Vlasenko V. A., Candidate of Economic Sciences, Associate Professor

Bondar-Podgurska O. V., Doctor of Economics, Associate Professor

Paintsil Isaac, master student

Poltava University of Economics and Trade, Poltava

**FEATURES OF FUNCTIONING OF CORPORATE GOVERNANCE SYSTEM IN GHANA IN THE CONTEXT OF MARKET TRANSFORMATIONS**

Corporate governance has received a lot of attention after the 2008 global credit crunch that culminated into bank failures and worldwide economic crises. In many developing countries, disclosures and the compliance with the corporate governance codes of best practices existing in such countries have become necessary due to ever increasing foreign investors who rely upon the financial reports of companies in those countries before having huge economic and financial investments in them. In the case of Ghana, following the enactments of the 2002 corporate governance code by the SEC, many codes of best practices have emanated while there have been calls for a single code by various regulators and stakeholders.

While full compliance with the codes and its enforcement by the SEC is being canvassed for, corruption which has persisted and continues to grow has been single out as the major bane within the Ghanaian system. It argues that while the socio-cultural problem of corruption persists, it is onerous on the government to fight through good governance, effective legal system, proper enforcement by the regulators and citizenship enlighten.

The aim of the study is to summarize the features of functioning of Corporate Governance System in Ghana in the context of transformational change.

The corporate governance developments and disclosures in any country are often shaped by a wide array of internal as well as external factors. Accordingly, the internal factors include the state of the economy and the capital market, corporate and business culture, the legal system, government policies, professional (regulatory) bodies, amongst others while the external factors (such as the old colonial ties, membership of international accounting standard committee, direct foreign investment activities of multinationals such as foreign banks and companies) contribute considerably, if not totally, to the complex reality of corporate governance development in any developing country. The impact of these factors and the differences in the system operating within each country are well documented in the accounting and corporate governance literatures [2, P. 11-12].

Prior to the independence, foreigners, mostly British, controlled the activities of business enterprises in many of their old colonies and thus bring along with them their economic interest and their (British) legislation. In brief, the Ghanaian Companies Code, 1963 (Act 179) is based largely on the English Companies Act of 1948 [1, P. 79-80]. Although the Code has seen no major changes since the enactment and many attempts at revising it have mainly been mere editorial changes, these historical analysis, therefore, confirms and suggest that the Ghanaian system of corporate governance is essentially an «Anglo-Saxon», or the «outsider control system», and is a reflection of its colonial heritage. Ghana SEC (2002) identified some common elements that underlie good corporate governance upon which further evolution and developments in governance structures are built upon today. They include the following components:

1. The rights of shareholders.

2. The equitable treatment of shareholders.

3. The roles of stakeholders.

4. Disclosure and transparency.

5. The responsibilities of the board.

These pillars are explicitly uncovered in the 2002 code of best practices released by the Ghana Securities and Exchange Commission.

Mensah Ch. et al. (2003), however, single out corruption as the major and only bane of the socio, economic and political development of Ghana. According to the CDD-Ghana (2000) report, corruption has persisted for a long time and still continues to grow while undermining the business corporate and the country’s democratic system. A survey highlighted by Mensah Ch. et al. revealed that Ghanaian majority express concern with regards to «corruption» which has become endemic in the country [3, P. 24]. This is supported by the 2010 report releases of transparency international on the corruption perception index where Ghana has been rated the 69th; a slightly better position than in the previous reports.

On the other hand, many regulatory bodies and agencies who had been active in the promotion of good corporate governance in Ghana such as: the Securities and Exchange Commission Ghana (SECG) and the Ghana Stock Exchange (GSE) charged with the responsibilities of regulating financial reporting practices of listed companies should be further empowered and encouraged. Other non-binding frameworks of corporate governance, tighter internal controls, and more corporate accountability should also be further improved upon [2, P. 18].

Internal influences on corporate governance disclosures of many developing countries like Ghana come from one or more of the sources such as: government, the professional bodies such as accountancy bodies, Institute of Directors, Corporate governance forum, the Securities and Exchange Commission, the Central Banks, the stock exchange body and the Corporate Affairs Commission etc.

In our opinion, having earlier submitted that such external influences like old colonial ties, membership of international accounting standard committee, direct foreign investment activities of multinationals such as foreign banks and companies contribute considerably, if not totally to the corporate governance development of a country, such external environment of corporations do make demands which require the corporate governance system of a country to respond positively by being pro-active.

While there has been great awareness with regards to the issue of corporate governance compliance in developing countries like Ghana indicating improvements in the legal and regulatory structure, the practices and enforcement actually diverge. One of the major problems in Ghana is corruption. Although, the issue of corruption is not only peculiar to one country as it is being reported in Europe and North America as well, it is onerous on the government and the citizens to fight this deadly cankerworm. In particular, governments who are aiming at attracting foreign direct investments into their countries should be able to pull through the corruption side. There should also be political willingness and courage from the government to fight the corruption. In addition, the government should increase the institutional capacity of the regulators, as well as improving the administrative and judiciary system while reforming the legal framework.

Thus, the awareness and significance of corporate governance should be published while updating the code of best practices to represent the current realities as well as improving the quality of disclosures expected from the listed companies. Non-listed companies should be seriously encouraged to make disclosures.

List of used information sources

*1. Adda E., Hinson R. Exploring the legal framework for business and ethical practices in Ghana. Journal of Legal, Ethical and Regulatory. 2006. Issues 2, Vol. 9, P. 78–82.*

*2. Cooper G. Corporate Governance in Developing Countries : Shortcomings, Challenges and Impact on Credit, Modern Law for Global Commerce. A Paper presented at the Congress to celebrate the fortieth annual session of UNCITRAL. Vienna. 2007. July 9-12. 26 p.*

*3. Mensah Ch. et al. Corporate Governance and Corruption in Ghana : Empirical Findings and Policy Implications. African Capital Markets Forum. 2003. 128 p.*