Impact of corporate governance attributes and financial reporting lag on corporate financial performance

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Abstract

Purpose – The purpose of this paper is to investigate selected corporate governance attributes and financial reporting lag and their impact on financial performance of listed firms in Ghana.
Design/methodology/approach – The study uses 90 firm-year data for the period 2012–2014 for firms listed on the GSE. Each annual report was individually examined and coded to obtain the financial reporting lag. Descriptive analysis was performed to provide the background statistics of the variables examined. This was followed by regression analysis, which forms the main data analysis.
Findings – The descriptive statistics indicate that over the three years, the mean value of timeliness of financial reporting (ARL) is 86 days (SD 21 days), minimum is 55 days and maximum is 173 days. The regression analysis results indicate that financial reporting lag has a negative statistically significant relationship with firm performance. This negative sign indicates that when financial performances of companies are high (good news), companies have the tendency to disclose this situation early to the public.
Practical implications – Firms that are not timely in the financial reporting practices will find it difficult to attract capital as the delay will affect their reputation.
Originality/value – This study is one of the few to measure financial reporting lag and its impact on firm financial performance in Sub-Saharan Africa.

Keywords Corporate governance, Ghana, Firm performance, Board characteristics, Financial reporting lag, Ghana Stock Exchange, Timeliness of reporting

Paper type Research paper

1. Introduction

This paper investigates selected corporate governance (CG) attributes and financial reporting lag and their impact on financial performance of listed firms in Ghana. The International Accounting Standards Board (IASB, 2010) Framework for the Preparation and Presentation of Financial Statements states that there are some qualitative characteristics that make the information provided in financial statements useful to users. These qualitative characteristics are relevance, faithful representation, comparability and understandability. According to the IASB (2010) relevance and faithful representation are the fundamental qualities, while comparability and understandability are enhancing qualities.

Timeliness is an auxiliary aspect of relevance. Timeliness means having information available to decision-makers, before it loses its capacity to influence decisions. If information is either not available when it is needed, or becomes available so long after the reported events that it has no value for future action, it lacks relevance and is of little or no use (IASB, 2010). Timeliness alone, cannot make information relevant, but a lack of timeliness, can rob information of relevance it might otherwise have had.

Timeliness provides a platform for market integrity and efficiency to ensure fairness, efficiency, transparency, protect investors and reduce risk, which will in turn improve financial reporting quality (Al-Ajmi, 2008; Turel, 2010).

Prior empirical studies have examined the timeliness (reporting lag or delay) of corporate reporting and its determinants; (Apadore and Mohd Noor, 2013; Sharinah *et al.*, 2014;

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Yadirichukwu and Ebimobowei, 2013; Ilaboya and Iyafekhe, 2014; Mohamad-Nor *et al.*, 2010; Shukeriand Islam, 2012), examined financial reporting lag and audit committee characteristics timeliness and relevance of financial reporting; (Ohaka and Akani, 2017), examined company characteristics and timeliness of financial reporting. The objective of this paper is to investigate how selected CG attributes and financial reporting lag affect the financial performance of listed firms in Ghana.

This paper differs from earlier research on timeliness of reporting and CG as it tests the influence of timeliness of reporting and board attributes on firm performance using only accounting information. Generally, there are two types of financial reporting lag: audit report lag (ARL); and management report lag. ARL is the period from a firm's year-end and the audit report date while management report lag is a period between the end of the fiscal year of firms and the publication of the audited financial reports (Zaitul, 2010). Financial reporting lag in this study refers to ARL, i.e. the length of time between the fiscal year-end of a company and the date of the auditor's report. The board attributes used are board size, proportion of independent directors, board gender diversity, independent audit committee, institutional ownership and block ownership concentration. Firm performance is measured using two accounting ratios; return on equity (ROE) and return on assets (ROA). Accounting-based measures are preferable in the context of CG study because they reflect the ability of the management in adding value to the firm. Higher ROA and ROE ratios are indication that the firm's CG mechanisms are highly effective (Mishra and Kapil, 2017).

Given this background, this study attempts to overcome the limitations of existing studies in a number of ways, and thereby extend, as well as make a number of new contributions to the extant CG and financial reporting literature. Timely reporting enhances decision-making and reduces information asymmetry in such markets. The timeliness of financial reporting is considered a main factor in emerging and developed capital markets where the audited financial statements in the annual report are the only reliable source of information available to users of information (Azubike and Aggreh, 2014).

Hence, research on the determinants of timely reporting could help regulators in emerging capital markets to formulate better policies to enhance financial reporting practices in these markets.

Prior studies on relationship between timely reporting, CG and firm performance has given inconclusive results. Bijalwan and Madan (2013) observed that CG policies and practices, transparency and disclosure are positively related to firm performance. On the other hand, Hassan *et al.* (2008) noticed that there is no relationship between transparency (especially on the timely reporting and the level of disclosure) and firm performance for Malaysian firms. Agyeman *et al.* (2013) assert that though Ghana has sufficient laws and regulations with respect to CG, the major challenge is the absence of active devices for their effective enforcement. Hence there is the need to investigate how listed firms are complying with Ghana's CG code which demands firms to publish their annual reports within 42 days after the year end.

In addition due to the global nature of the world economy and the possibility of investing in any capital market in the world make it necessary to have this information available to facilitate the decision-making process when investing in company shares of one country or another (Conyon *et al.*, 1986).

Findings from the study confirm Agyeman *et al.* (2013) assertion that firms in Ghana do not comply with the company's code reporting requirements.

The remainder of this paper is organized as follows. Next section describes the theoretical underpinning, literature review and hypotheses development. Third section explains research methodology while results and discussion are presented in the fourth section. The conclusion is presented in the final section.

2. Theoretical background, literature review and hypotheses development

2.1 Theoretical background

2.1.1 Agency theory. The principal agent relationship has brought some problems which include: agency cost and information asymmetry. Agency theory assumes that the interest of the principal and agent varies and that the principal can control or reduce this by giving incentives to the agent and incurring expenses from activities designed to monitor and limit the self-interest activities of the agent (Jensen and Meckling, 1976).

Jensen and Meckling (1976) argued that the separation of ownership and control creates the agency problem, where management, as rational human beings, tends to set their personal interest ahead that of shareholders. This agency problem leads to information asymmetry due to the information superiority that management enjoys as insiders. It has been argued that information asymmetry gives rise to adverse selection problem which leads to under-valuing of the firm's equity in the marketplace and thus causing loss of wealth to the shareholders. Therefore in order to reduce information asymmetry, there is the need for governance mechanisms such as board sub-committees composed of directors with the appropriate attributes such as independence, expertise and experience to prevent or reduce the selfish interest of the agent (Wiseman *et al.*, 2012).

Agency Theory suggests that a greater proportion of outside directors could monitor any self-interest by managers and so minimize agency costs. According to Kelton and Yang (2008), a high percentage of independent directors on board could intensify the monitoring of managerial opportunism. In so doing they succeed in reducing management's chance of withholding information (in a timely manner). Consequently, a board dominated by independent non-executive directors who are free from management interests tend to enhance firm's compliance with disclosure requirements, which may lead to timely financial reporting.

2.2 Literature review and hypotheses development

2.2.1 Financial reporting lag and firm performance. Financial reporting lag is considered to be a critical and significant determinant on the usefulness of financial information made available to external users of accounting information (Aljifri and Khasharmeh, 2010).

Timely corporate financial reporting is an important qualitative element and an essential component of financial accounting. This is because it determines relevancy of the information and influences the decisions made by the users of the financial report. Timeliness is of great concern to stakeholders because a report's usefulness may be negatively related to the reporting delay.

The greater the number of days that the firm takes to publish its annual report, the information in the financial reporting would be less useful (Al-Ajmi, 2008). On the other hand, the information will be useful if the firms take lesser number of days to announce its annual report. Therefore, timeliness of reporting the annual reports is considered as a crucial aspect in utilizing relevant information for external users, and influencing their decision-making process (Alkhatib and Marji, 2012). In their study, Nelson and Shukeri (2011) found that firms suffering losses are predicted to have a longer audit delay as compared to those firms making profits. Bijalwan and Madan (2013) observed that CG policies and practices, transparency (timeliness) and disclosure are positively related to firm performance. On the other hand, Hassan *et al.* (2008) noticed that there is no relationship between transparency (especially on the timely reporting and the level of disclosure) and firm performance for Malaysian firms. (Zaitul, 2010) posit that the timeliness of financial reporting is increased by the big number of directors who would take a lot of time communicating with the external auditor. He also suggests that large boards contribute to increased ARL, while the small boards shorten ARL. However, Wu *et al.* (2008) argue that a

large board will not delay its financial reporting since there are no weaknesses in the coordination of the board.

Afify (2009) revealed the significant relationship between an independent board and the lag in audit reporting and indicated that the monitoring role of independent board could positively influence the timeliness of financial reports, along with providing an effective and efficient audit, and thus, it mitigates against a large lag in an audit report. Abdelsalam and El-Masry (2008) also showed that board independence related positively to the timeliness of financial internet reporting.

Gabriel (2012) found that audit committee meeting has a positive relationship with financial reporting quality and timeliness. This implies that the frequency of audit committee meeting would significantly lead to timely release of audited financial statements. Sharinah *et al.* (2014) also found that audit committee independence and audit committee meetings are significantly associated with financial reporting timeliness in Nigeria.

It is expected that ownership concentration will influence the timeliness of reporting. However, empirical studies that link block ownership to timeliness of financial reporting is scanty. Abdelsalam and Street (2007) found that block ownership was associated with less timely financial reporting. Ezat and El-Masry (2008) also found that a significant relationship between ownership structure and timeliness of financial reporting.

2.2.2 CG attributes and firm performance. Based on previous studies and objectives of the study six CG attributes have been selected for the study. These are; board size, proportion of independent directors, board gender diversity, institutional ownership, block ownership concentration and independent audit committee.

Board size. Board of directors play an important role in companies' CG. From the perspective of agency theory, it can be argued that a larger board has a greater likelihood to tackle agency problems simply because a greater number of people will be assessing and monitoring management decisions. This is because larger boards incorporate a variety of business expertise leading to more effectiveness in boards' monitoring role resulting in better corporate accountability and disclosure. Larger boards have collective expertise and are more capable of executing their duties (Akhtaruddin *et al.*, 2009). They may equally be capable of having abridged management control (Hussainey and Wang, 2010).

Moreover, Ezat and El-Masry (2008) report that large board enhances the timelines of financial statements. On the contrary, some studies suggest that larger board create communication problems resulting in decline of performance, reduced participation and have more conflict of interest before reaching agreement (Dimitropoulos and Asteriou, 2010). In his study in Nigeria, Ujunwa (2012) found a negative association between board size and firm performance. In his study in Nigeria, Ujunwa (2012) found a negative association between board size and firm performance.

Proportion of independent directors (non-executive directors). Non-executive directors are members of companies' boards who are not employed by the firm. They are there to act as control mechanism as they perform an independent monitoring function. The influence of independent directors on firm performance has yielded mixed results. In their research (Luna and Tang, 2007), found that independent directors enhance firm performance. However, Azeez (2015) conclude that outsiders on the board do not help performance. Adjaoud *et al.* (2007), Pham *et al.* (2008), Erkens *et al.* (2010) also reported that independent directors have no significant effect on firm performance whatsoever. In a recent study Yasser *et al.* (2017) found that instead of adding value, independent directors in Pakistan are negatively associated with firm value. According to Kelton and Yang (2008), a high percentage of independent directors on board could intensify the monitoring of managerial opportunism. In so doing they succeed in reducing management's chance of withholding information (in a timely manner). Consequently, a board dominated by independent

non-executive directors who are free from management interests tend to enhance firm's compliance with disclosure requirements, which may lead to timely financial reporting.

Board gender diversity. Agency theory suggests that boards of diverse ethnic and gender backgrounds can improve board independence and enhance managerial monitoring (Cabedo and Tirado, 2004; Elzahar and Hussainey, 2012). Gender diversity literature is based on the idea that women bring different characteristics to the board which in turn makes them better in monitoring management decision making. On the other hand, gender diversity on the management team is also likely to bring disadvantages to the organization.

The relationship between board gender diversity and firm performance has yielded mixed results.

Adams and Ferreira (2009) investigated the impact of female board members on the governance and performance of selected US firms and found that female board members allocate more effort to monitoring, but the average effect on firm performance is negative. Darmadi (2013) also found that the representation of female top executives is negatively related to both ROA and Tobin's *Q*, suggesting that female representation is not associated with an improved level of firm performance. However, Carter *et al.* (2003) in their study of 797 Fortune 1000 firms found that firms with at least two female board members performed better on Tobin's *Q* and ROA when compared to firms with all men board members. Randøy *et al.* (2006), Rose (2007), Eklund *et al.* (2009) also found that the proportion of women on the board has no significant association with either accounting or market performance.

Independent audit committee. The Ghana Corporate Governance guidelines on best practices issued by the Securities and Exchange Commission (SEC) require all companies to establish audit committees. The audit committee should comprise at least three directors, the majority of whom should be independent directors and the chairman should be an independent director. On the other hand, El Mir and Seboui (2008) suggest that larger audit committee can lead to inefficient governance, because of yielding frequent meetings, which leads to increased expenses, and therefore, it negatively affects firm performance. Thus, large audit committee board is more likely to result in low firm performance. Arslan *et al.* found a significant positive relationship between audit committee and firm performance. A positive relationship was also established between the frequency of audit committee meetings and firm performance (Raghunandan and Rama, 2007; Sharma *et al.*, 2009). Apadore and Mohd Noor (2013) examined the determinants of ARL and CG. The study made use of regression analysis to analyze its data using 843 companies that were randomly selected. Their findings revealed that audit committee size is significantly related to ARL while audit committee independence, audit committee meetings and audit committee expertise are insignificantly related to ARL.

Their finding was supported by a research conducted by Sharma *et al.* (2009).

Institutional ownership. Firm ownership structure has the ability to shape the CG system in any given country (Zhuang, 1999). Institutional investors are viewed as important CG mechanism, Shleifer and Vishny (1997). Because of the large stake they own in the firm, they have the motivation to monitor management's behavior, Jensen (1993). They play an important role in aligning management interest with those of shareholders (Solomon, 2010). Ezat and El-Masry (2008) found a positive significant relationship between ownership structure and corporate internet reporting timeliness. Similar results were found by Marston and Polei (2004), Momany and Al-Shorman (2006) and Oyelere *et al.* (2003).

Block ownership concentration. It is expected that ownership concentration will influence the timeliness of reporting. However, empirical studies that link block ownership to timeliness of financial reporting is scanty. Abdelsalam and Street (2007) found that block ownership was associated with less timely financial reporting. Ezat and El-Masry (2008)

also found that a significant relationship between ownership structure and timeliness of financial reporting.

Hypotheses. The objective of this paper is to investigate how selected CG attributes and financial reporting lag affect the financial performance of listed firms in Ghana. Based on the objective of this study and the literature reviewed the following hypotheses guide the research study:

H1. There is a significant relationship between the timeliness of financial reporting and firm performance, using ROE.

H2. There is a significant relationship between the timeliness of financial reporting and firm performance, using ROA.

H3. There is a significant relationship between board size and firm performance, using ROE.

H4. There is a significant relationship between board size and firm performance, using ROA.

H5. There is a significant relationship between proportion of independent directors and firm performance, using ROE.

H6. There is a significant relationship between proportion of independent directors and firm performance, using ROA.

H7. There is a significant relationship between board gender diversity and firm performance, using ROE.

H8. There is a significant relationship between board gender diversity and firm performance, using ROA.

H9. There is a significant relationship between independent audit committee and firm performance, using ROE.

H10. There is a significant relationship between independent audit committee and firm performance, using ROA.

H11. There is a significant relationship between institutional ownership and firm performance, using ROE.

H12. There is a significant relationship between institutional ownership and firm performance, using ROA.

H13. There is a significant relationship between block ownership concentration and firm performance, using ROE.

H14. There is a significant relationship between block ownership concentration and firm performance, using ROA.

H1 and *H2* test the relationship between audit reporting lag and firm performance. *H3-H14* on the other hand test the relationship between CG attributes and firm performance.

3. Methodology

3.1 Sample

The population of the study includes all the 35 firms listed on the Ghana Stock Exchange.

However, the sample of the study includes the firms that meet the following criteria:

- the firms should have been listed on the GSE for, at least, five years prior to the study; and
- firms with unavailable data were excluded.

Applying these criteria resulted in a sample of 30 firms.

The data used in the empirical analysis were derived from the financial statements of the 30 listed firms on the GSE during a three-year period, 2012–2014. In all, 90 firm-years reports were used. The annual reports were downloaded from the firms' website.

3.2 Dependent variables

The dependent variable in this study is firm performance. Firm performance is measured using two accounting ratios; ROE and ROA. ROE measure how much return is being generated by a company on the money invested by shareholders. It is one of the most important parameters for investors in the company (Gupta and Sharma, 2014). ROA is also an accounting-based measure which is usually used in the governance literature to measure firm performance (Al-Matari *et al.*, 2014).

3.3 Independent variables

There are two sets of independent variables in this study; financial reporting lag and CG attributes. Financial reporting lag was measured by computing the number of days that elapse between the company's year-end and the date of the auditor's report, i.e. ARL. In order to determine the timeliness of financial reporting, it was necessary to locate their annual reports, then find the audit opinion and count the number of days between year-end and the date of the audit report. The date on the audit report might not be the same date the companies released financial information but it was used as a surrogate, since no other information regarding release dates was available. This methodology has been used in studies by Lai and Cheuk (2005), Leventis *et al.* (2005) and McGee (2007). It was thought that using the same methodology in the present study would make it easier to compare results with prior studies. The CG attributes used are; board size, proportion of independent directors, board gender diversity, independent audit committee, institutional ownership and block ownership concentration. These CG attributes were selected based on the literature reviewed.

Finally, the empirical model of the study also includes three control variables related to firm-specific characteristics (i.e. firm size, leverage and liquidity). The independent variables and their definitions and proxies used in this study are presented in Table I.

Variable	Symbol	Definition/Proxy
Board independence	PNED	The proportion of non-executive directors to total number of board members
Institutional ownership	INSTO	Percentage of institutional ownership
Firm size	FMS	The firm's total assets
Leverage	LEV	Ratio of non-current liabilities to shareholder's equity
Board size	BDS	Total number of directors on the board
Board gender diversity	BGD	The proportion of female executives on the board
Liquidity	LIQ	Current assets/current liabilities
Audit committee	AUDCTEE	Existence of audit committee on the board
Block ownership concentration	BOC	Total shareholding of top 20 shareholders divided by the total number of shares outstanding
Return on assets	ROA	Net income/total assets
Return on equity	ROE	Net profit/total equity
Financial reporting lag	ARL	Number of days that elapse between the company's year-end and the date of the auditor's report

Table I. The definitions and proxies of study variables

3.4 Model development

The model developed for this study is based on multiple regression econometric models. Multiple regressions explain in econometric term the variation in the relationship between financial performance and the two sets of independent variables; financial reporting lag and CG attributes and the control variables. This assumption is that, the dependent variable is a linear function of the independent variables. The multiple regressions with an error term (e) is expressed in the two equations as follows:

$$\text{ROE} = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 6X6 + \beta 7X7 + \beta 8X8 + \beta 9X9 + e, \quad (1)$$

$$\text{ROA} = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 6X6 + \beta 7X7 + \beta 8X8 + \beta 9X9 + e, \quad (2)$$

where ROE is the return on equity; ROA the return on assets; a the constant (the intercept); $X1$ the board size; $X2$ the independent board members; $X3$ the audit committee; $X4$ the institutional ownership; $X5$ the block ownership concentration; $X6$ the firm size; $X7$ the audit reporting lag (timeliness of financial reporting); $X8$ the liquidity; $X9$ the leverage; $X10$ the board gender diversity; e the error term.

4. Results

4.1 Descriptive statistics

From Table II, ROA has a mean value of 11.4 percent (SD 9.25 percent) minimum value of −8 percent and maximum value of 33 percent. ROE has a mean value of 9.84 percent (SD 8.96 percent), minimum value of −8 percent and maximum value of 33 percent. This indicates that the mean value of firm's performance using ROA is higher than ROE. Therefore, it can be deduced that ROA is a better measurement for firm's performance. The mean value of timeliness of financial reporting (ARL) is 86 days (SD 21 days), minimum is 55 days and maximum is 173 days. The implication is that none of the listed firms comply with the 42 days requirements of the Companies Act. So far no company has been sanctioned for non-compliance. This confirms the finding of Agyeman *et al.* (2013) who posit that Ghana has sufficient laws and regulations with respect to CG, but the major challenge is the absence of active devices for their effective enforcement.

Average BOC (Top 20 shareholding) is 84.26 percent, minimum is 54.95 percent, maximum being 97.05 percent with standard deviation of 11.02 percent. On the average 72 percent of the board members are independent directors, which is good for effective CG. The SEC and the GSE listing standards require a majority of independent directors on listed companies boards. The INSTO mean of 75.51 percent indicates that more than two-thirds of the shares are owned by institutional shareholders.

Table II. Descriptive statistics for the study variables

	Mean	SD	Maximum	Minimum
AUDTCTEE	0.98	0.15	1.00	0.00
BODS	8.30	1.92	12.00	4.00
PNED	0.72	0.13	0.93	0.27
LEV	0.90	0.56	2.77	0.06
ROCE	9.84	8.96	33.00	−8.00
BGD	0.16	0.11	0.60	0.00
ROA	11.41	9.25	33.00	−8.00
INSTO	75.51	21.38	96.55	10.00
BOC	84.26	11.02	97.05	54.95
FMS	1,372,502	2,020,159	9,381,800	12,695
ARL	86	21	173	55
CUR	2.66	3.80	16.93	0.20

4.2 Univariate analysis

To meet the requirements of the regression analysis assumptions, the correlation between the study variables and test for multicollinearity problems were examined. Table III presents the correlation results for the study variables. The correlation analysis (Table III) shows that LEV has a significant relationship with PNED at 5 percent level ($p = 0.029$).

BOC has a significant relationship with INSTO at 1 percent level ($p = 0.000$); BODS also has a significant relationship with INSTO at 5 percent level ($p = 0.034$). BGD also has a significant relationship with ROCE at 5 percent level ($p = 0.016$). These results indicate the need to pay attention to possible multi-co linearity problem in the regression analysis.

4.3 Regression results

A regression analysis (Table IV) was performed on the dependent and independent variables to check on the existence of the multi-co linearity and serial or autocorrelation problems. The tolerance and variable inflation factor (VIF) tests revealed no harmful correlation. According to Pallant (2011) and Field (2009), if the largest VIF is greater than 10, there is cause for concern. However, the maximum VIF value in Table IV is 1.543 and Durbin Watson value is 1.843. In addition, the tolerance is greater than 0.20 for the variables (the smallest tolerance is 0.653). Tolerance statistics below 0.20 indicate a potential multicollinearity problem. Tolerance statistics below 0.20 indicate a potential multicollinearity problem. Therefore, this study is not subject to high colinearity problems. Overall, there are no linearity, multicollinearity and autocorrelation problems.

On the impact of financial reporting lag on firm performance results in Table IV indicate that ARL has a negative relationship with ROE ($\beta = -0.248$) and statistically significant at 0.05 level ($p = 0.007$). Thus *H1* is supported, hence accepted. This negative sign indicates that when financial performances of companies are high (good news), companies have the tendency to disclose this situation early to the public. The findings are consistent with the results obtained from previous studies by Dogan *et al.* (2007) and Hashima *et al.* (2013).

On the impact of CG attributes on firm performance results in Table IV indicate a negative relationship between PNED and ROE ($\beta = -0.177$) and statistically significant at 0.1 level ($p = 0.014$). Thus *H5* is supported hence accepted. The results suggest that high proportion of independent directors could decrease the boards' motivation to serve the firm; instead the independent directors are interested in their incentives rather than the firm's performance (Chugh *et al.*, 2011). The results also suggests that a unit increase in the number of non-executives would negatively affect ROE (Darko *et al.*, 2016). The result also does not support agency theory which suggests that independent directors provide effective monitoring of the management thereby enhancing profitability and reducing possibility for opportunistic behavior by the management and ultimately enhancing performance.

The results is consistent with previous studies such as Bhagat and Bolton (2008), Chugh *et al.* (2011), Yasser *et al.* (2017) and Farhan *et al.* (2017) but inconsistent with Abor and Biekpe (2007) and Arslan *et al.* (2010) who found a significant positive relationship between PNED and firm profitability.

The impact of rest of the CG variables on ROE could not be established because the results are not significant at any of the conventional levels of significance. These findings are consistent with the work of, Mishra and Kapil (2017) and Farhan *et al.* (2017) who tested the relationship between board characteristics and corporate performance (Table V).

With regards to the direction of relationship between the dependent variable ROA and ARL, the regression results show a negative relationship between ARL and ROA ($\beta = -0.172$) and statistically significant at 0.05 level ($p = 0.010$). Thus *H2* is supported, hence accepted. This negative sign indicates that when financial performances of companies are high

Table III.
Spearman's rho correlation test result

	AUDTCTEE	BODS	PNED	LEV	ROCE	BGD	ROA	INSTO	BOC	FMS	NPM	ARL	CUR
AUDTCTEE													
Correlation Coefficient	1.000												
Sig. (2-tailed)													
BODS													
Correlation Coefficient	0.192	1.000											
Sig. (2-tailed)	0.070												
PNED													
Correlation Coefficient	−0.019	0.066	1.000										
Sig. (2-tailed)	0.860	0.535											
LEV													
Correlation Coefficient	−0.192	−0.046	0.231*	1.000									
Sig. (2-tailed)	0.070	0.669	0.029										
ROCE													
Correlation Coefficient	−0.020	−0.062	0.010	−0.171	1.000								
Sig. (2-tailed)	0.849	0.562	0.929	0.107									
BGD													
Correlation Coefficient	0.120	0.107	0.194	0.254*	0.094	1.000							
Sig. (2-tailed)	0.261	0.317	0.067	0.016	0.378								
ROA													
Correlation Coefficient	−0.013	0.141	0.082	−0.053	0.511**	0.191	1.000						
Sig. (2-tailed)	0.903	0.184	0.443	0.623	0.000	0.071							
INSTO													
Correlation Coefficient	0.096	0.224*	0.010	0.000	0.016	−0.021	0.056	1.000					
Sig. (2-tailed)	0.369	0.034	0.928	0.997	0.879	0.845	0.603						
BOC													
Correlation Coefficient	0.105	−0.024	0.059	0.010	−0.042	−0.108	−0.122	0.781**	1.000				
Sig. (2-tailed)	0.327	0.824	0.580	0.928	0.694	0.313	0.251	0.000					

(*continued*)

Table III.

	AUDTCTEE	BODS	PNED	LEV	ROCE	BGD	ROA	INSTO	BOC	FMS	NPM	ARL	CUR
FMS													
Correlation Coefficient	−0.044	0.371**	0.201	0.295**	−0.109	0.053	−0.001	0.034	0.061	1.000			
Sig. (2-tailed)	0.684	0.000	0.057	0.005	0.308	0.619	0.989	0.750	0.566				
NPM													
Correlation Coefficient	0.128	0.348**	0.215*	−0.145	0.297**	0.037	0.382**	0.171	0.009	0.303**	1.000		
Sig. (2-tailed)	0.230	0.001	0.042	0.173	0.004	0.731	0.000	0.108	0.931	0.004			
ARL													
Correlation Coefficient	0.026	−0.198	−0.228*	−0.089	−0.153	−0.065	−0.110	−0.144	−0.062	−0.132	−0.056	1.000	
Sig. (2-tailed)	0.807	0.062	0.030	0.406	0.151	0.545	0.304	0.174	0.562	0.214	0.598		
CUR													
Correlation Coefficient	−0.078	−0.206	0.178	−0.205	0.160	−0.321**	0.286**	−0.058	−0.040	−0.045	0.265*	0.001	1.000
Sig. (2-tailed)	0.463	0.052	0.094	0.052	0.133	0.002	0.006	0.588	0.706	0.670	0.012	0.990	

Notes: *,**Significant at the 0.05 and 0.01 levels, respectively (two-tailed)

Variables	β	Sig.	Tolerance	VIF
(Constant)		0.004		
AUDTCTEE	−0.081	0.465	0.891	1.122
BODS	−0.129	0.273	0.779	1.283
PNED	−0.077	0.014	0.900	1.111
LEV	−0.198	0.483	0.895	1.118
BGD	0.068	0.557	0.805	1.242
INSTO	0.198	0.128	0.647	1.545
BOC	−0.146	0.262	0.645	1.550
FMS	0.036	0.737	0.916	1.091
ARL	−0.248	0.007	0.893	1.120

Notes: $n = 90$. 95% Confidence Interval; $F = 1.464$; $R^2 = 0.251$; Adj. $R^2 = 0.209$; Durbin Watson = 1.729

Table IV.
Multiple regression results using ROE as measurement for firm performance

Variable	β	Sig.	Tolerance	VIF
(Constant)		0.030		
AUDTCTEE	−0.075	0.036	0.891	1.122
BODS	0.010	0.929	0.779	1.283
PNED	0.023	0.828	0.900	1.111
LEV	−0.103	0.337	0.895	1.118
BGD	0.062	0.579	0.805	1.242
INSTO	0.387	0.483	0.647	1.545
BOC	−0.266	0.136	0.645	1.550
FMS	0.017	0.870	0.916	1.091
ARL	−0.172	0.010	0.893	1.120

Notes: $n = 90$. 95% Confidence Interval; $F = 1.775$; $R^2 = 0.192$; Adj. $R^2 = 0.101$; Durbin Watson = 2.138

Table V.
Multiple regression results using ROA as measurement for firm performance

(good news), companies have the tendency to disclose this situation early to the public. The findings are consistent with the results obtained from previous studies by Dogan *et al.* (2007) and Hashima *et al.* (2013).

With regards to the direction of relationship between the dependent variable ROA and the CG variables the regression results show a negative relationship between AUDCTTEE and ROA ($\beta = -0.075$) and statistically significant at 0.05 level ($p = 0.036$). Thus *H6* is supported hence accepted. The result is consistent with Mohd Saleh *et al.* (2007) and El Mir and Seboui (2008) who found a negative relationship independent audit committee and firm performance. However it is inconsistent with Raghunandan and Rama (2007) and Sharma *et al.* (2009) who found a positive relationship. The result is also inconsistent with Sharma *et al.* (2009), Al-Mamun *et al.* (2014) and Darko *et al.* (2016) who found no relationship between audit committee size and company performance.

The impact of rest of the CG variables on ROA could not be established because the results are not significant at any of the conventional levels of significance. These findings are consistent with the work of Ghosh (2006) and Mishra and Kapil (2017), Farhan *et al.* (2017) who tested the relationship between board characteristics and corporate performance.

5. Conclusion

This paper applies agency theory in examining the influence of financial reporting lag, and board characteristics and their impact on firm performance. Just because Ghana's company code requires reporting by a certain date does not mean that the law is always complied with, hence the need to investigate how the law is being complied with.

In the light of the lack of previous studies on timeliness of financial reporting practices by GSE listed firms, this study attempts to fill this gap by investigating the timeliness of financial reporting among Ghanaian companies. Financial reporting lag is measured by computing the number of days that elapse between the company's year-end and the date of the auditor's report, i.e. ARL. Firm's performance is measured by using ROE and ROA. The descriptive statistics indicate that over the three years, the mean value of financial reporting lag (ARL) is 86 days (SD 21 days), minimum is 55 days and maximum is 173 days. The findings show that none of the listed firms is able to comply with the requirement. So far no company has been sanctioned for non-compliance. This confirms the finding of Agyeman *et al.* (2013) who posit that Ghana has sufficient laws and regulations with respect to CG, but the major challenge is the absence of active devices for their effective enforcement.

The regression analysis results indicate that ARL has a negative statistically significant relationship with ROE and ROA, as less number of days used by the independent auditors to sign the annual report could increase the firm's performance. The implication is that when financial performances of companies are high (good news), companies have the tendency to disclose this situation early to the public. Companies with poor financial performance also tend to have long financial reporting lag. The findings also suggest that firms with good financial performance tend to have fewer problems with their auditors thus reducing the time taken by the auditors to perform their audit work.

Two CG attributes; PNED and AUDCTTEE, were found to be negatively influencing firm performance. The result does not support agency theory which suggests that independent directors provide effective monitoring of the management thereby enhancing profitability and reducing possibility for opportunistic behavior by the management and ultimately enhancing performance.

The findings indicate that timeliness of financial reporting has significant relationship with firm's performance (ROE and ROA).

This study has practical implications for regulators and listed firms. Ghana securities laws and regulations require publicly listed companies to submit to the Registrar financial results within forty-two days after year-end. The findings show that none of the listed firms is able to comply with the requirement the stock exchange and SEC should impose sanctions on companies who do not meet the reporting requirements. If the regulators and listed companies find the 42 days too short they can introduce a new legislation to increase the reporting period so that majority of the companies can meet this important requirement. The Ghana Companies Code has been in existent since 1960 and has not seen any change, hence most of the reporting requirements, like the reporting period, are out of tune with current practices. Companies that are not timely in their financial reporting practices may find it more difficult to attract capital. Their CG practices may also be seen as less than ideal, which has a negative effect on a company's reputation within the financial community. Thus, listed firms that are slow in reporting their financial results may suffer negative consequences in terms of reputation and ability to raise capital. In addition, this research has practical relevance for the selection process of directors as it highlights the importance of having an appropriate mix of competences on the board. There is the need for all listed firms to increase the number of independent directors and board members with financial expertise as such members play significant roles in checkmating the financial report prepared by managers and reducing the likelihood of earnings management and also reducing ARL.

Several limitations should be taken into consideration to provide some guidelines for future research. First, the sample used in this study is limited to firms listed on the Ghana Stock Exchange. The findings focus on these 30 firms which accounts for 90 firm-year observation after taking out firms with insufficient or incomplete data. Thus, the result might not be generalized to all firms in Ghana. It is therefore, recommended that further

research should include more firms in Ghana to enable the results be generalized. Second, only two measurements were used for firm performance, namely; ROE and ROA. It is important to highlight that firm's performance is not limited to only these two measurements, but may extend to other measurement such as; net profit margin (NPM), Tobin's *Q*, price-to-book-ratio, economic value added and others. Lastly, the data collection is only limited to the secondary data which were extracted from sampled companies' annual reports. Therefore, other methods such as in-depth interviews are proposed for preliminary study and part of information gathering for future research.

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