory

The stewardship theory holds a managerial motivation that alternates the “agency theory” (Donaldson, 1990). The manager under the stewardship theory departs from opportunism but endeavor to put up the best of performance, to be a good steward of the entity’s resources (Barney, 1990). “Stewardship theory” perceives no inherent motivational problem associated with executive managers. The theory acknowledges an inherent motivation that is directed towards improving corporate performance and hence increasing shareholder returns.

Contrary to the agency theory, there is a different “model of man” assumed by the stewardship theory. The model of human behavior that underlies stewardship theory differs from the homo-economicus model found in agency theory. Stewardship theory conceives organizational role holders, including managers, as motivated by various factors beyond narrow self-interest. According to this theory, individuals are driven by a need to:

Achieve: They are motivated to attain goals, accomplish tasks, and experience a sense of accomplishment and success.

Intrinsic Satisfaction: They seek satisfaction from performing challenging work, finding meaning and fulfillment in their roles.

Responsibility and Authority: They are inclined to exercise responsibility and authority, taking charge of tasks and decisions within their roles.

Recognition: They aim to gain recognition and approval from their peers and superiors for their contributions and achievements.

This model emphasizes that individuals are not solely motivated by financial gain or personal economic interests. They are also driven by intrinsic satisfaction, a sense of responsibility, and the desire for recognition and achievement. Furthermore, even when managers may perceive a certain alternative as not culminating to his personal gains in times of making decisions on crucial matters affecting the organization, they might still choose to pursue it out of sensitivity to duty call or normatively induced compliance, as described by Etzioni (1975). In this sense, stewardship theory recognizes that individuals often act based on a broader set of motivations and values beyond pure self-interest.

The separation of interests between managers and owners as posited by agency theorists is based on an objective, structural perspective, as articulated by Jensen and Meckling (1976). However, organizational sociologists may provide a more nuanced view by emphasizing that what motivates individual managerial actions is often shaped by their personal perceptions and circumstances. This means that the alignment or misalignment of interests may vary based on the individual manager's perception.

For instance, as pointed out by Silverman (1970), a manager's perception of their own interests can be influenced by factors such as their expectations of future employment or pension rights within the same corporation. In cases where an executive believes that their future career or financial well-being is closely tied to the same corporation, they may acknowledge themselves as sharing a common fate with the corporate body

and its even when the executives have no direct stakes in terms of shareholdings in the entity.

This perspective highlights the importance of considering the individual manager's subjective viewpoint and the broader context in which they operate. It suggests that the alignment of interests between managers and owners may not be solely determined by structural factors but can also be influenced by personal perceptions, expectations, and long-term career considerations.

With respect to stewardship theory, the question of achieving good corporate performance is not solely seen as an issue of inner motivation among executives. Instead, the theory shifts the focus to consider how the structural situation in which an executive operates can either facilitate or hinder their ability to achieve high corporate performance.

Stewardship theory suggests that performance variations among executives are, in part, a result of the organizational structure in which they are situated. The key question is whether the organizational structure enables the executive to effectively formulate and implement plans that contribute to enhancing the operational performance of the entity. This perspective emphasizes the importance of the organizational context in supporting or inhibiting executive actions. For an organization's structure to be conducive to high corporate performance, it should provide the following elements:

Clear and Consistent Role Expectations: Executives should have a clear understanding of their roles and responsibilities, and these expectations should be consistent throughout the organization.

Authorization and Empowerment: Senior management should be authorized and empowered to make decisions and take actions that drive corporate performance. This empowerment allows them to act in a manner that helps advance the interests of the entity, there safeguarding the stakes of the owners.

In essence, stewardship theory highlights the significance of the structural components of an organization in facilitating the successful execution of executive plans and actions, ultimately contributing to improved corporate performance. Donaldson (1985) underscores the role of the organization's structure in this regard.

Stewardship theory emphasizes that, when it comes to the CEO's role in achieving superior corporate performance, organizational structures play a critical role. These structures can assist CEOs in reaching appreciable heights in terms of performance for the corporate entity when they have the opportunity to exercise absolute authority over the entity and their roles are unchallenged and clearly expressed. Such a situation is often more easily achieved when the CEO also holds the position of chair of the board, concentrating both power and authority in a single individual. This concentration leaves no room for ambiguity regarding who holds authority or responsibility over various matters within the corporation. The moment the CEO doubles as the chair of the board, it can lead to several benefits:

Clarity and Consistency: what is expected of the leadership of the corporate entity in terms of results or the outcome of the corporate endeavors can be attributed to a unified point or authority to provide clarity or eliminate ambiguity in terms of accountability.

Unity of Direction: The entity benefits from a clear and unified direction, as decision-making and strategic direction are concentrated in one individual.

Strong Command and Control: This structure allows for strong command and control, enhancing the efficiency and effectiveness of corporate operations.

Stewardship theory, therefore, does not primarily focus on the CEO's motivation but rather emphasizes the importance of facilitative and empowering organizational structures. The theory suggests that allowing a single individual to take both the positions of the chair and CEO including the execution of their associated responsibilities can get the entity well-fortified in hitting its targets, leading to superior returns for shareholders, as compared to separating these roles between different individuals. This perspective underscores the idea that a unified leadership structure can be conducive to corporate success.

According to Donaldson & Davis (1991), “competitive firms should establish governance structures that foster organizational development and embrace the diversity of workers in terms of their skills and cultural backgrounds”. Following Davis et al., (1997), in enhancing the control of operational costs to enhance profitability, an entity’s environment should be one creates room for managers to be creative and innovative for the purpose of advancing effective change management and incorporating technology into the systems of the entity.

Furthermore, the importance of protecting the corporate image, suggests that managers in the formulation of policies should indiscriminately consider the wellbeing of employees. In doing so, they contribute to a positive and inclusive work environment that enhances the company's reputation and the well-being of its employees. These perspectives reflect the idea that progressive and inclusive governance structures, along with policies that support worker welfare and diversity, can contribute to the success and competitiveness of a firm.

Conclusively, Stewardship theory posits that managers act as stewards, entrusted with the responsibility of safeguarding and advancing the interests of shareholders through the implementation of optimal strategies. The steward, in this context, strives to diligently strive to meet the targets of the shareholders, and the manager's primary objective is to maximize the wealth of shareholders in accordance with their interests. This theory underscores the idea that managers should act in the best interests of the shareholders, effectively aligning their actions and decisions with the goal of enhancing shareholder wealth.

The theory relates to the study following the model of human behavior that underlies stewardship theory which is based on the belief that organizational role holders, including managers, are primarily motivated by:

Achievement: They have a strong need to attain goals and succeed in their endeavors. The act of accomplishing challenging tasks and achieving success is intrinsically satisfying to them.

Intrinsic Satisfaction: They find personal fulfillment and satisfaction in performing inherently challenging work. The nature of the work itself is rewarding, and they are motivated by the inherent complexities and difficulties it presents.

Responsibility and Authority: They are inclined to exercise responsibility and authority within their roles. They seek to take charge of tasks and decisions, demonstrating their capacity for leadership and their willingness to make important contributions to the organization.

Recognition: They aspire to gain recognition and approval from their peers and superiors for their achievements and contributions. Being acknowledged and appreciated by others is a significant motivating factor.

This model of motivation, rooted in the work of McClelland (1961) and Herzberg et al. (1959), suggests that individuals are not solely driven by external rewards or financial gain. Instead, they are motivated by a combination of intrinsic satisfaction, the desire for personal achievement, the exercise of responsibility, and the recognition and approval of their colleagues and superiors. Stewardship theory aligns with this model of motivation, emphasizing that managers are motivated by a diverse set of factors beyond mere self-interest.

In connection with the first objective of the study, If weak corporate governance produces less possibility to encountering financial distress per the result of this study, then the study affirms the position of the stewardship theory as outlined in the model man assumed by the theory that even if corporate governance structures are loosen to allow for the exercise of relatively excessive discretion by manager, productive

initiatives can be meted out by managers to enhance the entity's performance so that the susceptibility to financial distress can be reduced. With regards to the second objective, allowing for the exercise of relatively excessive discretion can provide fertile grounds for propagating the good initiatives of manager that could influence the other determinants in a direction that could reduce financial distress, thus in the case where the study's finding shows the other determinant interacting with financial distress in a direction that reduces its tendency of occurring and a negative transitional heterogeneity indicates that managers will still remain committed to protecting the interest of owners, thereby ensuring the survival of the firm.

2.3 Empirical Review

Migliani, Ahmed and Henry (2014) examined the subscription to a governance mechanism voluntarily by a corporate body and its tendency to mitigate the entity's vulnerability to facing financial constraints in Australia. The study used a sample of 171 financially distressed and 106 healthy listed Australian firms over the five-year period prior to the introduction of the ASX Corporate Governance Council Code in 2003. The results of the study found support for the benefits of adopting certain Corporate Governance mechanism as their adoption helped reduced the susceptibility of an entity encountering financial distress. Precisely, increased levels of blockholder and director ownerships, coupled with having an audit committee are associated with reducing the possibility of financial distress.

The outcome of this study is not spared of the shortcomings of Abugri (2022) as highlighted, that the methodology employed in the study doesn't allow for clarifying the interactions between micro determinants of operational performance of an entity

and susceptibility to financial distress according to strong and weak patterns. Moreover the use of negative net income alone as a proxy for Financial Distress has its own limitations as earnings management in different managerial endeavors can greatly affect reported income. For example, arguably, top management of an entity can adjust earnings to a lower level in order to win bargaining points in times of labour negotiation.

Sarpong-Danquah et al. (2018) had a study to investigate how corporate governance affects or connects with the operational results of listed processing firms in Ghana, precisely focusing on the influence of gender diversity, board independence, and board size on return on assets and return on equity. Employing a generalized least squares panel regression model in analyzing a dataset from 11 listed processing firms from the years 2009 to 2013, the study revealed that, the representation of women on boards was found to be insignificant, indicating that there was a limited presence of females on corporate board positions within the sampled firms. Again, board independence and gender diversity were identified as having statistically significant positive impact profitability. This suggests that greater board independence and gender diversity positively correlated with improved financial performance in the manufacturing firms. There was no statistically significant relationship between board size and firm performance, as measured by Return on Assets and Return on Equity.

These results highlight how varying different aspects of the governance structure of a body corporate influences operational results of processing firms in Ghana. While gender diversity and board independence were associated with improved financial performance, the size of the board did not exhibit a significant relationship with firm

performance in this context. This study underscores the importance of considering specific governance elements and their effects on financial outcomes in the manufacturing sector of developing countries.

While the study recognized board gender diversity as a vital emerging index for measuring corporate governance as established literature, the study on the other hand neglected pivotal measures such as CEO Chairman Duality and Director Ownership which this study captures in measuring corporate governance practices.

Luqman et al. (2018) had a study that considered whether subscription to a governance mechanism by a corporate body can help address the issues of financial distress of non-financial sector firms. Their study involved a sample of 52 firms listed on the Karachi Stock Exchange, and they analyzed data from a 10-year period spanning from 2006 to 2015. They employed a logistic regression model to assess the linkage between various corporate governance factors and the possibility of financial distress and found that, there was a negative and statistically significant relationship between blockholder ownership, director ownership, and the presence of an audit committee with the probability of financial distress. The study demonstrated that the voluntary adoption of corporate governance structures was connected with reducing the incidence of financial distress. In other words, firms that voluntarily embraced corporate governance mechanisms were more likely to have reduced heights of financial distress. Other determinant of financial distress such as firm size, leverage and management efficiency could have been also considered, as identified in Wanderi (2016). Notwithstanding, an expansion of this piece with the employment of the

endogenous switching regression module approach will give a comprehensive understanding of the interactions between these variables and financial distress.

Abugri (2022) assessed the influence of the governance mechanism of corporate entities and its connection with financial distress of listed firms in Ghana. The study utilized panel data covering the years 2015 to 2019 and focused on the effects of Board Size, Board Gender Diversity, Ownership Concentration and the Number of Non-Executive on Financial Distress.

The study employed the Ordinary Least Squares (OLS) regression model to analyze the data and found that, Corporate Governance practices explained 15.5% of the variability in financial distress among listed companies on the Ghana Stock Exchange. This suggests that the governance mechanism of corporate entities had a significant influence in shaping the financial health of these firms. Board size was identified as a significant determinant of financial distress. This implies that the size of the board of directors had an impact on the likelihood of financial distress for listed firms. The study did not find a significant relationship between the number of non-executive directors and capital structure with financial distress. In other words, the presence of non-executive directors and the capital structure of firms did not appear to be strong determinants of financial distress in the context of the Ghana Stock Exchange

However, the study neglected CEO Chairman Duality, which an essential index when measuring corporate governance and how it affects performance and financial distress as established by literature. This study endeavors to capture CEO Chairman Duality in measuring corporate governance practice.

Wanderi (2016) conducted a comprehensive study that considered the connection between governance structure of corporate entities vulnerability to financial constraints within the ambit of commercial banks in Kenya. The study utilized a census approach, which involved collecting data from all 43 commercial banks operating in Kenya. Data was gathered from both primary and secondary sources, with structured questionnaires and audited published accounts being the primary sources of information. The study employed multiple regression analysis to assess the cause-and-effect relationships between various variables and revealed that corporate governance had a significant and negative relationship with financial distress in commercial banks. In other words, strong corporate governance practices were linked with a diminishing vulnerability of being drowned by financial difficulties in these banks.

However, factors other than Corporate Governance which includes Return on Assets, Leverage, Firm size, and the liquidity status of firms are determinants of performance and hence financial conditions. Therefore, a consideration given to these factors in the study either in the predictor bracket or the control bracket would have been more appropriate in enhancing accuracy and reliability.

Atinyo & Kawor (2022) in their study assessed the connection between the governance structure of corporate entities and the occurrence of financial crisis in Ghana using the annual data of twenty-two commercial banks for the period 2010 to 2019. Using a binary logistic model, the study found a noteworthy negative association between the nature of governance mechanisms and the likelihood of a financial crisis occurring. Consequently, the study concluded that the institution of

effective governance structure or mechanisms tends to contribute crucially in preventing the onset of financial crises. This implies that companies or institutions that prioritize and adhere to sound corporate governance principles are less likely to experience financial crises.

Nonetheless, factors other than Corporate Governance which includes Return on Assets, Leverage, Firm size, and the liquidity status of firms are determinants of performance and hence the financial conditions. Therefore a consideration given these factors in the study either in the predictor bracket or the control bracket would have been more essential to enhance accuracy and reliability. Moreover, the use of the traditional logistic techniques comes with its own shortcomings, such that the technique make it impossible to juxtapose the derivable benefits of varying corporate governance structures in terms of strong and weak patterns. Additionally, the logistic model does not allow for elucidating the transitional benefits of swings between varying corporate governance states on financial distress mitigation. Thus the use of the traditional logistic model doesn't create a path for separating corporate governance practices in terms of strength to assess their respective effects on Financial distress which this addresses using the endogenous switching regression module approach.

Ndungu (2019) conducted a study to establish the determinant of financial distress in Kenyan Commercial banks. The results of the study indicated that Return on assets, liquidity, Leverage, Credit risk and Overly Aggressive Activity were crucial determinants.

Truong (2022) conducted a study aimed to assess the influence of the governance structures of corporate entities on the interplay between macro and firm level factors that contribute to an entity encountering financial setbacks in 240 listed non-financial firms in Vietnam. Additionally, it sought to explore the additional advantages associated with various corporate governance practices. To achieve these objectives, the research employed an endogenous switching regression model and it as discovered that firms with robust corporate governance practices exhibited a lower likelihood of experiencing financial distress in comparison to firms with weaker corporate governance structures. This suggests that strong corporate governance can serve as a protective factor against financial distress. However, the counterfactual analysis of the study showed no significant impact of improved corporate governance on financial distress, indicating no marginal benefit of improved corporate governance practice. The study was conducted using the endogenous switching regression approach which an effective that allows for to clarifying the interactions between determinants of firm performance and financial distress according to strong and weak categories which is impossible with the logistic model. However, measuring Corporate Governance practices as far as the study is concerned failed to consider Board Gender Diversity which has been considered an essential index by literature and used in many empirical studies as far as measurement of Corporate Governance is concerned.

Research Gap and contribution to Knowledge

The study extends the empirical works that address the connections between the governance structure of a corporate entity and how it influences susceptibility to financial setback in the banking sector of developing economies, precisely Ghana, by

using the endogenous switching regression model. The previous studies conducted or the literatures on the linkage between the governance structure of body corporates and vulnerability to financial distress among banking firms in developing economies adopted the logistic and simple linear models. This study seeks to reconsider this issue in contention, that is, a relook at how the governance structures of firms connect with the possibility of encountering financial setbacks among banking firms in developing economies, as established by previous studies that adopted the logistics and simple linear models, precisely the impact of the strength of the governance structure of an entity on financial distress by adopting an endogenous switching regression model approach.

The traditional logistics and simple linear models makes it impossible to juxtapose the derivable benefits of varying corporate governance structures in terms of strong and weak patterns against the possibility of financial distress. Also, the use of the logistics and simple linear models does not allow for clarifying the interactions between other determinants and financial distress when corporate governance is weak or strong. Lastly, the logistic model does not allow for elucidating the transitional benefits of swings between varying corporate governance states on mitigating the susceptibility to financial setbacks. Therefore, this study sought to address the lacuna created.

2.4 Industry Review

The banking sector in Ghana holds a pivotal role in the country's financial landscape, contributing significantly to its development. With banks controlling a substantial portion of the financial sector's assets, their significance to society and the economy cannot be underestimated. However, despite their crucial role, banks are inherently

exposed to various risks, and inadequate risk management can lead to crises and failures

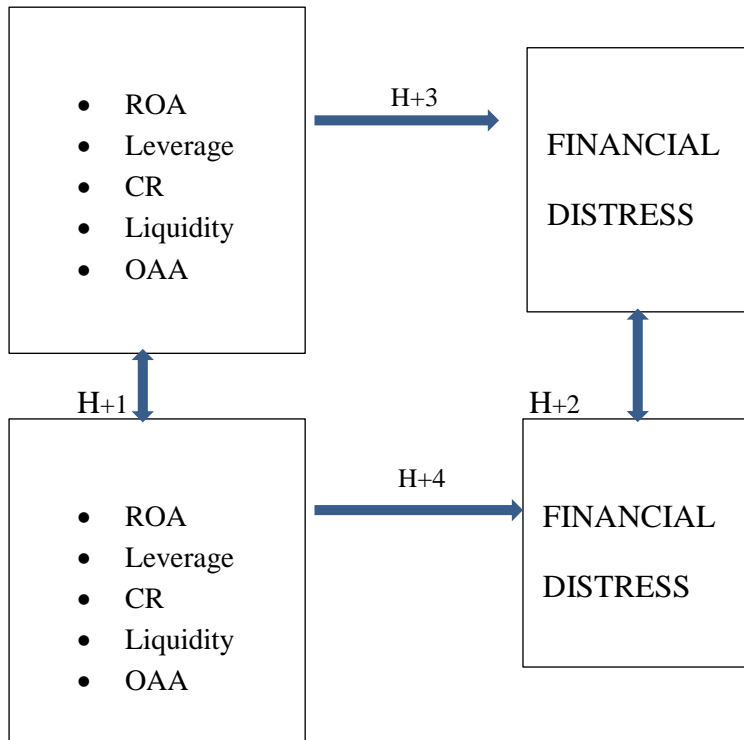
Ghana has experienced multiple banking crises over the past five decades, with a majority of the affected banks being local institutions. This raises questions about the factors contributing to the failures of these local banks. In Ghana, the banking sector comprises both foreign and local banks. The number of local and foreign banks was relatively balanced until an upward adjustment in the minimum capital requirement in 2017, which was particularly challenging for local banks.

This capital requirement hike led to a decline in the number of local banks while the number of foreign banks remained more stable. Foreign banks tended to dominate the industry in terms of assets and market share, despite local banks having a more extensive network of branches. Even though local banks had a significant branch presence, foreign banks, such as Ecobank Ghana and GCB bank, held the highest market share in terms of industry deposits.

An important observation is that the local banks, over time, appeared to overlook the regulations set by the Bank of Ghana (BoG). Despite the enactment of Act 930 in 2016, local banks often failed to comply with the stipulations of the Act that were meant to structure their operations. This non-compliance with regulatory requirements can be seen as symbolic violence, as the rules were not fully respected. Additionally, it's noted that Ghana is known for having regulations, but enforcement of these regulations has been a challenge, contributing to the non-compliance of local banks with regulatory standards.

2.5 Conceptual Framework

STRONG CORPORATE GOVERNANCE



WEAK CORPORATE GOVERNANCE

Figure 1: Conceptual Framework

The conceptual framework above illustrates the use of the endogenous switching regression model to measure the association between Corporate Governance and financial distress. The model measures impacts by creating different state or regimes and measure effects based on the separate regimes. The approach also assesses the margins of variations that occur as a switch between regimes is undertaken. From the above conceptual framework, two regimes of Corporate Governance are created; Strong Corporate Governance and Weak Corporate Governance. The line labeled 'H+1' represents the movement between the two corporate governance regimes created. Line 'H+2' represents the switch in the risk of financial distress resulting

from the movement between the two regimes in line 'H+1'. Lines H+3 and H+4 shows the effects of the two corporate governance regimes (Strong Corporate Governance and Weak Corporate Governance) respectively on financial distress, as well as the interactions between the micro factors (Return on assets, Leverage, Liquidity, Credit Risk and Assets Quality and Overly Aggressive Activity) and Financial Distress.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This study was to assess the strengths of corporate governance and their relationships with financial distress among universal banks in Ghana. The chapter highlights the research design, population and sampling, data collection instruments, data collection procedures and data analysis.

3.1 Research Design

Research design following Cooper & Schindler (2006) can be defined as “the comprehensive methodology used to collect, analyze, and interpret information for the purpose of making informed strategic decisions”. The choice of a research design in this study allowed the researcher to systematically examine the relationships between the study's variables and existing theories, facilitating deductive reasoning related to the research problem.

This study is a quantitative study adopting an explanatory research design. The use of an explanatory research design allows for employing causal models to establish the associations between corporate governance and financial distress within the context of universal banks in Ghana, specifically comparing strong and weak corporate governance regimes. The study assessed the interactions between independent variables and dependent variables and measures the impact of each variable on the dependent variable in both strong and weak corporate governance settings (Krishnaswami, 2003).

3.2 Population and Sampling

The study's target population comprised the 23 universal banks operating in Ghana. The selection of these banks for inclusion in the study was driven by the recent financial crisis that had an impact on these institutions, with some still in the process of recovery (Atinyo & Kawor, 2021) as well as (MoF, 2019). The research adopted a census approach, which, as described by Kothari (2006), involves a systematic method of gathering, analyzing, and interpreting data from every member within the target population. The census approach was chosen because the number of universal banks operating in Ghana, all of which are regulated by the Central Bank of Ghana, was relatively small. However, 19 out of 23 banks survived inclusion for the study, owing to the following selection criteria: firstly, the bank should be officially registered and certified; secondly, the bank must be autonomous not amalgamated and finally, availability of accurate Corporate Governance disclosures on board characteristics in annual reports to meet the demands of the study.

3.3 Data Collection

The study exclusively utilized secondary data to assess the impact of corporate governance on financial distress among universal banks in Ghana within both strong and weak corporate governance contexts. The financial distress status of the banks was determined by extracting information from their financial statements, which included audited and published accounts. Quantitative data from these statements was collected to calculate various financial ratios, including the Working Capital Ratio, Earnings before Interest Tax (EBIT), Retained Earnings, and Book Value of equity. These ratios were employed to gauge the financial distress status. Information regarding the corporate governance measures examined in the study was also obtained

from the banks' annual reports through content analysis. The annual data spanned for a period of 10 years for 12 banks, 7 years for 1 bank, 6 years for two banks and 4 years for 4 banks giving rise to an unbalanced panel with a total of 155 observations. This resulted from the unavailability of accurate Corporate Governance disclosures on board characteristics for some reporting periods.

3.4 Data Analysis and Presentation

The study employed a combination of descriptive and inferential statistics to quantitatively analyze and interpret the data. To facilitate quantitative analysis, the data was transformed into statistical codes that represented the attributes of the variables under investigation. Descriptive statistics, including means, medians and standard deviations, were utilized to provide a summary of the variables derived from the study.

Regression analysis was the chosen method to examine the statistical relationships between the variables of interest and the research equations, considering both strong and weak corporate governance regimes. Additionally, a counterfactual analysis was conducted to determine transitional heterogeneity in the study's findings.

3.4.1 Model Specification

Strong Corporate Governance:

$$Y_{it} = X_{it}\beta^{STRONG} + \epsilon_{it} \quad (1)$$

$$\text{If } CG_{SCORE} \geq k = Z_{it}\alpha + u_{it} \quad (2)$$

Weak Corporate Governance:

$$Y_{it} = X_{it}\beta^{WEAK} + \epsilon_{it} \quad (3)$$

$$\text{If } CG_{SCORE} < k = Z_{it}\alpha + u_{it} \quad (4)$$

‘Y’ represents the dependent variable indicating financial distress measured by

$$\text{Altman Z-score} = 6.56W + 3.26R + 6.72E + 1.05EQ$$

Where; W = Working capital to Total Asset

R = Retained Earnings to Total Asset

E = Earnings before Interest and Tax to Total Asset

EQ = Book Value of Equity to Total Liabilities

When Z score was ≥ 1.10 , it means the entity is out of financial distress zone and when the value is < 1.10 , the firm falls into the financial distress.

$$X_{it} = [1, ROA_{it}, LEV_{it}, LIQ_{it}, OAA_{it}, CR_{it}]$$

Where; ROA = Return on assets

LEV = Leverage

OAA = Overly Aggressive Activities

LIQ = Liquidity and;

CR = Credit Risk

$$Z_{it} = [1, BS, BI, CCD, BGD, DO, AC]$$

Where; BS = Board size

BI = Board Independence

CCD = CEO Chair Duality

BGD = Board Gender Diversity

DO = Director Ownership

AC = Audit Committee Characteristics

β^{STRONG} , β^{WEAK} and α denote the coefficients of the factors in the Strong

Corporate Governance and Weak Corporate Governance patterns and determinants of corporate governance, respectively.

ϵ_{it} and u_{it} denote the error terms and 'k' is the threshold mark set purposely for separating the sample into strong and weak group with regards to the strength of their corporate governance structure .

The endogenous switching regression model also allows for counterfactual analysis for determining marginal effects (Transitional Heterogeneity). The expected Z scores for the counterfactual analysis are estimated using the following equations;

Z score of banks with Strong Corporate Governance:

$$E(Y_{STRONGi}|S_i = 1) = X\beta_{STRONGi} + \sigma_{STRONG}\lambda_{STRONG} \quad (5)$$

Z score of banks with Weak Corporate governance upgrading to Strong (Counterfactual)

$$E(Y_{WEAKi}|S_i = 1) = X\beta_{STRONGi} + \sigma_{WEAK}\lambda_{STRONG} \quad (6)$$

Z score of banks with Strong Corporate Governance degrading to Weak (Counterfactual)

$$E(Y_{STRONGi}|S_i = 0) = X\beta_{WEAKi} + \sigma_{STRONG}\lambda_{WEAK} \quad (7)$$

Z score of banks with Weak Corporate Governance

$$E(Y_{WEAKi}|S_i = 0) = X\beta_{WEAKi} + \sigma_{WEAK}\lambda_{WEAK} \quad (8)$$

**Table 1: Conditional Expectation, Treatment and Heterogeneity Effects
(Counterfactual Analysis)**

ADOPTION STATUS	PREDICTIONS (AZS)		TREATMENT EFFECT
	SCG	WCG	
SCG FIRMS	EQN 5	EQN 7	TT
WCG FIRMS	EQN 6	EQN 8	TU
HETEROGENEITY EFFECTS	BH2	BH1	TH

$$TT = EQN 5 - EQN 7$$

$$TU = EQN 6 - EQN 8$$

$$TH = TT - TU / BH2 - BH1$$

$$BH2 = EQN 5 - EQN 6$$

$$BH1 = EQN 7 - EQN 8$$

Table 2: Variable Description

DEPENDENT VARIABLE	VARIABLE NAME	MEASUREMENT
Y	Financial Distress (FD)	Altman Z-Score = $6.56 * (\text{Working capital} / \text{Total assets}) + 3.26 * (\text{Retained earnings} / \text{Total assets}) + 6.72 * (\text{Earnings before interest and tax} / \text{Total assets}) + 1.05 * (\text{Market value of equity} / \text{Total liabilities})$.
INDEPENDENT VARIABLES	VARIABLE NAME	MEASUREMENT
ROA	Return on Assets	The ratio of the income to the book value of total assets = $\text{Income} / \text{Total assets}$
LEV	Leverage	The ratio of the book value of the total debt to the book value of the total assets = $\text{Total debt} / \text{Total assets}$
LIQ	Liquidity	The ratio net liquid assets to customers' deposits = $\text{Net liquid assets} / \text{Customers' deposits}$
OAA	Overly Aggressive Activity	The ratio of customer loans to customer deposits = $\text{Customer loans} / \text{Customer deposits}$
CR	Credit Risk	Ratio of gross non-performing loans to gross loans = $\text{Gross non-performing loans} / \text{Gross loans}$
CORPORATE GOVERNANCE VARIABLES	VARIABLE NAME	MEASUREMENT
BS	Board Size	Number of board members: 5-8 = 1 9-13 = 1 Below 5 = 0 Maximum score = 2
BI	Board independence	Non-executive majority = 1, Otherwise = 0 Independent majority of non-executive = 1 Otherwise = 0 Maximum score = 2
CCD	CEO-Chair Duality	CEO Separate from Board Chairperson = 1 CEO doubles as Board chairperson = 0 Maximum score = 1
AC	Audit Committee Characteristics	A chartered Accountant Chairperson = 1 Otherwise = 0 Independent directors majority = 1 Otherwise = 0 Below 3 members = 0 Exactly 3 members = 1 More than 3 members = 2 Maximum score = 4
DO	Director ownership	No director ownership = 0 Less than/equal to 25% of directors = 1 Above 25% but not exceeding 50% = 2 50% = 3 Above 50% = 4 Maximum score = 4
BGD	Board Gender Diversity	No female board member = 0 Less than/equal to 25% = 1 Above 25% not exceeding 50% = 2 50% = 3 Above 50% = 4 Maximum score = 4
CG SCORE	Corporate Governance Score	BS+BI+CCD+DO+AC+BGD

CHAPTER FOUR

RESULTS OF THE STUDY

4.0 Introduction

This study was to assess the strengths of Corporate Governance and their relationships with financial distress among universal banks in Ghana. The chapter highlights the findings of the study and discussion of the results and findings.

4.1 Results and Findings of the Study

4.1.1 The risk of ‘Financial Distress’ against the strength of ‘Corporate Governance’

Table 3: Summary statistics for the Corporate Governance Variables

Variables	N	Mean	Std. Dev.	Min	Median	Max
CCD	155	1	0.000	1	1	1
BI	155	1.458	0.500	1	1	2
BS	155	1.652	0.478	1	2	2
AC	155	2.981	0.734	1	3	4
DO	155	.961	1.243	0	0	4
BGD	155	1.155	0.511	0	1	2
CG SCORE	155	9.206	1.896	6	9	14

Source: Author’s Calculation, 2023

Table 3 shows the descriptive statistics for the Corporate Governance variables employed in the study. The second column which is titled N shows the number of observations for the study and the remaining columns displays the statistics on the distribution of the variables. From the tables, In the study, the sample firms were grouped into two Corporate Governance classes, thus Strong and Weak Corporate Governance groups depending on how the Governance Structure of the entity meets the specifications of the Corporate Governance variables outlined in the tables above.

Ratings were applied to measure adherence the set criteria on the variables to generate a score for the various sample firms based on which a threshold is set to segregate the sample firms into Strong and Weak corporate governance categories. The variable ‘CG Score’ represents the total Corporate Governance score of the observations and the median value of this variable sets the threshold for separating the sample into Strong and Weak groups. An observation with a CG Score less than the threshold falls into Weak corporate governance and an observation with a CG Score greater than or equal to the threshold joins Strong Corporate Governance.

Table 4: Summary statistics for dependent and independent variables in the Strong Corporate Governance Group

Variables	N	Mean	Std. Dev.	Min	Median	Max
AZS	95	.706	1.259	-2.578	.605	4.174
ROA	95	.044	0.024	-.02	.042	.095
LEV	95	.847	0.061	.622	.852	1.275
OAA	95	.467	0.334	.021	.377	1.582
CR	95	14.118	9.554	2.27	11	45
LIQ	95	.755	0.353	.232	.674	2.437

Source: Author’s Calculation, 2023

In this study, the statistical software package used for the descriptive analysis is Stata 15.0. The table shows the basic descriptive statistics for all variables under the Strong Corporate Governance sample firms. Column 2, titled ‘N’ which contains the number of observations shows that 95 of the sample used for the study, representing approximately 60% falls under the Strong Corporate Governance Umbrella. Columns 3-7 of the table provides an overview of the distributions of all the variable. The variables AZS, ROA AND LEV have Mean and Median values converging towards unified values, indicating that, the variables assumed a perfectly symmetric

distribution, other than OAA, CR AND LIQ which recorded slight variations between their Mean and median values. Nonetheless, all the variables are evidently not deniable of a normal distribution.

Table 5: Summary statistics for Dependent and Independent Variables for the Weak Corporate Governance Group

	N	Mean	Std. Dev.	Min	Median	Max
AZS	60	.416	1.526	-5.755	.509	4.2
ROA	60	.027	0.055	-.302	.034	.106
LEV	60	.832	0.092	.439	.84	.993
OAA	60	.4	0.554	.09	.303	4.361
CR	60	24.362	20.696	1.78	17.4	85
LIQ	60	.764	0.509	.083	.706	3.328

Source: Author's Calculation, 2023

Table 5 shows the basic descriptive statistics for all variables under the Weak Corporate Governance sample. Again, Column 2, titled 'N' which contains the number of observations shows that 60 of the sample used for the study, representing approximately 40% falls under the Weak Corporate Governance regime. Columns 3-7 of the table provide an overview of the distributions of the entire variables. ROA, LEV, LIQ and OAA approximately assume same Mean and Median values which are clear indications of symmetric distributions. AZS had its Mean and Median scores negligibly varying approximately, while CR had a considerable variation between its Mean and Median values.

The AZS of the sample firms forming the Strong Corporate Governance group is 0.706 while that of the Weak Corporate Governance is 0.416. According to the Altman Z Score model for Non-manufacturing firms, a Z score less than 1.10

represents a zone of Financial Distress. This indicates that, all the sampled firms in both Strong and Weak Corporate Governance environments are prone to financial distress. This affirms the assertion that even some of the banks that survived the last Financial crisis that hit the banking industry in Ghana are still in the process of recovery (Atinyo and Kawor, 2021; MoF, 2019). However, the firms that belong to the Weak Corporate Governance class are more susceptible to financial distress since they recorded a lower Z Score compared to the Strong Corporate Governance Group, because from the Altman Z score model, a higher Z score means a lower probability of Financial Distress and lower Z score means a higher probability of Financial Distress.

4.1.2 The relationship between Micro factors and Financial Distress given the strength of Corporate Governance.

Table 6: Correlations Matrix for all Variables in the Strong Corporate Governance Group

Variables	AZS	ROA	LEV	OAA	CR	LIQ
AZS	1.000					
ROA	-0.0858	1.000				
LEV	0.0376	-0.2031**	1.000			
OAA	0.6200***	-0.3253***	0.0001	1.000		
CR	-0.1364	-0.1052	-0.1419	0.2667***	1.000	
LIQ	0.5410***	-0.1672*	0.0467	0.3530***	-0.0236	1.000

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Author's Calculation, 2023

Stata 15.0 was used for the correlation coefficient test in the study. Displayed in Table 6 is a correlation matrix between every two variables in the Strong Corporate Governance sample firms. From the table, there is no multi-collinearity problem in the

model since the highest correlation coefficient between the set of independent variables is 0.35 which is no close to or more than 0.70. LIQ and OAA have a moderate positive relationship with the dependent variable AZS, while LEV has a very weak positive relationship with AZS. CR and ROA had a very weak negative relationship with AZS.

Table 7: Correlations Matrix for all Variables in the Weak Corporate Governance Group

Variables	AZS	ROA	LEV	OAA	CR	LIQ
AZS	1.000					
ROA	0.648***	1.000				
LEV	0.114	0.384***	1.000			
OAA	0.401***	0.047	0.075	1.000		
CR	-0.291**	-0.355***	-0.219*	-0.134	1.000	
LIQ	0.543***	0.173	-0.020	0.087	-0.232*	1.000

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Author's Calculation, 2023

Table 7 also shows the correlation matrix between every two variables in the Weak Corporate Governance sample firms. The matrix shows no sign of multi-collinearity in the model as the highest correlation coefficient between the variables in the predictor bracket is 0.38 which doesn't exceed 0.7. From the table, ROA, OAA and LIQ have a moderate positive relationship with the dependent variable AZS. However, LEV and CR recorded weak negative relationship with AZS.

Table 8: Random Effects-Generalized Least Square Regression Results for the Strong Corporate Governance Sample

AZS	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
ROA	8.356	3	2.79	.005	2.476	14.236	***
LEV	1.051	1.711	0.61	.539	-2.303	4.406	
OAA	2.2	0.403	5.45	.000	1.409	2.99	***
CR	0.002	0.007	0.28	.778	-.012	0.016	
LIQ	1.388	0.579	2.40	.016	0.254	2.523	**
Constant	-2.545	1.553	-1.64	.101	-5.589	0.5	
Mean dependent var		0.706	SD dependent var			1.259	
Overall r-squared		0.527	Number of obs			95	
Chi-square		64.294	Prob > chi2			0.000	
R-squared within		0.542	R-squared between			0.337	

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Author's Calculation, 2023

As displayed in table 8, AZS is the dependent variable and ROA, LEV, OAA, CR and LIQ are the independent variables. The Random Effects Generalized Least Square Regression model was adopted to investigate the relationship between the aforementioned dependent and independent variables in the Strong Corporate Governance sample. The results show an overall R-squared of 0.527 which indicates that, the independent variables only explains approximately 53% of the variations in the dependent variable in the Strong Corporate Governance environment. Also, from the table, there exist significant positive relationships between the dependent variable (AZS) and the independent variables (ROA, OAA and LIQ).

Table 9: Random Effects-Generalized Least Square Regression Results for Weak Corporate Governance Sample

AZS	Coef.	St.Err.	t-value	p-value	[95% Conf Interval]	Sig
ROA	16.483	1.636	10.08	.000	13.278 19.689	***
LEV	-1.041	1.534	-0.68	.497	-4.047 1.965	
OAA	.981	.138	7.09	.000	.709 1.252	***
CR	.005	.006	0.76	.447	-.008 .017	
LIQ	1.185	.403	2.94	.003	.396 1.974	***
Constant	-.537	1.398	-0.38	.701	-3.277 2.204	
Mean dependent var		0.416	SD dependent var		1.526	
Overall r-squared		0.739	Number of obs		60	
Chi-square		294.217	Prob > chi2		0.000	
R-squared within		0.628	R-squared between		0.779	

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Author's Calculation, 2023

Table 9 displays the regression results for the dependent and independent variables in the Weak Corporate Governance Environment using the Random Effects Generalized Least Square regression model. The results show overall R-squared of 0.739 indicating the variations in the dependent variable ((AZS) which is explained by the independent variables ((ROA, LEV, OAA and LIQ), which approximately 74%. From the table, there exist significant positive relationships between the independent variables (ROA, LEV, OAA and LIQ) and the dependent variable (AZS).

From the regression results in tables 8 and 9, ROA, a measure of profitability has significant positive relationship with the Z scores in both Strong and Weak Corporate Governance groups indicating that, firms in both Strong and Weak Corporate Governance Environments sustaining profitability was vital in building a fence against the intrusion of Financial Distress. However, the firms in the Weak Corporate Governance group recorded a coefficient of 16.483, higher than 8.356 which the

Strong Corporate Governance group had. Meaning the firms in the Weak Corporate Governance group makes use of profitability to neutralize the propensity of Financial Distress more than the Strong Corporate Governance Sample firms.

This is in line with the findings of Troung (2022) in a study of Vietnamese manufacturing firms on Corporate Governance and Financial Distress using an endogenous switching regression model approach. This also concurs with the stewardship theory that, management are enthused by self-motivation to achieve the objective of maximizing profit of the firm for the purpose of self-accomplishment and recognition from superiors and peers. Again, liquidity has a positive significant relationship with Financial Distress. Liquidity also has a significant positive relationship with AZS in both the Strong and Weak Corporate Governance groups, but with higher coefficient of 1.338 in the Strong Corporate Governance sample firms than the Weak Corporate Governance of 1.185. This implies that the firms in the Strong Corporate Governance group maintained high level of liquid assets as a tool for protection against Financial abnormalities than the firms in the Weak Corporate Governance group.

The significant positive relationship between Liquidity and AZS recorded in this study concurs with the findings of Ndungu (2019) in the study of Kenyan Commercial Banks on the determinants of Financial Distress. Furthermore, OAA has a significant positive relationship with AZS in both Strong and Weak Corporate Governance environments but the Strong group having a coefficient of 2.2, higher than 0.981 of the Weak Corporate Governance group. This shows how more investment in loans and advances to customers helped immunized the firms with the Strong Corporate

Governance against Financial Distress compared to those with Weak Corporate Governance. However, the negative relationship between OAA and AZS is contrast with the findings of Ndungu(2019) in the study of Kenyan Commercial Banks on the determinants of Financial Distress.

4.1.3 The effect of ‘Corporate Governance’ on ‘Financial Distress’

Table 10: Effect of Corporate Governance on Financial Distress (Counterfactual Analysis)

Adoption status	Predictions (AZS)		Treatment effect
	SCG	WCG	
SCG Firms	0.821328	0.543907	0.2774213
WCG Firms	0.733357	0.458273	0.2750841
Heterogeneity Effects	0.087971	0.085634	0.0023372

Source: Author’s Calculation, 2023

Table 10 displays the counterfactual analysis undertaken to determine the effect of Corporate Governance on Financial Distress. The figures in the table represent the predicted Z scores for entities having Strong Corporate Governance, expected to maintain Strong Corporate Governance and if they should assume a Weak Corporate Governance Status, as well as firms with Weak Corporate Governance, expected to maintain Weak Corporate Governance and if they should transition from Weak to Strong Corporate Governance status. The counterfactual analysis shows a positive Transitional Heterogeneity which signifies that improving the strength of Corporate Governance has an effect on Financial Distress. Thus there is a marginal contribution to reducing Financial Distress if Corporate Governance is improved.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This study examined the strength of corporate governance and financial distress among universal banks in Ghana. The chapter highlights the introduction and presents the summary of findings, implication of the study, recommendation and suggestions for further research.

5.1 Summary

The study was ignited following the series of financial setbacks that have infected corporate entities across the globe. Financial failure has been a cancerous phenomenon, truncating the lives and putting into disarray, the beautiful potentials of many corporate bodies in discrete economic endeavors, both manufacturing and non-manufacturing, irrespective of the size of the entity and the jurisdiction where it carries out its operations.

Numerous efforts have been over the years channeled to look into the causes of financial failure by many interest groups which includes jurisdictional regulatory authorities, international interest groups and the academia. Many of the results of these attempts have established associations between how a corporate entity is governed and the outcome of their operations, thus their operational performance. The negative relationship between financial performance and financial distress has created a connection between corporate governance and financial distress. It is as a result that many researchers have painstakingly investigated into the associations between the governance structure of corporate entities and financial distress.

Moreover, there are theoretical underpinnings, providing solid bases for potential association between corporate governance and financial distress. According to the Agency theory and the theory of organizational economics, there exist a conflict of interest between owners and managers as a result of separation of ownership from control in the corporate structure and that, there is the tendency of manager pursuing their selfish interest to the neglect of the owners' and this could amount to firm failure. On the other hand, the stewardship theory argues against the existence of sacrificing organizational survival for personal gains since managers have an intrinsic desire to succeed in achieving organizational objectives for the purpose of self-actualization and gaining recognition from superiors and peers. Empirically, many studies on corporate governance and financial distress among universal banks in several jurisdictions including Ghana, which have been the focal point of the study have established a significant negative relationship between Corporate Governance and Financial Distress, that, an improvement in corporate governance reduces the odds of Financial Distress.

This amongst others sparked the motivation behind this study to consider the association between Corporate Governance and Financial distress among universal banks in Ghana, using an endogenous switching regression model approach. The study revealed that universal banks in Ghana with strong corporate governance are less probable to financial distress and those with weak corporate governance are more probable to financial distress. Also, profitability, liquidity, and Overly Aggressive Activity are determinants of Financial Distress in both banks with strong and weak corporate governance structures and finally, from a counterfactual analysis, there is an effect of improved Corporate Governance on Financial Distress.

5.2 Conclusion

The study revealed that a universal banks in Ghana with strong corporate governance structure are less probable to Financial Distress and those with Weak Corporate Governance are more probable to Financial Distress. Also, improving Corporate Governance means a universal bank in Ghana builds immunity against Financial Distress. This affirms the position the Agency theory and the theory of organizational economics that, an effective Governance structure is imperative to streamline the affairs the entity in manner that will preserve the interest of owners.

On the other hand it was revealed in the study that the universal banks in Ghana with Weak Corporate Governance per the study utilized profitability more to neutralize their susceptibility to financial distress more than those with Strong Corporate Governance. This justifies the position of the stewardship theory that, managers are poised to achieving organizational goals and objectives to ensure firm survival, thereby protecting the interest of owners which driven by self-motivational factors such actualization and receipt of accolades and that it is not only when there is a robust corporate governance structure in place that managers subordinate personal interest to owners' interest.

5.3 Implications of the Study to Researcher/Scholars

The study has enormous implications to the research fraternity. Though there has been extant literation on Corporate Governance and Financial Distress which employed the traditional logistic model, but the use of an endogenous switching regression model approach allows for a very comprehensive look at the association between Corporate Governance and Financial Distress such that, regimes of Strong and Weak Corporate governance can be created and relationship with financial distress assessed, whiles

examining the interactions between other determinants and financial distress under the Strong and Weak Corporate Governance umbrellas. Had this study been conducted with the traditional logistic model, conclusion could have been made solely on the position of the Agency theory, but the endogenous switching regression model allowing for examining the association between other determinants and Financial Distress in both Strong and Weak factions has revealed that even within Weak Corporate Governance environment, profitability is enhanced to absorb a blow of financial setbacks, partially validating the position of the Stewardship theory which could have been in the otherwise completely discounted.

5.4 Implications of the Study to Managers, Practitioners, Professionals and Policy Makers

As an effective Corporate Governance structure is necessary to safeguard universal banks in Ghana against Financial as the Agency and the organizational economics theories posits and affirmed by the findings of this study, recognition must also be given to the position of the stewardship theory that, managers are intrinsically motivated to achieve organizational goals and objective to ensure firm survival.

Policy makers should therefore ensure that when instituting a governance system for a corporate body, considerations must be given to flexibility, thus rigidity should minimized considerably to create an environment do not stifle the initiatives of managers to cripple their ardent desires to become accomplished in achieving organizational goal and objectives. This can help to fully harness and utilize all the potentials of managers for the growth of the entity.

5.5 Suggestions for Further Research

Future studies should seek to consider looking at how industry dynamics such as competitions influence on financial distress.

REFERENCES

- Abdullah, S. N. (2006). Board structure and ownership in Malaysia: The case of distressed listed companies. *Corporate Governance*, 6(5), 582–594. doi:10.1108/14720700610706072.
- Abugri, A. (2022). Effect of Corporate Governance on Financial Distress: Evidence from Listed Firms at Ghana Stock Exchange. *International Journal of Multidisciplinary Research and Analysis*, 5(02), 319-327.
- Antwi-Asare, T. O., & Addison, E. K. Y. (2000). Financial Sector Reforms and Bank Performance in Ghana. London: *Overseas Development Institute*.
- Arif, A., & Nauman, A. (2012). Liquidity Risk and Performance of Banking System, *Journal of Financial Regulation and Compliance*, 20(2), 182-195.
- Baldwin, C. Y., & Mason, S. P. (1983). The resolution of claims in financial distress the case of Massey Ferguson. *The Journal of Finance*, 38(2), 505-516.
- Bank of Ghana (2018). Banking Sector Report. https://www.bog.gov.gh/wp-content/uploads/2019/08/Banking_Sector_Report_January_2018-1.pdf
- Barney, J.B. (1990). The debate between traditional management theory and organizational economics: substantive differences or intergroup conflict? *Academy of Management Review*, 15, 382–393.
- Berle, A., & Means, G. (1932) *The modern corporation and private property*. New York: Macmillan.
- Black, B. S., Love, I., & Rachinsky, A. (2006). Corporate governance indices and firms' market values: Time series evidence from Russia. *Emerging Markets Review*, 7(4), 361-379.
- Bruno, V. G., & Stijn, C. (2007) 'Corporate Governance and Regulation: Can There Be Too much of a Good Thing?', Working paper.

- Cadbury Committee (1992). *Report of the Committee on the Financial Aspects of Corporate Governance*, Gee and Firm, London.
- Campbell, J. L. (2007). “Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility”, *Academy of Management Review*, 32(3), 946-967.
- Chen, J. J. (2005). Corporatisation of China’s state-owned enterprises and corporate governance. In *Challenges for China's Development* (pp. 74-87). Routledge
- Cooper, R.D. & Schindler S.P. (2006). *Business research methods*, 7th Ed., New York: Irwin/McGraw Hill.
- Dalton, D.R., & Kesner, I. F. (1987). Composition and CEO duality in boards of directors: an international perspective. *Journal of International Business*, 18(3), 33–42.
- Donaldson, L. (1990a). The ethereal hand: organizational economics and management theory. *Academy of Management Review*, 15, 369–381.
- Donaldson, L. (1990b). A rational basis for criticisms of organizational economics: a reply to Barney. *Academy of Management Review*, 15, 394–401.
- Dzawu, M.M. (2019). Ghana Strengthens Capacity to Avoid Repeat of Banking Cleanup. Bloomberg, pp.1. [https://www. bloomberg.com/news/articles/2019-09- 10/ghana-strengthens-capacity-to-avoidrepeat-of-banking-cleanup](https://www.bloomberg.com/news/articles/2019-09-10/ghana-strengthens-capacity-to-avoidrepeat-of-banking-cleanup)
- Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14(1), 57-74.
- Elloumi, F. & Gueyle, P.J. (2001). Financial distress and corporate governance: an empirical analysis. *Corp. Gov.* 1(1), 15–23.

- Ely, D. P., & Song, M. H. (2000). Acquisition activity of large depository institutions in the 1990s: An empirical analysis of motives. *The Quarterly Review of Economics and Finance*, 40(4), 467–484. doi:10.1016/S1062-9769(00)00052-1
- Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The Journal of Law & Economics*, 26(2), 301–325. <https://doi.org/10.1086/467037>
- Forker, J. J. (1992). Corporate governance and disclosure quality. *Accounting and Business Research*, 22(86), 111–124. doi:10.1080/00014788.1992.9729426
- Herzberg, F., Mausner, B., & Snyderman, B. (1959). *The Motivation to Work*. New York, John Wiley.
- Hicks, A., & Goo, S. H. (2008). *Cases and materials on company law*. Oxford University Press.
- Hodgson, A., Lhaopadchan, S. & Buakes, S. (2011). How informative is the Thai corporate governance index? A financial approach. *International Journal of Accounting and Information Management*, 19(1), 53–79.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. doi:10.1016/0304-405X(76)90026-X
- Jensen, M. C., & Ruback, R. S. (1983). The market for corporate control: The scientific evidence. *Journal of Financial Economics*, 11(1–4), 5–50. doi:10.1016/0304-405X(83)90004-1.
- Kamau, G., Aosa, E., Machuki, V., & Pokhariyal, G. (2018). Corporate governance, strategic choices and performance of financial institutions in Kenya. *International Journal of Business and Management*, 13(7), 169-178.

- Kang, H., Cheng, M., & Gray, S. J. (2007). Corporate governance and board composition: Diversity and independence of Australian boards. *Corporate Governance: An International Review*, 15(2), 194-207.
<https://doi.org/10.1111/j.1467-8683.2007.00554.x>.
- Krechovska, M. & Prochazkova, P.T. (2014), “Sustainability and its integration into corporate governance focusing on corporate performance management and reporting”. *Procedia Engineering*, 69, 1144-1151.
- Krishnaswami, O. R. (2003). *Methodology of Research in Social Science*. Mumbai: Himalaya publishing House.
- Laeven, L. (2011). Banking Crises: A Review. *Annual Review, Financial Economics*, 3(1), 17-40.
- Lenne, J., Mitchell, R., & Ramsay, I. (2005). Employee share ownership schemes in Australia: A survey of key issues and themes, Research report. Centre for Corporate Law and Securities Regulation and Centre for Employment and Labor Relations Law, University of Melbourne
- Liyu, H., Wright, S., & Evans, E. (2007). Does better corporate governance result in lower earning management? *Chartered Secretaries Australia*, 59(6), 330–334.
Retrieved from <https://search.informit.com.au/documentSummary;dn=200707823;res=IELAPA>
- Luqman, R., Ul Hassan, M., Tabasum, S., Khakwani, M. S., & Irshad, S. (2018). Probability of financial distress and proposed adoption of corporate governance structures: Evidence from Pakistan. *Cogent Business & Management*, 5(1), 1492869.

- Mallette, P., & Fowler, K. L. (1992). Effects of board composition and stock ownership on the adoption of “poison pills”. *Academy of Management Journal*, 35(5), 1010–1035. doi:10.5465/256538.
- McClelland, D.C. (1961). *The Achieving Society* (Princeton, N.J., Van Nostrand
- Mehran, H. (1995). Executive compensation structure, ownership, and firm performance. *Journal of Financial Economics*, 38: 163– 184.
- Miglani, S., Ahmed, K., & Henry, D. (2015). Voluntary corporate governance structure and financial distress: Evidence from Australia. *Journal of Contemporary Accounting & Economics*, 11(1), 18–30. doi:10.1016/j.jcae.2014.12.005
- Ndungu, R. W. (2019). *Determinants of financial distress in Kenyan Commercial Banks* (Doctoral dissertation, Strathmore University). Retrieved from <http://suplus.strathmore.edu/handle/11071/6587>.
- OECD, Organisation for Economic Co-operation and Development (2010) Corporate governance and the financial crisis: conclusions and emerging good practices to enhance implementation of the principles. OECD, Paris.
- OECD (2004). OECD Principles of Corporate Governance, Paris, 1-67.
- OECD (2009). Corporate governance and the financial crisis: Key findings and main messages, OECD Steering Group on Corporate Governance Report
- Panda, B., & Leepsa, N. M. (2017). Agency theory: Review of theory and evidence on problems and perspectives. *Indian Journal of Corporate Governance*, 10(1), 74-95.
- Parker, S., Peters, G. F., & Turetsky, H. F. (2002). Corporate governance and corporate failure: a survival analysis. *Corporate Governance: The International Journal of Business in Society*.

- Parrotta, P., & Smith, N. (2013). Female-led firms: Performance and risk attitudes.
- Pearce, J. A., & Zahra, S. A. (1992). Board composition from a strategic contingency perspective. *Journal of Management Studies*, 29(4), 411-438.
- Peni, E., & Vähämaa, S. (2012). Did good corporate governance improve bank performance during the financial crisis? *Journal of Financial Services Research*, 41(1), 19–35. <https://doi.org/10.1007/s10693-011-0108-9>
- Pratt, J.W., & R.J. Zeckhauser, (1985). Principals and agents: the structure of business (Boston, Harvard Business School Press).
- PricewaterhouseCoopers and Association of Bankers (2016). 2016 Ghana Banking Survey: How to win in an era of mobile money. <https://www.pwc.com/gh/en/assets/pdf/2016-banking-survey-report.pdf>
- PricewaterhouseCoopers and Association of Bankers (2017). 2017 Ghana Banking Survey. Risk-based minimum regulatory capital regime: what it means for banks in Ghana. <https://www.pwc.com/gh/en/assets/pdf/2017-banking-survey-report.pdf>
- PricewaterhouseCoopers and Association of Bankers (2019). Banking reforms so far: topmost issues on the minds of bank CEOs. <https://www.pwc.com/gh/en/assets/pdf/ghanabanking-survey-2019.pdf>
- Reinhart, C. M., Reinhart, V. R., & Rogoff, K. S. (2012). Public debt overhangs: advanced-economy episodes since 1800. *Journal of Economic Perspectives*, 26(3), 69-86.
- Rutherford, M. A., & Buchholtz, A. K. (2007). Investigating the relationship between board characteristics and board information. *Corporate Governance: An International Review*, 15(4), 576-584.

- Sarpong-Danquah, B., Gyimah, P., Afriyie, R. O., & Asiamah, A. (2018). Corporate governance and firm performance: An empirical analysis of manufacturing listed firms in Ghana. *Accounting and Finance Research*, 7(3), 111-118.
- Shahwan, T. M. (2015). The effects of corporate governance on financial performance and financial distress: Evidence from Egypt. *Corporate Governance*.
- Sikka, P. (2009). Financial Crisis and the Silence of the Auditors, *Accounting, Organizations and Society*, 34(6-7), 868-873.
- Spira, L.F. & Page, M. (2003). "Risk management: The reinvention of internal control and the changing role of internal audit", *Accounting, Auditing & Accountability Journal*, 16(4), 640-661. <https://doi.org/10.1108/09513570310492335>.
- Tang, H. W., & Chang, C. C. (2015). Does corporate governance affect the relationship between earnings management and firm performance? An endogenous switching regression model. *Review of Quantitative Finance and Accounting*, 45, 33-58.
- Truong, K. D. (2022). Corporate governance and financial distress: An endogenous switching regression model approach in vietnam. *Cogent Economics & Finance*, 10(1), 2111812.
- Van Essen, M., Engelen, P., & Carney, M. (2013). Does "Good" corporate governance help in a crisis? The impact of country-and firm-level governance mechanisms in the European financial crisis. *Corporate Governance: An International Review*, 21(3), 201–224. <https://doi.org/10.1111/corg.12010>.
- Wang, Z.-J., & Deng, X.-L. (2006). Corporate governance and financial distress: Evidence from Chinese listed companies. *Chinese Economy*, 39(5), 5–27. <https://doi.org/10.2753/CES1097-1475390501>.

- Joe Duke, I. I., & Kankpang, K. A. (2011). Linking corporate governance with organizational performance: New insights and evidence from Nigeria. *Global Journal of Management and Business Research*, 11(12), 47-58.
- Wanderi, R. G. (2016). *Influence of corporate governance practice on financial distress among commercial banks in Kenya* (Doctoral dissertation, University of Nairobi).
- Wallgren, E., & Lindé, A. (2012). The Effects of Organizational Structure and Rules on Banks Risk Management: A Comparative Case Study of Three Major Banks in Sweden.
- Whitaker, R.B. (1999). "The early stages of financial distress". *Journal of Economics and Finance*, 23(2), 123-33.
- Williamson, O. (1985). *The Economic Institutions of Capitalism* (New York, Free Press).
- Wruck, K.H. (1990). Financial distress, reorganization, and organizational efficiency". *Journal of Financial Economics*, 27, 419-44.
- Younas, N., UdDin, S., Awan, T., & Khan, M. Y. (2021). Corporate governance and financial distress: Asian emerging market perspective. *Corporate Governance: The International Journal of Business in Society*, 21(4), 702–715.
<https://doi.org/10.1108/CG-04-2020-0119>.