

Research Article

Assessing the Impact of Corporate Governance on Firm Performance: Evidence from Malawi Stock Exchange

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How to cite this article:

Syal G, Monjeza K. Assessing the Impact of Corporate Governance on Firm Performance: Evidence from Malawi Stock Exchange. *J Adv Res HR Organ Mgmt* 2024; 11(3&4): 9-18.

Date of Submission: 2024-04-21

Date of Acceptance: 2024-06-17

A B S T R A C T

The major purpose of the study relates to assessing the impact of different demographic factors on the saving determinants and saving behaviour of the individuals of Ludhiana. Therefore, in this study saving determinants and behaviour were considered as the dependent variable and the demographic variables as the independent variable. The data was collected from 100 respondents which comprised individuals representing different heterogeneities of Ludhiana. The tools of factor analysis, independent t-test, and one-way ANOVA were applied to study the impact of five demographic variables on the saving determinants and behaviour of the individuals of Ludhiana. The studies revealed that certain factors of saving behaviour had an insignificant relationship with the demographic factors while virtuous considerations and financial considerations resonated a significant impact with certain demographic factors. The major limitation of the study was that the sample was relatively of smaller size. Had it been of a larger size, the results would have been an accurate one. This paper was the first of its kind to study the saving behaviour of the Individuals of Ludhiana on the basis of their demographic factors.

Keywords: Saving Determinants, Saving Behaviour, Demographic Factors, Ludhiana

Introduction

As a result of every financial crisis academicians, regulators, and governments tend to focus on corporate governance more briskly in order to augment investors' confidence that would attract investments. The corporate governance structure should promote transparent and efficient markets, be consistent with the rule of law, and clearly state the division of responsibilities among different supervisory, regulatory, and enforcement authorities. This study aims to assess the impact of corporate governance on firm performance in Malawi. The study is conducted on companies that are listed on the Malawi Stock Exchange.

Background of the Study

According to Parker (1996) cited in Mulili and Wong (2011), the concept of Corporate Governance began to be used and spoken about more commonly in the 1980s. However, the first ever open and meaningful discussion on CG in Malawi took place in 1997 at a conference that was organised by the Society of Accountants in Malawi (SOCAM) (SOCAM, 2001). The participants appealed for the formation of a CG committee to broadly look at issues of CG in Malawi and, in the process come up with the CG code and further consider the necessity of establishing an Institute of Directors (SOCAM), 2001). As a result, the

CG task force was constituted in 1998. Consultations and discussions followed that resulted in the development and subsequent adoption of the Code of Best Practice for CG in Malawi (hereafter referred to as the Old Code) in 2001. It is referred to as the Old Code as it has since been replaced by a new revised code. According to the framers, the Old Code was drawn from recognised codes of CG such as the South African King Report, the Kenyan Principles and Sample Code, and the Guidelines of the Commonwealth Association for CG (SOCAM, 2001). The Old Code was voluntary, principle-based, and was intended to be applicable to all enterprises in Malawi. The basis of the code was the recognition that society was demanding greater accountability and transparency from institutions and enterprises regarding their affairs (SOCAM, 2001).

Literature Review

In their 2014 study, Gupta and Sharma investigated the influence of corporate governance variables on the performance of companies in India and South Korea. The findings indicate that corporate governance exerts a restricted impact on both the stock prices and financial performance of these companies.

Vo and Phan (2013) undertook a study with the objective of measuring how corporate governance contributes to the performance of publicly listed companies in Vietnam. The study's results reveal that certain aspects of corporate governance, including the inclusion of female board members, the CEO's dual role, the professional experience of board members, and the compensation awarded to board members, positively impact the firm's performance, as assessed by the return on assets (ROA). Conversely, the size of the board has a detrimental effect on the firms' performance.

Guo and Kumara (2012) conducted a study to assess the impact of corporate governance measures on the performance of companies in Sri Lanka. The research focused on listed firms on the Colombo Stock Exchange. The results revealed a negative association between the size of the board of directors and the firm's value, as well as the impact of the proportion of outside directors on the operating performance of the firm.

Sami, Wang, and Zhou (2011) undertook a study to illustrate the connection between operating performance and corporate governance in Chinese listed companies. The results indicate a positive correlation between firm performance and various governance metrics.

Fooladi (2011) examined the impact of corporate governance on performance metrics using a sample of 30 Malaysian firms, drawing data from the annual reports of these firms for the fiscal year 2007. The results suggest a negative correlation between CEO duality and performance

measures, specifically Return on Equity (ROE) and Return on Assets (ROA). This is attributed to the observed reduction in the efficiency of the board of directors in cases where CEO duality is present. Furthermore, the study found an insignificant relationship between the independence of the board of directors, the size of the board of directors, ownership structure, and firm performance.

Regional Studies

Onakayo, Fasanya, and Ofoegbu (2014) undertook a study to investigate the impact of corporate governance characteristics on the performance of banks in Nigeria. The final sample comprised 9 banks for the period from 2006 to 2010. The findings indicate a positive influence on return on equity from both board size and ownership structure. However, the study observed a negative correlation between corporate governance practices and the assets of companies. Furthermore, the results suggest that board structure has no effect when considered as a predictor of profitability measures.

Mohammed (2012) undertook a study to investigate the influence of corporate governance mechanisms on the performance of nine Nigerian banks over a ten-year sample period (2001-2010). The analysis revealed a significant association between corporate governance and banks' performance. Additionally, the study highlighted that poor asset quality and unfavourable loan deposit ratios were defined factors negatively impacting business performance.

Kyereboah-Coleman, Adjasi, and Abor (2013) aimed to assess the impact of corporate governance structures on firm performance within listed companies on the Ghana Stock Exchange. The results indicate that an increased presence of outside board members is positively correlated with firm performance. It is evident that corporate governance structures play a significant role in influencing firm performance in Ghana. Specifically, within these governance structures, the two-tier board structure in Ghana is deemed more effective, as evidenced by higher mean values at the firm level compared to the one-tier system.

In Malawi, Lipunga (2014) conducted a study to assess the degree to which disclosure provisions align with the OECD principles of corporate governance in the Malawian Codes. The study employed content analysis to scrutinise the "Old Code," "Revised Code," and "RBM Code." An Incorporation index was calculated using a disclosure checklist. The findings reveal a low level of incorporation of disclosure provisions in both the Old Code (0.35) and the Revised Code (0.30). Moreover, the results suggest that the revision of the Code did not enhance the disclosure provisions; instead, it exacerbated the situation.

Research Methodology

Statement of the Problem

The economic and operational success of any organisation within a competitive environment hinges on the capacity of its managers and directors to make sound decisions that contribute to the maximisation of wealth for shareholders. Corporate governance is a significant area of study that addresses diverse governance structures employed to oversee a corporation with the aim of maximising the wealth of shareholders, who are the owners of the company. A review of the literature underscores this importance and sheds light on issues related to conflicts of interest between shareholders and management (Marashdeh, 2014). In instances where there are irregularities in information and imperfect contractual relationships between managers and shareholders, managers may be motivated to pursue their personal objectives at the expense of shareholders.

Nevertheless, effective governance exerts a favourable influence on corporate performance (Bhagat & Bolton, 2008). Laeven and Levine (2009) contend that corporate governance may not fully capture the genuine correlation with corporate performance. Consequently, this study aims to ascertain whether corporate governance indeed has an impact on the performance of firms in Malawi.

Research Objectives

In order to achieve the above general objective; specifically, the study has the following objectives:

1. To assess how companies are using corporate governance practices in Malawi
2. To evaluate the relationship between corporate governance practises and firm performance
3. To assess the impact of the board of directors (namely board size, CEO duality, and non-executive directors) on firm performance in Malawi

Hypothesis

H_0 : Corporate governance does not significantly affect firm performance.

H_1 : Corporate governance significantly affects firm performance.

Research Justification

In many countries, a lot of research has been conducted on the impact of corporate governance on firms' performance. In Malawi, however, the significance and the role of corporate governance on firms' performance is not well articulated (Lipunga, 2014). The study therefore will help in building new insights where public organisations and companies listed on the Malawi Stock Exchange are to refocus their position and start looking at these variables with different perspectives. The findings will also give a

better view and direction to scholars, and private and public entities and even help policymakers in using corporate governance for the success of firms in Malawi.

Sampling Unit and Accessible Universe

The objective of the study was to assess the impact of the corporate governance practises of firms in Malawi on firm performance. The targeted population for this study were public companies in Malawi with specific reference to those firms that are listed on the Malawi Stock Exchange. However, the study period for this work was limited to seven years (2011–2017) only. Therefore, only firms that were registered and listed with the MSE were in active operation and have been so within the stated timeframe were considered for this study.

Table 1. Date stamp of Company and there sector

MSE Code	Company Name	Sector	Date Listed
BHL	Blantyre Hotels Limited	Consumer services	25 March, 1997
ILLOVO	ILLOVO Sugar Malawi Limited	Consumer goods	10 November, 1997
PCL	Press Corporation Limited	Industrials	09 September, 1998
SUNBIRD	Sunbird Tourism Limited	Consumer services	21 August, 2002
TNM	Telekom Networks Malawi	Tele communications	03 November, 2008

Source: Malawi Stock Exchange 2018

This represents 100% of the mean number of the companies listed not under the Finance and Banking sector but 38% of the thirteen companies listed on the Malawi Stock Exchange at present.

Data Collection

The study assessed the impact of corporate governance practises on the firm performance of listed companies in Malawi. The data and information required for the study were collected from secondary sources. These include Malawi Stock Exchange (MSE) websites, annual reports, journals, Malawi Stock Exchange publications, and official websites of the listed companies. Data collection was mainly based on annual reports of the companies in the sample. The information with regard to governance variables was obtained through the Corporate Governance information provided in each annual report.

Data for dependent variables such as ROA and ROE were collected through the financial statements of each annual report. Fraser et al. (2006) argue that a company’s annual reports are more accurate than other secondary data sources. In addition, they report that information and data based on annual reports show a high level of reliability and quality. To avoid errors while copying the data from annual reports, entries were double-checked by the researcher. Both databases provided a summary of the balance sheet, income statements, financial ratios, number of directors, and the names of the auditing companies.

Table 2. Concepts and Measurements of Variables in the Study

Variable	Definition	Measurement
Dependant variable		
ROA	Return on asset	Net income/total assets
ROE	Return on equity	Net income/shareholder’s equity
Independent variable		
Board size	Board members	Number of inside and outside directors on the board
Duality	CEO Dual	Coded “1” if the Chairman also holds the position of CEO and “0” otherwise
NED	Non-Executive Director	Proportion of non-executive directors on the board

Data Analysis

Preliminary analysis of the data was carried out for the years 2011, 2012, 2013, 2014, 2015, 2016 and 2017. To answer the research questions and test the relationships suggested in the hypotheses stated in the conceptual framework, the SPSS statistical programme was employed. The analysis included descriptive statistics, correlation, and regression analysis.

The descriptive analysis was used to assess how companies are using corporate governance practices in Malawi. The analysis included the minimum, maximum, mean, and the standard deviation. The data is presented in tables. Then correlation analysis was used to evaluate the relationship between corporate governance practises and firm performance.

The Durbin-Watson and Multicollinearity tests were used to measure autocorrelation and multicollinearity respectively. After considering the extent to which variables suffer from multicollinearity and autocorrelation, a regression analysis was conducted to evaluate the impact of the board of directors (namely board size, CEO duality, and non-executive directors) on the performance of Malawian companies and to test the hypothesis.

The following are the regression models which were used:

Model 1: $ROE = \beta_0 + \beta_1 BoardSize + \beta_2 NED + \epsilon$

Where ROE = Return on Equity

Board Size = Board Size

NED = NED Proportion

ϵ = Error term

Model 2: $ROA = \beta_0 + \beta_1 BoardSize + \beta_2 NED + \epsilon$

Where ROE = Return on Asset

Board Size = Board Size

NED = NED Proportion

ϵ = Error term

Results and Interpretation

As discussed, a model was constructed to test the effect of corporate governance on the Malawian firm’s performance, and the results are presented here. This chapter presents the descriptive statistics and the results and discussion. Section 4.3 reports the results of the descriptive statistics for the data used in the analysis of this study. Below Sections will report the correlation and regression results respectively.

Basic Data Analysis

- A total of 33 annual reports from the five firms were evaluated.
- There was a non-response rate of about 5.7% as Press Corporations’ 2017 and Blantyre Hotels Limited’s 2015 annual reports could not be accessed.
- The data were entered in MS Excel where the ratios were summarised and then imported into SPSS for analysis.

Results of Descriptive Analysis

This table provides summary statistics for five key variables related to corporate governance and performance:

Profitability is measured by ROE and ROA. ROE ranges from 2% to 64%, with an average of 20.73%. ROA is lower, ranging from 1% to 45% with an average of 10.97%. This suggests that companies are generating good returns on equity, but not necessarily on their total assets. The relatively high ROE combined with lower ROA could indicate an emphasis on financial leverage (debt) to boost shareholder returns.

- Board Size:** Boards are relatively small, with an average size of 8.24 and a range of 5 to 10 members. This is within the typical range for publicly traded companies. The small board size and lack of duality suggest a potentially efficient and focused board structure.
- Duality:** There is no CEO duality in this sample (all values are 0). This implies a separation of CEO and

chair roles, which is generally viewed as good corporate governance practice.

- **NED Proportion:** The average proportion of independent non-executive directors is high at 82%, suggesting strong independent oversight within the board. The high NED proportion aligns with good corporate governance principles and emphasises independent board oversight.

Table 3.Descriptive Statistics

-	Observations	Minimum	Maximum	Mean	Std Deviation
ROE	33	0.02	0.64	0.2073	0.16125
ROA	33	0.01	0.45	0.1097	0.09292
Board Size	33	5.00	10.00	8.2400	1.69600
Duality	33	0.00	0.00	0.0000	0.00000
NED Proportion	33	0.50	1.00	0.8200	0.17736

Results of Correlation Analysis

Based on the correlation matrix, results in the table above show a relatively positive relationship between return on equity and board size (0.470), this implies that an increase in board size will lead to an increase in the return on equity and vice versa. There is a significantly negative relationship between return on equity and the proportion of Non-Executive Directors (-0.621), this implies that an increase in the number of NED will lead to a decrease in return on equity and vice versa.

The results also show a relatively positive relationship between return on equity and board size (0.429), this implies that an increase in board size will lead to an increase in the return on equity and vice versa. There is a significantly negative relationship between return on equity and the proportion of Non-Executive Directors (-0.595), this implies that an increase in the number of NED will lead to a decrease in return on equity and vice versa.

Table 4.Correlation Matrix

-	ROE	ROA	Board Size	NED Proportion
ROE	1	-	-	-
ROA	0.917**	1	-	-
Board Size	0.470**	0.429*	1	-
NED Proportion	-0.621**	-0.595**	-0.609**	1

*Correlation is significant at the 0.05 level (2-tailed), **Correlation is significant at the 0.01 level (2-tailed)

Results of Regression Analysis

The following are the regression models which were used:

$$\text{Model 1: ROE} = \beta_0 + \beta_1 \text{BoardSize} + \beta_2 \text{NED} + \varepsilon$$

Where ROE = Return on Equity

Board Size = Board Size

NED = NED Proportion

ε = Error term

$$\text{Model 2: ROA} = \beta_0 + \beta_1 \text{BoardSize} + \beta_2 \text{NED} + \varepsilon$$

Where ROE = Return on Asset

Boardsize = Board Size

NED = NED Proportion

ε = Error term

Autocorrelation and Multicollinearity Test

The study used time-series data which is susceptible to the problem of autocorrelation and multicollinearity. The Durbin-Watson and Collinearity diagnostics were used to measure autocorrelation and multicollinearity respectively. The results in the table show that no incidences of multicollinearity are observed in the model since none of the variance inflation factors (VIF) are close to or greater than 5. However, the two models suffer from the problem of autocorrelation as shown by the Durbin-Watson figure (0.881) for model 1 and (0.797) for model 2, both figures are less than 1.

Table 5.Collinearity Statistics

Model	Durbin-Watson	-	Tolerance	VIF
1	0.881	Board Size	0.629	1.589
2	0.797	NED Proportion	0.629	1.589

According to Andy Field (2007), adding variables helps to reduce autocorrelation. In order to solve the problem of autocorrelation, 2 variables (Female Directors proportion and board meetings) are added to the regression equations.

The new models are as follows:

$$\text{Model 1: ROE} = \beta_0 + \beta_1 \text{BoardSize} + \beta_2 \text{NED} + \beta_3 \text{FD} + \beta_4 \text{BM} + \varepsilon$$

$$\text{Model 2: ROA} = \beta_0 + \beta_1 \text{BoardSize} + \beta_2 \text{NED} + \beta_3 \text{FD} + \beta_4 \text{BM} + \varepsilon$$

Multiple Regression Analysis

Table 6 presents the results of the regression analysis, regressing the dependent variables, firm performance (ROE and ROA) against the independent variables, and corporate governance practises (board size and NED proportion). Model 1 indicates that 53.8% (R Square = 0.538) variation in firm performances (ROE) is explained by the predictor variables. Furthermore, model 1 indicated 47.3% (adjusted R squared = 0.473), signifying that model 1 explains the variations in return on equity indicating a predictive or

explanatory power of the multi-regression model employed. Model 2 indicates that 39.1% (R Square = 0.391) variation in firm performances (ROE) is explained by the predictor variables. Furthermore, model 1 indicated that 30.4% (adjusted R squared = 0.304), signifies that model 2 explains the variations in return on equity indicating a predictive or explanatory power of the multi-regression model employed.

Table 6. Model Summary

Model	R	R Square	Adjusted R Square	Std Error of the Estimate	Durbin-Watson
1	0.734	0.538	0.473	0.11711	1.079
2	0.625	0.391	0.304	0.07751	0.781
Predictors: (Constant), Board Meetings, Board Size, Non-Executive Directors Proportion, Female Directors Proportion					
Dependent variable: Return on Equity, Return on Assets					

The results also show that NED proportion has a statistically significant effect on firm performance (ROE) ($t = -4.190$, $sig = 0.000$) and firm performance (ROA) ($t = -2.905$, $sig = 0.007$). However, board size shows a non-significant effect on firm performance (ROE) ($t = 1.736$, $sig. = 0.094$) and firm performance (ROA) ($t = 0.844$, $sig. = 0.406$).

Board Size yields a positive Beta coefficient indicating that it results in increases in firm performance as measured by both ROE and ROA. Therefore, at $\alpha = 0.05$ level of significance, the study conclude that board size has a positive effect on firm performance as measured by ROE and ROA. NED proportion yields a negative Beta coefficient indicating that it results in decreases in firm performance as measured by both ROE and ROA. Therefore, at $\alpha = 0.05$ level of significance, the study concludes that NED proportion has a negative effect on firm performance as measured by both ROE and ROA.

Table 7. ANOVA

S. No.	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.448	4	0.112	8.168	0.000 ^b
	Residual	0.384	28	0.014	-	-
	Total	0.832	32	-	-	-
2	Regression	0.108	4	0.027	4.497	0.006 ^b
	Residual	0.168	28	0.006	-	-
	Total	0.276	32	-	-	-
a. Dependent variable: Return on Equity, Return on Assets						
b. Predictors: (Constant), Board Meetings, Board Size, Non-Executive Directors Proportion, Female Directors Proportion						

Table 8. Coefficients

Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.	Collinearity Statistics	
		B	Std Error	Beta			Tolerance	VIF
1	(Constant)	1.122	0.430	-	2.611	0.014	-	-
	Board size	0.028	0.016	0.295	1.736	0.094	0.571	1.751
	Non-executive directors proportion	-0.704	0.168	-0.774	-4.190	0.000	0.483	2.069
	Female directors proportion	0.662	0.233	0.550	2.844	0.008	0.440	2.272
	Board meetings	-0.171	0.095	-0.257	-1.794	0.084	0.806	1.241
2	(Constant)	0.537	0.284	-	1.889	0.069		
	Board size	0.009	0.011	0.165	0.844	0.406	0.571	1.751
	Non-executive directors proportion	-0.323	0.111	-0.616	-2.905	0.007	0.483	2.069
	Female directors proportion	0.146	0.154	0.211	0.950	0.350	0.440	2.272
	Board meetings	-0.065	0.063	-0.170	-1.035	0.309	0.806	1.241
a. Dependent variable: Return on Equity, Return on Assets								

Findings and Discussion

The aim of this study was to assess the impact of corporate governance on the firm performance of Malawian companies during the period 2011 to 2017. The study assessed the impact of the corporate governance mechanisms via the board of directors (e.g., the board size, CEO duality, and NED proportion). The data set used in this study to examine these internal mechanisms was extracted from the annual reports of the companies. The study ended up with a sample of 5 listed firms in MSE during the period 2011 to 2017. Correlation and multiple regression analysis were chosen as the main tools of analysis in this study.

The data of the internal corporate governance mechanisms (board of directors) and accounting-based measures on firm performance revealed a mixed set of results in terms of agency perspectives. This chapter summarises the main research findings and presents recommendations and areas for future studies.

Discussion of Results by Objective

To Assess How Companies are using Corporate Governance Practices in Malawi

The findings show that Companies are using corporate governance practices. The mean number of board size is 8.24. This means that the firms that are listed on Malawi Stock Exchange have an average of 8 board members which is in line with the corporate governance requirement of a board size between 6 to 12 members. The findings also showed that all companies do not have the roles of the chairman of the board and CEO being held by one person. This is also in line with the requirement from sector guidelines on corporate governance which stipulates that the roles of chairman of the board and CEO must be held by separate people. The mean number of Non-Executive Directors proportion is 82% (0.82) which is also in line with sector guideline number 10.1-LC.1 which states that "In order to provide an appropriate balance in decision making, excluding the chairman, the majority of remaining Members of the Board of Listed Companies shall be non-executive, with a presence of independent non-executive directors."

To Evaluate the Relationship between Corporate Governance Practises and Firm Performance

The findings show a relatively positive relationship between board size and firm performance, this implies that an increase in board size will lead to an increase in the return on equity and vice versa. There is a significantly negative relationship between return on equity and the proportion of Non-Executive Directors, this implies that an increase in the number of NED will lead to a decrease in return on equity and vice versa.

To Assess the Impact of the Board of Directors (Namely Board Size, CEO Duality, and Non-Executive Directors) on Firm Performance in Malawi

Board Size and Firm Performance

The findings show that board size has a positive effect on firm performance, this implies that an increase in board size will lead to an increase in the return on equity and vice versa. This is possible because a larger board size will help the board to have a wide range of ideas which can help to improve the performance of the company. This is in line with Onakayo, Fasanya, and Ofoegbu (2014) who found that both board size and ownership structure are positively impacted by return on equity. S. Danoshana¹ and T. Ravivathan (2013) also argued that increases in Board Size and Audit Committee Size positive impact on the firm's financial performance.

CEO Duality and Firm Performance

On CEO duality, the findings show that all companies do not combine the responsibilities of the Chairman and the CEO. This is in line with the agency theory. Agency theory argues that CEO duality represents a problem because the CEO, who is responsible for the company's performance, is the same person who is responsible for evaluation of the efficiency. Furthermore, duality increases CEO responsibilities, therefore, this situation will reduce the possibility of evaluating the firm effectively. This is because the power is concentrated in the hands of just one executive which will result in lower firm performance (Fama and Jensen, 1983).

NED Proportion and Firm Performance

Our findings show that NED proportion has a negative effect on firm performance. The possible explanation for this result might be that the NEDs are commonly part-time workers; this will undermine their ability to monitor and advise the board because of the lack of information that they have which will reduce the NEDs' ability to apply their function efficiently. In addition, because they are part-time workers they are less incentivised to fulfil their responsibilities. Also, they might have other commitments that might affect their devotion to undertake effective monitoring. Furthermore, they might be unfamiliar with all the operations and business in the company. The result is in line with De Andres and Vallelado (2008) who assert that an excessive proportion of non-executive directors could damage the advisory role of boards since executive directors facilitate the transfer of information between directors and management and give information and knowledge that outside directors would find difficult to gather. Cho and Kim (2007), and Brennan, N. M., & Solomon, J. (2008) also question the value of outside independent directors, as they may not be competent to perform their assigned

tasks in that they are part-timers and do not have inside information of the firm.

Hypothesis Testing

Based on the findings of this study we fail to accept our null hypothesis (H_0) that corporate governance does not significantly affect firm performance. This is because the F-values for both models are greater than their alpha values. Therefore, this study provides reasonable ground to conclude that there is a significant effect of corporate governance on firm performance.

Research Implications

The current research is restricted only to firms listed with the MSE. Hence, its findings may not be applicable to all the firms registered in Malawi. The period over which the financial statements were collected for the study might affect the results considering economic fluctuations. The study was carried out in Malawi; with five firms which are the only firms listed with the MSE (excluding banks and financial institutions) of the many firms in operation at present. Generalisation of the results should be done with caution as the case might not be the same if the study was carried out with the companies not listed with MSE, over a long period of time but also advanced expertise. However, a focus on Malawi is important because it allows us to investigate the link between the board of directors and firm performance by using the agency, stewardship, and resource dependence theories under the special institutional background of Malawi. In addition, the introduction of the Malawi Corporate Governance Code II in 2010 required and promoted efforts to enhance the effectiveness of the board for Malawian companies to improve the firm performance.

Practical Implications

The research provides insight as to what impact corporate governance has on firm performance. The researcher revealed that companies are complying with the guidelines on corporate governance. As the findings of the study have revealed, companies must ensure that they have a larger number of boards of directors with the involvement of some non-executive directors. There is a need for firms to have an optimal board size so as to increase performance. A larger board size increases firm performance. Investors with a profit motive should target firms with good corporate governance practices. This is believed that intuition, formulation, and implementation of complimentary good corporate governance practises and performance growth policies would lead to the achievement of the overall objective of the firm, shareholder wealth maximisation which is needed by investors.

Recommendations for Further Research

There is a need to conduct similar research on listed financial and banking institutions in Malawi using other variables, for instance, qualifications and gender of directors. There is also a need to research the impact of corporate governance (ownership structures) on the firms' performance in Malawi.

Conclusion

Based on the findings, the researcher can conclude that corporate governance has both positive and negative impacts on a firm's financial and operational performance. Board size has a positive impact on firm performance because an increase in the number of directors leads to an increase in return on assets and return on equity. While non-executive directors' proportion has a negative impact on firm performance because an increase in the number of non-executive directors leads to a decrease in both return on equity and return on assets.

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