An Analysis of Corporate Governance and the Performance of Rural Banks in the Upper West Region, Ghana

John Yaw Akparep[1*] Nafisah Maqdid Awudu[2] Kwabena Badu-Yeboah[3]
1. Department of Management Studies, School of Business, Simon Diedong Dombo University of Business and Integrated Development Studies, Wa, Ghana
2. Department Wa Technical Institute, Wa, Upper West Region, Ghana
3. Department of Governance and Development Management, Faculty of Public Policy and Governance, Simon Diedong Dombo University of Business and Integrated Development Studies, Wa, Ghana
kbaduyeboah@gmail.com
*E-mail of corresponding author: akparepyaw@yahoo.com

Abstract
The study used the mixed research design in examining corporate governance and rural bank performance in Ghana's Upper West Region. Purposive and simple random sampling techniques were used in the study. A sample size of 48 participants, composed of Bank CEOs/Managers, Board Members, Human Resource Managers, Heads of Administration and Senior Staff of four Banks was used. Questionnaires and interview guides were used for data collection. Data was analyzed both quantitatively and qualitatively. The study found that ownership concentration, audit quality, and board independence are important factors in good corporate governance and are influenced by business size, leverage, and board size, with a P-value of 0.073<0.1. It was also found that good corporate governance proxy by CEO duality, board independence, ownership concentration and audit quality have a substantial impact on rural bank performance. However, with a P-value>0.1, it was discovered that CEO duality has a detrimental impact on excellent corporate governance. Corporate governance challenges the banks face include clients' default in repaying loans, inappropriate corporate governance practices, high operational costs of the banks and board members' incompetence and perpetuation in office. The study concluded that corporate governance significantly affects the functioning of rural banks in the Upper West Region. The study recommended a reduction in the tenure of office of directors, putting in place appropriate rules and guidelines for the operations of the boards and ensuring effective checks and balances on the activities of the boards by way of ensuring effective corporate governance practices.
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1. Introduction

A country's socio-economic development is partly dependent on the strength of its financial institutions. Corporate governance is reported to have been instrumental in the progress of organizations, including financial institutions. According to Shamimul and Mormah (2015), effective corporate governance is critical to the management of organizations. These include financial institutions, such as rural banks. Kajola (2008) argued that corporate governance is a way of guaranteeing the good running of businesses or organizations while meeting fair investor satisfaction. Firms get several benefits, including adequate financial access, capital stability, improved performance and stakeholder engagement through good corporate governance frameworks (Sarah, 2017).

Corporate governance operations vary greatly among organizations but not within the framework of international and national standards that define their effectiveness. The corporate governance debate mainly focuses on the powers of the Boards of Directors, which are founded on the choice of the top Management that is in full or partial control in decision-making routes (Ongore & K'Obonyo, 2011). Organizations, including banks may have good and effective company governance standards widely acceptable to boost their overall performance, however, some studies reveal that there exist some levels of negative associations between corporate governance and firms' performance (Bathala & Rao, 1995; Hutchinson, 2002). Monks and Minow (1996) argued that many cases of corporate failure represented the impact of corporate governance structures. According to Grove et al. (2011), applying corporate governance concept on banks is ineffective in curbing malicious lending practices, and may lead to a very weak economy. The world economic crises from the financial front two decades ago resulting in many negative impacts is linked to the role played by corporate governance and point to the requirement for undertaking more empirical investigation into the basic roles of corporate governance in banks especially, rural banks (Grove et al., 2011).

Kyereboah-Coleman (2007) stated that corporate governance and its associated relationships with organizations' improvement and performance must take a multifaceted tactic. A good corporate governance framework sets rules and practices that govern the relationship between managers and shareholders and other stakeholders, such as employees and creditors; contributing to the growth and financial stability by reinforcement of market confidence, financial market integrity and economic efficiency (Aldehayyat et al., 2016). By this argument, financial institutional performance can be placed in the corporate governance discourse. Arora & Sharma (2016) and Arora & Bodhanwala (2018) found a strong positive association between firms' performance (in terms of ROA, ROE and Tobin's Q) and corporate governance.

Available studies on the subject of corporate governance and corporate performance used much of quantitative descriptive research methods in analyzing data (Oteng-Abayie, 2017; Arora & Sharma, 2016; Al-ahdal et al., 2020; Adusei, 2011; Arora & Bodhanwala, 2018; Fooladi, 2014 & Tanna, 2011). This study adopted the mixed method approach in accordance with Creswell's (2014) argument that, the use of mixed method research approach provides more complete understanding of a research problem than either approach.

Notably, there have been several studies on corporate governance, yet, to the best of our knowledge, such studies on rural banking performance remain scanty in the Ghanaian context. Gaps in the literature on these prompted the study.

More so, Musah (2017) argued that since several factors influence banks' performance, it is essential to do more studies to determine the factors that most significantly impact their performance. The study assesses the performance impacts of corporate governance on rural banks in Ghana's Upper West Region within the context of these arguments. Specifically, the study:1. analyzes the main determinants of good corporate governance in the Banks, 2. investigates the effects of the prevailing corporate governance practices on performances of the Banks. 3. examines the corporate governance challenges facing the rural banks and 4. suggests mechanisms for addressing these challenges faced by the rural banks in the Region.

2. Literature Review

When firms adopt some processes and procedures to guide their activities, to be controlled and to guide effective decision-making, they are engaged in corporate governance (European Central Bank, 2004). Duke & Kankpang (2011) posited that companies are able to provide vital data to their equity holders and stakeholders as a means of reducing irregularities in information when they engage in corporate governance. In their view, Aboagye et al. (2013) asserted that corporate organizations are able to maximize their performance by pursuing effective and efficient distribution of resources when they engage in good corporate governance. Corporate governance systems are seen as mechanisms that establish the character of possession and management of the economy. Corporate governance is one way to ensure that banks live up to expectation and ensure financial stability in the economy. Thus, Sun (2016) reported that corporate governance should be seen as a way a corporation polices itself and as such, govern like a sovereign state, instating its own customs, policies and laws to its employees from highest to lowest levels (Sarah, 2017).

Hopt (2021) reported that empirical evidence mostly gathered after financial crises confirm the specialty of banks and the need for corporate governance of banks and other financial institutions. The Basel Committee on Banking Supervision (2015:3) in its report on Guidelines and Corporate Governance Principles for Banks stated that "effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole." According to Cabraal (2007:2), "good corporate behaviour is ensured when companies and stakeholders genuinely believe that it is in their own best interests to act ethically and to act according to best governance practices." The critical role that banks play in economic development, demands, even more, that they develop good corporate governance policies and also conduct businesses in environments where integrity, honestly and resilience are critical to their survival.

2.1 Rural Banking, Corporate Governance and Performance

Corporate governance in Ghana's banks is reported to have been apparent following the enactment of the 2002 corporate governance code by the Ghana Securities and Exchange Commission (GSEC). Out of the Ghana SEC's code, there have been other codes of best practices that have made it necessary to adopt a single code for regulators and stakeholders (Adegbite, 2012).

According to Adegbite, GSEC' (2002) corporate governance code has delineated some factors underlying good corporate governance. These factors, which also include funding, disclosure and transparency, stakeholder obligations, shareholder rights, equitable treatment of shareholders, and board obligation, are essential for advancing corporate governance frameworks. Since the 2002 passage of the corporate governance legislation, corporate entities in Ghana, including mainstream banks, rural banks, and other financial institutions, have participated in corporate governance practices.

Unfortunately, rural banks in Ghana have been found to have faced some challenges. According to Nair & Fisher (2010), the Bank of Ghana (BoG) had difficulty overseeing rural banks due to their extensive geographic coverage prior to the introduction of an electronic Financial Analysis and Surveillance System (e-FASS system) that required rural banks to send their periodic returns electronically. It is also worth noting that despite their contributions, rural banks have unstable performances due to lower earnings capacity (Oteng-Abayie et al., 2018). This requires good governance practices to be sustainable and to have stronger financial base like the commercial banks. It is thus, suggested that stakeholders in the banking sector such as shareholders, creditors, regulators, and academics should examine decision-making processes and propose changes in governance structures to enhance accountability and efficiency (Adams & Mehran, 2012).

Aowin et al. (2020) reported that in the Ghanaian context, several financial institutions have failed to operate adequately over the years since they were unable to predict their financial status on failure or progress. An example is the DKM Microfinance Limited whose operational licence was revoked in 2015 by the Bank of Ghana for violating banking laws. Akwa (2017) also reported other financial institutions like UT Bank and Capital Bank that suffered a similar collapse in August 2017, after the Bank of Ghana had revoked their license describing them as deeply insolvent.

On rural banks, Owusu-Antwi et al. (2014:2) indicated that “the operations of the rural banks have been dogged by a lot of problems ranging from lack of quality management, low capitalization, and poor customer service to governance problems”. For Nair & Fisher (2010) cited in Owusu-Antwi et al. (2014:2), “the financial performance of many rural banks started to decline, however, for several reasons, including a drought that affected the country in 1983 (leading to high loan default rates), weak governing ability, conflicts within Boards of Directors and ineffective Management in many rural banks”. Expectedly, given the critical roles they play in rural banking, the performance of rural banks towards the sustainability and viability of their services is much desired. For example, Aowin et al. (2020:1) reported on the Association of Rural Banks (ARB) description of roles including “cultivating the habits of savings among rural inhabitants, mobilizing resources locked up in the rural areas into the banking systems to facilitate development, and identifying viable industries in their respective areas for investment and development”. It is evident from the literature that rural banks need to up their performance spectrum. Beyond these issues, Attridge et al. (2021) found strong evidence that the corporate governance structures of banks themselves condition performance.

Managing conflicts is critical in the corporate governance discourse. Conflicts among corporate boards influence performance such as the case in rural banks (Nair & Fisher, 2010). Whenever two individuals opine in different ways, conflict arises (Runesson & Guy, 2007), a situation that is not uncharacteristic of corporate boards. Before making any investment decisions, investors are increasingly researching corporate governance frameworks of various nations as well as company practices. Investors examine current regulations, the efficiency of enforcement techniques, and the dispute resolution methods used by corporations (Runesson & Guy,2007). The institutions and regulations in place have a significant impact on the quality of governance. It requires strong corporate governance in dealing with issues of concern to the organization, including dealing with conflict situations for enhanced corporate performance.

3. Methodology

3.1 Study Area

The Upper West Region formed the study area of this research. The Region is situated in Ghana's northwest, between latitudes 9.8° and 11.0° North and longitudes 1.6° and 3.00° West (Boakye, 2021). The Upper East Region, the Savannah Region, and Burkina Faso form its borders to the east, south-west and north, respectively. Wa serves as the Region's capital and largest community. The Region's physical area is 18,476 square kilometers, or 12.7% of Ghana's overall geographical area. Per its location and international borders, the Upper West Region is well positioned for international and interregional trade, as well as well positioned to host several private and public institutions, including, financial institutions. The Region has four functional rural banks. They are the Lawra Rural Bank, Nandom Rural Bank, Sisala Rural Bank, and Sonzele Rural Bank (Rural Banks Directory [RBD], 2020) which support businesses’ growth.

3.2 Research Design

Research methodology has been explained as a guide that allows researchers to use appropriate methods and tools to carry out a research exercise (Yin, 2009). Swaffield & Deming (2011) described research design as the glue that holds scientific research together to unravel research questions. Creswell (2009) proposed qualitative, quantitative and mixed method designs for research. For this study, the combined approach was adopted to work out the strengths of the qualitative and quantitative designs (Creswell and Clark, 2007). Specifically, the descriptive research design was employed. Mugenda & Mugenda (2003) cited in Odembo (2013) contended that researchers are able to organize, review, present and interpret information clearly when they use descriptive design. The descriptive research design was therefore employed to determine the relationship, if any, between corporate governance and rural banks’ performance, as well as to interpret the underlying assumptions of corporate governance that reflect rural banks’ performance.

3.3 Study Population, Sampling and Sampling Size

The study's population consisted of employees of rural banks in the Upper West Region. For the purpose of this study, the eligibility criteria for inclusion in the study population was that, one should hold at least a Diploma Certificate and be working as a receptionist and/or a cashier in the rural bank, should be in Management position, should be a member of the Board of Directors and should hold shares in the rural bank. This was done as a means to generate relevant data from participants who are directly involved in the activities and operations of the banks.

In this study, we used purposive and simple random sampling techniques. Following this, all four functional rural banks in the Upper West Region were employed for the investigation. The purposive sampling technique was used in the selection of CEOs/Managers, Human Resource Managers, Heads of Administration of the Banks and Board Members of the Banks who were deemed to have adequate knowledge needed to address the research problem. Etikan et al. (2016) argued that, also known as judgmental sampling, purposive sampling ensures that researchers intentionally select participants for the study based on their characteristics and qualities. The simple random sampling technique was applied in the selection of the Senior Staff of the Banks for inclusion in the study. The simple random sampling technique, according to Casteel & Bridier (2021), ensures that all potential participants of the study stand an equal non zero chance of being selected to avoid sample bias and ensure that the results are reliable enough to be generalized.

In this study, the lottery technique was applied in the simple random sampling; thus, the researchers obtained the lists of staff in the selected rural banks in the Region, assigned numbers to them and then, those with odd numbers were selected for the final sample. A sample size of 48 respondents was used in this study. This was made up of four CEOs/Managers, 16 Board Members, four Human Resource Managers, four Heads of Administration and 20 Senior Staff of the Banks. These figures were drawn proportionally from the four banks studied.

3.4 Data Sources, Data Collection and Data Analysis

Data used in this study were from both primary and secondary sources. Primary data included the raw data collected on source which were not subjected to processing or any other manipulation (Fraenkel & Wallen, 2000). These were data collected directly from the respondents of the study. Secondary data for this study were obtained mainly from the rural banks' reports, newsletters and magazines. Survey questionnaires and interview guides were the main instruments used in the data collection process. Questions in the questionnaire were both open-ended and close-ended. Face-to-face semi-structured interviews were conducted, using an interview structure that was flexible with minimal restrictions which Sarantakos (2012) argued in most cases takes the form of guidelines rather than rules. The survey questions and interview questions sought to find out from respondents the practices of corporate governance in rural banks and how such practices reflected in the performances of the banks.

Microsoft Excel in Windows 10 was used to generate basic statistics on the quantitative data. The statistics were descriptive in nature, and tables and figures were generated to aid in the presentation and interpretation of the results. Qualitative data from the recorded interviews were transcribed, edited, checked and presented in narratives.

4.0 Results and Discussions

This section presents the results and discussions of the study. It covers the demographic characteristics of respondents, the determinants of good corporate governance in rural banks in the Upper West Region, how present corporate governance is affecting the rural banks' ability to meet performance goals, corporate governance challenges of the banks and potential solutions to these challenges.

4.1 Demographic Characteristics of Study Respondents

This section presents the demographic information of respondents to the study. It captures the age distribution of the respondents, their level of education and length of service with the Banks under study.

Table 1: Demographic Characteristics of Respondents

Characteristic	Frequency	Percentage
Age Category		
20-30	1	2.1
31-45	12	25
46 and Above	35	72.9
Total	**48**	**100**
Level of Formal Education		
Tertiary	48	100
Secondary/Technical/Vocational	0	0
Basic	0	0
Total	**48**	**100**
Length of Service		
1 – 3 Years	**8**	**16.7**
4 – 6 Years	**16**	**33.3**
7 Years +	**24**	**50.0**

Source: Field Data, 2020

From the survey results on respondents' age distribution, it was revealed that the majority (72.9%) of the respondents were 46 years of age and above, followed by 25% of those between the age limit of 31 to 45 years. The remaining 2.1% of the respondents were between ages 20-30 years. The results revealed a middle-level aged and aged (older) population in the rural banks which can be linked to the fact that the Ghanaian business environment is mostly occupied by these groups, and who also, in most cases are in Management positions. The results also indicated that the rural banks have somewhat youthful population which is helpful for their future manpower needs. On their educational level, the survey results showed that all 48 respondents for the study have obtained tertiary level education. This finding explains the respondents' knowledge of the research variables relative to their educational background. As regards the length of service, the results showed that majority (50%) of the respondents have being with the rural banks for 8 years and above. Additionally, 33.3% of them have being with their banks for at least 4 to 6 years whereas, 16.7% of them have spent 1 to 3 years with the banks. It is evident from the analysis that most of the respondents have over three years' experience with the rural banks, thus, they were well positioned to have insight about the corporate governance practices that their institutions engage in.

4.2 Determinants of Good Corporate Governance in Rural Banks in the Upper West Region

In the Upper West Region, we looked at the factors that contribute to effective corporate governance in the administration of rural banks. First, we used descriptive statistics to identify the influences of seven characteristics that are likely to define good corporate governance in rural banks. Then, we obtained information on these independent variables and identified which ones help decision makers to form good corporate governance.

4.2.1 Variables Determining Good Corporate Governance in the Rural Banks

Table 2 illustrates the statistical analysis of variables considered for the study in measuring good corporate governance in rural banks. The Table offers descriptive statistics such as the mean, standard deviation, minimum data value, and through data value for the variables under study. The proprietary concentration from the Table is 30% to 70%, the standard deviation is 12% with a mean of 57%.

Table 2: Descriptive Statistics

Variables	Min.	Max.	Mean	S.D
Owner Concentration (CONC)	0.03	0.70	0.57	0.12
Audit Quality (AUQ)	0	1.00	0.23	-
Board Independence (BI)	0.12	1.00	0.43	0.11
CEO Duality (CD)	0	1.00	0.37	-
Firm Size (FSIZE)	19.00	28.02	24.13	0.21
Leverage (LEVERAGE)	0.23	0.67	0.58	0.16
Board Size (BSIZE)	10	15	11	2.0
Return on Asset (ROA)	-0.15	0.65	0.35	0.8

Source: Field Data, 2020

It is observed in Table 2 that owner concentration within the selected rural banks spans at least 30% of the shares. Up to 57% of shares have a minimum shareholder voting of 5%, indicating that the top shareholders owned more than 50% of the banks' shares. While we identified 23% and 37% of respondents indicating that

Audit Quality and CEO Duality respectively have some influence on determining good corporate governance, on the independence of the board, only 43% of the board members were found to be outside the company, which is not helpful for the operational performance of the banks as conflicts of interest might hinder board actions.

On average, the companies have a 58% return on total assets, which indicates that 58% of all assets are equal to debt. Each bank has an average of 11 board members and a maximum of 15 board members. The return on average assets is 65%, indicating some level of profitable investment.

At interviews, it was revealed that directors who are outside are able influence Management since they are financially independent and have diversified self-interests than those directors inside the organizations. Accordingly, these external directors are in good standing to protecting shareholders' interests than the internal directors. Respondents were of the view that keeping boards small in size could positively impact their performances. It was added that, larger groups have little effectiveness resulting from slack coordination and procedural problems that outweigh the expected advantages to be derived from people of different background. These findings are contrary to the claim by Hassan (2016) that the size of the board of directors of a company, whether large or small, does not define it effectiveness but rather the individual nature and seriousness that enhance the quality of the manager's responsibilities. They also go against the findings offered by Akhtaruddin et al. (2009) that larger boards are better able to carry out their tasks due to their pooled experience. The results also differ from those of Hussainey and Wang (2010), who argued that a big board size can have a diminished management control.

Interviewees stated further that banks' systems of corporate governance require that rights and responsibilities are distributed amongst members of the institution. Respondents recounted that good corporate governance should encourage effective investor - Management relationship that assures operational benefits. The interviews also revealed that conservatism allows the boards to act on bad news; encouraging managers to manipulate accounting systems which mislead the boards and distort their decisions. A respondent had this to say;

> *Stronger board oversight responsibility curtails managers' manipulation ability, and thereby reduces the negative side effects associated with conservative accounting. This can lead to stronger governance. When proper accounting is done, the accounting system generates information that guides the board's decisions. This will give a signal about information on the portability of expansion* (Interviews, June 2020).

These findings support the evidence that board size is an important determinant in corporate governance of listed entities globally (Salihi & Jibrin, 2015). Findings are also similar to the work of Zhaoyang & Udaya (2012: 664), who stated that, "board size and proportion of non-executive directors in the board shows a marginal negative relationship with firm value, proportion of non-executive directors in a board and financial performance of firm shows negative relation contrary to the findings of previous studies and that the firm size and director shareholdings have a significant impact on firm performance of listed firms". Kumi & Anona (2011: 4), also suggested a "positive relationship between governance practices (separate leadership, board composition, board committee and firm performance) based on return on equity, and board composition, board committees and performance measured by Tobin's Q". Findings of the study confirmed Dimitropoulos & Asteriou's (2010) argument that there are communication problems with larger boards which lead to poor performance, inadequate participation and excessive conflict of interests in reaching agreements.

4.2.2 Decision Makers of Good Corporate Governance

In order to identify the explanatory variables that contribute to good corporate governance, this part evaluated the data on independent variables. To determine whether ownership concentration, the CEO dual role, audit quality, board independence, firm size, board size, and leverage all contribute to good corporate governance, binary logistic regression was utilized. Table 3 displays the impact of the logistic regression on the seven explanatory variables. The p-value for Table 3 is 0.073.

Table 3: The p-value estimate of decision making excellence of corporate governance

VARIABLES		B	S.E.	Wald	Df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lowe	Upper
	CONC	0.231	.548	.178	1	.073	.793	.271	2.324
	AUQ	0.163	.432	7.252	1	.007	3.201	1.373	7.465
	BI	1.340	.475	7.951	1	.005	3.821	1.505	9.700
	CD	-.344	.484	.504	1	.478	1.410	.546	3.643
Step 1[a]	FSIZE	1.721	.742	5.377	1	.020	.179	.042	.766
	BSIZE	-1.234	.124	4.378	1	.008	1.560	1.051	8.540
	LEVERAGE	0.245	.235	8.135	1	.009	2.450	1.023	7.432
	Constant	**1.487**	**1.079**	**1.899**	**1**	**.168**	**4.426**	**-**	**-**

Source: Field Survey, 2020

In Table 3, Owner Concentration (CONC), Audit Quality (AUQ) and Board Independence (BI) are positively correlated with good corporate governance. This is represented by 23.1% 16.3% and 34% respectively of respondents' responses. The P-values 0.073 (CONC) 0.007 (AUQ) and 0.005 (BI) have some sort of positive bearing on corporate governance and could be interpreted as increasing the likelihood of excellent corporate governance. Similar to board size, business size, and firm leverage are all important factors in good corporate governance, with estimated P-values of 0.008 for each 0.020, 0.009 respectively, which are < 0.1. This is quite significant when taken at 5%. The overall implication of these findings is that the identified variables have great impact on the nature and state of corporate governance of firms that are operating at certain conditions allowable for the overall operations of an institution. These findings conform with the work of Zulkafli & Samad (2007), who suggested a status for protecting large audit firms to produce quality audits that lead to the realization of good corporate institutions in terms of governance. It was also reported that board independence has a significant effect on the state of good corporate governance of the firms and this has a value up to 1.340. Since independence of the boards of the firms (Rural Banks) can ensure better application of good corporate practices, it gives Management the ability to monitor their activities, thus greatly improving good corporate governance. The findings also support the work of Shahwan (2015) that, there is a positive relationship between corporate governance and the performance of firms.

4.3 Prevailing Corporate Governance Factors on Performances of the Banks

The impact of current corporate governance standards on rural bank performance in the Upper West Region were evaluated using factors such as CEO duality, employer concentration and audit quality. In each case, we sought to know from respondents what their views were on CEO duality, employer attention and audit quality relative to the performances of their banks.

Table 4: Prevailing Corporate Governance Factors on the Banks' Performances

Factors	Frequency	Percentage (%)
CEO Duality	16	33.3
Employer Attention	13	27.2
Audit Quality	19	39.5
Total	**48**	**100**

Source: Field Survey, 2020

Table 4 displays respondents' responses to the prevailing factors of corporate governance that improve the banks' performance. On CEO duality, 33.3% of the respondents held the view that it improves banks' performance. For these respondents, when CEOs of their banks double as the chairmen of the boards, they reemphasize decisions, and leadership becomes effective and efficient since both Management and the board share the same interest and work towards a common purpose. It was understood that in many cases of CEO duality, there is a core leadership direction as the CEO wants to succeed both in leading and heading the organization and winning the continual support of the board. In an interview, it was said that:

> *CEO duality has been understood as an appropriate measure of corporate governance and this invariably reflects in a bank's performance. When CEOs are chairmen of the banks' boards, they maintain some sort of posture, and knowing that they have to lead both their work teams and the board towards the organizations' common purpose, they maintain that sense of direction* (Interviews, 2020).

These findings corroborate Iyengar & Zampelli's (2009) argument that there is a provision for a focal point for a firm's leadership leading to the creation of a firm's image, there is stability, dependable leadership, and enhanced coordination between the board of directors and administration when there is CEO duality. The findings are however contrary to Moscu's (2013) position that the duality of functions can pose problems since persons who are charged with increasing organizational performance become the same persons to evaluate its efficiency.

On employer concentration as a corporate governance factor for banks' performance, 27.1% (Table 4) of the respondents indicated a relationship between the variables. For these respondents, employers of their banks are likely to have improved company performance when they focus on a specific labour market and engage same for the banks' operations. They believed that it is good corporate governance practice for employers to engage persons who have gained relevant knowledge in rural banking either through academic programs or by job experience since such persons have the capability to drive the banks' performance efforts. Employer concentration on a skilled labour market would therefore translate into improved banks' performance plus promote a corporate sense of reasoning and performance. A respondent remarked that "when employers concentrate on hiring the right personnel with the requisite skills and relevant knowledge in banking, Management becomes well positioned to deliver results" (Interview, 2020).

One of the corporate governance elements influencing banks' performance was found to be audit quality. Up to 39.5% of the respondents believed there is that connectedness. Accordingly, respondents shared that a key aspect of a bank's performance is its financial position, plus, its human resources performance metrics. They maintained that a good financial audit as well as an occasional human resource audit inform banks' decisions on project funding, investments, products, services and employee training and development for improved organizational performance. Respondents shared that good corporate governance practices should be emphasized in rural banks, and that, organizational audit spanning finances, human resources and material resources should be of great concern. Respondents shared during the interview session:

> *Audit quality is an essential aspect of corporate governance and has a bearing on a bank's performance. At the least, we should know whether we make profit, whether we have a return on investment and if our human resources are well positioned for competitive gains. Every aspect of the bank must be placed on check and this can be done when we engage in a quality audit* (Interview, 2020).

Comparative to these findings, Lin & Hwang (2010) posited that good corporate governance improves audit quality and translates into organizational performance. Thus, audit quality in this study has been found to have a positive bearing on corporate governance which generally, leads to improved performances in banks' operations and services.

4.4 Corporate Governance Challenges Faced by Rural Banks in the Upper-West Region

Under this section, corporate governance challenges are assessed in relation to the activities of the Boards of Directors of the Banks. We explored the problems that emerged from boards of directors in performing their tasks, and, how such problems affect the corporate governance practices in rural banks. Figure 1 illustrates these challenges.

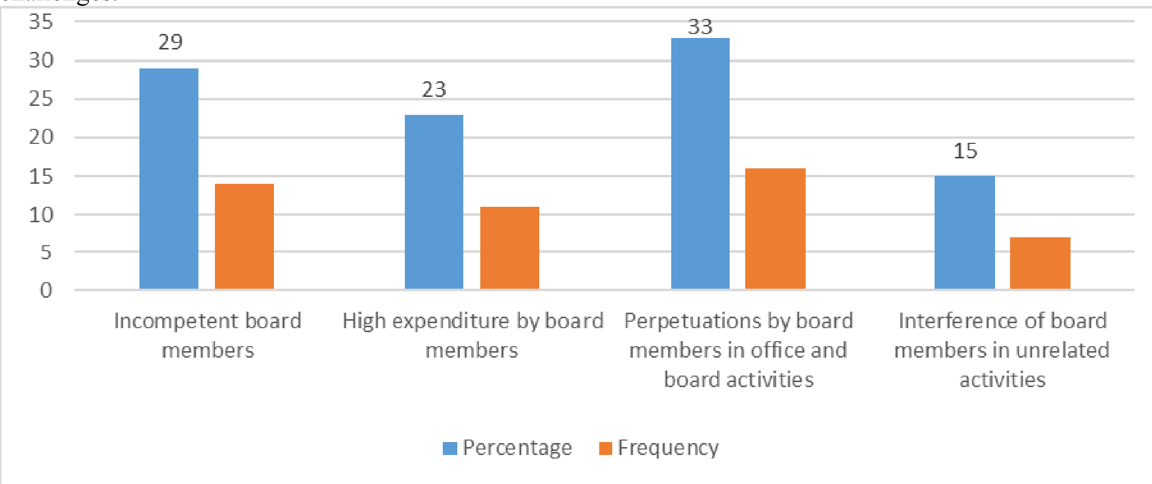

Figure 1: Board of Directors-related issues affecting corporate governance in Upper West Region's rural banks.
Source: 2020 Field Survey

It was found by 16(33%) of the respondents as displayed in Figure 1 that perpetuations in office and of activities by board members have become challenging in their bid to have effective corporate governance. Respondents defined perpetuations in this context as acts of board members staying in office for far too long and in prolonging job tasks in the areas of decision making, policy/decision implementation and activity monitoring. For these respondents, some boards of directors have stayed in office as directors so long that they no longer have new and useful ideas to contribute to decision making during board meetings. Respondents also asserted that there have been instances where board members have been reported for perpetuating critical organizational processes, largely, for the reasons that members sometimes disagree with certain decisions even when they have been finally made. It was also found that perpetuations sometimes result from the fact that some board members are unwilling to support policy implementations when the policies are unfavourable to them. The overall effect, according to the respondents is that, employees and other non-board members get influenced by such perpetuations and as such relent in their own efforts towards productivity – in the end, affecting the overall corporate governance practice. A respondent during an interview session remarked:

> *Somehow, after their meetings, we get to hear about the decisions they make, even before they become implementable. Unfortunately, you would feel their resentment and agitations over decisions that are unfavorable to many. We see and feel their emotions over such decisions, not as though the decisions are bad, but for reasons that they may pose threats to their interest. The next move then becomes the perpetuation tactics* (Interviews, 2020).

These findings are in line with Adams and Mehran's (2012) viewpoint that stakeholders in the banking sector, including shareholders, creditors, regulators, and academics, should thoroughly examine decision-making processes and propose changes in governance structures to improve accountability and efficiency to become more relevant.

Respondents held the belief that board members, have with time, misplaced their priorities and lost sight of their core calling to work as teams to move the banks forward. Respondents maintained that it requires deliberate efforts to share in a common interest as far as corporate governance is concerned irrespective of the expectations of each person on the board. The results also indicated that incompetency on the part of board members has overtime become an associated problem with the boards. On this, respondents maintained that in some of the rural banks, board members lack the competency in making corporate decisions that have higher probabilities of sparking changes in the banks' corporate activities. Respondents believed that the incompetency of board members is as a result of planned profiteering, a practice where members are appointed and/or selected without recourse to experiences, competency, attitude, knowledge and skills, just so they can be controlled over the banks' finances. According to the respondents, these practices violate effective corporate governance exercises and, in many cases, affect every aspect of the bank. These findings relatively support the works of Owusu-Antwi et al. (2014: 2) who stated that "the operations of the rural banks have been dogged by a lot of problems ranging from lack of quality management, low capitalization, and poor customer service to governance problems".

It was found by 14(29%) of the respondents that problems of incompetency affect managerial activities since such instances often pose as hindrances and threats to Management's decision. It was ascertained that the incompetency of board members is prevalent in many cases and demands urgent attention. It was reported during the survey thus; "we know them and we see how they are appointed and/or selected as members of the boards. Sometimes, we wish to see them perform well and remain hopeful, but once they are appointed they become reluctant in getting things done" (Interviews, 2020). This finding is contrary to that reported by Cabraal (2007: 2), that "good corporate behavior is ensured when companies and stakeholders genuinely believe that it is in their own best interests to act ethically and to act according to best governance practices".

Also, high expenditure and interference of board members in unrelated activities were found as challenges of corporate governance associated with members of the boards. Participants in the research recounted that high expenditure recorded in the course of the boards performing their tasks affect the banks' financial positions which in turn bears on their corporate governance practices. It was found to be even worrying in the event that rural banks do not have the reserved capital requirement as seen with mainstream banks, and yet much expenses are incurred in running such banks. For these respondents, to be able to have an effective corporate governance stream, expenses incurred by the boards of rural banks should be relooked and adequately managed. Respondents also reported that boards' interference in unrelated corporate governance activities have been a major hurdle towards having effective corporate governance systems in rural banks.

They identified such unrelated activities to include attendances to unapproved/uninvited meetings, unplanned assistances and promotions to clients. It was maintained by the respondents that if boards are to be effective, then, setting the proper priorities, establishing shared objectives, and developing a unifying theme that connects every component of the banks' corporate governance framework are urgently needed.

Beyond these problems, audit related challenges were also identified as a critical problems affecting boards' corporate governance practices. Respondents noted that audit, especially, internal audit has been vital in the banks' corporate governance pursuits. They however, observed that, in many cases, internal audits do not present true reflections of the financial happenings of the banks. According to the results of the study, internal auditors lack Management support in performing their tasks, especially, in monitoring financial processes which have high tendencies to impact negatively on the banks' performances. The results also revealed that in many cases, internal auditors are implicated such that they are influenced to cover up financial malfeasances within the banks in order to present a good image to their clients. They maintained however, that such incidences only appear to be time bombs as audit by genuine external auditors reveal such malfeasances. Respondents posited that in the absence of stringent measures, banks may have to struggle a long way to keep appropriate corporate governance practices. Presenting this case during an interview, it was recorded:

> *"The vital role that internal audit plays in corporate governance is indelible, yet, in many cases, there are too many wrongs with internal audit – such that those internal auditors have little independence in performing their tasks. They often do not get the right support from Management, and in the worst case scenarios, those auditors are forced to engage in acts of corporate treachery in which they are compelled to cover up for financial malfeasances propagated by members of the banks and members of the boards" (*Interviews, 2020).

These findings defy the independence of internal audit committees as reported by Masli (2018) in monitoring the fairness and transparency of financial statements and ensuring the adequacy and effectiveness of internal control systems and procedures".

4.5 Mechanisms for Addressing Corporate Governance Challenges Facing Rural Banks in Upper West Region

This section proposes mechanisms to address the corporate governance difficulties that rural banks in the Upper West Region face. Deciding through a five-point Likert scale whether they agree, disagree or otherwise, respondents shared their views on what they believe should be done to address the corporate governance challenges faced by the banks as in Table 5.

Table 5: Suggested mechanisms to address challenges facing corporate governance in the banks

Suggested Solution	Strongly Agree	Agree	Strongly Disagree	Disagree	Neutral	Total
1. Reduction in the tenure of office of board members	23(48%)	19(40%)	6(13%)	0(0%)	0(0%)	48(100%)
2. Amending rules and guidelines for the operation of the board of directors.	11(23%)	19(40%)	18(37.5%)	0(0%)	0(0%)	48(100%)
3. Ensuring checks and balances between the boards of directors and CEOs	16(33.3%)	26(54.2%)	6(13%)	0(0%)	0(0%)	48(100%)

Source: Field Data, 2020

Table 5 presents the survey results on the proposed solutions to the corporate governance challenges that rural banks face. Respondents suggested that there should be proper background checks of the CEOs as well as proper mechanisms put in place to ensure checks and balances between the boards of directors and CEOs. Approximately 88% of the respondents agreed with this and asserted that when these checks are made, the banks would be in good position to reduce corporate mistakes as well as prevent inappropriate behaviours on the part of CEOs and board members in rural banks. Here, the recommendations of rules and corporate governance standards for banks made by the Basel Committee on Banking Supervision (2015:3) are appropriate. Thus, “effective corporate governance is critical to the proper functioning of the banking sector and the economy as a whole.”

Beyond this, respondents also agreed that there should be a reduction in the tenure of the office of the board members. About 63% of the respondents strongly agreed and believed that in many cases, too many years and service tenures of board members lead to so much complacency that eventually results in corporate ineffectiveness. They maintained that when there is a reduction in the tenure of office, board members would be compelled to be focused and committed towards a common purpose of making corporate governance effective in rural banks. Also, about 87.5% of the respondents believed that challenges facing many rural banks can be reduced by amending rules and guidelines for the operations of boards of directors. They posited that such rules and guidelines should limit the powers entrusted to board of directors so that they would be strategically placed to deal with issues from various perspectives. Thus, Kyereboah-Coleman (2007) suggested that corporate governance and its associated relationships with organizations' improvement and performance must take a multifaceted tactic.

Notably, none of the respondents indicated their disagreements with the fact that reduction in the tenure of office of the board members, amending rules and guidelines for the operations of the boards of directors and ensuring check and balances between the boards of directors and CEOs are ways of tackling the challenges of rural banks. In key informant interviews, respondents suggested that drawing boundaries for boards of directors to operate will go a long way to prevent them from abusing their powers. In addition to this, respondents believed that if the boards of directors do not perpetuate themselves in office, they will not get the opportunity to abuse the office they occupy. In relation to the audit related challenges that affect corporate governance activities, respondents believed that putting in place appropriate rules, regulations and guidelines governing the operations of the internal auditing teams of the rural banks will help them function credibly.

5.0 Conclusions

In this study, we investigated corporate governance and the operations of rural banks in the Upper West Region. We found that corporate governance in rural banks in the Upper West Region is largely determined by owner concentration by which the owners of the rural banks purposefully control and influence the banks’ Management as means of protecting their interests and serving customers’ interests. Challenges identified as affecting banks’ corporate governance practices included clients’ default in the repayment of loans, inappropriate corporate governance practices and high operational costs of the banks. We also found that perpetuations by board members in office in the form of prolonging corporate governance activities and incompetency of board members were specific problems associated with boards of directors that affect their corporate governance pursuits. The study concluded that corporate governance has a strong effect on the performance of rural banks in the Upper West Region.

6.0 Recommendation

To provide effective corporate governance and improve the operations of rural banks in the Upper West Region, the study recommended that the Bank of Ghana should ensure audits of financial statements of rural banks by reputable auditing firms to eliminate massaged statements. Additionally, the Bank of Ghana and the ARB Apex Bank should ensure the corporate governance compliance of Rural Banks in the Upper West Region and Ghana to protect depositors and investors funds. The study recommended a reduction in the tenure of office of boards of directors, putting in place appropriate rules and guidelines for the operations of board members and ensuring effective checks and balances on the activities of the boards of directors by way of ensuring effective corporate governance practices in the banks. It was also recommended that Rural Banks should adopt a proper debt collection framework to help resolve the default challenges they face in order to enhance their performance.

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