

Developments in corporate governance and economic growth in Sub Saharan Africa

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Abstract : This study examined corporate governance and economic growth trends in Sub Saharan African (SSA) countries. The need for corporate governance arise from the fact that the day to day running of the business is done by management who in accordance with the neoclassical theory and agency theory have inborn tendencies to use the resources of the company to their advantage. This prevails against a background where the endogenous economic growth theory hold the assumption that economic growth is an outcome of the overall performance of all companies within an economy. This suggest that corporate governance at firm level determine economic growth through its impact on the overall performance. Nevertheless, insight into literature suggest that efforts to promote corporate governance in countries across SSA since the 1980s to date have not yet yielded desired outcomes. The board responsibilities, shareholder rights, disclosure and transparency, protection of minority shareholder, and liability of directors were thus used as proxies of corporate governance because these are believed to be mechanisms that are believed to enhance company performance their effect on enhancing accountability and transparency. Using panel data techniques, corporate governance and economic growth data for 29 SSA countries from the period of 2008 to 2019 was analysed. The findings revealed declining economic growth trend despite an increase in corporate governance aspects such as director liability, shareholders' rights, and protection of minority shareholder in SSA countries. These findings are in contradiction to the popularly held theoretical principles of economic growth and corporate governance. The study reached the conclusion that a nonlinear relationship exists between corporate governance and economic growth within the selected SSA countries during the period under investigation. This study thus recommends that measures should be taken to create conditions for corporate governance that would bolster significant positive contributions to economic growth in the region.

Keywords : corporate governance, economic growth, sub saharan Africa, agency theory, endogenous theory

Conference Title : ICCGD 2022 : International Conference on Corporate Governance and Development

Conference Location : New York, United States

Conference Dates : April 25-26, 2022