Corporate Governance Compliance by Medium Scale Enterprises (SMEs): Global Review Perspective

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Abstract: **This study reviewed selected studies on corporate governance and medium scale enterprises (MSEs) under different perspectives: in Ghana, the rest of African, Asia, Europe, and international perspective. The study adopted a literature review approach; and identified the following existing gaps in literature: the effect of corporate governance compliance on medium scale enterprises success (financial growth and expansion) should be further studied; studies on corporate governance of medium scale enterprises in Africa and the rest of the world generally lack clearly defined theoretical framework; and the impacts of social, cultural, legal, economic, and political factors on Medium Scale Enterprises compliance with corporate governance codes should be investigated. The review revealed that corporate governance compliance can greatly assist SMEs by infusing better management practices, stronger internal auditing, and greater opportunities for growth in Ghana and other countries of the world. The study recommends as follows: corporate governance awareness among SMEs in Ghana should be taken as a priority in order for them to adopt the principles of corporate governance best practices; and governments should set up unique corporate governance code for medium scale enterprises in Ghana in order to address their peculiar structure and needs.**

Keywords: **Corporate Governance, Corporate Practices, Governance Compliance, Literature Review, Medium Scale Enterprises**

I. INTRODUCTION

The compliance status of Medium Scale Enterprises to codes of corporate governance in developing economies is in sharp contrast with that of the developed countries. While developed countries are showing a high degree of compliance, developing countries are far behind and most of the studies reflect non-compliance. Klapper and Love (2004) considered a group of emerging countries to understand their governance practices and the impact on firm performance. Garay and González (2008) reported the same trend in the case of Venezuela. Although they found a positive impact of compliance on firm-performance, they were concerned with their degree of compliance. The study therefore suggested that if Venezuela wants to sustain this positive impact on firm value, it needs to take immediate action to improve certain areas of governance, especially in the provisions of corporate governance. Compliance standard in Africa is similar to other developing economies. Quite a good number of studies have emerged from this region; Ogbechie (2009) and Olayiwola (2010) studied Nigerian companies; Wanyama, Develtere, and Pollet.(2009) and Sejjaaka (2007) concentrated on Uganda; Adu-Amoah, Tsamenyi and Onumah (2008) and Tsamenyi and Uddin. (2007) studied Ghana; whilst Rwegasira (2000) considered the overall African block for understanding their corporate governance practices. Interestingly non-compliance is the general findings of all these studies. For instance, using 22 listed companies of Ghana Stock Exchange, Tsamenyi and Uddin. (2007) found out that corporate governance compliance rate in Ghana is generally low. In the few situations of compliance, it reflects institutional theory which suggests that when faced with externally imposed standards, organizations can sometimes respond by developing alternative standards for the same practices Okhmatovskiy and David (2012). (Wahua, 2015; 2020) (Wahua, Tsekpo & Anyamele, 2018) investigated the impact of corporate governance on employee productivity with evidence from Nigerian bank. Olayiwola (2010) opined that for Nigeria to reap benefit of compliance with corporate governance best practices, some structural change is needed. However, the issue of non-compliance in the developing economies is not surprising, because most of the developing countries share some similarities in their socio-economic and governance reformulation structure, corporate governance framework and framework related problems. Low level of compliance or to certain cases non-compliance with provisions of corporate governance is attributable to the culture, awareness level of corporate governance and the policy framework of the country in question. Interestingly, majority of studies on corporate governance reported significant concern on the level of compliance. Findings indicate that inadequate legal system and enforcement mechanism are some of the prime factors affecting high level of compliance to codes of corporate governance in developing countries (Klapper & Love, 2004; Okike, 2007; Vaithilingam & Nair 2007). Aguilera and Cuervo-Cazurra (2009) argued that motivation for compliance was the way to ensure compliance rather than putting pressure for compliance. This motivation, they noted, may come from awareness and proper understanding of the necessity for compliance, incentives, and evidence of the benefit of compliance for companies. However, recent debates are increasingly overshadowing all these plausible factors discussed above. A large number of studies have emerged strongly arguing that the cause of non-compliance lies with the governance structure itself. They strongly opined that non-compliance is inevitable when the principles of corporate governance contain either controversial or ambiguous provisions or are being imposed on companies due to institutional legitimization. However, La Porta, Lopez-de-Silanes, Shleifer, and Vishny (1999) suggest another important factor about the universal agency problems. The study suggests that the agency problem in developing countries is different from that of the developed countries. For instance, as they claimed, instead of arising in between agents and shareholders, in developing countries the agency problem exists between majority and minority shareholders. Hence, the theory itself is not properly applicable in a developing country context.

The role of medium scale enterprises in nation building is prominent across political divides. It is important to note that 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 collapse and increasing financial scandals in many businesses have raised great concern regarding the compliance of businesses in general (Wahua, 2015; 2020), and Medium Scale Enterprises in particular with corporate governance principles and codes of best practices. Investors lack confidence in Medium Scale Enterprises due to their perceived poor corporate governance compliance rate; as such, majority of Medium Scale Enterprises across the world and developing countries like Ghana are having serious sustainability (business continuity) challenge. It is crucial to examine corporate governance in the Medium Scale Enterprise sector from the context of a developing economy like Ghana. This is because the limited studies in corporate governance with respect to Medium Scale Enterprises focused mainly on developed economies. Siddiqui (2010) reported that the existing governance standards reflect the Western model and no studies have been done to measure the extent to which these models have been complied with in developing countries. There are very few Ghanaian studies on corporate governance compliance at Medium Scale Enterprises' level (Dzigba, 2015; Amoateng, Osei, Ofori & Gyabaa, 2017; Asunka, 2017); and none of them attempted to develop a corporate governance compliance index for Medium Scale Enterprises in Ghana. This research attempts to fill this gap by developing corporate governance compliance index (CGCI) for Medium Scale Enterprises in Ghana, and measuring its impact on their profitability. The study would also measure the moderating role of Ghanaian national culture on the relationship between corporate governance compliance and profitability of Medium Scale Enterprises. Njagi (2016), and Zvereva and Zvereva (2017) recommended that studies should be carried out to unravel the role of institutional factors in enhancing Medium Scale Enterprises' compliance to corporate governance codes. This study attempts to fill this gap by investigating the influence of Ghanaian national culture on the ability of Medium Scale Enterprises to comply with Ghanaian corporate governance code of best practices as developed by the Securities and Exchange Commission (SEC) in 2010. Dzigba (2015) investigated the role of corporate governance on the ability of Medium Scale Enterprises to access credit facilities from Ghanaian banks; and the study established that all the banks considered profitability of the Medium Scale Enterprises as a major factor before granting them credits. In the light of this finding, this study is an attempt to develop corporate governance compliance index for Medium Scale Enterprises in Ghana, and measure its effect on their profitability under institutional moderating variables like politics, markets, laws/regulations, and culture.

II. EMPIRICAL REVIEW

2.1 Selected Studies on Corporate Governance of SMEs in Ghana

TABLE 1: Selected Corporate Governance of SMEs in Ghana

S/n	Author	Topic	Country	Objective	Methodology	Theory	Instrument	IV	DV	Finding(s)	Further Studies
1	Dzigba (2015)	Corporate governance practice among small and medium scale enterprises (SMEs) in Ghana; impact on access to credit	Ghana	To expose the level of corporate governance practice among Ghanaian SMEs and what impact it has had on them accessing credit.	quantitative and qualitative approach based on descriptive research design	Many but no specific one was applied to this research	Questionnaire and secondary data	Corporate governance practices	Access to credit	Corporate governance practice among SMEs in Ghana is very low; but, has not had any significant impact on the SMEs access to credit.	CG norms for SMEs in Ghana should be further explored

2	Asunka (2017)	A Case for regulating corporate governance for SMEs in Ghana	Ghana	To review the challenges faced by SMEs in Ghana.	Literature Review	None	secondary data	None	None	SMEs in Ghana lack specific CG code, as such, they are faced with multiple problems.	Code of CG specific to SMEs in Ghana should be developed.
3	Amoateng, Osei, Ofori & Gyabaa (2017)	Empirical study on the impact of corporate governance practices on performance: evidence from SMEs in an emerging economy	Ghana	To examine the impact of corporate governance practices on the performance of SMEs in Ghana	Quantitative research based on descriptive and correlation research design	stewardship theory	Secondary data	Board size, board gender, management ownership & CEO duality	Net profit margin & return on assets	corporate governance has positive but insignificant impact on performance of SMEs	Impact of other measures of corporate governance on SMEs' profitability

Source: Author

Table 1 contains selected corporate governance studies of SMEs in Ghana. According to Dzigba (2015), corporate governance practice among small and medium enterprises in Ghana is very low; and SMEs in Ghana have multiple problems due to the fact that they lack specific corporate governance code (Asunka, 2017). Due to these observed shortcomings, corporate governance has not have any significant effect/impact on the performance of small and medium enterprises (SMEs) in Ghana (Dzigba, 2015; Amoateng, Osei, Ofori & Gyabaa, 2017). The current research gaps in the study of corporate governance at small and medium enterprises level in Ghana (as shown by Table 1) are: there is need to develop corporate governance code that is specific to small and medium enterprises (SMEs) in Ghana (Asunka, 2017); corporate governance norms for SMEs in Ghana should be further investigated (Dzigba, 2015); and there is need to investigate the impact of other measures of corporate governance on the profitability of SMEs (Amoateng, Osei, Ofori & Gyabaa, 2017). The need to develop corporate governance codes for SMEs has been implemented in Europe, The United Kingdom, and Dubai even though there is no universally approved standard code of corporate governance for SMEs (Asunka, 2017). All the same, there are sources of guidance to which SMEs and their advisers can turn (ACCA, 2015). The European Confederation of Directors Associations (ecoDa) released *Corporate Governance Guidance and Principles for Unlisted Companies in Europe* to be a reference guide for SMEs and their stakeholders (ecoDa 2010). SMEs in other continents will find this instrument very useful even though it was developed with European companies in mind. The Quoted Companies Alliance (QCA) in the United Kingdom has also developed *Corporate Governance Code for Small and Mid-Size Companies* (QCA 2013). Also in the United Kingdom, the Institute of Directors has released *Corporate Governance Guidance and Principles for Unlisted Companies in the UK* (IoD, 2010). The British Standards Institute has published *Code of Practice for Delivering Effective Governance of Organizations*, a corporate governance standard suitable for any type and size of entity. Dubai Emirate has released *the Corporate Governance Code for Small and Medium Enterprises: Building the Foundations for Growth and Sustainability in Dubai* (SME Dubai and Hawkamah, 2011). Hong Kong has published the *Guidelines on Corporate Governance for SMEs in Hong Kong* (Hong Kong Institute of Directors 2014). The International Finance Corporation (2010) *issued its own IFC Family Business Governance Handbook*. None of these corporate governance instruments substantially addresses the need to develop a corporate governance code for SMEs in Ghana.

2.2 *Selected Studies on Corporate Governance of SMEs in other African Countries*

Table 2: Selected Corporate Governance of SMEs in other African Countries

S/n	Author	Topic	Country	Objective	Methodology	Theory	Instrument	IV	DV	Finding(s)	Further Studies
1	Njagi (2016)	The relationship between corporate governance practices and the financial performance of top 100 small and medium enterprises in Kenya	Kenya	To investigate the relationship between corporate governance and the performance of Top 100 SMES in Kenya.	Quantitative research based on descriptive research	Many but no specific one was applied to this research	Secondary data	board size, board committees, insider ownership, outside directors, board meeting, and CEO duality	Financial performance (ROA)	corporate governance principles influence SMEs performance positively but not significantly	the impacts of social, legal, economic, and political factors on SMEs compliance with CG code
2	Eweje (2015)	Benefits that SMEs can derive from good corporate governance structure	Nigeria	To explore the benefits of SMEs' corporate governance structure and related challenges.	Expository Research	None	secondary analysis	active board, external directors, board turnover, female director,	sustainability and long-term gains	Absence of, or inactive board in SMEs is responsible for weak internal controls and failures.	designing a corporate governance template for SMEs in Nigeria

3	Flowers, Parker, Arenz, Gaffley, Greighton, Fredricks, Rasdien, Matthews, Pietersen & Smit (2013)	An exploratory study on corporate governance practices in small and micro fast moving consumer goods enterprises in the Cape Metropolis.	South Africa	To explore corporate governance practices in SMEs	Expository study based on descriptive research design.	None	Questionnaire administered to owners, managers, and owners-managers of 36 SMEs.	organisational policies & procedures; obstacles, and values.	growth, success and survivability	1. poor corporate governance awareness; (2) cost & knowledge gap affect corporate governance among SMEs; (3) CSR is missing, but honesty, fairness, & disciplined are valued.	The effect of corporate governance compliance on SMEs success (financial growth and expansion).
4	Asiimwe (2017)	Corporate Governance and Performance of SMEs	Uganda	To examine how corporate governance practices can enhance the performance of SMEs.	Quantitative Research	None	Survey Design using structured questionnaires	Accountability, fairness and equity, decision making processes and transparency	Performance	CG practices increased performance and competitiveness	To explore the actual skills needed by SME proprietors in order to implement corporate governance.

Source: The Author

Table 2 contains selected corporate governance studies on Medium Scale Enterprises in four other African countries (excluding Ghana): Kenya, Nigeria, South Africa, and Uganda. Njagi (2016) established that corporate governance principles influence SMEs performance positively but not significantly in Kenya. This finding is in agreement with the works of Asiimwe (2017) as it relates to SMEs in Uganda; Dzigba (2015), Amoateng, Osei, Ofori & Gyabaa (2017) as it relates to SMEs in Ghana. The poor state of corporate governance implementation by SMEs in Ghana equally applies to the rest of Africa; hence, poor corporate governance awareness, high cost of corporate governance implementation and high knowledge gap of the benefits of corporate governance affect corporate governance among SMEs in Africa in general (Flowers, Parker, Arenz, Gaffley, Greighton, Fredricks, Rasdien, Matthews, Pietersen & Smit, 2013). Identifiable knowledge gaps from Table 2 include the following: Njagi (2016) demanded that the impacts of social, legal, economic, and political factors on SMEs compliance with CG code should be investigated in Kenya. This is similar with the position of Gillan (2006) that the impact of country institutions should be incorporated in corporate governance studies. Eweje (2015) suggests the designing of a corporate governance code for SMEs in Nigeria. This is similar to the demands made by Asunka (2017) in respect of Ghana. Flowers, Parker, Arenz, Gaffley, Greighton, Fredricks, Rasdien, Matthews, Pietersen and Smit (2013) suggested that the effect of corporate governance compliance on SMEs success (financial growth and expansion) should be further studied. Asiimwe (2017) requested the need to further explore the actual skills needed by SME proprietors in Uganda in order to implement corporate governance. This agrees with the demand of Dzigba (2015) in respect of Ghana. In summary, studies on corporate governance of SMEs in African countries generally lack specific theoretical framework. Studies that are not properly grounded theoretically lack major element of academic researches.

2.3 Selected Studies on Corporate Governance of SMEs in European Countries

Table 3 contains selected corporate governance studies of SMEs in three European countries: Russia, Macedonia, and Romania. Zvereva and Zvereva (2017) examined the best corporate governance practices regarding financial disclosures recommended for Russian small and medium enterprises (SMEs). Their study established that OECD corporate governance for SMEs published in 2004 contains the best practices for SMEs; and that unfavorable investment climate, weak protection of owners' rights, and inefficient legislations affect the implementation of robust corporate governance best practices by SMEs in Russia. They ended their study by recommending areas for further studies: (1) the impact of state legislation on the implementation of good corporate governance best practices by SMEs; and (2) the effect of corporate governance on the performance of SMEs in quantitative terms. Recommendation 2 has been addressed by studies carried out by Asiimwe (2017), Dzigba (2015), Amoateng, Osei, Ofori and Gyabaa (2017), and Njagi (2016). All of these studies established that corporate governance has insignificant positive impact on the performance of SMEs; and this is due to the fact that SMEs in developing countries do not apply corporate governance best practices. Bundaleska, Dimitrova and Nikolovska (2011) explored how corporate governance applies to small and medium businesses in Macedonia. They measured corporate governance by top-management, transparency, recruitment and remuneration, segregation of duties, independent auditors, audit committee; communication, training and motivation. They established that corporate governance is very important to SMEs due to increase in number of stakeholders, and for business sustainability. Iuhasz and Dorin (2015) carried out a study in order to raise awareness of the need to implement good corporate governance practices by SMEs in Romania. Their study established that lack of efficient corporate governance practices by Romanian SMEs led to the failure of many of them; and they recommended that corporate governance should be quantitatively linked to the performance of SMEs at country level. It is important to add that their recommendation has been addressed by the following studies: Asiimwe (2017), Dzigba (2015), Amoateng, Osei, Ofori and Gyabaa (2017), and Njagi (2016). These studies established that corporate governance has insignificant positive impact on the performance of SMEs; and this is due to the fact that SMEs in developing countries do not apply corporate governance best practices.

Table 3: Selected Corporate Governance of SMEs in European Countries

S/n	Author	Topic	Country	Objective	Methodology	Theory	Instrument	IV	DV	Finding(s)	Further Studies
1	Zvereva & Zvereva (2017)	Best Corporate Governance Practices Regarding Financial Disclosures Recommended for Russian Small and Medium Enterprises (SMEs)	Russia	To expand the existing knowledge on corporate governance practices for SMEs	Qualitative method based on explanatory case study	None	secondary analysis and semi-structured interview	Financial Disclosure	None	OECD corporate governance for SMEs published in 2004 contains the best practices for SMEs. Unfavorable investment climate, weak protection of owners' rights, and inefficient legislations affect SMEs implementation of CG.	(1) The impact of state legislation on SMEs implementation of CG; (2) the effect of corporate governance on the performance of SMEs in quantitative terms.
2	Bundaleska, Dimitrova & Nikolovska (2011)	Corporate governance and small and medium businesses	Macedonia	To discuss how corporate governance applies to small and medium businesses.	Expository Research	None	Secondary data	top-management, transparency, recruitment & remuneration, segregation of duties, Independent Auditors, Audit Committee; communication, training & motivation	sustainable growth of companies	CG is very important to SMEs due to increase in number of stakeholders; and for business sustainability.	Other measures of corporate governance and SMEs' performance could be further studied.
3	Iuhasz & Dorin (2015)	Developing countries and corporate governance: the case of Romania	Romania	To raise awareness of the need to implement good corporate governance practices at the level of SMEs.	Quantitative research based on descriptive statistics	Many but no specific one was applied to this research	Secondary data, Structured Questionnaire and Direct Interview	None	None	lack of efficient CG practices by Romanian SMEs led to the failure of many of them.	CG should be quantitatively linked to the performance of SMEs at country level.

Source: The Author

2.4 Selected Studies on Corporate Governance of SMEs in Asian Countries

Table 4 contains selected corporate governance studies of SMEs in four Asian countries: Bangladesh, India, Malaysia and Pakistan. Mahmood and Hashmi (2016) investigated the need for Pakistani SMEs to imbibe corporate governance cultures and business ethics in their activities using expository method and secondary data. The major finding is that SMEs in Pakistan lack corporate governance structures and awareness due to absence of corporate governance codes peculiar to their general unique nature; and the study called for the need for the development of functional corporate governance framework for SMEs in Pakistan. Shariff, Abidin and Bahar (2018) committed to developing a model of best practice for corporate governance in the Malaysian SMEs in tourism industry based on quantitative descriptive statistics and agency theory. Data were collected with the aid of questionnaire administration, and the study developed nine key corporate governance practices ideal for SMEs: shareholders, top management, board of directors, ownership and board structure, conflict of interest, stakeholders, social responsibility, remuneration and transparency.

Table 4: Selected Corporate Governance of SMEs in ASIAN Countries

S/n	Author	Topic	Country	Objective	Methodology	Theory	Instrument	IV	DV	Finding(s)	Further Studies
1	Mahmood (n.d)	Corporate governance and business ethics for SMEs in developing countries: challenges and way forward	Pakistan	To discuss the need for SMEs to imbibe CG cultures and business ethics in their activities.	Qualitative and Expository study	None	secondary data	Corporate governance; and business ethics	None	SMEs lack CG structures and awareness due to absence of CG codes peculiar to their general unique nature.	There is need to develop a functional CG code of framework for SMEs
2	Safiullah (2013)	Corporate governance mechanisms and financial policy decisions of SMEs in developing countries	Bangladesh	To examine how and which corporate governance provisions impact financial policies of SMEs in Bangladesh	Quantitative research based on positivist paradigm	Agency and Stakeholder Theories	Secondary data	Board size, board independence, CEO duality, institutional shareholders, audit committee, board diversity, directors shareholding	capital structure and dividend payment	corporate governance is partly working in explaining important financial policies in Bangladesh	This study should be extended to other developing economies while considering more observations.
3	Shariff, Abidin & Bahar (2018)	Corporate covernance model in the Malaysian tourism small and medium-sized enterprises	Malaysia	To develop a model of best practice for corporate governance in the Malaysian TSMEs.	Quantitative research based on descriptive statistics	Agency Theory	Questionnaire administration	shareholders, top management, board of directors, ownership & board structure, conflict of interest, stakeholders, social responsibility, remuneration and transparency	None	Nine key CG practices ideal for SMEs: shareholders, top management, board of directors, ownership & board structure, conflict of interest, stakeholders, social responsibility, remuneration and transparency	To investigate the significance of these nine key CG practices on SMEs performance
4	Dube & Mishra (2011)	Corporate governance norm for SME	India	To consider the feasibility of introduction of CG norms for SMEs and attempted to develop, on the basis of the findings, sound and practicable solutions.	Quantitative Research	None	Secondary data and Questionnaire	None	None	CG norms for SMEs: Mission Statement, Policy Statement, Succession Plan, Annual Statement, Mgt Structure, Reporting, Stakeholders, Legal & regulatory compliance	This study should be domesticated in other economies: developing and developed
5	Umrani, Johl & Ibrahim (2015)	Corporate governance practices and problems faced By SMEs in Malaysia	Malaysia	To investigate the necessity to have a comprehensive code to monitor the firms and control the stakeholders.	Qualitative	None	secondary data	Expropriation of minority shareholders rights	None	SMEs in Malaysia lack CG Code, as such, minority shareholders are expropriated by the major shareholders.	There is need to develop a functional CG code for SMEs in Malaysia
6	Umrani & Johl (2016)	Corporate governance, ownership structure and expropriation of rights: case of Malaysian SMEs	Malaysia	To investigate the Malaysian SMEs structure, past allegations and the corporate governance (CG) practices in manufacturing SMEs	Qualitative and exploratory research	None	secondary data and face-to-face interview	None	None	Malaysian SMEs are mainly family based and higher management positions are kept by the family.	CG code for Malaysian SMEs should be developed and implemented
7	Mahzan & Yan (2013)	Harnessing the benefits of corporate governance and internal audit: advice to SME	Malaysia	To investigate how best SMEs could strengthen their governance, risk and control (GRC) system.	Literature Review	None	Secondary data	None	None	current status of CG in SMEs are not impressive at all, mainly because of lack of awareness as well as high cost of implementation involved	Empirical studies should be carried out to establish if SMEs need separate corporate governance framework in developing countries

Source: The Author

The study recommended the need to investigate the significance of these nine key corporate governance practices on SMEs performance in Malaysia and other developing economies. Other studies that investigated the degree of corporate governance among SMEs in Malaysia include Umrani, Johl and Ibrahim (2015), Umrani and Johl (2016), and Mahzan and Yan (2013); and they are all in agreement on the need for the development of a unique corporate governance code for SMEs in Malaysia. In specific terms, Umrani, Johl and Ibrahim (2015) investigated the necessity to have a comprehensive code to monitor firms and control stakeholders. They established that SMEs in Malaysia lack corporate governance code; as such, minority shareholders are expropriated by the major shareholders. They therefore called for the development of a functional corporate governance code for SMEs in Malaysia. Umrani and Johl (2016) investigated Malaysian SMEs structure, past allegations and corporate governance practices in manufacturing Malaysian SMEs. They discovered that Malaysian SMEs are mainly family based and higher management positions are kept by the family due to poor corporate governance culture. They therefore requested that corporate governance code for Malaysian SMEs should be developed and implemented. Mahzan and Yan (2013) examined how best SMEs in Malaysia could strengthen their governance, risk and control (GRC) system. They established that current status of corporate governance in Malaysian SMEs are not impressive at all, mainly because of lack of awareness as well as high cost of implementation involved. They therefore recommended that empirical studies be carried out to establish if SMEs need separate corporate governance framework in developing countries. Dube and Mishra (2011) considered the feasibility of introducing corporate governance norms for SMEs in India using quantitative and mixed research approach. They identified basic norms that should be included in corporate governance codes for SMEs in India: mission statement, policy statement, succession plan, annual statement, management structure, reporting, stakeholders, and legal and regulatory compliance. Identifiable knowledge gaps from Table 4 include the following: SMEs lack corporate governance structures; as such, there is need to develop a functional corporate governance code of framework for SMEs (Mahmood & Hashmi, 2016.; Umrani, Johl & Ibrahim, 2015; Mahzan & Yan, 2013); empirical studies should be carried out to establish if SMEs need separate corporate governance framework in developing countries (Mahzan & Yan, 2013); and studies on corporate governance of SMEs generally lack clearly defined theoretical framework (see Mahmood & Hashmi, 2016; Dube & Mishra, 2011; Umrani, Johl & Ibrahim, 2015 ; Umrani & Joh, 2016; Mahzan & Yan, 2013).

Having reviewed selected studies on corporate governance, and small and medium enterprises in Ghana, other African countries, Asia, and Europe, it is important to end by reviewing the work of Meressa (2017), which has a global perspective of corporate governance at SMEs level. The key objective of the study is to put forward appropriate corporate governance principles applied to SMEs in general for their sustainability and competitiveness. The study adopted a literature review approach and established that SMEs corporate governance framework should inculcate corporate social responsibility, compliance with rules and regulations, risk management, fairness and accountability, dispute resolution, transparency and full disclosure of information, internal control and Internal audit. Identifiable knowledge gap from Table 5 is that there is need to investigate the impact of state legislation (laws) on the implementation of good corporate governance best practices by SMEs (Zvereva & Zvereva, 2017).

2.5 Research Gaps Extracted from Empirical Review

In a report on “governance for all: the implementation challenge for SMEs”, The Association of Chartered Certified Accountants, ACCA, (2015) noted that more research needs to be undertaken to understand the various barriers that stand in the way of greater implementation of effective corporate governance at SMEs level. The ACCA report stressed on the need for greater awareness in restructuring SMEs corporate governance architectures in Ghana. The report further pointed out that SMEs that are not incorporated or that are family-owned may see the word ‘corporate’ and assume that a corporate governance framework has no relevance for them. The report further explains that majority of the existing corporate governance frameworks and approaches were typically developed for large businesses; as such, their adoption by SMEs is very low as they failed to incorporate the latent structure of SMEs. The report suggested that Frameworks need to be applied flexibly, taking account of the heterogeneous nature of SMEs. However, the report recommended further studies on the role of SMEs structure on their adoption of the governance framework. The report calls on International organizations, including the International Finance Corporation (IFC) and Association of Certified Chartered Accountants (ACCA) to support research works on corporate governance adoption in SMEs, and the impact of awareness and understanding of SMEs structures. According to Uchehara (2017), the literature suggests key challenges of SMEs adoption and implementation of governance principles but has many gaps where further work exploring the structure of SMEs and the fit of these structures is needed..

In all of these studies, it is clear that the relevance of corporate governance principles in the management of SMEs cannot be underestimated. However, it is also clear that SMEs are not complying with the corporate governance principles. There are many studies which have alluded to this assertion of gross failure in SMEs implementation of good corporate governance best practices (ACCA, 2015; Dzigba, 2015; Uchehara, 2017). Both Asunka (2017) and Agyemang, et al., (2015) raised the issue of SMEs’ noncompliance with corporate governance principles. Although it has come as a recommendation in many studies (Asunka, 2017; Agyemang, et al., 2015; ACCA, 2015; Dzigba, 2015; Uchehara, 2017), very little attention has been paid to the issue of awareness and SMEs structure (Maranga, 2014).

According to Bennett and Robson (2004), the limited studies on corporate governance with respect to SMEs focused mainly on developed economies. Siddiqui (2010) asserted that existing governance standards reflect Western model and no studies have been done to measure the extent to which these models have been complied with in Ghana. Every country has a unique socio-economic structure; thus, studies should be carried out to understand the extent to which corporate governance standard has been complied with in Ghana.

Amoateng, Osei, Ofori and Gyabaa (2017) stated that there is need to investigate the impact of other measures of corporate governance on the profitability of SMEs. In the same vein, Flowers, Parker, Arenz, Gaffley, Greighton, Fredricks, Rasdien, Matthews, Pietersen and Smit (2013) suggested that the effect of corporate governance compliance on Medium Scale Enterprises success (financial growth and expansion) should be further studied. The overall measure of the success of a firm is profitability. Studies on corporate governance of Medium Scale Enterprises in Africa and the rest of the world generally lack clearly defined theoretical framework (see Mahmood & Hashmi, 2016; Dube & Mishra, 2011; Umrani, Johl & Ibrahim, 2015; Umrani & Joh, 2015; Mahzan & Yan, 2013).

Njagi (2016) demanded that the impacts of social, cultural, legal, economic, and political factors on Medium Scale Enterprises compliance with corporate governance codes should be investigated in Kenya. This is similar with the position of Gillan (2006) and Zvereva and Zvereva (2017) that the impact of country institutions should be incorporated in corporate governance studies.

III. CONCLUSION

This study reviewed selected studies on corporate governance and SMEs under different perspectives: in Ghana, the rest of African, Asia, Europe, and international perspective. The study adopted a literature review approach; and identified the following existing gaps in literature: the effect of corporate governance compliance on medium scale enterprises success (financial growth and expansion) should be further studied; studies on corporate governance of medium scale enterprises in Africa and the rest of the world generally lack clearly defined theoretical framework; and the impacts of social, cultural, legal, economic, and political factors on Medium Scale Enterprises compliance with corporate governance codes should be investigated. The study recommends as follows: corporate governance awareness among SMEs in Ghana should be taken as a priority in order for them to adopt the principles of corporate governance best practices; and governments should set up unique corporate governance code for medium scale enterprises in Ghana in order to address their peculiar structure and needs;

In Ghana, like most developing economies, corporate governance can greatly assist the SMEs by infusing better management practices, stronger internal auditing, and greater opportunities for growth. Corporate governance brings new strategic outlook through external independent directors and enhances firms' corporate entrepreneurship and competitiveness. Good governance mechanisms among SMEs are likely to result in boards exerting much needed pressure for improved performance by ensuring that the interests of the firms are served. In the case of SMEs, board members bring into the firm expertise and knowledge on financing options available and strategies to source, which is one of the problems of SMEs (Dzigba, 2015). However, poor corporate governance could be an indication of a business failure; and despite the benefits of complying with corporate governance best practices by businesses, SMEs' compliance with corporate governance codes still remains low in developing countries mostly due to multiplicity of reasons (see: Iuhasz & Dorin, 2015; Mahzan & Yan, 2013; Dube & Mishra, 2011; Shariff, Abidin & Bahar, 2018; Flowers, Parker, Arenz, Gaffley, Greighton, Fredricks, Rasdien, Matthews, Pietersen & Smit, 2013). Therefore, a study on developing a corporate governance compliance index (CGCI) for SMEs in Ghana and measuring its effect on their profitability under different institutional moderating variables is a relevant research area. A developing country like Ghana cannot afford to have an SME sector (which is seen as the engine of the economy) under-performing.

It is important to ascertain the effect of compliance or non-compliance with corporate governance code on Medium Scale Enterprises' sustainability since they are the highest employers of labour in every country. The filling of this observed gap in literature would equally help in the gathering of adequate and reliable information geared towards developing better Medium Scale Enterprises' theories, policies and practices for rapid economic development of Ghana. The findings of this research are to inform academics, policy makers, business owners and managers about the need to develop corporate governance regimes that are country specific. Without this knowledge, it will be difficult for Medium Scale Enterprises in developing countries to contribute significantly to the GDPs of their respective countries.

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