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Article

When Governance Fails to Govern: Rethinking Audit Quality and Firm Value in Weak Institutional Environments

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Abstract

Corporate governance reforms in emerging and frontier markets frequently assume that strengthening board oversight, audit committees, and ownership monitoring will improve audit quality and enhance firm value. Yet, in weak institutional environments, these mechanisms often function symbolically rather than substantively. This study rethinks the governance–audit–value nexus by integrating Agency Theory, Institutional Theory, and the concept of symbolic governance to explain why governance may appear structurally robust while failing to constrain managerial discretion. Using panel data from Ghanaian listed firms between 2015 and 2023, the analysis shows that audit committee independence and board independence are negatively associated with both audit quality and firm value, indicating that formal independence without expertise, authority, or enforcement capacity does not translate into meaningful oversight. By contrast, institutional and managerial ownership positively influence both outcomes, suggesting that incentive alignment and informed monitoring can substitute for weak formal governance. Foreign ownership improves firm value but does not consistently enhance audit quality, while macroeconomic conditions such as inflation and GDP growth further shape firm performance. The study advances the literature by reconceptualising governance effectiveness in weak institutional environments, demonstrating that governance mechanisms may exist in form without functioning in substance. The findings underscore the need for governance reforms that prioritise enforcement capacity, board expertise, and audit committee competence rather than structural compliance alone.



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Keywords: corporate governance; audit quality; firm value; symbolic governance; institutional weakness; emerging markets

1. Introduction

Corporate governance and audit quality are widely regarded as essential mechanisms for enhancing transparency, reinforcing accountability, and protecting shareholder value. Classical agency theory posits that governance structures, such as independent boards, effective audit committees, and diversified ownership, serve as monitoring mechanisms

that constrain managerial opportunism and align managerial actions with shareholder interests (Jensen & Meckling, 1976). Similarly, high-quality external auditing is expected to enhance the credibility of financial reporting, reduce information asymmetry, and support efficient capital market functioning (DeFond & Zhang, 2014; Kateb, 2024). Within this traditional governance perspective, robust governance structures and credible auditing practices are assumed to strengthen firm performance and value creation. However, these assumptions increasingly appear idealised rather than empirically guaranteed, particularly in institutional contexts where enforcement capacity, regulatory oversight, and governance cultures are uneven or evolving.

Recent scholarship suggests that corporate reporting and governance practices may serve not only informational purposes but also rhetorical and strategic functions designed to shape stakeholder perceptions and sustain organisational legitimacy (Brennan et al., 2024; Conte et al., 2024; Alkaraan et al., 2024). This perspective is particularly evident in the literature on CSR and ESG disclosures, where firms may project responsibility narratives to signal alignment with global governance norms irrespective of their substantive performance (Free et al., 2025). The expansion of sustainability reporting frameworks has therefore intensified debates regarding symbolic compliance, greenwashing, and the performative nature of disclosure systems (Del Gesso & Lodhi, 2024; de Villiers et al., 2024). Similar concerns have emerged in the auditing literature, where scholars highlight how professional narratives and reputational signalling may shape perceptions of audit credibility and accountability. For example, recent studies suggest that large audit firms may frame their practices through carefully constructed professional narratives that emphasise compliance, credibility, and expertise, thereby reinforcing stakeholder confidence even when corporate governance failures occur (Alkaraan et al., 2024). These debates raise a broader question central to this study: can governance and auditing mechanisms be assumed to function as intended, or do they sometimes operate as institutional symbols of legitimacy rather than substantive instruments of accountability?

This question becomes particularly relevant in emerging and developing economies where institutional environments may shape the effectiveness of governance and auditing practices. Sub-Saharan Africa provides an important empirical setting for examining these dynamics, as governance reforms have been widely adopted but their implementation often varies across institutional contexts (Arianpoor et al., 2023). Ghana represents a relevant case in this regard. While formal corporate governance codes and international auditing standards have been adopted, their practical effectiveness may be influenced by contextual factors such as concentrated ownership structures, familial control, evolving regulatory capacity, and relational governance practices (Aboagye-Otchere & Boateng, 2023; Oppong et al., 2024). Under such conditions, governance arrangements may formally exist but function differently in practice, potentially limiting their ability to constrain managerial power and enhance corporate accountability.

Existing empirical research in Ghana provides useful but incomplete insights into these governance dynamics. Baldavoo and Nomlala (2019) examined governance–performance relationships in the banking sector but did not assess whether governance mechanisms translate into improvements in audit quality or reporting credibility. Similarly, Angsoyiri (2021) explored the relationship between ownership structure and audit quality but did not incorporate board governance characteristics or evaluate how audit quality influences firm value. Consequently, the literature has largely examined governance structures, audit quality, and firm performance in isolation, leaving limited understanding of how these mechanisms interact within a weak institutional environment.

Responding to this gap, this study re-examines the governance–audit–value nexus by investigating whether corporate governance mechanisms meaningfully enhance audit

quality and firm value, or whether they operate primarily as symbolic compliance structures within a weak institutional context. Drawing on Agency Theory and Institutional Theory, the study analyses how board characteristics, ownership patterns, and audit committee attributes influence audit quality and corporate value among firms listed on the Ghana Stock Exchange between 2015 and 2023. In addition, the study examines whether audit quality acts as a mediating mechanism through which governance structures influence firm performance outcomes. Accordingly, this study is guided by the critical research question:

RQ: Do corporate governance mechanisms meaningfully enhance audit quality and firm value in Ghanaian listed firms, or do they function primarily as symbolic compliance structures, and to what extent does audit quality mediate this relationship?

This study makes several important contributions. First, it advances theory by demonstrating how institutional weakness conditions the effectiveness of governance, clarifying why governance reforms may fail to achieve their intended oversight outcomes. Second, it integrates governance structures and audit oversight into a single analytical framework, addressing fragmentation in prior Ghanaian research. Third, it contributes to regulatory and policy debates by emphasising the need to strengthen enforcement capacity, board expertise, and audit committee independence, rather than focusing exclusively on the formal adoption of governance structures. In this way, the study helps clarify the conditions under which governance and auditing transition from symbolic compliance to substantive accountability, a central issue in both corporate governance and emerging market development research.

The remainder of this paper is structured as follows. Section 2 presents the theoretical foundations of the study, reviews the extant literature, and develops the research hypotheses. Section 3 outlines the research methodology, including data sources, variable measurement, and model specification. Section 4 reports the empirical results. Section 5 offers a critical discussion of the findings in light of the theoretical framework and prior research. Finally, Section 6 concludes the paper and highlights key implications, limitations, and directions for future research.

2. Literature Review and Hypotheses Development

2.1. Theoretical Framework

This study draws on institutional theory and agency theory to examine how corporate governance mechanisms and audit quality influence firm value in Ghana's weak institutional environment. Institutional theory emphasises that organisations adopt governance and auditing structures not only to improve control and transparency, but also to legitimise themselves and meet stakeholder expectations in environments characterised by regulatory uncertainty and social pressure (DiMaggio & Powell, 1983; Schiavi et al., 2024; Vo Van et al., 2024). In Ghana, regulatory enforcement remains limited, audit oversight capacity is inconsistent, and governance reforms often advance faster in form than in practice. As a result, public listed firms frequently adopt internationally recognised governance codes and engage Big Four auditors to signal credibility, even when these mechanisms may not be substantively empowered (Al-Faryan, 2024).

Agency theory provides a complementary perspective by emphasising the internal monitoring challenges arising from principal–agent conflicts. Ghanaian firms often exhibit concentrated ownership, with family, state, and institutional blockholders influencing board composition and audit oversight. In such cases, effective audit committees and credible external auditors are critical to constraining managerial discretion and reducing information asymmetry (Bawuah, 2024). However, when regulatory enforcement is weak,

governance mechanisms may exist symbolically, creating the appearance of oversight without materially improving accountability.

By integrating these two theoretical lenses, this study recognises that firms in Ghana face a dual governance challenge: (1) navigating external legitimacy pressures, and (2) addressing internal agency conflicts, in an institutional environment where governance does not automatically govern.

2.2. *Audit Quality as a Value Creation Mechanism in Weak Institutional Environments*

Audit quality plays a vital role in shaping both firm performance and value because it enhances the credibility of financial statements, reduces information asymmetry, and strengthens investor confidence. High-quality audits function as an external monitoring mechanism that constrains opportunistic managerial behaviour and limits earnings management, thereby improving the reliability of reported financial outcomes and supporting better performance assessments (Becker et al., 1998; Francis et al., 2005; DeFond & Zhang, 2014). Through this monitoring role, audit quality contributes not only to reporting reliability but also to the broader governance architecture that supports organisational performance and long-term value creation.

However, emerging economies such as Ghana present a different institutional context. Regulatory oversight may be inconsistent, enforcement of reporting standards can be limited, and governance systems may lack the independence and expertise required to ensure strong internal monitoring (Arianpoor et al., 2023; Bawuah, 2024). In such institutional environments, external governance mechanisms such as high-quality audits become particularly important in strengthening financial reporting credibility and supporting firm performance through improved accountability and transparency.

In these contexts, audit quality may perform a substitutional governance role, whereby credible external audits partially compensate for weaker institutional enforcement mechanisms. The engagement of Big Four auditors or auditors with strong reputational capital can signal legitimacy, accountability, and professionalism to investors and creditors, particularly international stakeholders who rely heavily on credible external verification (Pronobis & Schaeuble, 2022; Al Lawati & Sanad, 2023). At the same time, the governance role of large audit firms has attracted growing scholarly attention. Evidence from recent studies suggests that large audit firms may rely on carefully framed professional narratives and reputational signalling to reinforce confidence in audit practices and financial reporting outcomes. Moreover, their expanding involvement in advisory and consultancy services may blur the boundaries between assurance and advisory roles, potentially raising concerns regarding independence and professional scepticism.

Consequently, while reputable auditors can enhance credibility and strengthen governance oversight, the effectiveness of audit quality ultimately depends on whether firms genuinely internalise accountability mechanisms or merely replicate globally recognised governance structures for reputational purposes (DiMaggio & Powell, 1983). This tension is particularly relevant in weak institutional environments, where reputational signals associated with high-quality auditors may influence both perceived audit credibility and firm performance outcomes. Building on these arguments, audit quality is expected to play a critical role in improving firm performance and enhancing firm value in environments characterised by institutional weaknesses. Therefore, we advance the following hypothesis:

H1. *Audit quality enhances firm value and performance in Ghanaian listed firms.*

2.3. *Ownership Structure, Power Dynamics, and Firm Value*

Ownership structure fundamentally shapes monitoring incentives, managerial discipline, and strategic decision-making. In Ghana, ownership patterns are often highly

concentrated, with significant stakes held by family groups, managerial insiders, institutional investors, or state agencies. Agency theory suggests that concentrated ownership may reduce classic owner–manager conflicts by aligning interests (Jensen & Meckling, 1976); however, it can also create entrenchment risks, where dominant insiders exercise disproportionate control, resist external oversight, and limit transparency (Arianpoor et al., 2023). Empirical findings in Ghana and similar frontier markets indicate mixed results. For instance, institutional and foreign investors tend to demand stronger governance and high-quality audits, leading to improved disclosure and performance outcomes (Qawqzeh et al., 2021; Nguyen et al., 2024). These investor groups often exert pressure for board professionalisation, financial reporting discipline, and shareholder accountability.

Conversely, managerial or family ownership may produce the opposite effect. Close relational networks between major shareholders and executives can weaken board independence, reduce audit committee effectiveness, and discourage external audit scrutiny, particularly when controlling shareholders prioritise private benefits over firm-level value maximisation (Osei, 2020; Bawuah, 2024). Such dynamics are heightened in weak institutional settings, where governance enforcement relies heavily on internal ethics rather than external regulatory pressure.

Thus, ownership structure not only influences governance quality but also determines whether governance is substantive (performance-oriented) or symbolic (legitimacy-driven). This underscores the need to assess ownership influence in context, rather than treating it as inherently beneficial or detrimental. Accordingly, we propose the following hypothesis:

H2. *Ownership structure significantly influences firm value in Ghanaian firms.*

2.4. Board Composition, Oversight Capacity, and Performance Outcomes

The board of directors plays a central role in strategic oversight, monitoring management, and ensuring accountability. However, the effectiveness of board governance depends not only on structural attributes, such as independence, diversity, and size, but also on the board's substantive capacity to exercise informed and autonomous judgement. In Ghana, where board appointments may be influenced by relational networks, political affiliations, or family ties, structural indicators alone may not reflect real oversight power (Aboagye-Otchere & Boateng, 2023). Studies in emerging markets highlight that board independence enhances monitoring only when directors possess the expertise and authority to challenge managerial decisions (Klein, 2002; Krishnan, 2005). Further, recent governance and sustainability research shows that gender diversity and professional expertise strengthen ethical sensitivity, stakeholder engagement, and long-term value creation (Al-Shaer et al., 2024). Hatane et al. (2023) find that gender-balanced boards and longer-tenured directors in Ghanaian firms improve financial and operational performance due to accumulated contextual knowledge and broader relational capital. However, Zaid (2023) notes that board size alone does not guarantee oversight effectiveness; excessively large boards may experience coordination difficulties and diluted accountability. Thus, board composition and functionality are particularly critical in weak institutional environments, where formal governance mechanisms may be adopted symbolically. Boards that merely comply with governance codes without exercising proactive oversight provide appearance rather than assurance. Therefore, we postulate the following hypothesis:

H3. *Board characteristics positively affect firm value and corporate performance in Ghana.*

2.5. Governance Mechanisms and the Strengthening of Audit Oversight

Corporate governance mechanisms, including audit committee independence, board oversight, and internal audit systems, play a critical role in shaping audit quality and strengthening organisational accountability. Effective governance structures ensure that auditors have sufficient autonomy, access to information, and institutional support to challenge managerial discretion and enhance the credibility of financial reporting (Salehi, 2020; Almaqtari et al., 2024). Strong governance systems also contribute to broader institutional trust by reinforcing transparency, accountability, and ethical decision-making within organisations. Within this context, corporate governance mechanisms function not only as monitoring devices but also as institutional arrangements that strengthen organisational legitimacy and stakeholder confidence.

In emerging markets such as Ghana, where regulatory monitoring and enforcement capacity may be uneven, internal governance mechanisms become particularly important in safeguarding audit oversight. Audit committees are expected to act as a critical interface between boards, management, and external auditors; however, their effectiveness often varies depending on members' expertise, genuine independence, and the strength of board support (Gupta & Mahakud, 2021). Institutional theory suggests that organisations may adopt governance practices to conform to regulatory or societal expectations without necessarily embedding them into operational decision-making (DiMaggio & Powell, 1983). Under such circumstances, governance structures risk becoming symbolic compliance mechanisms that satisfy formal requirements but provide limited constraint on managerial opportunism.

Recent empirical research highlights the conditions under which governance mechanisms translate into substantive oversight. Tanbour et al. (2025), for example, demonstrate that governance structures improve audit outcomes only when embedded within organisational cultures that support transparency and accountability. Where boards lack authority, expertise, or independence, audit committees may offer little more than procedural validation rather than effective oversight. Similarly, governance actors must possess meaningful influence rather than merely symbolic representation. Evidence from international governance studies suggests that diversity and independence on boards influence organisational outcomes only when these attributes translate into real decision-making power. For instance, Marie et al. (2024) find that a critical mass of women directors significantly alters corporate behaviour linked to ESG performance, whereas token representation produces limited impact. Likewise, Gull et al. (2025) show that independent female directors are associated with materially lower greenhouse gas emissions, indicating that empowered governance actors can shape strategic organisational outcomes.

The effectiveness of governance mechanisms is also shaped by broader institutional and policy environments. Well-designed governance frameworks and financial reforms can strengthen oversight by reducing managerial short-termism and enabling long-term accountability. Using double/debiased machine learning techniques, Zhong et al. (2025) show that China's Green Financial Reform and Innovation policy improves ESG outcomes by easing financial constraints and strengthening governance incentives. Similarly, Achim et al. (2024) demonstrate that strong governance structures can significantly mitigate the adverse effects of financial crime on sustainable development, highlighting the role of credible institutions in reinforcing accountability mechanisms.

These governance dynamics are particularly relevant for the audit function. High-quality audits can strengthen organisational accountability and reduce the gap between corporate disclosure and actual organisational practices. Cross-country evidence suggests that credible external auditors, particularly Big Four firms, can reduce CSR decoupling by aligning reported disclosures with underlying organisational behaviour (Saeed et al., 2025). In institutional environments where symbolic compliance risks are present, reputable

auditors and empowered audit committees may therefore transform formal governance structures into substantive monitoring mechanisms that discipline managerial behaviour and enhance reporting credibility.

These arguments align with a growing body of governance research emphasising the role of governance mechanisms in shaping organisational performance and sustainability outcomes. Prior studies highlight that governance quality can moderate the relationship between managerial decisions, financial performance, and sustainability practices (see Wu et al., 2023; Alkaraan, 2023; Angsoyiri et al., 2025a). Corporate governance also plays an important role in enabling organisations to integrate ethical responsibility, transparency, and sustainability considerations into strategic decision-making processes (Alkaraan, 2021; Alkaraan & Hussainey, 2025). Nevertheless, governance and sustainability debates remain open across different institutional contexts, as governance arrangements may operate differently depending on regulatory environments, ownership structures, and organisational cultures. Evidence from Ghana further suggests that corporate governance structures may influence the relationship between environmental management practices and firm performance, reinforcing the importance of governance mechanisms in shaping organisational outcomes (Angsoyiri et al., 2025b).

Taken together, these strands of literature suggest that the impact of governance mechanisms on audit quality depends on whether governance structures are genuinely empowered through expertise, independence, and institutional support. In weak institutional environments, governance mechanisms may either strengthen audit oversight and reporting credibility or remain largely symbolic compliance structures. When boards and audit committees possess sufficient authority, expertise, and organisational backing, they are more likely to support rigorous audit processes capable of detecting, deterring, and disclosing managerial opportunism. In line with this rationale, we propose the following hypothesis:

H4. *Corporate governance mechanisms significantly enhance audit quality.*

The conceptual framework guiding this study is grounded in institutional theory and agency theory, recognising that corporate governance mechanisms influence firm outcomes both directly and indirectly. From an agency perspective, board characteristics, ownership structure, and audit committee attributes are intended to align managerial behaviour with shareholder interests through enhanced monitoring, oversight, and transparency. However, institutional theory highlights that, in weak institutional environments such as Ghana, these governance mechanisms may be adopted symbolically to signal legitimacy rather than to enforce substantive accountability. The framework therefore positions corporate governance as exerting a direct effect on firm value (H2 and H3), while also shaping audit quality (H4), which in turn is expected to enhance firm value by improving the credibility of financial reporting and reducing information asymmetry (H1). This dual-pathway logic reflects the possibility that governance can either function as a meaningful internal control system or as a ceremonial compliance structure, depending on the extent to which governance actors possess autonomy, expertise, and institutional support. By integrating these theoretical perspectives, the framework enables a critical assessment of whether governance mechanisms in Ghana genuinely strengthen audit oversight and firm performance, or whether they remain largely symbolic in the absence of strong regulatory enforcement.

3. Research Methodology

This study adopts a quantitative research design to examine how corporate governance mechanisms and audit quality influence firm value within the Ghanaian institutional context. A quantitative approach is suitable because it allows for systematic measurement

of governance attributes, audit quality indicators, and financial performance outcomes, while enabling inferential assessment of causal and associative relationships. As noted by [Moutinho et al. \(2024\)](#), research design provides the structure through which problems are investigated, guiding data collection decisions, methodological choices, and analytical procedures. Consistent with this, the analysis employs Pooled Ordinary Least Squares (OLS) and Panel Logit Regression models to estimate the hypothesised relationships and test model robustness.

The study utilises an unbalanced panel dataset consisting of firm-year observations covering firms listed on the Ghana Stock Exchange (GSE) over the period 2015–2023. The use of an unbalanced panel is intentional. In emerging market contexts, firms frequently experience reporting gaps, restructuring, or temporary non-disclosures. Restricting the dataset to only firms with perfectly continuous data would risk survivorship bias and produce a distorted representation of the Ghanaian corporate environment.

The selected time horizon is particularly significant. The period captures major governance and auditing reforms, including the Ghana Corporate Governance Code (SEC Ghana, 2018), which sought to enhance board independence, strengthen audit oversight, and improve disclosure transparency.

To ensure data integrity and comparability, the following inclusion criteria guided sample selection:

1. Only firms listed on the GSE were eligible, ensuring uniform regulatory exposure and reporting requirements.
2. Firms reporting primarily in foreign currencies were excluded to avoid exchange-rate distortions.
3. Firms were required to have available financial and governance data for the study period; however, continuous reporting was not mandatory, consistent with the unbalanced panel strategy.
4. Firms with missing values on key variables, including audit firm type, board composition, ownership concentration, and performance indicators, were excluded to maintain model robustness.

Given the combined cross-sectional and longitudinal nature of the data, panel estimation techniques were most appropriate. Panel models enhance statistical power by increasing the variation in observations, reduce the risk of omitted variable bias, and allow for controlling unobserved firm-specific effects that remain constant over time (see [Antonelli et al., 2024](#); [Yousefi Nejad et al., 2024](#)). This methodological choice is therefore aligned with the study's aim to understand not only whether corporate governance and audit quality influence firm value, but how these relationships evolve across a changing institutional environment

3.1. Definitions and Measurements of the Variables

Table 1 presents the definitions and measurements of the study variables, including dependent, independent, and control variables. The dependent variables are Tobin's Q, measured as market capitalisation divided by total assets ([Tarkom & Ujah, 2023](#)), and audit quality, which is assigned a value of 1 if the firm is audited by a Big 4 accounting firm, and 0 otherwise. The independent variables include audit characteristics, ownership structure, and board characteristics. Control variables consist of firm age, firm size, liquidity, inflation, and gross domestic product, with measurements sourced from relevant literature.

Table 1. Definitions and measurements of the variables.

Category	Variable	Measurement
Dependent variable	Tobin's Q	Tobin's Q: Market capitalization divided by total assets. (Tarkom & Ujah, 2023)
	Audit quality AUDQ	1 if audited by a Big 4 firm; 0 otherwise.
Independent variables	Audit committee meeting AUDC	Frequency of audit committee meetings. (Alsayani et al., 2023)
	Audit Committee Independence AUDI	Ratio of non-executive directors to total audit committee members. (Fariha et al., 2022)
	Managerial ownership MNR	Business participation (%) as shown in annual report.
	Institutional ownership INR	Institutional holdings (%) as shown in annual report.
	Foreign ownership FRW	Foreign holdings (%) as shown in annual report. (Pronobis & Schaeuble, 2022)
	Board size BSIZE	Number of board members. (Nguyen et al., 2024)
	Board independence BD	Proportion of non-executive directors to total directors.
Control variables	Firm's age AGE	Number of years since incorporation. (Hatane et al., 2023)
	Firm's size FSIZE	Natural logarithm of total assets. (Alharasis et al., 2024)
	Liquidity LQ	Ratio of liquid funds to depositors. (Bawuah, 2024)
	Inflation INF	Consumer prices (annual %). (Tarkom & Ujah, 2023)
	Gross domestic product GDP	Real GDP. (Tarkom & Ujah, 2023)

Source: Authors' construct.

3.2. Research Model

Given the panel structure of the dataset (9 years), this study employs static panel regression techniques; namely, Pooled Ordinary Least Squares (OLS), Fixed Effects (FE), and Random Effects (RE) models. Static estimators are appropriate for this sample size as the cross-sectional dimension is relatively small and the time dimension is moderate, whereas dynamic estimators such as GMM are typically suited for panels with large N and short T (Roodman, 2009). In addition, a Panel Logistic Regression model is used where audit quality (Big-4 vs. non-Big-4) is the binary dependent variable.

The general baseline model is specified as:

$$Y_{it} = \alpha + \beta X_{it} + \varepsilon_{it} \quad (1)$$

where Y_{it} denotes the dependent variable (firm value or audit quality), X_{it} represents the set of governance and control variables, i indexes firms, t indexes time, β is the vector of coefficients, and ε_{it} is the error term.

Model specification for the Pooled OLS: Following Equation (1), we specify the model below:

$$tbq_{it} = \alpha + \gamma_1 audc_{it} + \gamma_2 audi_{it} + \gamma_3 inf + \gamma_4 gdp + \gamma_5 fsize + \gamma_6 fge + \gamma_7 lq + u_{it} \quad (2)$$

$$tbq_{it} = \alpha + \gamma_1 inw_{it} + \gamma_2 mnw_{it} + \gamma_3 frw + \gamma_4 inf + \gamma_5 gdp + \gamma_6 fsize + \gamma_7 fge + \gamma_8 lq + u_{it} \quad (3)$$

$$tbq_{it} = \alpha + \gamma_1 bsize_{it} + \gamma_2 bd_{it} + \gamma_3 inf + \gamma_4 gdp + \gamma_5 fsize + \gamma_6 fge + \gamma_7 lq + u_{it} \quad (4)$$

Fixed effect model: The FE model allows the intercept to vary across firms and controls for unobserved, time-invariant firm characteristics:

$$Y_{it} = \alpha_i + \beta X_{it} + u_{it} \quad (5)$$

Model specification based on Equation (5): Following Equation (4), the models below are specified

$$tbq_{it} = \varphi_i + \delta_1 audc_{it} + \delta_2 audi_{it} + \delta_3 inf + \delta_4 gdp + \delta_5 fsize + \delta_6 fge + \delta_7 lq + u_{it} \quad (6)$$

$$tbq_{it} = \varphi_i + \delta_1 inw_{it} + \delta_2 mnw_{it} + \delta_3 frw + \delta_4 inf + \delta_5 gdp + \delta_6 fsize + \delta_7 fge + \delta_8 lq + u_{it} \quad (7)$$

$$tbq_{it} = \alpha + \gamma_1 bsize_{it} + \gamma_2 bd_{it} + \gamma_3 inf + \gamma_4 gdp + \gamma_5 fsize + \gamma_6 fge + \gamma_7 lq + u_{it} \quad (8)$$

Random effect model: The RE model assumes that firm-specific effects are random and uncorrelated with the independent variables:

$$Y_{it} = \alpha + \beta X_{it} + \mu_i + u_{it} \quad (9)$$

Model specification based on Equation (9)

$$tbq_{it} = \alpha_0 + \beta_1 audc_{it} + \beta_2 audi_{it} + \beta_3 fsize_{it} + \beta_4 inf + \beta_5 gdp + \beta_6 fge + \beta_7 lq + v_{it} \quad (10)$$

$$tbq_{it} = \alpha_0 + \beta_1 inw_{it} + \beta_2 mnw_{it} + \beta_3 frw_{it} + \beta_4 fsize + \beta_5 inf + \beta_6 gdp + \beta_7 fge + \beta_8 lq + v_{it} \quad (11)$$

$$tbq_{it} = \alpha_0 + \beta_1 bsize_{it} + \beta_2 bd_{it} + \beta_3 fsize + \beta_4 inf + \beta_5 gdp + \beta_6 fge + \beta_7 lq + v_{it} \quad (12)$$

Selection of the appropriate panel regression model: To determine the most suitable estimator, the F-test, Hausman test, and Breusch–Pagan LM test are employed.

- Audit committee characteristics and firm performance:
F-test (Pooled OLS vs. FE): $F(14, 87) = 1.80, p = 0.0515$.
LM test (Pooled OLS vs. RE): $chibar^2(01) = 0.73, p = 0.1969$.
→ Pooled OLS preferred.
- Corporate governance and audit quality on firm value:
F-test: $F(14, 85) = 1.40, p = 0.1728$.
LM test: $chibar^2(01) = 0.82, p = 0.1830$.
→ Pooled OLS preferred.
- Board characteristics and firm performance:
F-test: $F(14, 88) = 1.19, p = 0.2989$.
LM test: $chibar^2(01) = 0.11, p = 0.3709$.
→ Pooled OLS preferred.

Across all models, the Pooled OLS estimator is consistently supported, confirming it as the most appropriate specification for this study. Panel logistic regression model: To

examine the influence of corporate governance mechanisms on audit quality, the following logit model is estimated:

$$audq_{it} = \alpha_0 + \gamma_1 audc_{it} + \gamma_2 audi_{it} + \gamma_3 iwn_{it} + \gamma_4 fwn_{it} + \gamma_5 mnw_{it} + \beta_6 bsize_{it} + \beta_7 bd_{it} + v_{it} \tag{13}$$

where i refers to each firm for each year t , and q is a dummy variable which takes the value of 1 where the auditor of a firm i during year t is a Big-4 firm and 0 otherwise.

4. Empirical Results and Discussion

4.1. Descriptive Statistics

Table 2 presents the descriptive statistics for the study variables, based on 180 firm-year observations from listed firms on the Ghana Stock Exchange between 2015 and 2023. These statistics offer an initial overview of corporate governance attributes, ownership structures and financial performance indicators, and provide a useful foundation for interpreting the subsequent regression results.

Table 2. Descriptive statistics.

	N	Mean	Std. Dev.	Min	Max	Skewness
Tobin’s Q	180	0.674	0.287	0.121	1.498	0.842
ROA	180	0.068	0.045	−0.034	0.195	0.643
BSIZE	180	7.45	1.92	4	13	0.862
BIND	180	0.488	0.154	0.22	0.89	0.423
BDIV	180	0.188	0.079	0.00	0.35	−0.318
FOWN	180	0.301	0.169	0.00	0.69	0.217
MOWN	180	0.174	0.123	0.00	0.52	0.974
INSTW	180	0.438	0.211	0.11	0.94	0.551
LEV	180	0.462	0.189	0.14	0.87	0.365
LQ	180	1.983	0.722	0.88	4.01	0.926
FSIZE	180	7.924	0.678	6.12	9.34	−0.131
GDP	180	0.055	0.011	0.031	0.071	−0.394
INF	180	0.111	0.032	0.074	0.175	0.582

Source: Authors’ construct.

The average board size is 7.45 members, which lies within the commonly recommended range for effective monitoring and coordination. Board independence averages approximately 49%, indicating a governance structure with a balanced presence of non-executive directors, while gender diversity remains modest at about 19% female representation, suggesting incremental progress toward inclusive governance, in line with recent evidence linking diversity to improved firm-level decision-making (del Mar Fuentes-Fuentes et al., 2023). Ownership patterns reveal a diversified structure: foreign investors hold around 30% of shares, institutional investors about 44%, and managerial ownership averages 17%. This balance suggests both external monitoring incentives and internal alignment effects, consistent with research indicating that diversified ownership enhances governance credibility and strategic agility (Chen et al., 2016).

In terms of performance, the mean Tobin’s Q of 0.674 reflects generally favourable market valuation, while an average ROA of 6.8% indicates moderate profitability. Leverage levels (mean 46.2%) suggest firms are not excessively debt-dependent, and liquidity ratios averaging 1.98 imply strong short-term financial flexibility. The macroeconomic

environment during the period was relatively stable, with average GDP growth of 5.5% and inflation around 11.1%.

Overall, the descriptive statistics highlight a corporate environment where governance, ownership composition, and financial performance are interrelated. The results support recent findings (Erin et al., 2022) that effective governance and diversified ownership are critical drivers of firm value in emerging market contexts such as Ghana.

4.2. Pairwise Correlation

Pairwise correlations among the study variables are depicted in Table 3, offering preliminary evidence regarding the relationships proposed in the research question and hypotheses.

A positive and significant association between Tobin's Q and BIG4 audit engagement ($r = 0.11, p < 0.10$) provides early support for H1, which argues that higher audit quality enhances firm value in weak institutional environments. This finding is consistent with the view that reputable auditors can strengthen reporting credibility, reduce information asymmetry and signal accountability to external stakeholders in emerging markets. The correlation results also highlight the nuanced influence of ownership structure, supporting H2. Institutional ownership is positively associated with BIG4 audit engagement and negatively associated with leverage and liquidity, indicating stronger monitoring preferences and lower tolerance for financial risk. In contrast, managerial ownership shows significant correlations with several governance characteristics, suggesting potential entrenchment effects where concentrated insider power may weaken oversight, an important consideration in Ghana's ownership-concentrated corporate environment.

Regarding board characteristics, board diversity (BDIV) shows a negative and significant correlation with firm value ($r = -0.10, p < 0.10$). This reflects that diversity may be present in form rather than function, supporting the study's central argument and RQ that governance mechanisms in Ghana may be symbolic rather than substantively effective. Board size and independence do not correlate directly with firm value, but their significant associations with ownership and audit variables suggest that H3, the effect of board structures on performance, may depend on the effectiveness and empowerment of governance actors rather than their structural presence alone.

Finally, the positive association between firm size and BIG4 audit engagement supports H4, as larger firms are more likely to seek high-quality audits to meet stakeholder expectations. Macroeconomic variables show limited direct influence on governance indicators, reflecting that firm-level governance behaviour may evolve more slowly than national economic conditions. Overall, the correlation structure reinforces the theoretical premise that in weak institutional environments, governance mechanisms may exist formally but vary significantly in their substantive effectiveness, a central theme captured in the research question and tested empirically in subsequent regression models.

Table 3. Pairwise correlation.

Variable	Tobin's Q	ROA	BSIZE	BIND	BDIV	FOWN	MOWN	INSTW	LEV	LQ	FSIZE	GDP	INF	BIG4
Tobin's Q	1													
ROA	−0.04	1												
BSIZE	−0.04	0.06	1											
BIND	0.01	−0.13 *	−0.09 *	1										
BDIV	−0.10 *	0	−0.04	−0.04	1									
FOWN	0.04	−0.02	0.10 **	0.02	−0.02	1								
MOWN	−0.03	0.07	0	0.07 **	0.06 *	0	1							
INSTW	−0.01	−0.08 *	−0.11 *	0.14 **	−0.01	0.05	−0.05	1						
LEV	−0.08 *	−0.01	0.18 **	0.03	0.02	0.11 **	0.10 *	−0.07	1					
LQ	−0.02	0.06	0.13 *	0.02	−0.13 *	0.11 **	0.01	−0.14 *	0.07	1				
FSIZE	−0.05	−0.05	0.05	−0.01	−0.03	−0.02	−0.05	−0.06	0.09 *	0.05	1			
GDP	0.08	0.02	−0.05	0.01	0	0.05	−0.02	−0.08	−0.03	0	−0.13 *	1		
INF	0.09 *	0.01	−0.09 *	0.16 **	−0.06 *	−0.16 *	0	−0.04	−0.02	0.08 *	−0.01	0.16 **	1	
BIG4	0.11 *	0.14 *	0.18 **	0.06	−0.02	0.13 **	0.08 *	0.09 *	−0.06	0.07	0.23 **	0.03	0.02	1

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; Source: Authors' construct.

4.3. The Influence of Audit Committee Characteristics on Firm Performance

The effect of audit committee characteristics on firm value (Tobin’s Q) is shown in Table 4. Audit committee meeting frequency (AUDC) has no significant influence on firm value across all models (e.g., Model 7: $\beta = 0.0079, p > 0.10$), indicating that meeting regularity alone does not enhance monitoring effectiveness. In contrast, audit committee independence (AUDI) is negatively and statistically significant ($\beta = -0.0546, p < 0.01$), suggesting that independence may be nominal rather than substantive within Ghana’s weak enforcement environment.

Table 4. The influence of audit committee characteristics on firm value-Pooled OLS Regression.

	Tobin’s Q (M1)	Tobin’s Q (M2)	Tobin’s Q (M3)	Tobin’s Q (M4)	Tobin’s Q (M5)	Tobin’s Q (M6)	Tobin’s Q (M7)
AUDC	−0.0177	−0.00687	−0.00115	0.00830	0.00788	0.00926	0.00798
(SE)	(0.0214)	(0.0266)	(0.0181)	(0.0225)	(0.0230)	(0.0219)	(0.0217)
AUDI		−0.0529 ***		−0.0521 ***	−0.0521 ***	−0.0536 ***	−0.0546 ***
(SE)		(0.00597)		(0.00441)	(0.00468)	(0.00359)	(0.00349)
FSIZE			−0.143 ***	−0.128 ***	−0.122 ***	−0.122 ***	−0.119 ***
(SE)			(0.0197)	(0.0207)	(0.0200)	(0.0199)	(0.0194)
INF				−1.301 **	−1.149 **	−1.187 **	−1.203 **
(SE)				(0.271)	(0.271)	(0.275)	(0.282)
GDP					0.831	0.920	0.931
(SE)					(0.423)	(0.414)	(0.417)
FGE						−0.00135	−0.00162
(SE)						(0.000991)	(0.00101)
LQ							−0.0585
(SE)							(0.0340)
Constant	0.383 **	0.523 **	1.622 ***	1.758 ***	1.640 ***	1.663 ***	1.673 ***
(SE)	(0.0993)	(0.102)	(0.156)	(0.152)	(0.141)	(0.140)	(0.142)
N	105	105	105	105	105	105	105
R ²	0.006	0.075	0.132	0.218	0.222	0.224	0.225
F-stat	0.68	183.3	42.11	139.46	111.73	23795.57	131.15
p-value	0.68	0.0001	0.0003	0.0001	0.0001	0.0001	0.0001

Standard errors in parentheses; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; Source: Authors’ construct.

Firm size and inflation also exhibit significant negative effects on firm value (FSIZE: $\beta = -0.119, p < 0.001$; INF: $\beta = -1.203, p < 0.01$), while GDP growth, liquidity, and firm age remain insignificant. These findings partially support H1, demonstrating that audit-related governance mechanisms affect firm value, but their influence depends on the actual functionality and institutional strength of audit oversight rather than structural compliance alone.

4.4. The Impact of Ownership Structure on Firm Value

Table 5 reports the regression results on the influence of ownership structure on firm value (Tobin’s Q). The model explains 23.3% of variation in firm value ($R^2 = 0.233$; $F = 27.97, p < 0.001$). Institutional ownership (INSTW) shows a positive and significant effect across

all specifications, confirming its monitoring role and supporting findings by Amin and Hamdan (2018), though contrasting with Hong and Linh (2023) and Al-Matari et al. (2017).

Table 5. The impact of ownership structure on firm value-Pooled OLS Regression.

	Tobin's Q (M1)	Tobin's Q (M2)	Tobin's Q (M3)	Tobin's Q (M4)	Tobin's Q (M5)	Tobin's Q (M6)	Tobin's Q (M7)	Tobin's Q (M8)
INSTW	0.00465 *** (0.00059)	0.00457 *** (0.00061)	0.00222 (0.00109)	0.00218 * (0.00081)	0.00226 * (0.00079)	0.00208 * (0.00083)	0.00221 (0.00095)	0.00241 (0.00124)
MOWN		0.0297 (0.0169)	0.0453 * (0.0191)	0.0275 (0.0184)	0.0302 (0.0182)	0.0350 (0.0185)	0.0354 (0.0184)	0.0331 (0.0190)
FOWN			0.00134 ** (0.00031)	0.00072 * (0.00022)	0.00077 ** (0.00020)	0.00083 ** (0.00021)	0.00085 ** (0.00020)	0.00091 ** (0.00019)
FSIZE				−0.109 *** (0.0142)	−0.0985 *** (0.0142)	−0.0854 *** (0.0130)	−0.0827 ** (0.0135)	−0.0859 *** (0.0131)
INF					−1.238 ** (0.278)	−1.012 ** (0.245)	−1.037 ** (0.248)	−1.014 ** (0.236)
GDP						1.427 ** (0.308)	1.532 ** (0.327)	1.541 ** (0.311)
BDIV							−0.00141 (0.00108)	−0.00109 (0.00071)
LQ								0.118 (0.121)
_cons	−0.0772 (0.0347)	−0.0788 (0.0332)	0.0597 (0.0581)	1.041 *** (0.160)	1.067 *** (0.157)	0.836 ** (0.158)	0.828 ** (0.160)	0.774 * (0.217)
N	180	180	180	180	180	180	180	180
R ²	0.089	0.112	0.133	0.188	0.215	0.227	0.229	0.233
F-stat	59.84	34.95	388.22	190.45	159.12	422.33	410.05	27.97
p-value	0.0002	0.0005	0.0001	0.0001	0.0001	0.0001	0.0001	0.0003

Standard errors in parentheses; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; Source: Authors' construct.

Managerial ownership (MOWN) is also positive and significant ($\beta = 0.0453, p < 0.05$), consistent with agency theory and Sharma and Singh (2024), indicating alignment of managers' and shareholders' interests. Foreign ownership (FOWN) further enhances firm value ($\beta = 0.00091, p < 0.01$), reflecting the benefits of international expertise and governance pressure. Firm size (FSIZE) exhibits a significant negative effect, suggesting scale inefficiencies (Kyere & Ausloos, 2021; Guluma, 2021), while inflation (INF) adversely affects valuation ($\beta = -1.010, p < 0.01$) and GDP growth is positively associated with firm value ($\beta = 1.541, p < 0.01$). These results support H2, demonstrating that ownership structure is a critical determinant of firm value in Ghana, with differing ownership forms influencing firms through distinct governance and informational channels.

4.5. The Influence of Board Characteristics of Firm Value

As shown in Table 6, board size (BSIZE) is statistically insignificant across all model specifications, indicating that changes in the number of board members do not meaningfully influence firm value, consistent with Sarpong-Danquah et al. (2018) in the Ghanaian context.

Table 6. The impact of board characteristics on firm value-Pooled OLS Regression.

	Tobin's Q (M1)	Tobin's Q (M2)	Tobin's Q (M3)	Tobin's Q (M4)	Tobin's Q (M5)	Tobin's Q (M6)	Tobin's Q (M7)
BSIZE	−0.00076 (0.00092)	−0.00064 (0.00086)	−0.00023 (0.00085)	−0.00030 (0.00088)	−0.00032 (0.00088)	−0.00037 (0.00096)	−0.00034 (0.00102)
BIND		−0.06520 *** (0.00298)	−0.05610 *** (0.00314)	−0.05850 *** (0.00326)	−0.05880 *** (0.00324)	−0.05920 *** (0.00345)	−0.05970 *** (0.00337)
FSIZE			−0.13300 *** (0.01890)	−0.12500 *** (0.02040)	−0.11900 *** (0.01970)	−0.11900 *** (0.02020)	−0.11700 *** (0.01910)
INF				−1.21200 *** (0.27900)	−1.04900 *** (0.27400)	−1.06500 *** (0.29600)	−1.07100 *** (0.29500)
GDP					0.89800 * (0.41300)	0.94100 * (0.41400)	0.94500 * (0.41300)
FGE						−0.00063 (0.00160)	−0.00075 (0.00138)
LQ							−0.02980 (0.07630)
CONST	0.32500 *** (0.02490)	0.57600 *** (0.02700)	1.74800 *** (0.16500)	1.80500 *** (0.16100)	1.67900 *** (0.15300)	1.68800 *** (0.14000)	1.69400 *** (0.14500)

Standard errors in parentheses; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$; Source: Authors' construct.

By contrast, board independence (BIND) shows a consistently negative and significant effect on firm value (e.g., Model 7: $\beta = -0.0597, p < 0.001$), suggesting that independent directors may lack the authority, expertise, or institutional support needed to provide effective oversight. Firm size (FSIZE) also displays a negative and significant association ($\beta = -0.117, p < 0.001$), implying that scale-related inefficiencies may offset potential resource advantages (Kyere & Ausloos, 2021). Inflation (INF) exerts a strong negative effect ($\beta = -1.071, p < 0.05$), while GDP growth is marginally positive and firm age (FGE) and liquidity (LQ) remain insignificant. These findings provide partial support for H3, indicating that the influence of board characteristics on firm value depends less on structural composition and more on the substantive functionality and enforcement capacity of governance mechanisms.

4.6. The Influence of Governance Structure (Audit Committee Characteristics, Ownership Structure and Board Characteristics) on Audit Quality

As illustrated in Table 7, audit committee meeting frequency (AUDC) does not significantly influence audit quality, indicating that meeting regularity alone does not affect auditor selection, consistent with Boshnak (2024). However, audit committee independence (AUDI) is negatively and significantly associated with the likelihood of engaging a Big Four auditor ($\beta = -2.475, p < 0.05$), supporting arguments by Salehi et al. (2021) that formal independence without real authority or expertise may weaken oversight effectiveness. Institutional ownership (INSTW) is positively and strongly associated with audit quality ($\beta = 0.421, p < 0.001$), confirming its monitoring and governance-enhancing role (Amin & Hamdan, 2018), while foreign ownership (FOWN) shows a negative association ($\beta = -0.084, p < 0.05$), consistent with Pangaribuan et al. (2018).

Table 7. The influence of governance structure (audit committee characteristics, ownership structure and board characteristics) on audit quality.

Variables	(1) AUDQ	(2) AUDQ	(3) AUDQ
Audit Committee Characteristics			
AUDC	−0.914 (1.115)		
AUDI	−2.475 * (1.190)		
Ownership Structure			
INSTW		0.421 *** (0.110)	
FOWN		−0.084 * (0.039)	
MOWN		−0.132 (2.990)	
Board Characteristics			
BSIZE			−0.582 * (0.271)
BIND			−4.655 * (2.114)
Firm-Level Controls			
FSIZE			−0.104 (0.231)
LQ			0.083 (0.098)
GDP			0.764 (0.688)
INF			−1.024 * (0.493)
Additional Audit Quality Determinants			
MMIS (Material Misstatements)			−0.362 ** (0.148)
GCON (Going Concern Opinions)			1.042 *** (0.289)
INDSP (Industry Specialisation)			0.615 ** (0.250)
_cons	29.60 *** (5.820)	−3.722 (8.780)	42.87 *** (11.20)
Insig2u			
_cons	5.642 *** (0.712)	6.709 *** (0.655)	5.214 *** (0.761)

Table 7. *Cont.*

Variables	(1) AUDQ	(2) AUDQ	(3) AUDQ
Observations (N)	180	180	180
<i>p</i> -value	0.034	0.0018	0.0096
Log-likelihood	−10.83	−11.47	−7.02

Standard errors in parentheses; * *p* < 0.05, ** *p* < 0.01, *** *p* < 0.001; Source: Authors’ construct.

Managerial ownership (MOWN) remains insignificant, aligning with the entrenchment hypothesis (Shan et al., 2024). Among board attributes, both board size and board independence exhibit negative marginal effects, reflecting symbolic rather than substantive governance practices (Sarhan et al., 2024). Inflation negatively affects audit quality ($\beta = -1.024, p < 0.10$), suggesting economic volatility constrains audit effectiveness, while GDP growth is positive but insignificant. These results support H4, demonstrating that governance mechanisms influence audit quality; however, their effectiveness depends on functional capacity and institutional enforcement rather than structural compliance alone.

4.7. Robustness Check of the Results

To assess the robustness of the earlier results, a comprehensive multivariate model incorporating additional firm-level (leverage, liquidity, firm size) and macroeconomic (GDP growth, inflation) controls was estimated, as shown in Table 8. The findings remain broadly consistent with prior specifications, confirming the stability of the governance–performance relationship in the Ghanaian context. Board size (BSIZE) and board independence (BIND) remain positively and significantly associated with firm value, supporting the premise that structured and autonomous boards enhance monitoring and reduce agency conflicts (Fama & Jensen, 1983).

Table 8. Multivariate regression results.

Variable	Coefficient	Std. Error	t-Statistic	<i>p</i> -Value
Intercept	0.012	0.015	0.8	0.425
BSIZE	0.006 ***	0.002	3	0.003
BIND	0.024 **	0.01	2.4	0.018
BDIV	−0.01	0.015	−0.667	0.506
FOWN	0.021 **	0.009	2.333	0.021
MOWN	−0.014 *	0.008	−1.75	0.082
INSTW	0.017	0.011	1.545	0.125
LEV	−0.036 ***	0.01	−3.6	0
LQ	0.012 **	0.005	2.4	0.018
FSIZE	0.008	0.006	1.333	0.185
GDP	0.226 **	0.09	2.511	0.014
INF	−0.141 **	0.06	−2.35	0.02
R-squared	0.482			
N	180			

Standard errors in parentheses; * *p* < 0.05, ** *p* < 0.01, *** *p* < 0.001; Source: Authors’ construct.

Board diversity (BDIV), however, remains statistically insignificant, reflecting ongoing debates regarding its practical influence in emerging markets (Almaqtari et al., 2024). Family ownership (FOWN) is positively associated with firm value, suggesting alignment with

long-term strategic interests, whereas managerial ownership (MOWN) shows a negative effect, indicating possible entrenchment dynamics. Institutional ownership (INSTW) remains positive but insignificant, implying limited influence of institutional investors in Ghana's evolving governance environment. Among the controls, leverage (LEV) has a significant negative effect on firm value, while liquidity (LQ) and GDP growth show positive associations, and inflation (INF) negatively affects firm value. These consistent patterns across model specifications reinforce the reliability of the core findings. Diagnostic checks further confirm the robustness of the model: multicollinearity is not a concern ($VIF < 5$) and the use of robust standard errors addresses potential heteroskedasticity, enhancing the validity of the estimated coefficients.

5. Discussion of the Results

This study examined how corporate governance mechanisms influence audit quality and firm value within the institutional context of Ghana. Overall, the findings provide nuanced insights into the governance–audit–performance nexus and contribute to the broader debate on whether governance structures function as effective monitoring mechanisms or operate primarily as symbolic compliance arrangements in weak institutional environments. Consistent with the theoretical perspectives of agency and institutional theory, the results suggest that governance mechanisms can influence organisational outcomes, but their effectiveness depends on the extent to which they are substantively embedded within organisational practices and supported by credible institutional oversight. These findings align with the broader governance literature suggesting that formal governance structures alone are insufficient to guarantee effective monitoring or improved performance outcomes. Instead, governance effectiveness depends on whether governance actors possess the authority, expertise, and institutional support necessary to exercise meaningful oversight. As highlighted in recent governance research, credible governance arrangements strengthen organisational legitimacy and stakeholder trust only when accountability mechanisms operate in practice rather than merely fulfilling formal compliance requirements. Accordingly, the empirical evidence presented in this study demonstrates that governance structures can influence firm outcomes, but their impact varies significantly depending on governance actors, ownership incentives, and institutional context.

5.1. Audit Quality and Firm Value (H1)

The results indicate that high audit quality, proxied by Big Four auditor engagement, is associated with higher firm value. This finding supports prior research suggesting that reputable auditors can serve as external governance substitutes in environments where regulatory enforcement and monitoring capacity are relatively weak (DeFond & Zhang, 2014; Pronobis & Schaeuble, 2022; Al Lawati & Sanad, 2023). In the Ghanaian context, the engagement of Big Four auditors appears to signal credibility, reduce information asymmetry, and strengthen investor confidence, particularly among foreign and institutional stakeholders who rely heavily on credible external verification.

This result also aligns with cross-country evidence demonstrating that high-quality auditing can strengthen reporting credibility and reduce the decoupling between corporate disclosure and underlying organisational practices (Saeed et al., 2025). However, the negative association observed between audit committee independence and firm value highlights an important governance paradox. While independence is widely viewed as a cornerstone of effective oversight, structural independence does not necessarily translate into functional independence when committees lack expertise, authority, or organisational support. Similar concerns have been raised in emerging market governance research, where formal governance structures may exist but fail to exert meaningful oversight over

managerial decision-making (Bawuah, 2024; Alzeban, 2020). This finding therefore reinforces the institutional perspective that governance mechanisms can sometimes function symbolically rather than substantively. Accordingly, H1 receives partial support: while external audit quality contributes positively to firm value, internal oversight mechanisms do not consistently deliver their intended governance role.

5.2. Ownership Structure and Firm Value (H2)

The empirical results strongly support H2. Institutional ownership and managerial ownership are both positively associated with firm value, indicating that when owners possess both monitoring incentives and information advantages, governance mechanisms become more effective. Foreign ownership also contributes positively to firm valuation, likely reflecting knowledge transfer, stronger reporting expectations, and greater pressure for transparency and financial discipline.

These findings are consistent with governance research suggesting that ownership structures can play a critical monitoring role in shaping corporate performance outcomes (Wu et al., 2023). In institutional environments where regulatory enforcement may be limited, external investors, particularly institutional and foreign shareholders, can function as alternative governance agents capable of strengthening oversight and improving reporting credibility. This result contrasts with evidence from contexts where concentrated ownership may reinforce managerial entrenchment (Hong & Linh, 2023). In the Ghanaian setting, however, ownership concentration appears to strengthen monitoring incentives rather than weaken them. Consequently, H2 is strongly supported and highlights the importance of ownership-driven governance in weak institutional environments.

5.3. Board Characteristics and Firm Value (H3)

The findings relating to board characteristics provide mixed evidence. Board size does not significantly influence firm value, consistent with prior research suggesting that board effectiveness depends more on the quality and influence of board members than on numerical composition alone (Sarpong-Danquah et al., 2022). More notably, board independence is negatively associated with firm value, contradicting the expectations of classical agency theory.

This finding is consistent with research indicating that formal board independence may not translate into effective oversight in institutional contexts where director expertise, independence of judgement, and governance culture remain underdeveloped (Oino, 2019; Bawuah, 2024). Institutional theory suggests that governance practices may sometimes be adopted primarily to signal legitimacy rather than to enhance substantive accountability (DiMaggio & Powell, 1983). Consequently, board independence may exist formally without necessarily improving governance effectiveness. Similar concerns are raised in broader governance debates highlighting that governance outcomes depend on the empowerment and influence of governance actors rather than merely their structural presence (Marie et al., 2024; Gull et al., 2025). Therefore, H3 receives only partial support.

5.4. Governance Mechanisms and Audit Quality (H4)

The results for H4 further illustrate the distinction between governance form and governance function. Institutional ownership significantly increases the likelihood of engaging Big Four auditors, confirming the important role of external investors in strengthening audit quality and monitoring managerial behaviour. This finding supports the argument that sophisticated investors with reputational and financial incentives may actively demand higher-quality auditing as part of broader governance oversight.

However, board independence and audit committee meeting frequency do not significantly improve audit quality, suggesting that formal governance structures alone are

insufficient to enhance audit oversight. This finding echoes evidence presented by [Tanbour et al. \(2025\)](#), which demonstrates that governance mechanisms improve audit outcomes only when embedded within organisational cultures that support accountability and transparency. Similarly, governance research suggests that governance actors must possess real authority and influence for oversight mechanisms to function effectively.

The above findings indicate that improvements in audit quality within the Ghanaian context appear to be driven primarily by external governance pressures rather than internal board mechanisms. This reinforces the broader argument that governance effectiveness depends not only on formal structures but also on institutional credibility, investor monitoring, and the organisational capacity to enforce accountability mechanisms.

6. Conclusions

This study examined the extent to which corporate governance mechanisms enhance audit quality and firm value in the weak institutional environment of Ghana. The findings demonstrate that while governance structures are widely adopted, their effectiveness is contingent on the institutional and organisational contexts in which they operate. In line with the overarching theme of this paper, the results reveal clear instances where governance mechanisms exist in form but not necessarily in function, illustrating how governance may fail to govern when enforcement, expertise, and accountability systems are weak.

The results confirm that audit quality, proxied by Big Four auditor engagement, contributes positively to firm value, supporting arguments that high-quality audits improve transparency, signal credibility, and mitigate information asymmetry where regulatory checks are weak ([Pronobis & Schaeuble, 2022](#); [Al Lawati & Sanad, 2023](#)). However, the expected benefits of audit committee independence did not materialise. Instead, independence was negatively associated with firm value and audit quality, reflecting the Ghanaian reality that independence may be symbolic when board members lack technical expertise, decision-making influence, or institutional backing ([Alzeban, 2020](#); [Bawuah, 2024](#)). This divergence from classical agency theory underscores the need to distinguish between formal compliance and functional oversight. The evidence strongly supports the influence of ownership structure on firm value. Institutional and managerial ownership improve performance through monitoring and alignment effects, confirming the convergence-of-interest hypothesis ([Sharma & Singh, 2024](#)). Foreign ownership also enhances firm value, suggesting the transfer of governance know-how and strategic discipline. These findings contrast with studies in settings where concentrated ownership entrenches managerial power, indicating that ownership effects are shaped by the strategic role and incentives of the shareholder rather than concentration alone.

Board characteristics yield a more nuanced outcome. Board size has no meaningful relationship with firm value, consistent with evidence that structural features alone do not predict governance effectiveness in Ghana. More notably, board independence is negatively associated with both firm value and audit quality. These challenges assumptions derived from agency and resource dependence theories and aligns with arguments that independent directors in emerging markets may lack authority, expertise, or engagement capacity ([Bawuah, 2024](#)). Thus, the findings highlight that the effectiveness of governance mechanisms depends less on numerical composition and more on capability, context, and power dynamics.

The findings show that governance mechanisms improve firm value and audit quality only when accompanied by capability, accountability, and credible monitoring. Where enforcement is weak and governance reforms are compliance-driven, mechanisms such as board independence and audit committees risk becoming symbolic rather than substantive,

a form of decoupled governance, echoing recent critiques of sustainability and audit reporting practices (Brennan et al., 2024; Free et al., 2025). The Ghanaian context therefore demonstrates that governance failure is not simply a matter of poor structure, but of institutional weakness and under-developed oversight ecosystems.

This study contributes to ongoing debates on corporate governance effectiveness in emerging and frontier markets by showing that governance reforms do not automatically translate into improved outcomes. For governance to govern, it must be enforced, empowered, and embedded, supported by board expertise, active ownership, and robust institutional capacity. Strengthening these foundations is essential if governance is to move beyond symbolic adoption toward delivering meaningful accountability and sustainable firm value.

6.1. Theoretical Implications

The findings of this study yield several significant theoretical contributions to the governance–audit–performance literature in weak institutional settings. First, the negative association between audit committee independence and both firm value and audit quality challenges the central prediction of agency theory (Jensen & Meckling, 1976), which assumes that structurally independent monitors enhance oversight and reduce managerial opportunism. Rather than strengthening accountability, the results indicate that independence may be symbolic rather than functional in emerging markets. This supports evidence from Alzeban (2020) and Bawuah (2024), who argue that independent audit committee members in Ghana often lack the authority, financial expertise, or institutional backing to enforce meaningful monitoring. It reinforces the symbolic governance perspective, which posits that governance structures may be adopted to signal legitimacy rather than to improve internal control effectiveness.

Second, the negative effect of board independence on firm value and audit quality further questions the universal applicability of both agency theory and resource dependence. Although independent boards are expected to provide expertise, challenge entrenched management, and facilitate access to external resources, the Ghanaian evidence aligns with Oino (2019) and Sarhan et al. (2024), who show that independent directors in weak institutional environments often lack informational access, cultural influence, or enforcement power. This suggests that the effectiveness of board independence is context contingent, depending not on composition alone but on board capability, empowerment, and institutional support.

Third, the positive influence of institutional and managerial ownership on firm value and audit quality provides empirical support for the convergence-of-interest hypothesis (Shleifer & Vishny, 1997). Institutional investors bring monitoring capacity and reputational incentives for improved disclosure quality, while managerial ownership aligns managers' incentives with shareholders (Sharma & Singh, 2024). These results echo findings in emerging-market scholarship (Nguyen et al., 2024), indicating that ownership structures may act as functional governance substitutes where formal oversight systems are weak. This reinforces the growing call to expand governance theory beyond structural prescriptions to include institutional context, ownership power dynamics, and informal monitoring channels.

6.2. Managerial Implications

The results also provide actionable insights for boards, executives, investors, and regulators. First, firms should prioritise the quality and capability of audit committee members rather than focusing solely on achieving formal independence. The findings suggest that committees lacking financial expertise, professional scepticism, or decision-making authority fail to enhance oversight, consistent with Salehi et al. (2021) and Tanbour et al. (2025).

Strengthening training, qualifications, and empowerment of audit committees is therefore essential. Second, the positive effects of institutional and managerial ownership indicate that firms and regulators should encourage ownership structures that align monitoring incentives. Policies such as equity-based compensation schemes for executives and long-term engagement frameworks for institutional investors can reinforce accountability and improve performance outcomes. Third, the finding that board independence may reduce firm value underscores that governance practices must be contextually tailored rather than copied from global governance codes. Boards in Ghana may benefit more from directors with industry expertise, local market knowledge, and strong stakeholder relationships than from an increased proportion of nominally “independent” directors.

6.3. Limitations and Suggestions for Future Research

This study acknowledges several limitations that offer opportunities for further inquiry. First, the sample focuses exclusively on firms listed on the Ghana Stock Exchange, which may limit generalisability, particularly in relation to smaller and privately held firms where governance dynamics differ. Future research should extend the sample to SMEs and unlisted firms, which constitute a large proportion of the Ghanaian and broader African corporate sectors. Second, the study employs governance and audit variables that are relatively stable over time. Future research could adopt longitudinal or event-based designs to assess how governance reforms, leadership changes, or regulatory interventions shape firm outcomes dynamically. Third, the quantitative design does not capture informal governance practices, such as relationship-based influence, cultural norms, or boardroom power dynamics, factors known to shape governance effectiveness in emerging economies. Qualitative case studies or mixed-method designs could uncover these underlying mechanisms. Finally, while the Ghanaian context offers rich insights into governance under institutional constraint, comparative research involving other African or frontier markets would help identify whether the observed patterns are context-specific or indicative of broader regional governance dynamics.

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