Compliance with Shareholders' Rights and Profitability of Medium Scale Enterprises in Ghana

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Abstract: **This is an empirical investigation into the impact of compliance with shareholders' rights on the profitability of medium scale enterprises (MSEs) in Ghana. It is an exploratory research based on descriptive survey design, and political theory of corporate governance. Questionnaire is the major research instrument used; and1010 Respondents participated in the study. It is a pure quantitative research and the data passed basic parametric tests of normality and outlier. The major findings of the research are: MSEs in Ghana largely comply with shareholders' rights (up to 67% compliance rate is observed in this research); compliance to shareholders' rights has circa 8% insignificant direct association with the profitability of Ghanaian medium scale enterprises; and compliance with shareholders' rights has non-significant positive impact on the profitability of MSEs in Ghana after controlling managers' qualifications. The major limitation of this study is that it lacks comparative empirical analysis; as such, the generalization of its findings is very much limited to Ghanaian MSEs only. Therefore, it would not be out of place for a similar study to be carried out in other countries (for example, the English-speaking countries of West Africa). It would also be necessary if profitability figures from audited annual reports of MSEs are incorporated in future study as this research did not incorporate them.**

Keywords: **Corporate Compliance, Medium Scale Enterprises, Profitability, Shareholders'Rights**

I. INTRODUCTION

Medium scale enterprises form part of every country's economic activity; and as they grow and expand, the economy also grows and expands (Asunka, 2017). Medium scale enterprises (MSEs) play important roles in nation building by creating employment, alleviating poverty, and promoting economic development (Adjei, Oteng & Fianu, 2014). Medium scale enterprises have no universal definition because countries use varying criteria to define them. The Ghana Statistical Service (GSS) defines small and medium enterprises as business entities with less than 10 employees. Alternatively, the National Board for Small Scale Industries (NBSSI) in Ghana combines both the fixed asset and number of employees' criteria to define Small and Medium Scale Enterprises. Thus small enterprises employ between 6 and 29 people or with fixed assets not exceeding US$100,000 excluding land and building. However, those with staff size between 30 and 100 are classified as medium sized firms. Agyapong (2010) asserts that medium enterprises employ between 30 and 99 employees with fixed assets of up to USD1million.

The impact of compliance with shareholders' rights on the profitability of medium scale enterprises is an understudied area across the globe; and this study is a welcomed development towards closing this gap in literature. While corporate governance has become a buzz phrase in recent time, the need for corporate managers to respect shareholders' rights has become very repetitive in corporate governance codes worldwide. The Ghana corporate governance code 2010 edition is not an exception as "the rights of shareholders" is the first in its cardinal principles of corporate governance. The key objectives of this study are: (i) to develop shareholders' rights compliance index for MSEs in Ghana; (ii) to investigate the correlation between compliance with shareholders' rights and the profitability of MSEs in Ghana; and (iii) to empirically establish if compliance with shareholders' rights have significant effect on the profitability of MSEs in Ghana.

II. LITERATURE REVIEW

Medium Scale Enterprises play important role in every nation's economic development. They can be seen as key drivers of economic growth as they help create a thriving economy (Maharaj, 2011). SMEs create employment, and serve as a major tool for poverty alleviation (Adjei, Oteng, & Fianu, 2014). In developed countries SMEs are major contributors to GDP and private sector employment. In Thailand, SMEs account for more than 90% of the total number of establishments, 65% of employment and 47% of manufacturing value added; in Philippines, SMEs comprise 99% of the total manufacturing establishments and contribute 45% of employment and 18% of value added in the manufacturing sector; across the South Asia, the contribution of SMEs to the overall economic growth and the GDP is high and it is estimated that SMEs contribute 50% of Bangladesh's industrial GDP and provide employment to 82% of the total industrial sector employment (Ocloo, Akaba & Worwui-Brown. 2014). In Nepal, SMEs constitute more than 98% of all establishments and contribute 63% of the value-added segment; in India, SMEs' contribution to GDP is 30% and Small and Medium Enterprises constitute a very heavy portion of Pakistan's economy; and Pakistani SMEs account for 80% of all non- agricultural sector employment (Ocloo, Akaba & Worwui-Brown. 2014). According to Abor and Quartey (2010), SMEs have been noted to contribute about 85% of manufacturing employment and account for about 92% of businesses in Ghana. All these statistics indicate clearly the crucial role of SMEs in the economic growth of a nation.

The Organisation for Economic Co-operation and Development (2004) listed shareholders' rights' to include right to relevant, timely and regular information about the company; the right to participate and vote in shareholder meetings; the right to elect and remove members of the board; and the right to share in the company's profits. The International Corporate Governance Network (2009) identified some of the rights of shareholders to include right to be respected; right to be equitably treated; voting rights; right to approve the annual report and accounts; and rights of redress.

2.1 Theoretical Framework: Political Theory of Corporate Governance

Shareholders have the rights to hire and fire all corporate directors; and these rights are purely political in nature. Hence, the powers of shareholders to protect their salient interests in corporations lie on their inalienably rights to control corporations' structures top-down and across breadth. Corporate boards that do not comply with soft-and-hard laws on shareholders' rights are overhauled by shareholders. The voting rights of shareholders give them the powers to shape and reshape corporate management. Political theory of corporate governance is a nexus of powers between governments and shareholders in controlling and directing the affairs of corporations (Ciepley, 2013). Governments interfere in the politics of corporations in order to protect and preserve public interest; and the political model of corporate governance can have an immense influence on governance developments as it highlights the allocation of corporate powers, profits and privileges (Yusoff & Alhaji, 2012). Political theory promotes boards of directors that are accountable, honest, and intelligent. It also ensures that the interest of shareholders/investors is not jeopardized.

2.2 Empirical Review: Compliance with Shareholders' rights and firm performance

As hinted in the introductory section, there is dearth of literature on the impact of compliance with shareholders' rights on firm performance. Generally, the link between shareholders' rights and corporate performance is positive in Egypt (Mallin & Melis, 2010). Gompers, Ishii and Metrick (2003) observed that US firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth, lower capital expenditures, and made fewer corporate acquisitions.

2.3 Development of the Research Conceptual Framework

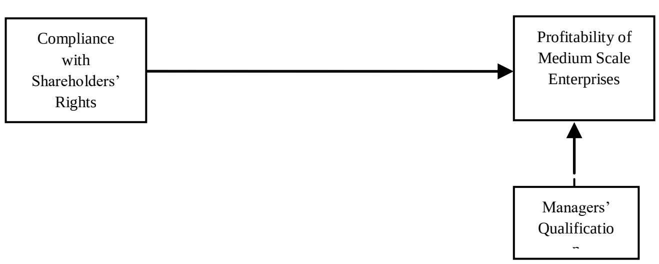

Figure 1: Research Conceptual Framework (Source: Researcher)

Figure 1 captures the three key variables in this study: compliance with shareholders' rights (the independent variable), profitability of MSEs (the dependent variable), and Managers' qualification (the control variable). Compliance with Shareholders' rights is an index of nineteen (19) proxies: there are secured methods of share ownership registration, shareholders have the right to convey or transfer shares, shareholders can obtain relevant and material company information, shareholders can participate and vote in general shareholder meetings, shareholders can elect and remove board members of the board, shareholders can share in profits of the corporation, shareholders have rights to amend statutes, or articles of incorporation, shareholder have right to authorize additional shares, extraordinary transactions are subject to the approval of shareholders, shareholders are given sufficient and timely information on general meeting, shareholders can ask board members questions at the general meetings, there is effective shareholder participation in key governance decisions, shareholders have options to vote both in person or in absentia at AGMs, there is share disproportionate control disclosure, there are transparent and fair rules governing acquisition of corporate control, there are legally-backing anti-take-over devices of shareholders' shares, there is disclosure of corporate governance and voting policies by institutional investors, there is disclosure of management of material conflicts of interest by institutional investors, and shareholders are allowed to consult each other. The profitability of MSEs is an index of three (3) proxies: increase in overall sales revenue, decrease in overall cost, and increase in overall profitability. Managers' qualification relates to the qualifications of medium scale enterprises.

III. RESEARCH METHODOLOGY

3.1 Research Design and Model

This study is exploratory in nature; and this is because little is known about the topic or the population being studied (Creswell, 2003). The primary purpose of exploratory research is to reach a better understanding of the research problem. The model used in this study reflects the conceptual framework developed in 2.3:

$$\prod = \alpha + \beta \mathbf{Shares} + \beta \mathbf{Qualification} + e_i$$

Where:

$\prod$ = Profitability of Ghanaian medium scale enterprises

Shares = Compliance to shareholders' Rights by Ghanaian MSEs

Qualification = Managers' highest qualifications

α = Constant factor or intercept

β = Coefficients of each variable

e = Error terms

3.2 Operationalization of Research Variables

Table 1: Summary of Research Variables Operationalisation

Variable	Sign	Measurement	Reference
Compliance to Shareholders' Rights	Rights	Composite compliance index of all 19 shareholders' rights indicators	Guo (2011)
Managers' qualification	Qualification	Dummy variable (1 = SSCE/Diploma; 2 = HND/BSc; 3 = Professional Certificate; 4 = Master; 5 = Doctorate)	Wahua (2015)
Profitability	Profit	Overall efficiency of the performance of firms	PWC (2017).

3.2 Population and Sampling Procedures

There is no specific record of medium scale enterprises (MSEs) in Ghana. Trading Economics (Ghana – Total Businesses Registered, n.d.) states that there were 802,176 in as at 2003; and Abor and Beikpe (2006) reported that 90% of registered companies in Ghana are SMEs. Technically, circa 721,958 MSEs form the population of this study. Gay, Mills and Airasian (2009) advocate that for a population of 100 or less, the entire population becomes the sample size, for a population of 500, a sample size of 250 is appropriate, for a population of 1500, a sample size of 300 is proper and finally for a population of 5000 or more, a sample size of 400 is adequate.

This study sampled one thousand two hundred participants (1,200) drawn from medium scale enterprises sampled across the ten regions of Ghana in the ratio of their 2010 national census and housing figures: Ashanti (19.4%); Greater Accra, (16.3%); Eastern (10.7%); Northern (10.1%); Western (9.6%); Brong Ahafo (9.4%); Central (8.9%); Volta (8.6%); Upper East (4.2%); and Upper West (2.8%) (See: Ghana Statistical Service, 2012). Based on above formula, the 1,200 questionnaires were allocated to the regions in the following proportions: Ashanti (233); Greater Accra, (196); Eastern (128); Northern (121); Western (115); Brong Ahafo (113); Central (107); Volta (103); Upper East (50); and Upper West (34). Of the 1,200 questionnaires distributed across the ten regions of Ghana, 0ne thousand and ten (1,010) questionnaires were dully completed and returned. An instrument return of 84.2% is reasonable in generalizing the outcome of the study because according to Fincham (2008), a questionnaire response rate of greater than or equal to 80% (≥ 80%) is adequate in social science researches. The breakdown of these 1,010 returned questionnaires on regional basis is presented thus: Ashanti (202); Greater Accra, (168); Eastern (111); Northern (103); Western (98); Brong Ahafo (87); Central (93); Volta (87); Upper East (34); and Upper West (27). So, this study sampled one thousand and ten participants drawn from 1,010 medium scale enterprises sampled across the ten regions of Ghana.

The study group covered different firms along industry line. In specific terms, the industrial sectors covered in this study include the following: educational (basic and senior secondary, and tertiary institutions); health sector (hospitals, clinics, pharmacies); financial institutions (rural banks, microfinance, insurance firms); mining, construction and manufacturing; hospitality industry (hotels, guest houses, catering, and recreational centres); agriculture (fishery and snail farms, animal husbandry, cash crops); telecommunication and allied services; trading and shopping malls; transportation and shipping; clothing, tailoring, and fashion designing; oil and gas companies and allied services; and information and communication technology.

3.3 Data Collection Process, Description and Analysis Technique

Questionnaire is the principal instrument used in collecting data. The questionnaire was developed on a 5-point Likert-type Scale for respondents to give their views. Part 1 of the questionnaire requested for background information of the respondents. Part 2 consists of items or statements on the dependent variable. The last part of the questionnaire gives room for respondents to offer their perceived level of compliances to shareholders' rights. Questionnaire was used in this study because it is comparatively cost-effective considering the large sample size of the study. It is relatively easier to analyse, and data entry and tabulation was done with ease using SPSS. It is less insensitive, and the respondents are comparatively more familiar with filling it.

Table 2: *Test of Questionnaire Validity*

S/n	Item	Correlation	Total	S/n	Item	Correlation	Total
1	Profit1	Pearson	.428**	12	Right9	Pearson	.310**
2	Profit2	Pearson	.397**	13	Right10	Pearson	0.193
3	Profit3	Pearson	.386**	14	Right11	Pearson	.477**
4	Right1	Pearson	0.167	15	Right12	Pearson	.339**
5	Right2	Pearson	.287**	16	Right13	Pearson	.448**
6	Right3	Pearson	.399**	17	Right14	Pearson	.269**

7	Right4	Pearson	.453**	18	Right15	Pearson	.407**
8	Right5	Pearson	.515**	19	Right16	Pearson	.287**
9	Right6	Pearson	.422**	20	Right17	Pearson	.547**
10	Right7	Pearson	.333**	21	Right18	Pearson	.560**
11	Right8	Pearson	.291**	22	Right19	Pearson	.341**

Source: Author

Table 2 contains the outcome of the test validity of the Questionnaire used in this study. Item-Total Pearson Correlation was carried out using the 22 items that make up the main variables under study. The simple rule is thus: items with significant Item-Total are considered reliable while those that are insignificant are considered not reliable. In line with this standard benchmark, Items Right1 and Right10 were considered none valid while the other items were considered valid. So, items Right1 and Right10 were deleted from the final multiple regression analyses carried out.

Table 3: Test of Questionnaire Reliability

Cronbach's Alpha	N of Items
.956	37

Source: The Author

Table 3 shows that the Questionnaire used in this study is found to be reliable with a Cronbach's Alpha statistics of 96% (See: De Vaus, 2002; Bryman & Bell, 2011).

IV. DATA ANALYSIS

4.1 Demography of Respondents

The 1010 Respondents comprised of 52.5% males and 47.5% females (resulting to a gender differential of 5% in favour of the males). The study comprise of circa 32% youths (those within 21 – 40 years) and 68% of non-youths (those between 41 years and above). Majority of Respondents (circa 64%) are married; 26% of the respondents are single; and 10% are separated (divorced). 8% of the Respondents has school certificate/ordinary diploma; 31% has HND/Bachelor degree; 24% hold professional certificates; 33% holds Master degree; and 5% hold doctorate degree. The working experiences of the Respondents fall under the following categories: 0 – 5 years (20%); 6 – 10 years (16%); 11 – 15 years (18%); 15 – 20 years (32%); and 21 years and above (15%). The Respondents are at different managerial levels: lower managers (23%); middle managers (14%); top managers (20%); board members (16%); and shareholders (28%).

4.2 Data Screening

Table 4: Data Screening Statistics – Measure of Outliers

S/N	Variable	Mean	S.D	S/N	Variable	Mean	S.D
1	Gender	1.48	0.502	15	Right6	2.9	1.063
2	Age	3.03	1.17	16	Right7	2.99	1.072
3	Marital	1.84	0.578	17	Right8	3.04	1.058
4	Qualification	2.96	1.076	18	Right9	2.98	1.086
5	Experience	3.06	1.37	19	Right10	2.79	1.107
6	Position	3.12	1.525	20	Right11	2.72	1.25
7	Profit1	2.12	1.177	21	Right12	2.72	1.201
8	Profit2	1.94	1.165	22	Right13	2.78	1.11
9	Profit3	1.84	1.12	23	Right14	2.53	1.162
10	Right1	3.07	0.982	33	Right15	2.56	1.236
11	Right2	2.9	1.109	34	Right16	2.72	1.218
12	Right3	2.9	1.015	35	Right17	1.39	1.265
13	Right4	3.06	0.892	36	Right18	1.23	1.174
14	Right5	2.71	1.268	37	Right19	2.72	1.312

Source: Author

Table 4 contains the statistical test carried out to measure outliers in the data collected. Data screening describes the removal of outliers and unwanted data items from a dataset (Allwood, 2012). . It shows that the variables did not exhibit any statistical outlier as their standard deviation (S.D) values are below their mean values across board (See: Creswell, 2003).

4.3 Data Normality

Table 5: Data Normality Test

S/N	Variable	Skewness	Kurtosis	S/N	Variable	Skewness	Kurtosis
1	Gender	0.101	-2.03	15	Right6	-0.614	-0.442
2	Age	-0.097	-0.746	16	Right7	-0.824	-0.177
3	Marital	0.016	-0.144	17	Right8	-0.805	-0.395
4	Qualification	-0.067	-0.959	18	Right9	-0.82	-0.241
5	Experience	-0.228	-1.229	19	Right10	-0.433	-0.98
6	Position	-0.118	-1.432	20	Right11	-0.804	-0.253
7	Profit1	0.591	-1.171	21	Right12	-0.329	-1.199
8	Profit2	0.699	-0.86	22	Right13	-0.361	-0.892
9	Profit3	0.886	-0.459	23	Right14	-0.183	-0.881
10	Right1	-0.787	-0.146	33	Right15	-0.41	-0.883
11	Right2	-0.743	-0.275	34	Right16	-0.67	-0.408
12	Right3	-0.618	-0.202	35	Right17	0.837	-0.297
13	Right4	-0.635	0.002	36	Right18	1.02	0.335
14	Right5	-0.823	-0.245	37	Right19	-0.878	-0.242

Source: Author

Table 5 contains the results of the normality tests carried out. The Skewness and kurtosis are within the acceptable benchmarks of -3 to +3 and kurtosis of -7 to +7, as such, they meet normality assumption (Hair, Anderson, Tatham, & Black, 2010). Data analysis in this study involved the use of parametric tests. This is a parametric research; as such, a normality test was carried out to confirm if the data were drawn from a normal distribution. Parametric tests are techniques that are based on normality of data associated with independent variables (Allwood, 2012). The researcher verified that data used in this study are normally distributed. This method is recommended and was applied by Asiamah (2016). Data with skewness of -3 to +3 and kurtosis of -7 to +7 meet normality assumption (Hair, Anderson, Tatham, & Black, 2010).

4.4 Research Objective 1:

To develop shareholders' rights compliance index for MSEs in Ghana

Table 6: Compliance to Shareholders' Rights Index

S/N	Compliance to Shareholders' Rights	N	Mode	Max	Mean	Mean %
Right1	There are secured methods of share ownership registration	1010	4	4	3.07	76.73
Right2	Shareholders have the right to convey or transfer shares	1010	4	4	2.9	72.52
Right3	Shareholders can obtain relevant and material company information	1010	4	4	2.9	72.52
Right4	Shareholders can participate and vote in general shareholder meetings	1010	4	4	3.06	76.49
Right5	Shareholders can elect and remove board members of the board	1010	4	4	2.71	67.82
Right6	Shareholders can share in profits of the corporation	1010	4	4	2.9	72.52
Right7	Shareholders have rights to amend statutes, or articles of incorporation	1010	4	4	2.99	74.75
Right8	Shareholder have right to authorize additional shares	1010	4	4	3.04	75.99
Right9	Extraordinary transactions are subject to the approval of Shareholders	1010	4	4	2.98	74.5
Right10	Shareholders are given sufficient and timely information on General Meeting	1010	4	4	2.79	69.8
Right11	Shareholders can ask board members questions at the General Meetings	1010	4	4	2.72	68.07
Right12	There is effective shareholder participation in key governance decisions	1010	4	4	2.72	68.07
Right13	Shareholders have options to vote both in person or in absentia at GMs	1010	4	4	2.78	69.55
Right14	There is share disproportionate control disclosure	1010	2	4	2.53	63.37
Right15	There are transparent and fair rules governing acquisition of corporate control	1010	4	4	2.56	64.11

Right16	There are legally-backing anti-take-over devices of shareholders' shares	1010	4	4	2.72	68.07
Right17	There is disclosure of corporate governance and voting policies by institutional investors	1010	1	4	1.39	34.65
Right18	There is disclosure of management of material conflicts of interest by institutional investors	1010	1	4	1.23	30.69
Right19	Shareholders are allowed to consult each other	1010	4	4	2.72	68.07
Aggregate Compliance to Shareholders' Rights		1010	4	4	2.67	66.75

Source: Author

In Table 6, value 1 means 'materially not complied'; value 2 means 'partially complied; value 3 means 'largely complied; and value 4 means 'complied'. There is no value '0' (which means not complied). Medium Scale Enterprises in Ghana reasonably comply with Shareholders' Rights (this is because 2.67 is approximately 3); and compliance rate is as high as 67%. There is still room for improvement in order to close the current non-compliance rate of 33%. This is because when shareholders' rights are not protected and promoted, investment will drop, unemployment will increase, and crime rate will also increase. The principles that are mostly complied with under shareholders' rights are Right1 (76.7%), Right4 (76.5%), and Right8 (76%).

Although majority of the modal scores indicate that Ghanaian medium scale enterprises observe excellent compliance to shareholders' rights, three issues stand out differently based on the modal statistics: (i) share disproportionate control disclosure is partially observed by Ghanaian medium scale enterprises; (ii) disclosure of corporate governance and voting policies by institutional investors is partially observed by Ghanaian medium scale enterprises; and (iii) disclosure of management of material conflicts of interest by institutional investors is partially observed by Ghanaian medium scale enterprises

4.4 Research Objective 2

To investigate the correlation between compliance with shareholders' rights and the profitability of MSEs in Ghana

Table 7: Pearson Correlation Analysis of major Research Variables

	Qualification	S/holders' Rights	Profitability
Qualification	1	0.043	-.281**
S/holders' Rights		1	0.081
Profitability			1
**. Correlation is significant at the 0.01 level (2-tailed).			
*. Correlation is significant at the 0.05 level (2-tailed).			

Source: Author

Table 7 gives a statistical association among the three key variables covered in this study: compliance with shareholders' rights (the independent variable); managers' qualification (control variable); and profitability (dependent variable). Managers' qualification has circa 28% significant inverse association with Ghanaian medium scale enterprises' profitability at 99% confidence level. The statistical import is thus: as managers' earn higher qualifications, the profitability of Ghanaian medium scale enterprises decreases, and vice versa. This is not because higher managerial qualification leads to lower productivity; but, it leads to higher cost of operations. Managers with higher qualifications earn much more than those with lower qualifications (all things being equal). The high salaries and benefits paid to managers with higher qualifications decrease the profit declared by firms at the end of every accounting year.

Compliance to shareholders' rights has circa 8% insignificant direct association with the profitability of Ghanaian medium scale enterprises. This implies that as medium scale enterprises increase their level of compliance to shareholders' rights, their profitability increases insignificantly by about 8%. In statistical terms, compliance to shareholders' rights adds little or nothing to Ghanaian medium scale enterprises' profitability. In essence, it is of no statistical importance. One statistical benefit derivable from promoting higher compliance to shareholders' rights is that it leads to higher transparent disclosure of material facts about the activities and operations of the firms. When firms transparently disclose all material facts, it enables shareholders to take better investment and managerial decisions as it concerns their firms. Although majority of the medium scale enterprises are ran by the owners, they still need timely integrated corporate transparent reporting to understand where their businesses are heading; and how best to manage them to desired direction.

4.4 Research Objective 3

To empirically establish if compliance with shareholders' rights have significant effect on the profitability of MSEs in Ghana

Table 8: OLD Multiple Regressions: Coefficients Statistics

Factor	B (Cedis)	Beta (%)	t	Sig.
(Constant)	2.558		5.755	.001
Shareholders	.109	.094	.971	.334
Qualification	-.298	-.285	-2.948	.004
R	0..296			
R. Square	0.088			
Durbin-Watson	1.843			
ANOVA (F. Stat)	4.701 (Sig. 0.011)			
Tolerance	0.998			
Variance Inflator Factor (VIF)	1.002			
Dependent Variable	Profitability			

Source: Author

Table 8 is the Coefficients Statistics for Research Objective 3. The Unstandardized coefficients (B) are expressed in Ghanaian local currency (the Cedis) while the Standardized coefficients (Beta) are expressed in percentage (%). The Durbin-Watson statistics of 1.843 falls within the acceptable benchmark of 1.500 - 2.000. This evidences that the data used in testing this question do not have autocorrelation challenge. The Tolerance statistics of 0.998 and variance inflator factor (VIF) of 1.002 confirm that there is no Multicollinearity challenge arising from the data used in the analysis (see: Wahua, 2020). The ANOVA F-statistics of 4.701 is statistically significant at 0.011 establishing that the model is a good fit for the analysis (see: Wahua, Tsekpo & Anyamele, 2018).

Multiple regression analysis was conducted to examine the effect of compliance to shareholders' rights on the profitability of medium scale enterprises (MSEs) in Ghana. The results show that compliance to shareholders' rights among MSEs in Ghana has 9.4% statistical non-significant positive effect on their profitability. The statistical importance of this discovery is that an improvement in the overall compliance to shareholders' rights by MSEs in Ghana would not significantly lead to their declaration of higher profitability figures. In summary therefore, this study has empirically proved that compliance to shareholders' rights has no statistical significant effect on the profitability of Ghanaian Medium Scale Enterprises.

The results of the multiple regression analysis also show that the control variable (managers' qualification) has 29% statistical significant negative effect on Ghanaian medium scale enterprises' profitability. This reveals that the engagement of managers with higher qualifications erodes the profitability of medium scale enterprises in Ghana. This signals that Ghanaian MSEs are not financially strong enough to recruit and sustain highly qualified professional managers.

In monetary terms, (i) a unit improvement in compliance to shareholders' rights adds GHS0.11 (that is 11 Pesewas) to Ghanaian medium scale enterprises' profitability (but this is not statistically significant); (ii) a unit increase in the recruitment of a manager with a higher qualification decreases Ghanaian medium scale enterprises' profitability by GHS0.30 (that is 30 Pesewas); and (iii) when Ghanaian medium scale enterprises do not comply with the protection of shareholders' rights and do not recruit managers with academic/professional certificates (that is when they are held constant), their profitability would increase by GHS2.56 (that is 2 Cedis, 56 Pesewas); and this is statistically significant.

V. DISCUSSION AND IMPLICATIONS

5.1 Discussion of the Major Findings

This is an exploratory research; as such, there is dearth of literature on the twin subject of compliance with shareholders' rights and profitability of firms. The major finding of this study is that compliance with shareholders' rights has non-significant positive impact on the profitability of MSEs in Ghana. Malin and Melis (2010) carried related research in Egypt and established that the link between shareholders' rights and corporate performance is positive. Gompers, Ishii and Metrick (2003) equally carried out similar research in the US; and the study revealed that firms with stronger shareholder rights had higher firm value, higher profits, higher sales growth, lower capital expenditures, and made fewer corporate acquisitions. The only difference between the finding of this study and those of Malin and Melis (2010), and Gompers, Ishii and Metrick (2003) is that this one empirically establish non-significance relationship/effect while the other two are silent on whether the positive impact is significant or not. The import of this finding is that corporate governance should not be limited to promoting the rights of shareholders alone.

5.2 Implications of the Major Findings

Theoretically, this study has shown that MSEs in Ghana largely comply with shareholders' rights (up to 67% compliance rate is observed in this research). This strongly reveals the relevance of corporate governance political theory in this study. Managers of MSEs in Ghana comply with the rights of shareholders even when it does to improve their profitability principally because of fear of being fired (sacked). Also, it is a regulatory requirement that Managers of firms in Ghana must obey the provisions of Ghana corporate governance code (2010) as provided for by the Ghana security and exchange commission (SEC).

Practically, this study has revealed the need for shareholders of MSEs in Ghana not to be too pushy in ensuring that their rights are complied with. It is has revealed the need for shareholders to be more strategically focused in identifying and harnessing opportunities that would increase their worth and business sustainability (assets replacement, and business expansion).

Policy wise, this study is a wakeup call on policy makers and regulators of businesses to concentrate effort in identifying and promulgating policies that really strengthen businesses financially and profitably.

VI. CONCLUSION

This is an empirical investigation into the impact of compliance with shareholders' rights on the profitability of MSEs in Ghana. It is an exploratory research based on descriptive survey design, and political theory of corporate governance. Questionnaire is the major research instrument used; and1010 Respondents participated in the study. It is a pure quantitative research and the data passed basic parametric tests of normality and outlier. The major findings of the research are: MSEs in Ghana largely comply with shareholders' rights (up to 67% compliance rate is observed in this research); compliance to shareholders' rights has circa 8% insignificant direct association with the profitability of Ghanaian medium scale enterprises; and compliance with shareholders' rights has non-significant positive impact on the profitability of MSEs in Ghana after controlling managers' qualifications.

The major limitation of this study is that it lacks comparative empirical analysis; as such, the generalization of its findings is very much limited to Ghanaian MSEs only. Therefore, it would not be out of place for a similar study to be carried out in other countries (for example, the English-speaking countries of West Africa). It would also be necessary if profitability figures from audited annual reports of MSEs are incorporated in future study as this research did not incorporate them.

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