Examine the long run effect of corporate governance on Ghana SIC's financial performance

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Abtract

This study examine the long run effect of corporate governance on Ghana SIC's financial performance. The study employs the Autoregressive Distributed Lag (ARDL) technique to investigate the multifaceted relationship between corporate governance and the financial performance of SIC (Sampled Industrial Company). Using time-series data spanning from 2017 to 2021, the study examines both the long-term and short-term impacts of corporate governance on SIC's financial performance while considering the influence of a control variable, firm size.

The dependent variables in this analysis are return on assets, while the independent variables encompass board size, board composition, and CEO tenure at SIC. The control variable utilized was firm size. To assess the hypotheses, regression analysis was conducted, resulting in the identification of long-run equilibrium relationships among the variables.

In terms of the long-term effects, the study found board size and board composition do not exert significant influences on SIC's financial performance. Conversely, CEO tenure at SIC was found to have a statistically significant negative impact on financial performance in the long run. Moreover, when considering the control variable, firm size demonstrates a highly significant negative impact on return on assets at SIC in the long run. The findings of this study provide valuable insights into the complex interplay between corporate governance and financial performance, shedding light on the nuanced effects of board size, board composition, CEO tenure, and firm size on SIC's financial outcomes. The study recommend that, by prioritizing stability in CEO leadership, focusing on board effectiveness beyond composition, and actively managing the challenges associated with firm growth, SIC can enhance its financial performance and ensure sustained success in the long run.

Introduction

Corporate governance is a method for leading and managing a business (Jiang, Feng, & Zhang, 2012). It consists of the relationship between a firm's board of directors and its shareholders, and their obligations in that capacity. Every firm relies on the Board of Directors to monitor operations, provide funding, and provide advise (Ntim, 2015). Governance activities ensure that important control information reaches the executive team in a timely manner and is adequately complete, accurate, and accurate to support appropriate management decision-making, in addition to supplying the manipulate mechanisms to make certain that management's techniques, directions, and instructions are accomplished completely. These actions contribute to the system's or organization's growth and development (Teitey, 2020). The board's decisions are made from evidence collected from the management of the company and one crucial metric that advises the board is financial performance. If the financial performance is improving the firm is performing better vice versa. It forms as a guide for the board and management to know whether they are doing things right or wrong.

Financial institutions have evolved into critical worldwide cornerstones of any nation's socioeconomic progress (Appiah, Asamoah, & Narkotey, 2015). Their present function within the international financial system acts as a conduit for monetary boom and improvement (Alper& Anbar, 2011). In essence, corporate governance is required for the financial industry to function properly. According to Widhiastuti, Nurkhin, &Susilowati, (2019) to reduce business enterprise charges and create long-term shareholder cost, corporate governance has focused at the board of directors' decision monitoring duties, senior executives' selection-making features, the shareholder tracking technique, and the responsibilities of company gatekeepers.

With the several outstanding financial scandals in respect of corporate governance, it has become a key topic in all business forum agendas by paying higher attention and priority. It is true that many studies have been conducted to examine the relationship between corporate governance and firm performance in both developed and developing countries around the world (Hermuningsih, et al., 2020). Effective corporate governance optimizes the company's profitability and long-term worth for its investors. More intelligent and powerful stakeholders are now closely monitoring several facets of board performance and are especially interested in the efficacy, composition and quality of the board.

The internal audit control system of SIC Insurance PLC is the subject of the study. Internal control failures have an impact on the organization's overall financial operations and financial performance. Corporate governance in internal audit at SIC Insurance PLC surrounds the accountability, transparency, and ethics of the internal audit procedure, as well as the adequacy of the assets and support furnished to the internal audit characteristic and also the function of the internal audit committees and their impact on the company. SIC Insurance's internal audit process does not have sufficient resources or authority to effectively identify and address risks and control weaknesses within the organization. This challenge with the Internal Audit results in suboptimal consequences, inclusive of missed opportunities for development or compliance failures which can in the long run impact the company's recognition, economic performance, and overall potential to reap its strategic goals. There has been much research on the relationship between corporate governance and financial performance. Referring to the literature on the role of corporate governance, we can cite the work of Shleifer and Vishny (1997) who consider corporate governance as the set of mechanisms by which capital providers guarantee shareholder profitability. There has been much research on the relationship between corporate governance and financial performance. Referring to the literature on the role of corporate governance, we can cite the work of Shleifer and Vishny (1997) who consider corporate governance as the set of mechanisms by which capital providers guarantee shareholder profitability.

Although, the SIC's structure seeks to create stable internal control system it has its pitfalls. It creates several delays in processing of claims, resulting in income loss. Late payment of claims is one of the most serious threats to any insurance company's financial viability. The study seeks to examine the effect of corporate governance on the financial performance at SIC insurance company.

Literature Review

Corporate Governance

Corporate governance is the time period used to explain the preparations made for the management and direction of a firm. The governance structures and principles, which define the what parties in the firm should and should not do as different parties involved in running a business. The board of directors, management, shareholders and other stakeholders all have their do's and don'ts for decision-making in corporate affairs (Panday & Pande, 2020).The term "corporate governance" refers to the framework that incorporates the activities through which a company's goals are established and pursued in relation to external factors such as society, government, and the economy. Companies, their representatives, and the people or groups that will be directly impacted by their decisions are all things that may be kept an eye on through governance processes (Panday & Pande, 2020).

Each and every corporate body must have effective corporate governance in place to guarantee the continuous success of the businesses under its control. To inspire trust among the firm's constituents, it guarantees that the company's day-to-day operations are open to public scrutiny. According to a topdown model of corporate governance commonly used in the insurance sector. Accoridng to Yensu et al. (2017), the board of directors is at the top, followed by the managing director, the managing director, and other senior executives such as deputy directors for the various business activities. In the insurance sector, there is a correlation between a company's success and its board size, firm size, and financiers (Osman & Samontaray, 2022). This suggests that good corporate governance plays a position in boosting investor confidence and luring capital into the economy.

Financial Performance

An organization's capacity to rent sources from its primary line of enterprise and create earnings is measured subjectively with the aid of its economic performance (Kenton, 2022). The phrase is also hired as a board indicator of an organization's ordinary financial health over a specific time body. The adoption of superior performance indicators by a business must be relevant and quantifiable to the firm itself (Hristov & Chirico, 2019). These performance factors ought to contribute quantitatively to the evaluation, and given the potential benefit, their implementation shouldn't be excessively expensive. Two key financial indicators that are both well-established in accounting and the market are frequently used in empirical studies of corporate governance. Two of the most used metrics for evaluating a company's financial performance are return on equity (ROE) and return on assets (ROA) (AlAli,]2019).

ROE demonstrates the company's capacity to make a profit using its own resources. For the authorities to understand the efficacy and efficiency of the company's management, this ratio is crucial. The management of own capital is handled with more efficiency the higher the ROE. The ROA measures a business's capability to utilise all of its belongings to produce income after tax. This ratio is crucial for management to assess the efficacy and efficiency of the organization's management in supervise all of the company's belongings. In other words, with the same number of assets, greater profit may be made, and vice versa, the higher the ROA, the more effectively the firm uses its assets (AlAli, 2019). ROA is utilised for this study's goal; this is because the study made the supposition that agents have been provided with the resources, they need to generate a return. Therefore, ROA is used to evaluate their performance.

Board Size and Financial Performance

One crucial aspect of corporate governance that has received a lot of attention in the literature is the size of a board of directors. While some scholars contend that smaller boards are better at monitoring management and offering strategic advice, others counter that larger boards tend to provide more varied perspectives and expertise, which leads to better decision-making. There is a connection between board size and financial performance, according to several recent studies. Dang & Kim (2015) observed that big forums are associated with better ranges of profitability, which they attribute to the increased diversity of perspectives and expertise seen on larger boards. Similar findings were made by Liu, Rehman, and Zhu (2015), who found a correlation between larger boards and greater levels of firm value. They attribute this finding to the larger boards' improved monitoring and strategic direction.

Additionally, several research found no connection between board size and financial performance. For instance, Al-Malkawi, Pillai, and Hossain (2016) found that, in the context of the United Arab Emirates, board size had no appreciable impact on firm performance. Similar to this, Alshammari & Shaikh (2018) determined no evidence of a connection between board size and financial success in Kuwait.

The relationship between the size of the board and financial performance is still contested and unclear. While some research discovered a favourable association, others discovered a negative relationship, while yet others discovered no meaningful relationship. As a result, while establishing the best board size for their purposes, businesses must examine their individual context and circumstances.

Board Composition and Financial Performance

An essential aspect of corporate governance that has received a lot of attention in the literature is the composition of a board of directors. The composition of the board of directors may affect decision-making, strategic planning, and monitoring, which may have an impact on the company's financial success. The results of empirical research also show a significant relationship between the board's qualifications and financial performance. The board of directors is taken into consideration to be one of the number one internal company governance mechanisms (Brennan, 2020). The management of the firm should be properly monitored by a well-functioning board that has been wisely created. By doing this, the board transforms into a driver of shareholder value growth (Brennan, 2020).

The makeup of the board of directors of any organisation is crucial since it may significantly affect both the organization's operations and financial performance (Karem et al., 2021). As a result, the makeup of the board of directors may additionally have an impact on the economic achievement of a firm. Additionally, the composition of the board may inspire investors to engage in the organisation, thus freeing up capital for lucrative commercial ventures. According to Shamsi (2020), "effective mobility of funds enhances the probability of providing greater returns" In order to be certain that the organisation is appearing inside the great pursuits of all stakeholders and to allay the concerns of investors and other stakeholders, the board of directors performs a crucial role (Karem et al., 2021).

Wang et al. (2018) also found that gender diversity is positively correlated with corporate success, which they attribute to the improved strategic guidance and oversight provided by women directors. However, several research have shown no substantial link between board makeup and financial performance. According to Paniagua, Rivelles, and Sapena's (2018) research, board diversity had no appreciable impact on company performance. In the case of the United States, Kyere and Ausloos (2021) also found no indication of a link between board independence and financial performance. The context- and complexity-dependent link between the composition of the board and financial performance. Although some studies have discovered a connection between the board's makeup and financial performance, others have not. In order to choose the optimum board composition for their needs, businesses should thoroughly examine their unique context and circumstances (Kyere & Ausloos, 2021).

CEO Tenure and Financial Performance

The term "CEO tenure" describes how long a chief executive officer has held their position. There has been study into the connection between CEO tenure and financial success, however the results are conflicting. Despite advocating for the positive association between company size and performance, Mwangi and Muringu (2015) actually computed a substantial negative coefficient, demonstrating the exact reverse. Although some studies link CEO tenure to better financial success, others predict adverse consequences. It is crucial to remember that other than the CEO's term, other factors such as market competition, industry circumstances, and overall company strategy all affect financial success. Therefore, attributing financial outcomes solely to CEO tenure is challenging. Ultimately, the impact of CEO tenure on financial performance varies across companies and contexts (Vasilaki et al., 2020). Boards of directors and stakeholders should consider a CEO's track record, leadership style, and adaptability when assessing their potential influence on financial outcomes. By doing so, they can make more informed decisions regarding CEO succession and evaluate the potential implications for a company's financial performance.

Empirical Review

In this empirical analysis, the study looked at the most recent literature on the impact of corporate governance on financial performance. Chen et al. (2015) investigated the effects of institutional ownership, board independence, and CEO duality on company performance in the Chinese insurance industry. A representative group of 78 listed insurance companies in China were examined during a five-year period (2008–2012) using panel data analysis. The results showed that CEO duality had a negative effect on firm performance, whereas board independence and institutional ownership had a significant positive influence.

Another research on the impact of board traits, ownership structure, and audit committee calibre on the financial performance of insurance companies in Ghana was carried out by Alhassan et al. in 2019. Regression analysis was used in the study to investigate a sample of 16 insurance companies in Ghana over a four-year period (2013-2016). The results showed that audit committee quality had no effect, while board size, independence, and ownership concentration all had a significant positive affect on financial performance.

The effect of the size of the board, board autonomy, and CEO duality on the financial outcomes of Ethiopian insurance firms was also examined by Tadesse & Gelan (2018). Regression analysis was used in the study to analyse data from 11 insurance companies over a six-year period (2010-2015). According to the data, CEO duality had a detrimental effect on financial performance whereas board size and independence had a positive influence.

The relationship between board diversity, board size, and company success in the Nigerian insurance sector was also the subject of study by Owolabi & Amaihian (2020). Using panel data analysis, the study looked at information from 36 insurance companies over a six-year period (2013-2018). Financial performance was found to be significantly influenced favourably by board diversity and board size.

Recent research has discovered a connection between corporate governance and financial performance. For instance, corporate governance practises such board independence and CEO duality have been found by Mishra et al. (2017) to positively impact business performance in India. In order to determine the relationship between corporate governance and financial performance, the study performed regression analysis on a sample of 50 Indian companies listed on the National Stock Exchange. Similar findings were made by Rani & Yadav (2019), who found that having independent directors on the board improved corporate performance in Pakistan. The study evaluated the relationship between corporate governance and financial success using a sample of 60 Pakistani enterprises listed on the Karachi Stock Exchange. Summary statistics and a regression approach were employed in this analysis.

Additionally, studies have shown that the effectiveness of corporate governance procedures, such as board size and composition, has a significant impact on financial performance. For instance, Salman et al. (2019) found that the size and makeup of the board have a significant positive impact on business success in Jordan. Summary statistics and statistical regression were employed in the study to examine the relationship between corporate governance and financial performance using a sample of 32 Jordanian businesses listed on the Amman Stock Exchange. Similar findings have been made by Adnan et al. (2017), who found that board diversity positively enhances corporate performance in Malaysia. The study examined the relationship between corporate governance and financial success using a sample of 95 Malaysian companies listed on the Bursa Malaysia.

Agency theory

Agency theory implies that organisations have a separation of ownership and control, resulting in a principal-agent issue. The principals are the stockholders, who transfer decision-making authority to the management, who act as agents. The management' interests may or may not coincide with those of the shareholders. According to Davis, Schoorman, and Donaldson (2018), corporate governance structures like the board of directors, executive compensation, and ownership structure are intended to reduce organization costs and align managers' pursuits with the ones of shareholders.

The need of aligning managers' pursuits with those of shareholders is emphasised by agency theory. Empirical evidence suggests that efficient corporate governance procedures lower agency costs while improving business performance. For example, Gompers, Ishii, & Metrick (2003) discovered that businesses with stronger shareholder rights outperformed those with lesser shareholder rights in terms of stock returns and operating performance.

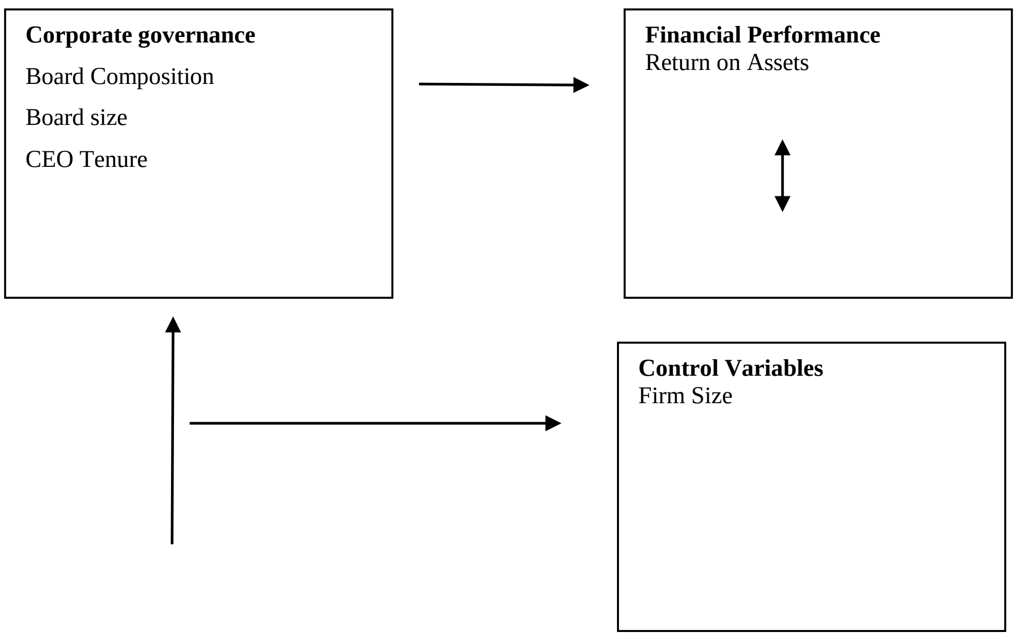
Stewardship theory

Stewardship theory, in contrast, assumes that managers are dependable and will operate in the organization's and its stakeholders' best interests. Corporate governance procedures are intended to assist and empower managers in their duties as corporate stewards. A robust board of directors. As an illustration, although executive compensation can encourage managers to act inside the best pastimes of the corporation, may offer advice and assistance to the management team (Davis, Schoorman & Donaldson, 2018). Empirical studies support the stewardship theory, which claims that good corporate governance practises enhance business success.

For instance, Bacq & Eddleston (2018) suggest that businesses with good board leadership outperformed those with poorer board leadership in terms of financial success and social responsibility. Stewardship theory emphasises the necessity of assisting managers in their duties as corporate stewards. According to both ideas, effective corporate governance procedures can improve business performance.

Conceptual Framework

The study's conceptual framework focuses on three crucial aspects of corporate governance: board size, board composition, and CEO tenure; it also examines their effects on financial performance when leverage ratio and firm size are used as control variables.



Corporate governance is a vital component of effective business management, aimed at ensuring the proper direction and control of a company. It encompasses the rules, practices, and processes that govern decision-making, performance monitoring, and stakeholder alignment. With regard to board size, board makeup, and CEO tenure, this conceptual framework focuses on studying the link between corporate governance factors and financial success. Financial performance is gauged by return on assets (ROA). The term "board size" describes the number of directors on a board of directors. A broader board could provide a more varied set of viewpoints, skills, and information, which might result in better governance and greater financial success.

Board composition involves the characteristics and attributes of board members, such as skills, experience, diversity, and independence. A diverse board composition, including gender, age, and industry expertise, is hypothesized to enhance decision-making and strategic planning, thereby positively influencing financial performance.

CEO tenure is the period of time a chief executive officer has held their current post. Longer employment might provide stability and accumulated expertise of the sector, but it can also breed complacency and reluctance to change, that may additionally have an impact on monetary normal performance. Financial performance is measured the usage of indicators such as return on assets (ROA), which gauges a company's profitability by assessing its capacity to produce earnings from its assets. Higher values imply greater financial performance, and ROA is used as a measure of operational effectiveness and profitability. According to the conceptual framework, the length of the CEO's tenure, board size, and board makeup all affect financial success as indicated by ROA. It makes the case that having a bigger board, a more diverse board, and a CEO who stays in place for the right amount of time may all improve financial success.

Methodology

The study employs descriptive study design to execute the study. The research approach used is the quantitative approach to examine the information of the research. The SIC Insurance Company provided secondary data for the study. This research was created using data from SIC Insurance PLC's annual financial reports. Due to the data availability and to strengthen the work, the sample period was determined to be 2010–2022. To reach the study's goals, the researcher used purposive sampling as the sample strategy, concentrating on SIC Insurance PLC particularly.

The study utilized secondary data for this study and it was sourced from SIC Insurance PLC's annual financial reports. The 2010–2022 time frame was specifically chosen as the sample period to increase the study's reliability.

This estimation strategy for this study undertakes stationary test, cointegration test, ARDL limits test, and diagnostic tests. The diagnostic tests the study undertakes are auto-correlation and heteroscedasticity test

Model Specification

A modified version of the empirical model employed in the study was also utilised by Kiptoo et al in 2021. The study defines financial success as return on asset (ROA) as the dependent variable, and board size, board makeup, and CEO tenure as the independent variables indicating corporate governance. Firm size is one of the other control variables. Following is a definition of the model:

$ROA_t = \beta_0+\beta_1 BS_t+\beta_2 BC_t+\beta_3 CEO_t+\beta_4 FS_t+ \varepsilon_t$……………………………………………..….(1.1)

Where: ROA represents financial performance, BS represents Board Size, BC is Board Composition, CEO denotes CEO Tenure, FS stands for Firm Size, ε represents the error term which account for different possible factors that could affect model.

Variable Description, Measurement and Expected Signs

Dependent Variable	Variable for Measurement	Measurement
Financial Performance	Return on Asset (ROA)	The study derived the ROA by dividing the net income of the SIC by its total assets.
Independent Variables		
Board Size		The number of board members as mentioned in SIC's financial reports served as the basis for this study's calculation of the board size.
Board composition	elements like age, gender, education, and professional history, refers to the combination of abilities, experiences, and traits that make up a company's board of directors	board composition was derived through scoring each year's board members reported educational background, expertise, the diversity and gender grouping over 100 percent.
CEO Tenure	the duration or length of time that an individual serves as the Chief Executive Officer of a company	The study calculated CEO tenure using years thus, the yearly reports that represents the CEO in office was counted as part of his tenure.
Control Variables		
Firm Size	refers to the total assets, sales revenue, or number of employees of a company	In this study the annual report of SIC specified the total assets, thus, that was used to represent its firm size

Discussion and Results

Summary Statistics

The precis statistics of the variables employed in the study are reported in Table 4.1.

Table 4.1: Statistics of Variables

Variable	Mean	Median	Minimum	Maximum	Std Dev.
LogROA	1.9531	1.9632	1.3155	2.7098	0.3650
LogBC	2.0040	2.0000	1.8894	2.0988	0.0684
LogBS	2.0261	2.0000	1.5581	2.4418	0.2533
LogCEO	1.9167	1.5943	1.3068	3.0986	0.6741
LogFS	2.1464	2.1443	1.3634	2.8847	0.3476

Source: Author's estimation

Results from Table 4.1 presents the descriptive statistics of the data used in the study. Describing the data provides a comprehensive overview of the dataset, including its size, structure, and characteristics. Also, it helped assess data quality, identify missing values, outliers, or errors, and take appropriate steps to clean or preprocess the data. The descriptive statistics presented showed that the data was valid and reliable to ensure of accurate findings of the study. The table showed statistical data that reveals several key metrics related to various aspects of a SIC's performance and governance. Firstly, the mean return on assets (ROA) stands at 1.9531, indicating the average profitability and efficiency of these firms in generating earnings from their assets. Secondly, the board composition, with a mean of 2.0040, suggests a moderately diverse mix of directors and their qualifications in overseeing company affairs. Furthermore, the board size, averaging at 2.0261, suggests a relatively moderate-sized board of directors involved in decision-making processes. CEO tenure, with a mean of 1.916, signifies the average duration CEOs have held their positions, reflecting stability or turnover within leadership. Lastly, the mean firm size, at 2.1464, hints at the companies' scale and magnitude in terms of revenue or market capitalization. These metrics collectively offer insights into the financial health, governance, leadership stability, and overall size of the sampled firms.

The standard deviation values provide important information about the dispersion or variability within each of the measured factors. Variability, refers to the extent to which data points in a dataset or a set of observations deviate or differ from each other. It is a measure of the spread, dispersion, or inconsistency in the values within a given dataset. A lower standard deviation, such as the one for board composition at 0.0684, suggests that this metric tends to have relatively consistent values across the sample of firms, indicating a degree of uniformity in the composition of their boards. In contrast, a higher standard deviation, like the one for CEO tenure at 0.6741, indicates a greater degree of variability in how long CEOs have been in their positions across the firms, possibly reflecting differences in leadership stability or turnover. For return on assets (0.3650) and firm size (0.3476), moderate standard deviations imply some variability in financial performance and company size. Lastly, board size with a standard deviation of 0.2533 shows a moderate degree of variability in the size of boards within the sample. These standard deviations provide context for understanding the degree of spread or inconsistency within each of these crucial metrics across the studied firms.

Results of Long Run Relationship

The study evaluated the long and short run parameters from ARDL(1, 1, 1, 1, 1, 1) based on Akaike Information Criterion (AIC) since the Bounds test result verified the presence of a long run connection. Table 4.2 presents the long-term estimates.

Table 4.2 Long Run Relationship

Variable	Coefficient	Standard Error	T-Statistics	Probability
BS	0.3627	0.8170	0.4439	0.6597
BC	0.0182	0.4332	0.0422	0.9665
FS	-62.030	10.8947	-5.6936	0.0000

CEO	-2.1242	1.0923	-1.9446	0.0597
C	0.7563	0.4387	1.7237	0.0933

Source: Author's estimation Note: *** denotes Significant at 1%

The Long Run Effect of Corporate Governance on SIC's Financial Performance

The data in the tabulated indicated that the board size coefficient was 0.3627 and the probability was 0.6597 and. Based on the findings, it may be concluded that board size did, in the long term, have a favourable impact on return on assets. However, the probability was 0.6597, which was over 0.05, therefore it was not significant. On the whole, it can be concluded that SIC's economic overall performance isn't significantly impacted by means of the size of the board. The findings are consistent with research by Al-Malkawi, Pillai, and Hossain (2016) and Alshammari & Shaikh (2018), which claim that board size has no appreciable impact on financial success.

Also, the board composition coefficient was 0.0182 and the probability was 0.9665. Based on the findings, it may be concluded that board size did, in the long term, have a favourable impact on return on assets. But because the chance was 0.9665, which was more than 0.05, it was negligible. It might be concluded that, over time, SIC's financial performance is not significantly impacted by the board's membership. The study's findings were consistent with those of Kyere, & Ausloos, 2021 research, which determined no evidence of a connection between board makeup and economic achievement.

Additionally, the CEO tenure at the company coefficient was -2.1242 and probability was 0.0597. The findings suggest that, over time, the CEO's stay at the company had a considerable negative impact on return on assets. As the probability was 0.0597, which was greater than 0.1 and made it inconsequential, it was significant at the 10% level. The long-term financial success of SIC might be inferred to be significantly impacted by the CEO tenure at that company. It has a detrimental impact on the company's financial success. As a result, over the long term, at SIC, there is a 2.1242 decline in return on assets (financial performance) for every unit increase in CEO tenure, and the opposite is also true. The findings are consistent with a research by Mwangi and Muringu (2015) that suggests that, over a certain threshold, CEO tenure may have a detrimental impact on financial performance.

The Effect of Control Variable on SIC's Financial Performance in Long run

The control variable used in this study was firm size. Based on the long run results, firm size had a coefficient of -62.030 and had a probability of 0.0000. This meant that firm size had a poor large effect on return on assets at SIC in the long run. The effect was significant at 1% level because the probability was below 0.01. Thus, one percent increase in firm size will cause a 62.030 percent decrease in return on assets at SIC in the long run and the inverse is true. The result went contrary to studies done by Chen, Yu, & Wang (2015) and Adams & Hardwick (2015) that suggest advantageous relationship among company size and economic overall performance. The study that backs the results was Jiang & Wu (2015) study that found a nonlinear relationship, suggesting that the advantageous impact of organisation period on financial usual overall performance diminishes as the firm size becomes excessively large. Although, it does not back the results directly it implies that a negative impact of firm size could be as a result of the firm becoming too large.

Summary of findings

The study's dependent variables were return on assets, the impartial factors have been board length, board composition, and CEO tenure at SIC, and the company size was the control variable.

The regression findings were useful in testing the hypothesis. The investigation discovered a long-run equilibrium link between the series. The F-statistic of 6.924, which was more than the top bound essential value of 3.49, demonstrated that the variables had a meaningful long run equilibrium connection at 1% significance.

Corporate governance at SIC was represented through board size, board makeup, and CEO tenure. The investigation discovered that the board size coefficient was 0.3627 and the probability was 0.6597.

This meant that, in the long run, board size had no influence on SIC's financial success. The probability was 0.9665, while the board composition coefficient was 0.0182. This suggested that, in the long term, board composition has little influence on SIC's financial success. Furthermore, the CEO tenure coefficient was -2.1242 and the likelihood was 0.0597, according to the study. This suggested that SIC's CEO tenure had a considerable negative impact on the company's long-term financial success.

The company size was employed as a control variable in this study. Firm size had a coefficient of -62.030 and a probability of 0.0000 based on the long term outcomes. This suggested that, in the long term, commercial enterprise length has a terrible substantial influence on SIC's return on assets. Because the likelihood was less than 0.01 at the 1% level, the effect was substantial. Also, the results of SIC company size were identical, with the exception that the coefficient was -59.6836 and the probability was 0.0000. Because of the likelihood, the results were significant at 1%.

Conclusion

The analysis revealed that the variables had a long term equilibrium connection. The study revealed that, in the long run, board size had little influence on financial success at SIC. Furthermore, the study revealed that board composition had no long-term influence on SIC's financial success. In contrast, the study indicated that CEO years at SIC have a considerable negative influence on long-term financial success at SIC.

Recommendations

From the findings, several guidelines can be made to enhance the financial performance at SIC. Firstly, the study concluded that board length does not have a tremendous impact on economic overall performance in the long run. However, it did find a positive impact on return on assets in the short run. Therefore, it may be worth considering increasing the board size temporarily to potentially improve short-term financial performance. By expanding the board, SIC can benefit from a wider range of perspectives and expertise, which can purpose greater effective choice-making and advanced financial outcomes.

Secondly, the study found that board composition does not have a vast effect on financial overall performance at SIC. This suggests that focusing entirely on composition as a determinant of financial performance may not yield the desired results. Instead, it is important for SIC to prioritize other aspects of board effectiveness, such as diversity, skills, and expertise. By ensuring a diverse and competent board, SIC can leverage a broader range of knowledge and experience to drive better financial performance.

Furthermore, the study highlighted the significant effect of CEO tenure on financial performance at SIC in the long run. Based on this finding, it is recommended for SIC to prioritize stability and continuity in CEO leadership. Long-serving CEOs often possess in-depth knowledge of the company and industry, and their experience can positively impact financial outcomes. However, it is crucial to periodically evaluate the performance of the CEO and ensure that fresh perspectives and innovative ideas are incorporated when necessary.

Lastly, the study discovered that organization length had a negative great effect on return on assets at SIC in the long term. This indicates that as the company grows, there may be challenges in maintaining optimal financial performance. It is imperative for SIC to closely monitor and manage the impact of increased firm size on operational efficiency and profitability. Strategies such as streamlining processes, improving resource allocation, and fostering a culture of innovation and agility can help mitigate the negative consequences of business enterprise duration on economic standard performance.

In summary, the study's findings provide valuable insights into the factors influencing financial performance at SIC. While board size and composition may not have significant long-term effects, the study highlights the importance of CEO tenure and effective management of firm size. By prioritizing stability in CEO leadership, focusing on board effectiveness beyond composition, and actively managing the challenges associated with firm growth, SIC can enhance its financial performance and ensure sustained success in the long run.

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