

A STRATEGIC CORPORATE GOVERNANCE FRAMEWORK FOR STATE-OWNED ENTERPRISES IN THE DEVELOPING ECONOMY

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Abstract

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Corporate scandals that have rocked the world in the past two decades have heightened the importance of corporate governance (Zalewska, 2014). Despite the interest in the adoption of corporate governance state-owned enterprises (SOEs), the performance of these organisations remains poor (Vagliasindi, 2008), which has been attributed to ineffective corporate governance (World Bank, 2007). The objective of this study was to develop a strategic corporate governance enterprise in the developing economy. The study followed a critical realism approach. As a result, a multi-methodology and mixed design were employed. The sample included all SOEs registered in Malawi, which had operated from 2000–2016 but excluded regulatory, financial, and academic institutions. Data collection followed the critical realism case study method. Findings reveal that large power distance, cronyism, and materialistic cultures are entrenched in society and negatively impact corporate governance. Results further show that increased shareholders' power and multiple principals have a negative effect on performance. The study recommended changes to legal form, board operations, and disclosure to improve corporate governance effectiveness. The study has contributed to a body of knowledge in terms of developing a strategic governance framework for SOEs in Malawi. The study has also established that cultural values influence the effectiveness of corporate governance.

Keywords: Strategic Corporate Governance, Framework of SOEs, State-Owned Enterprises, Company Performance, Socio-Cultural Values, Malawi

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1. INTRODUCTION

The creation of state-owned enterprises (SOEs) in Malawi, like in many other countries, was seen as a strategy of enhancing economic growth (Robinett, 2006; Stambuli, 2002). The Organisation of Economic Cooperation and Development (OECD) defines state-owned enterprises as corporate entities recognised

by national law owned by the state or in which the state exercises ownership created for economic purposes. Some of these may include “joint-stock companies, limited liability companies and partnerships limited by shares” (OECD, 2015, p. 14). These enterprises may be “wholly owned enterprises or those with minority state ownership” (Robinett & Fremont, 2007, p. 1).

In many developing countries, SOEs were meant to boost economic development through industrialisation (Robinet, 2006). Contrary to popular belief that SOEs are an engine of economic growth, many of these companies have performed poorly worldwide, prompting structural reforms to improve their performance (Vagliasindi, 2008). Some of these reforms focused on the change of ownership to the private sector. Private sector companies were regarded to be more efficient than the SOEs. However, with corporate failures associated with private sectors companies worldwide in the past decades, the focus of performance improvement in SOEs has now shifted to reforms while maintaining public ownership (Vagliasindi, 2008).

SOEs in Malawi have undergone several reforms over the years to improve financial performance. These reforms have led to commercialisation as well as privatisation of many SOEs (World Bank, 2003). Reforms have not been a panacea to the performance problems experienced by SOEs. Poor performance has also been attributed to poor corporate governance. It is becoming clear that the performance of these SOEs cannot improve without reforming their corporate governance (World Bank, 2007). Corporate governance (CG), which is defined as a “system by which companies are directed and controlled” (The Committee on the Financial Aspects of Corporate Governance, 1992, p. 15), has attracted unprecedented attention following recent corporate failures.

Many reasons have been advanced for the dismal performance of these organisations worldwide, which include, but are not limited to, political interference and poor corporate governance systems. At the centre of this poor performance is a corporate governance framework which, to a large extent, has been regarded as ineffective; characterised by weak boards, lack of disclosure, multiple principals and objectives coupled with unclear ownership policy and “absent fiat” from the principals.

SOEs continue to play an important role in Malawi but these organisations’ performance cannot improve without incorporating a good corporate governance system. To address SOEs’ performance problems, the study seeks to answer the following research questions:

RQ1: What factors influence the effectiveness of corporate governance of SOEs in Malawi?

RQ2: What has been the impact of corporate governance on the performance of SOEs in Malawi?

RQ3: What corporate governance framework is most suitable to address SOEs’ performance in Malawi?

Based on study results, researchers developed a strategic corporate governance framework to enhance the performance of SOEs in Malawi. The remainder of the paper is structured as follows. Section 2 discusses the literature review. Section 3 presents the research methodology. Section 4 presents the results. Section 5 proposes a strategic corporate governance framework for SOEs. Section 6 presents the conclusion.

2. LITERATURE REVIEW

This section analyses the impact of socio-cultural values on corporate governance, theories that form the background to the study, and the influence of corporate governance on SOEs’ performance.

2.1. Culture and corporate governance

Corporate scandals that have rocked the world in the past two decades have heightened the importance of corporate governance (Zalewska, 2014). However, despite the overwhelming interest, the level of application and adoption of corporate governance codes by different countries has cast doubt on the universality as well as their effectiveness. Different governance frameworks have emerged with marked variations. These variations have been attributed to differences in national culture (Li & Harrison, 2008). There is growing interest to study the effect of culture on corporate governance. The challenge of cultural studies arises from the varied definitions and disciplines where culture originates. Studies on culture and corporate governance have used cultural dimensions of Hofstede’s (Franke & Nadler, 2008; Bae, Chang, & Kang, 2012) and Schwartz’s data (Desender, Castro, & De Leon, 2011; Licht, Goldschmidt, & Schwartz, 2005). However, Hofstede’s work has been considered to be the most popular (Bae et al., 2012). This section reviews some empirical work on culture and corporate governance that has brought some mixed results.

A study by Chan and Cheung (2012) across different countries revealed that high individualism (IDV), low uncertainty avoidance index (UAI), low masculinity (MAS), and three control variables: log (GDP per capita), common-law, and market-to-book ratio had higher CG scores. Similar results were obtained in another study conducted by Griffin, Guedhami, Li, Kwok, and Shao (2018), who found that high IDV and low UAI were related to better company-level good governance practices. In this study, the authors used the Governance Metric International index as a measure of good corporate governance practice. In an earlier study, Li and Harrison (2008) examined the influence of ownership structure and national culture on corporate governance. The study found that high power distance index (PDI), high IDV, high MAS tend to prefer consolidated leadership or CEO duality. The study also found that high IDV was related to a small board.

In addition to cultural dimensions, other studies have also found that religion has an influence on corporate governance practices. Studies by Kim and Daniel (2016) found that religiosity was related to better governance practices. Religion as a construct has been studied widely but as observed by Nadler (2002), its effect on human behaviour is yet to be conclusively established. The influence of religion on an individual’s behaviour is a result of one’s desire to comply with the social norms of a particular group (Kim & Daniel, 2016). Compliance comes as a result of fear of being ostracised by the society or the group to which an individual is affiliated (Rashid & Ibrahim, 2008). Religion defines the values and culture of individuals in a particular community (Nadler, 2002). Johnstone (as cited in Kum-Lung & Teck-Chai, 2010) defines religion as “a system of beliefs and practices on how people respond and interpret what they feel is supernatural and sacred” (p. 226). Baxamusa and Jalal (2014)

observe that “religion consists of beliefs, values and behaviour” (p. 114). In relation to culture, religion is considered to be one of the most important proxies of culture (Stulz & Williamson, 2003).

While religion has been defined as a set of beliefs and values, religiosity, on the other hand, is defined as an individual’s “commitment to follow principles set by God” (Vitell, 2009, p. 156). According to Kum-Lung and Teck-Chai (2010, p. 226), religiosity defines the degree of one’s commitment to the religion and teachings that one professes. This commitment is reflected by the individual’s attitudes and behaviours.

There has been a growing interest to study religiosity and its effect on human behaviour. Most of these studies have been carried out in developed countries and emerging economies. Studies on religiosity and corporate governance practices have been influenced by agency theory. Research conducted by Stulz and Williamson (2003) found that more religious societies offer stronger protection to creditors. Kum-Lung and Teck-Chai (2010) observed religiosity positively related to business ethics. This is because highly religious people are expected to be more ethical in their behaviour which is defined by their beliefs. These findings are consistent with the findings of Donahue (1985). On the contrary, Rashid and Ibrahim (2008) argued that high religiosity does not in itself translate to high ethical values. This is due to other cultural variables. Kim and Daniel (2016) observed that while agency-principal conflict is associated with agency problems in developed markets, this conflict was also prevalent in emerging markets. Developed markets were also associated with protestant religion and formal institutions. In emerging markets, the prevalence of informal institutions has resulted in weak corporate governance practices. These markets are also characterised by a lack of regulatory environment and enforcement of laws where laws exist. Where there is a lack of formal institutions, Boytsun et al. (2011) propose that informal constraints such as religion can work as an alternative mechanism to improve corporate governance practices.

While some studies have shown a positive relationship between religiosity and ethical behaviour (Kum-Lung & Teck-Chai, 2010; Boytsun, Deloof, & Matthyssens, 2011; Kim & Daniel, 2016), other studies have not found any relationship between religiosity and ethical behaviour (Callen, Morel, & Richardson, 2011). Research on religiosity and corporate governance is still in its infancy. Much of the studies have been conducted in developed and emerging economies.

2.2. Agency theory, corporate governance, and performance

Studies on culture, religiosity and corporate governance have been influenced by agency theory. This section critically analyses agency theory in relation to corporate governance. Agency theory is defined as a contractual relationship between the principal and the agent (Perrow, 1986). The principal, in this case, is the employer or shareholder who has ownership rights of

the property and the agent is the employee or manager who is entrusted with the responsibility of taking care of an enterprise on behalf of the principal (Donaldson & Davis, 1991). According to Perrow (1986), agency theory is based on three assumptions. Firstly, “individuals tend to maximise their own interest”. Secondly, “social life is a series of contracts that are governed by competitive self-interests” and lastly, “that monitoring of contracts is costly and ineffective” (p. 12).

Agency theory finds its origin in the theory of the firm by Jensen and Meckling (1976). According to Jensen and Meckling (1976), organisations are considered as “legal fictions which serve as a set of contracting relationship among individuals” (p. 8). The contracting individuals are the principals (owners) on the one hand and the agents (managers/employees) on the other hand. Where there is a separation of ownership and control, individuals identified above have divergent interests. In order to protect their interests, the principals incur agency costs to monitor contracts entered with agents. Some of the agency costs that the principal incurs in the contractual relationship include “monitoring expenditures by the principal; bonding expenditures by the agent; and the residual loss” (Jensen & Meckling, 1976, p. 6).

Consistent with agency theory, Liu, Miletkov, Wei, and Yang (2015) found that the appointment of independent directors had a positive impact on company performance. This was one of the comprehensive studies covering the role of independent directors in performance improvement. While the study covered more variables of board composition and board structure like board size, CEO duality, and board meetings, not all board composition variables were included. In addition to variables covered by Liu et al. (2015), the current study also discussed the effect of director interlocking, the appointment of public servants, board committees, and board evaluation on SOEs performance which was not covered by their study. Similar results were obtained by Bhat, Chen, Jebran, and Bhutto (2018) on the Pakistani state and non-state-owned companies. Thenmozhi and Sasidharan (2020) found that independent directors in Chinese and Indian SOEs’ boards improve performance through better monitoring mechanisms. Contrary to these results, a study by Shao (2019) found no relationship between independent directors and company performance. In addition, the study found a positive relationship between ownership concentration and performance.

In a study on Canadian SOEs, Bozec (2005) found that board independence is negatively related to company performance where SOEs are subjected to competition. The study also found a negative relationship between board size and CEO duality on performance. While good corporate governance codes recommend that civil servants should not serve on SOEs boards, this study found that there is a positive relationship between the involvement of public servants on the SOE board and performance. On directors affiliated with a political party, a study by Heo (2018) on Korean SOEs found that political appointee directors are negatively correlated with SOE performance. Dragomir, Dumitru, and Feleagă

(2021) attributed the poor performance of a Roman Airline to a lack of independence by directors due to political interference. While agency theory advocates the majority of non-executive directors (NEDs) in boards, a study by Kakabadse, Yang, and Sanders (2010) found that NEDs were not effective monitors of SOEs in China owing to a lack of quality information to discharge their monitoring responsibilities.

Director's experience, tenure, interlocking, and functional background have attracted governance scholarship interest. A review of the literature shows that much of this work had been conducted in private sector companies. Literature on SOE corporate governance for these board attributes is still in infancy and inconclusive. Kim, Mauldin, and Patro (2014) found that longer tenure for outside directors is useful for their role of advising and monitoring. This was supported by a study conducted by Kuzman, Talavera, and Bellos (2018) on Yugoslavia's SOEs, who found that long board tenure is positively related to SOEs' performance. However, Chamberlain (2010) noted the value of tenure diminishes as the director serves for a much longer period. On director's interlocking, McIntyre, Murphy, and Mitchell (2007) found director's business is associated with a decrease in company performance. This was supported by Mishra and Kapil (2018) in their study on Indian companies, who observed that directors' interlocking has a negative effect on company performance. While good corporate governance practice advocates that directors should have the necessary professional background, empirical evidence cast doubt on the impact of professional background on company performance (Zandstra, 2002).

Agency theorists posit that the use of debt as a financing source is also treated as a governance control mechanism. Empirical evidence on the effect of capital structure on company performance has raised a number of enduring debates on the role of debt. A study on Pakistan companies by Ahmed Sheikh and Wang (2013) found that capital structure was negatively related to company performance. The authors noted that the increase of debt in the capital structure had a negative influence on company performance. The study was conducted in Pakistan, where the market for corporate control is neither developed nor efficient. The results of this study are supported by the study conducted by Le and Phan (2017) on Vietnamese listed companies. A study by Dawar (2014) in India found that capital structure significantly negatively influences company performance. Findings by these studies are contrary to agency theory which posits that debt can be used as a disciplinary device on managerial behaviour. The authors noted that environmental factors may have influenced the findings of the study. For instance, the studies cited above were conducted in India, Pakistan, and Vietnam, which are emerging markets. Pakistan and Indian financial markets are underdeveloped and dominated by SOEs financial institutions, which are considered ineffective control devices to limit managerial "discretionary behaviour".

Other studies on capital structure, however, are in support of agency theory as a mitigating factor in the conflict between managers and shareholders. Kyereboah-Coleman (2007) found that high leverage has a positive effect on the performance of microfinance companies in Ghana. Most of the studies on capital structure have been conducted in developed and emerging markets. The current study was conducted in Malawi, an least developed country (LDC) where literature is not available on the effect of capital structure and company performance.

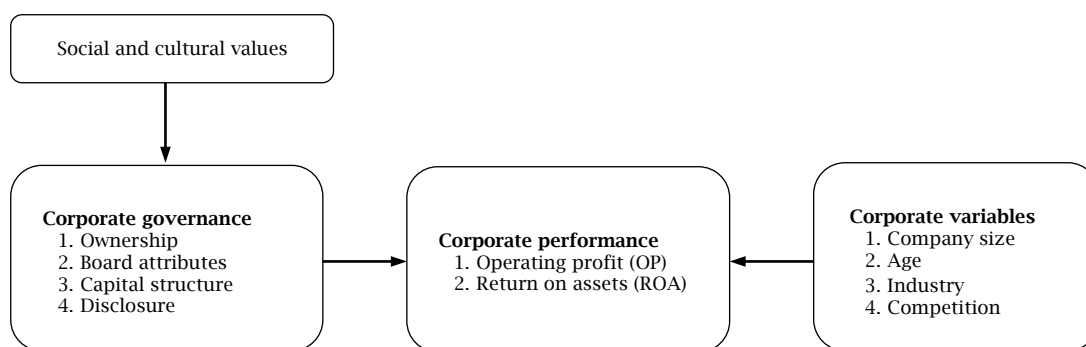
Disclosure is as important to privately-owned companies as it is to publicly-owned companies. Disclosure promotes transparency which in turn ensures accountability. Robinett (2006, p. 19) has grouped disclosure into two categories: *ex-ante* reporting and *ex-post* reporting. These disclosure categories have been used in formulating Disclosure Index scores. Empirical evidence on the relationship between disclosure and financial performance reveals that disclosure positively influences financial performance. In a study on Indian companies listed on the Securities Board of India (SEBI), Assankutty, Fatima, and Kuntluru (2019, p. 10) found that the Corporate Governance Index (CGI) was related to company performance measured by Tobin Q, but the study found a negative relationship between CGI and financial performance measured by accounting measure of ROE. The study used a self-constructed CGI using disclosure made in annual reports. However, the study did not account for the influence of other corporate governance variables on disclosure which would impact company valuation. Consistent with Assankutty et al. (2019, p. 10), the current study investigated the impact of disclosure on performance. Since the unit of analysis is SOEs, which inherently face challenges of availability of CGI scores, the study used a self-constructed governance index developed from Malawi Code II of best practice of corporate governance.

3. RESEARCH METHODOLOGY

The current research has used critical realism applied multi-methodology. Critical realism does not accept the pure deductive method of positivism and the pure inductive method of interpretivism. As a pluralist paradigm, critical realism is also highly pluralistic in terms of research methods (Miller & Tsang, 2011). The paradigm uses multi-methodology and mixed design in its methodology (Mingers, 2006). This research which is based on critical realism combined quantitative and qualitative methods.

A three-phased approach was used to conduct a mixed-method retroductive research design. These phases include the appreciation phase that predominately uses the quantitative method, the retroduction phase, which involves the qualitative method, and the assessment phase, which includes both qualitative and quantitative inferences. This study has adopted the same retroductive research design, guided by the critical realism approach. This study was guided by the conceptual framework presented in Figure 1.

Figure 1. Conceptual framework of SOEs



To identify the factors that impact the effectiveness of corporate governance, the following hypothesis was employed:

H1: High religiosity cultures have a positive influence on company-level corporate governance systems.

Table 1. Cronbach's alpha test

Reliability statistics		
Cronbach's alpha	Cronbach's alpha based on standardized items	No. of items
0.904	0.905	10

The religiosity questionnaire had ten items. The researcher performed a Cronbach's alpha to test the reliability of the measurement instrument. The results of the Cronbach's alpha test (see Table 1)

$$\begin{aligned}
 Y_{it-1} = & \alpha + \beta_1 LF_{it} + \beta_2 OAR_{it} + \beta_3 Contract_{it} + \beta_4 BSize_{it} + \beta_5 NED_{it} + \beta_6 PAF_{it} + \beta_7 Civil_{it} + \beta_8 BInt_{it} + \\
 & + \beta_9 Dual_{it} + \beta_{10} BAud_{it} + \beta_{11} Comp_{it} + \beta_{12} Risk_{it} + \beta_{13} Nom_{it} + \beta_{14} Eval_{it} + \beta_{15} Freq_{it} + \beta_{16} CApp_{it} + \\
 & + \beta_{17} BApp_{it} + \beta_{18} Tenure_{it} + \beta_{19} GC_{it} + \beta_{20} ExtAud_{it} + \beta_{21} Third_{it} + \beta_{22} Conflict_{it} + \beta_{23} AnRpt_{it} + \beta_{24} Lev_{it} + \\
 & + \beta_{25} Grants_{it} + Z_1 LnAssets_{it} + Z_2 LnAge_{it} + Z_3 Industry_{it} + Z_4 Compete_{it} + \eta_i + \varepsilon_{it}
 \end{aligned} \tag{1}$$

Stepwise regression was applied to the entire model both as a dimensionality reduction technique as well as to eliminate multicollinearity in the independent variables. A final model was selected that best explains the impact between governance variables and SOEs' performance. The final model assumed a dynamic relationship between corporate governance variables and SOEs' performance, consistent with Nguyen, Locke, and Reddy (2014). To identify mechanisms and structures that caused the observed performance, an intensive design was undertaken on a selected case and this was achieved through the use qualitative case study.

The sample frame for the extensive design included all commercial SOEs registered with the Registrar of Companies and established through the Acts of Parliament, which were active between 2000 and 2016. However, regulatory, training, and commercial, financial institutions were excluded. The final sample included 13 listed and non-listed commercial SOEs. Data used for the period from 2000 to 2016 was collected from annual reports and other organisational documents. Out of the 13 SOEs that were active between 2000 and 2013, only 9 SOEs had complete data. In a study that has a small population, Easton (2010) argues that cases studies with a suitable small number of entities and

revealed that the instrument used in the first research question (RQ1) is highly reliable thereby passing the reliability test with a test result of 0.90.

The second research question (RQ2) is aimed at investigating the effect of corporate governance variables on SOEs' performance. This study has identified the following corporate governance variables: legal form, board attributes, capital structure, and disclosure.

To investigate the effect of corporate governance variables on performance, the study developed the following hypothesis:

H2: Good corporate governance practices have a positive influence on SOEs' performance.

The study used multiple regression analysis to test the above hypothesis. The following model was used:

where the objective of the study is to seek causality are available. Yin (2009) advocates the use of case study where the objective of the study is to investigate "a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (p. 18).

The current study used a purposive sampling technique to select cases from all non-financial commercial SOEs for the period from 2000 to 2016. Yin (2009) recommends the use of a multiple-case design against a single-case design. The multiple-case design can enhance external validity through replication logic (Yin, 2009, p. 41). For the purpose of the current study, four cases were chosen from a population of 13 for a detailed analysis. These cases were selected based on performance, complexity, diversity, as well as their relevance to the phenomenon under study, and a criterion that is in line with Stake (2006, p. 23).

The study used quantitative data analysis to analyse the relationship between corporate governance variables and performance. In addition, the study analysed the relationship between socio-cultural variables and the quality of corporate governance. The quantitative method employed a longitudinal panel study. The use of panel data analysis using fixed effects and random effects

estimation was applied for initial regression analysis. Hausman specification test was carried out to check the suitability of random effects model consistent with the study by Ibrahimy and Ahmad (2012). Fixed effects estimation has its weaknesses as it suffers from biases one of which is the assumption that current observations are not dependent upon past events (Wintoki, Linck, & Netter, 2012). To minimize this bias, the study considered the use of a dynamic generalised method of moments (GMM) estimation (Wintoki et al., 2012). This was achieved by running Bover/Blundell-Bond estimation (Blundell & Bond, 1998) in STATA 13. To test the suitability of GMM, the study conducted a Durbin-Wu-Hausman (DWH) test that is used to check for the presence of endogeneity among regressors, this is in line with the study by Nguyen et al. (2014).

The second stage involved qualitative analysis using the critical realism case study method. Collected data has been categorised according to themes or research questions. Codes were assigned to data for ease of reduction. The critical realism data analysis used retrodution to identify structures and generative mechanisms which is a similar approach used by Miller and Tsang (2011).

4. RESULTS

To identify factors that influence the effectiveness of corporate governance of SOEs in Malawi, a model was developed from a hypothesis (H1) meant to test the influence of religiosity on corporate governance. A model was developed as shown below:

$$GovScore_i = \alpha + \beta_1 REL_i + Z_1 LnCSize_i + Z_2 Lev_i + Z_3 LF_i + \eta_i + \epsilon_i \quad (2)$$

A structured questionnaire was administered to all 13 SOEs to obtain scores for the quality of governance. Another structured questionnaire was administered to obtained data for religiosity. Only 9 SOEs responded with complete data. These 9 SOEs represented all major industries which include tourism, water utilities, telecommunications, energy, and property development.

4.1. Factors impacting corporate governance

Table 2 presents summary statistics for the 9 SOEs. The results show that the mean value of governance score (*GovScore*) is 69.44 while the maximum and minimum scores are 84 and 46, respectively. The standard deviation for *GovScore* is 10.31. The results show that the quality of governance for the sampled SOEs is slightly above average indicating above-average compliance with corporate governance principles. The religiosity (*REL*) findings show the mean value of 36.77 with the maximum and minimum values of 41.86 and 22, respectively. With the possible maximum score of 50, the results show an average of 73% of respondents adhere to religious values and this confirms that Malawi is a religious country. The standard deviation for *REL* is 6.30. Three control variables were used in this model: company size (*CSize*), leverage (*Lev*), and legal form (*LF*), their mean values are 7.48, 1.56, and 0.33, respectively.

Table 2. Descriptive statistics: Cultural values vs. corporate governance

Variable	Obs.	Mean	Std. Dev.	Min	Max
Dependent variable					
<i>GovScore</i>	9	69.44	10.31	46	84
Independent variable					
<i>REL</i>	9	36.77	6.30	22	41.86
Control variable					
<i>LF</i>	9	0.67	0.5	0	1
<i>Lev</i>	9	1.56	2.7	0.04	8.6
<i>CSize</i>	9	7.48	0.29	7.14	8

Notes: Table 2 above shows descriptive results of cultural values of religiosity and quality of corporate governance. Religiosity is the average score per SOE collected through a questionnaire administered to directors and senior managers. Control variables include legal form (*LF*), leverage (*Lev*), and company size (*CSize*) obtained from company records including annual reports. For *LF*, 1 represents SOEs established under the Companies Act, 0 for otherwise. *Lev* stands for a ratio of debt to total assets while *CSize* stands for the logarithm of SOE assets.

Table 3 presents the Pearson correlation matrix between the quality of corporate governance score as the dependent variable and religiosity. The results show a weak and insignificant negative relationship between religiosity and governance score. However, governance score is positively related to legal form, leverage, and company size but the relationship is weak and insignificant.

Table 3. Pearson correlation matrix: *REL* and *GovScore*

Variable	Factors impacting on corporate governance				
	<i>GovScore</i>	<i>REL</i>	<i>LF</i>	<i>Lev</i>	<i>CSize</i>
<i>GovScore</i>	1.000				
<i>REL</i>	(0.179)	1.000			
<i>LF</i>	(0.307)	0.276	1.000		
<i>Lev</i>	0.104	0.014	0.308	1.000	
<i>CSize</i>	0.121	0.508	(0.188)	(0.068)	1.000

Notes: The correlation matrix above shows that religiosity and control variables of legal form, leverage, and company size are not significantly related to governance score. The p-values of *REL* ($p = 0.13$); *LF* ($p = 0.42$); *Lev* ($p = 0.79$) and *CSize* ($p = 0.756$) are all above the threshold of $p < 0.05$.

Table 4 presents results from regression analysis for factors that influence the quality of corporate governance measured by governance score.

Table 4. Regression analysis: Cultural values and governance score

<i>GovScore</i>	Coefficient	$p > t$
(Constant)	3.76	0.00
<i>REL</i>	(0.00)	0.60
<i>LF</i>	(0.08)	0.41
<i>Lev</i>	0.01	0.49
<i>CSize</i>	0.09	0.62
No. of obs.		9
R		0.642
Pseudo R ²		0.412
Adj. R ²		-0.176
F		0.701
$p > Chi^2$		0.7346

Notes: P-value for *GovScore* is 0.63 which is greater than 0.05 showing that religiosity as an independent variable is not able to predict the outcome of quality of governance in the sampled SOEs.

The OLS results in Table 4 fail to support H1 that religiosity has any significant influence on the quality of corporate governance after controlling for legal form, leverage, and company size. Holding all factors constant, results show that

the governance score coefficient is 13.99. The R^2 is just below average at 41% indicating a lower explanatory power of the independent variable on governance score. The p-value for the model is higher at 0.63 indicating that the model does not explain the influence between governance score and religiosity. The p-value for religiosity at 0.25 holding all other factors constant shows that religiosity does not have any influence on governance score. Therefore, the study accepts the null hypothesis.

4.2. Corporate governance and SOEs' performance

This section presents statistical results in answer to RQ2 of the research study. The aim of this research question was to investigate the impact of corporate governance on the performance of SOEs in Malawi.

$$Y_{it} = \alpha + \beta_1 LF_{it} + \beta_2 BSize_{it} + \beta_3 PAf_{it} + \beta_4 Risk_{it} + \beta_5 Freq_{it} + \beta_6 Tenure_{it} + \beta_7 Civil_{it} + \beta_8 Third_{it} + \beta_9 Conflict_{it} + \beta_{10} AnRpt_{it} + \beta_{11} Lev_{it} + Z_1 LnAssets_{it} + Z_2 LnAge_{it} + Z_3 Industry_{it} + Z_4 Compete_{it} + \eta_i + \varepsilon_{it} \quad (3)$$

Some independent variables were dropped from the initial models due to various reasons which include multicollinearity, similar scores for all SOEs, and unavailability of data.

Table 5 presents a summary or descriptive statistic from 9 SOEs covering the period from 2000 to 2016. There are 25 dependent variables that were measured and 4 control variables. The results also show there were 133 observations from a maximum expected number of 144 observations. Results show that mean of *EBIT* is MWK 472,158 million, while

Four groups of corporate governance variables were identified as legal form, board attributes, capital structure, and disclosure and transparency. Two SOEs' performance measures were identified as dependent variables and these are *EBIT* and *ROA*. Data was collected from 9 SOEs through document review of annual reports, interviews using a semi-structured questionnaire which was used as a guide.

Stepwise OLS was applied to the initial model to reduce the number of independent variables in order to establish those that have better explanatory power. The other reason for applying stepwise was to avoid multicollinearity. This is consistent with the study conducted by Hussain, Rigoni, and Orij (2018). After applying stepwise, the following model was developed:

the maximum and minimum are MWK 16,150,914 billion and MWK -2,432,075 billion, respectively. The standard deviation for *EBIT* is MWK 2,117,970.9 billion. Results for *ROA* show that the mean is 0.4% while the maximum and minimum *ROA* are 21.8% and -46%. The standard deviation for *ROA* is 8.5%. The high standard deviation for both *EBIT* and *ROA* shows the performance of SOEs is widely spread from the mean indicating high variability from good performing SOEs to poor performing SOEs.

Table 5. Descriptive statistics OLS: Corporate governance and performance

Variable	Observations		Mean	Std. Dev.	Minimum	Maximum
	Valid	Missing				
<i>EBIT</i>	133	0	472,157.7	2,117,970.9	(2,432,075.0)	16,150,914.0
<i>ROA</i>	133	0	0.00	0.08	(0.46)	0.22
<i>LF</i>	133	0	0.28	0.45	-	1.00
<i>BSize</i>	128	5	11.72	2.95	5.00	19.00
<i>Risk</i>	133	0	0.10	0.30	-	1.00
<i>Freq</i>	132	1	4.04	0.31	4.00	7.00
<i>Tenure</i>	128	5	2.15	1.37	-	5.00
<i>Civil</i>	128	5	0.33	0.07	0.20	0.58
<i>AnRpt</i>	133	0	0.36	0.48	-	1.00
<i>Third</i>	133	0	0.14	0.35	-	1.00
<i>Conflict</i>	132	1	0.11	0.31	-	1.00
<i>Lev</i>	132	1	1.73	7.89	(35.19)	65.99
<i>LnCSize</i>	131	2	6.68	1.17	-	7.98
<i>LnAge</i>	133	0	1.32	0.44	-	1.94
<i>Industry</i>	133	0	2.84	1.14	1.00	5.00
<i>Compete</i>	133	0	0.32	0.47	-	1.00

Notes: Table 5 represents descriptive statistics for corporate governance as independent variables and accounting performance of *EBIT* and *ROA*. These data were obtained from annual reports and company documents including interviews. The results cover a period from 2000 to 2016 for 9 SOEs. The panel is unbalanced as some SOEs did not have complete records for all the years.

On ownership structure, results show that legal form (*LF*) had an average of 0.28 with a standard deviation of 0.45. Over 80% of the sampled SOEs are established under the Acts of Parliament and are wholly owned by the government.

The current study found that on average the board size (*BSize*) is 11.72 and its standard deviation is 2.95 revealing that most of the boards of directors are close to the average. The maximum board size is 19 while the minimum size is at 5. While the minimum and average is within the recommended board size, the results show that 36.8% are between 13 and 19, which is above the recommended. Overall, the results show compliance with good corporate governance principles in terms of board size. Results also show

that an average of 57% of board members are affiliated with governing political parties, a standard deviation of 14%. The minimum is 20% and the maximum 80%. The results show that the board representation is highly politicised with over 65% of the board above average. A politicised board leads to political interference and consequently to poor corporate governance practice. On boards with risk management committees (*Risk*) in their board, on average 10% of the boards have risk management committees with a standard deviation of 30%, and 90% of the board did not have a risk management committee. Results show that meetings were held as per requirements. On average 4.04 board meetings were held per SOEs per annum, with the maximum and minimum of 7 and 4, respectively. The standard

deviation for the frequency of board meetings (*Freq*) is 0.31. About 98% of the meetings were held as per the requirement that stipulates 4 sittings per year. Board tenure (*Tenure*) was averaged at 2.15 years with a standard deviation of 1.37 while the maximum was 5 years. The results show that the boards had a short tenure with about 68% having tenure of 2 years or less. Civil (*Civil*) represents a percentage of the board with the representation of directors from civil service. The results show that an average of 33% of the board were appointed from the civil service with a standard deviation of 0.7% while the maximum and minimum were 58% and 20%, respectively.

On annual reports (*AnRpt*), the results show that on average 36% of the sampled SOEs prepared their annual reports with a standard deviation of 48%. Approximately 64% of the period, annual reports were not prepared by some SOEs. On third party disclosure (*Third*), results show that on average 14% of the SOEs had third party disclosure with a standard deviation of 35%. Results show that 86% did not have third-party disclosure in their annual reports or financial statements. On disclosure of conflict of interest (*Conflict*), results show that an average of 11% had disclosure of conflict of interest with a standard deviation of 31%. Approximately 89% of the annual and financial reports had no disclosure of conflict of interest. Quality of disclosure is a measure of compliance and accountability. As shown from the results above, most of the SOEs do not comply with corporate governance principles because of a lack of disclosure. On the capital structure, results show that leverage (*Lev*) had an average of 1.73 with a standard deviation of 7.89 while the maximum and

minimum were 65.99 and -35.19, respectively. The results show that the SOEs are highly leveraged.

Correlation coefficients of key variables for 133 observations of the study for the period from 2000 to 2016 for 9 SOEs were calculated. Accounting performance measures of *EBIT* and *ROA* have a weak positive correlation of $r = 0.48$ indicating that these performance measures cannot be used interchangeably. Results show that *EBIT* has a significant positive correlation at p-value of < 0.05 with legal form, risk management committee, annual performance, and company size. However, *EBIT* was significantly and negatively correlated with political party affiliation. Regarding *ROA*, results show that performance is significantly and positively correlated at p-value of < 0.05 with independent variables of legal form, risk management committee, tenure, annual report, third party disclosure, conflict of interest, disclosure leverage, and company size. In addition, *ROA* is also negatively related to political affiliation and civil servants' presence in the board at $r = -0.25$ ($p = 0.005$). Correlations results for both *EBIT* and *ROA* are in support of *H2* that corporate governance practices have a positive influence on SOEs' performance.

The OLS results in Table 6 show that there is a significant relationship between both *EBIT* and *ROA* and the independent variables. However, before a further analysis could be performed, it was noted that two of the independent variables of corporate governance namely, *LF* and *Conflict* had very high variance inflation factor (VIF) indicating that they were correlated with other corporate governance variables. These variables were then dropped, and a further regression test was conducted to check multicollinearity on the remaining corporate governance variables.

Table 6. OLS Regression analysis for multicollinearity

Variable	EBIT			ROA		
	Coefficient	p > (t)	VIF	Coefficient	p > (t)	VIF
(Constant)	(2,817,871)	0.43		0.09	0.53	-
<i>LF</i>	2,389,876	0.04	13.90	0.01	0.74	13.90
<i>BSize</i>	(22,744)	0.76	2.47	(0.00)	0.44	2.47
<i>PAf</i>	(284)	0.99	5.65	(0.00)	0.62	5.65
<i>Risk</i>	5,652,583	0.00	2.07	0.08	0.00	2.07
<i>Freq</i>	378,799	0.43	1.18	0.02	0.41	1.18
<i>Tenure</i>	44,136	0.78	2.37	0.00	0.72	2.37
<i>Civil</i>	27,653	0.36	2.11	(0.00)	0.39	2.11
<i>AnRpt</i>	(663,542)	0.26	4.13	(0.03)	0.19	4.13
<i>Third</i>	(2,110,245)	0.05	7.60	(0.05)	0.28	7.60
<i>Conflict</i>	(2,342,169)	0.19	16.46	0.20	0.01	16.46
<i>Lev</i>	2,154	0.91	1.11	0.00	0.00	1.11
<i>LnCSize</i>	(26,370)	0.85	1.30	(0.00)	0.77	1.30
<i>LnAge</i>	687,750	0.15	1.89	0.03	0.07	1.89
<i>Industry</i>	4,857	0.99	4.58	(0.03)	0.00	4.58
<i>Compete</i>	(459,963)	0.39	3.24	(0.11)	0.00	3.24
No. of obs.		126			126	
R ²		0.55			0.51	
Adj. R ²		0.49			0.44	
F		8.89			7.50	
Prob. > F		0.000			0.000	

Notes: The p-value for both independent variables is less than 0.05 indicating that overall, the independent variables reliably predict dependent variables of *EBIT* and *ROA*. VIF measures the extent of multicollinearity. A VIF score > 10 represents high multicollinearity. Table 6 shows that *LF* and *Conflict* have VIF of 13.90 and 16.46 which is above a score of 10. *LF* and *Conflict* were dropped.

Below is the model that was adopted after controlling for multicollinearity:

$$\begin{aligned}
 Y_{it} = & \alpha + \beta_1 BSize_{it} + \beta_2 PAF_{it} + \beta_3 Risk_{it} + \\
 & \beta_4 Freq_{it} + \beta_5 Tenure_{it} + \beta_6 Civil_{it} + \beta_7 Third_{it} + \\
 & + \beta_8 AnRpt_{it} + \beta_9 Lev_{it} + Z_1 LnCSize_{it} + \\
 & + Z_2 LnAge_{it} + \eta_i + \varepsilon_{it}
 \end{aligned}
 \quad (4)$$

Below are the results for regression analysis for corporate governance and SOEs' performance using OLS, fixed effects, random effects, and GMM estimations.

Table 7 presents OLS regression analysis for corporate governance and SOEs' performance.

Table 7. OLS regression analysis for corporate governance and SOEs' performance

OLS	EBIT			ROA		
	Coefficient	p > (t)	VIF	Coefficient	p > (t)	VIF
(Constant)	1,792,514.71	0.55		0.10	0.43	
BSize	(88,519.71)	0.21	2.13	(0.00)	0.38	2.13
PAf	(15,851.81)	0.39	3.55	(0.14)	0.06	3.55
Risk	5,583,065.21	0.00	1.92	0.09	0.00	1.92
Freq	306,351.58	0.52	1.14	0.02	0.24	1.14
Tenure	8,857.00	0.95	2.16	0.01	0.13	2.16
Civil	15,584.78	0.55	1.49	(0.00)	0.03	1.49
AnRpt	170,315.98	0.71	2.56	(0.03)	0.16	2.56
Third	(2,021,624.54)	0.00	2.34	0.03	0.30	2.34
Lev	7,267.07	0.69	1.10	0.00	0.00	1.10
LnCSize	28,265.12	0.84	1.27	(0.00)	0.64	1.27
LnAge	34,151.24	0.93	1.28	0.04	0.01	1.28
Industry	(470,982.84)	0.01	1.98	(0.01)	0.06	1.98
Compete	(1,121,976.82)	0.02	2.43	(0.09)	0.00	2.43
No. of obs.		127			126	
R ²		0.52			0.46	
Adj. R ²		0.46			0.41	
F		9.403			7.61	
Prob. > F		0.000			0.000	

Notes: The p-value for both EBIT and ROA is smaller than 0.05 showing that independent variables in both models reliably predict the outcome of the dependent variables of EBIT and ROA. Results in Table 7 show that there is a significant relationship between independent variables and dependent variables of EBIT and ROA. The R² for EBIT shows that 0.52 of the dependent variables is explained by the independent variables in the model. The adjusted R² is 0.46. As for ROA, results show that R² and adjusted R² are 0.46 and 0.39, respectively indicating that ROA is positively explained by independent variables in the model.

To overcome the endogeneity bias of “unobservable heterogeneity” (Schultz, Tan, & Walsh, 2010, p. 147), fixed effects estimation was applied on both EBIT and ROA. The results in Table 8 for EBIT and ROA of the fixed effects model revealed a significant relationship between corporate governance and SOEs' performance at p-value of less than 5% level.

Table 8. Fixed effects estimation for corporate governance and SOEs' performance

Fixed effects	EBIT		EBIT (with time)		ROA		ROA (With time)	
	Coefficient	p > (t)	Coefficient	p > (t)	Coefficient	p > (t)	Coefficient	p > (t)
(Constant)	(4,643,578.00)	0.20	(3,377,824)	0.403	(0.106)	0.46	(0.114)	0.45
BSize	(2,072.16)	0.98	(89,603.66)	0.358	(0.001)	0.69	(0.002)	0.62
PAf	65,425.13	0.98	55,819.82	0.983	(0.038)	0.92	(0.056)	0.57
Risk	5,368,946.00	0.000	5,465,616	0.000	0.063	0.03	0.439	0.12
Freq	375,194.20	0.43	403,544.10	0.435	0.015	0.41	0.044	0.02
Tenure	28,696.64	0.86	109,007.90	0.527	0.002	0.79	0.004	0.58
Civil	2,810,427.00	0.38	3,545,217.00	0.291	(0.103)	0.04	(0.172)	0.17
AnRpt	(308,548.50)	0.71	(286,331.30)	0.765	(0.013)	0.79	0.024	0.50
LEV	3,004.52	0.87	4,559.01	0.816	0.003	0.000	0.004	0.000
LnCSize	(50,625.24)	0.72	(51,758.89)	0.738	(0.002)	0.65	(0.003)	0.55
LnAge	1,815,987.00	0.09	1,435,139.00	0.363	0.090	0.03	0.055	0.35
Yr2001			(111,757.80)	0.912			(0.020)	0.593
Yr2002			177502.3	0.868			(0.046)	0.247
Yr2003			428417.3	0.681			(0.030)	0.441
Yr2004			2018.932	0.998			(0.013)	0.743
Yr2005			(2,465,700)	0.815			(0.058)	0.139
Yr2006			26427.36	0.980			(0.026)	0.5
Yr2007			(225,318)	0.831			(0.119)	0.003
Yr2008			(723,806)	0.498			(0.060)	0.133
Yr2009			(1,074,138)	0.328			(0.039)	0.336
Yr2010			(1,051,879)	0.351			(0.011)	0.796
Yr2011			(796,735)	0.500			(0.013)	0.759
Yr2012			(397,828)	0.737			(0.009)	0.835
Yr2013			(816,635)	0.494			(0.012)	0.0789
Yr2014			242,718	0.841			0.012	0.797
Yr2015			1,172,616	0.347			0.013	0.783
Yr2016			209,590	0.868			(0.015)	0.746
No. of obs.	126		126		126		126	
No. of groups	9		9		9		9	
R ²	0.45		0.5338		0.27		0.45	
Between R ²	0.02		0.04		0.14		0.35	
Overall R ²	0.24		0.29		0.18		0.40	
F	8.800		4.010		3.92		2.84	
Prob. > F	0.000		0.000		0.0001		0.0001	

Notes: Table 8 presents fixed effects estimation results. Results show that both EBIT and ROA are significantly associated with corporate governance. The p-value for both accounting measures is less than 0.05 indicating that independent variables in the models are able to predict the outcome of the dependent variables. The R² results show that 0.45 and 0.27 of EBIT and ROA are predicted by the model. Fixed effects estimation assumes time-invariant; the dependent and independent variables do not vary with time. In Table 8, time was applied to fixed effects for both EBIT and ROA. After applying time, the R² increased for both EBIT and ROA to 0.53 and 0.45, respectively. The results showed that EBIT and ROA are significantly associated with corporate governance. However, most of the time variables were insignificant.

To test for the appropriateness of the fixed effects estimation in the regression, the Hausman specification test was performed. The test was conducted to find out if there is a correlation between unique errors and regressors. The p-value of less than 0.05 would mean that the null hypothesis would have been rejected thereby accepting fixed effects estimation as the most

appropriate model. Hausman specifications tests in Table 9 show that the p-value for both *EBIT* and *ROA* are 0.1767 and 0.72, respectively. These p-values are above the threshold of 0.05; therefore, the study accepted the null hypothesis in both cases. Random effects estimation was found to be the most appropriate estimation.

Table 9. Random effects and Hausman test specification

Random effects	EBIT		ROA	
	Coefficient	p > (z)	Coefficient	p > (z)
(Constant)	1,667,916.00	0.58	0.10	0.42
<i>BSize</i>	(86,485.89)	0.22	(0.002)	0.38
<i>PAf</i>	(1,450,640.00)	0.44	(0.14)	0.05
<i>Risk</i>	5,642,021.00	0.00	0.09	0.000
<i>Freq</i>	323,395.90	0.50	0.03	0.19
<i>Tenure</i>	794.25	0.996	0.008	0.18
<i>Civil</i>	1,570,820.00	0.54	(0.23)	0.03
<i>AnRpt</i>	143,746.50	0.76	(0.03)	0.10
<i>Third</i>	(1,942,667.00)	0.00	0.04	0.14
<i>Lev</i>	7,179.99	0.70	0.00	0.00
<i>LnCSize</i>	29,661.63	0.83	(0.00)	0.66
<i>LnAge</i>	19,961.23	0.96	0.04	0.01
<i>Industry</i>	(481,005.00)	0.01	(0.01)	0.03
<i>Compete</i>	(1,145,613.00)	0.02	(0.09)	0.000
No. of obs.	126		126	
No. of groups	9		9	
R ²	0.43		0.24	
Between R ²	0.88		0.92	
Overall R ²	0.52		0.47	
Wald Chi ²	121.590		98.98	
Prob. > Chi ²	0.000		0.000	
Hausman test Chi ² (10)	13.920		7.05	
Prob. > Chi ²	0.1767		0.72	

Notes: Table 9 presents results to test the suitability of random effects estimation over fixed effects. The Hausman specification test was conducted to test the appropriateness of random effects. $P > 0.05$ for the Hausman test means that random effects estimation is more efficient.

One of the endogeneity problems not addressed by fixed effects and random effects estimations is the one that arises from the effect of past actions on current performance. To address this bias, the study tested for the presence of endogeneity in all regressors as per prior studies (Nguyen et al., 2014; Shao, 2019; Khan, Al-Jabri, & Saif, 2019). A Durbin-Wu-Hausman (DWH) test was conducted and the results are presented in Table 10 and Table 11. The DWH results for *EBIT* in Table 10 fails to reject the null hypothesis for *EBIT* indicating that variables are exogenous therefore traditional static models of OLS, fixed effects, and random effects are efficient and consistent. Results for *ROA* presented in Table 11 show p-values of less than 0.05. In the case of *ROA*, the study shows that there is a concern of endogeneity therefore a dynamic model had to be applied.

Table 10. DWH endogeneity test for *EBIT*

$H_0: p > 0.05 =$ variables are exogenous		
$H_a: p \leq 0.05 =$ variables are endogenous		
Test results		
Test	Score	p-value
Durbin (Score) Chi ² (2)	1.65277	0.4376
Wu-Hausman F (2,112)	0.74433	0.4774

Notes: Table 10 presents results for the test of endogeneity for *EBIT*. The null hypothesis (H_0) states that variables are exogenous. The p-values results for *EBIT* are above the threshold of 0.05 indicating that the study failed to reject H_0 .

Table 11 below presents results of *ROA* for running the random effects model and the Hausman specification test.

Table 11. DWH endogeneity test for *ROA*

$H_0: p > 0.05 =$ variables are exogenous		
$H_a: p \leq 0.05 =$ variables are endogenous		
Test results		
Test	Score	p-value
Durbin (Score) Chi ² (2)	6.56516	0.0375
Wu-Hausman F (2,112)	3.07824	0.0500

Notes: Table 11 presents results for the test of endogeneity for *ROA*. The null hypothesis (H_0) states that variables are exogenous. The p-values results for *ROA* are equal and less than 0.05 indicating that the study rejects H_0 .

The final results for the *EBIT* accounting measure are presented in Table 12. The regression results show that *EBIT* is positively and significantly associated with the risk management committee in support of H_2 of our study but is negatively and significantly associated with third-party disclosure which is contrary to H_2 of the study. On the control variables, *EBIT* is negatively and significantly associated with industry and competition at a 5% level. The rest of the hypotheses are not supported by the results for the accounting measure of *EBIT* using both static models of random effects and OLS.

Table 12. Regression analysis: Corporate governance and SOEs' performance (EBIT)

EBIT	OLS			Random effects (GLS)		
	Coefficient	p > (t)	VIF	Coefficient	p > (t)	VIF
(Constant)	1,667,916	0.582		1,667,916	0.581	
BSize	(86,486)	0.226	2.13	(86,485.89)	0.224	2.13
PAf	(1,450,640)	0.438	3.55	(1,450,640)	0.436	3.55
Risk	5,642,021	0.000	1.92	5,642,021	0.000	1.92
Freq	323,396	0.498	1.14	323,396	0.496	1.14
Tenure	794	0.996	2.16	794	0.996	2.16
Civil	1,570,820	0.544	1.49	1,570,820	0.543	1.49
AnRpt	143,747	0.759	2.56	143,747	0.759	2.56
Third	(1,942,667)	0.002	2.34	(1,942,667)	0.002	2.34
Lev	7,180	0.697	1.10	7,180	0.697	1.10
LnCSize	29,662	0.829	1.27	29,662	0.829	1.27
LnAge	19,961	0.960	1.28	19,961	0.960	1.28
Industry	(481,005)	0.006	1.98	(481,005)	0.005	1.98
Compete	(1,145,613)	0.016	2.43	(1,145,613)	0.015	2.43
No. of obs.		126			126	
No. of groups		9			9	
R ²		0.52			0.43	
Adj. R ²		0.46				
F		9.350				
Prob. > F		0.000				
Wald Chi ²					121.59	
Prob. > Chi ²		0.000			0.000	

Notes: Table 12 presents results of regression analysis used to measure the relationship between corporate governance and SOEs' performance using OLS and random effects estimations. Both models reveal that the independent variables have a significant influence on performance at p-value of less than 5%. Performance in this model has used an accounting measure EBIT.

The results obtained for the DWH endogeneity test for ROA in Table 11 reveal that variables are endogenous therefore traditional static models of OLS and random effects were considered biased. In order to address the problem of endogeneity "due to unobserved heterogeneity, simultaneity and reverse causality" (Shao, 2019, p. 307), system-GMM model was applied since static models of OLS, fixed effects and random effects cannot produce unbiased

estimations where variables are endogenous (Saini & Singhania, 2018; Shao, 2019; Schultz et al., 2010). The study conducted further tests to check the validity of the dynamic model. The validity test was performed by running a post-estimation test of Sargan and Basman. Table 13 presents results for Sargan and Basman test. The p-value is above 0.05 indicating that the instruments used in the model are valid and consistent with a system-GMM model.

$$ROA = \alpha + \beta_1 BSize_{it-1} + \beta_2 PAF_{it-1} + \beta_3 Risk_{it-1} + \beta_4 Freq_{it-1} + \beta_5 Tenure_{it-1} + \beta_6 Civil_{it-1} + \beta_7 Third_{it-1} + \beta_8 AnRpt_{it-1} + \beta_9 Lev_{it-1} + Z_1 LnCSize_{it-1} + Z_2 LnAge_{it-1} + \eta_i + \varepsilon_{it-1} \quad (5)$$

Table 13. Sargan and Basman's over-identifying test for ROA

Test results		
Test	Score	p-value
Sargan (Score) Chi ²	1.53006	0.2161
Wu-Hausman F (2,112)	1.38906	0.2386

Notes: Table 13 presents the results of over-identification tests. The results confirm that the instruments used are valid and do not suffer from over-identification. These results confirm the validity of the instrument used in the regression. The instruments used for the test include BSize, PAF, Risk, Freq, Tenure, Civil, AnRpt, Third, and Lev.

The GMM results in Table 14 show that PAF is negatively and significantly associated with ROA at 10% level supporting the assertion that political affiliation of the directors leads to poor corporate governance practice. The findings of this study are also consistent with the results obtained by Cong Phuong, Dinh Khoi Nguyen, and Phuoc Vu (2020) on Vietnamese state-owned companies. Their study revealed that the presence of politicians on the board increases the degree of political interference in the SOEs. Results also show that Risk is positively and significantly related to ROA. The inclusion of risk management committee in the board leads to an effective board structure. Board structure is one of the elements of an effective corporate governance framework. The results of Risk support H2 good corporate governance practices have a positive influence on

SOEs' performance. Civil is negatively and significantly associated with ROA at 5% for OLS and random effects models but the level of significance changes to 10% when dynamic models are employed. The results show that the inclusion of civil servants in the board affects the effectiveness of corporate governance and consequently has a negative effect on performance. Third-party disclosure (Third) is negatively and significantly related to ROA at a 5% level for the GMM model contrary to H2. Third-party disclosure is meant to be a building block of effective corporate governance practice. Results obtained in the study may mean that third-party disclosure is done for the sake of legitimization purposes.

On the capital structure, results show that Lev is positively and significantly related to ROA at a 5% level in all models in Table 14 supporting a postulation that capital structure leads to better performance because of the control that this external governance mechanism exerts on agents. Control variables of industry and competition are negatively related to performance, but age is negatively related to ROA at a 5% level on OLS and random effects models. However, these control variables do not have any influence when dynamic models are applied suggesting that the relationship may be as a result of the spurious correlation between corporate governance and ROA when static models of OLS and random effects are applied and which consequently disappear after employing dynamic models.

Results from both static and dynamic models confirm that there is a significant relationship between corporate governance and performance. Correlation results confirmed that there is a significant correlation between effective corporate governance practice and company performance. On regression, *EBIT* and corporate governance had

a weak significant relationship than *ROA*, which used a dynamic model. To understand the causes of performance observed during the quantitative data analysis, the study employed qualitative analysis consistent with the critical realism research paradigm. The next section presents results from the qualitative data analysis.

Table 14. Regression analysis: Corporate governance and SOEs' performance (*ROA*)

<i>ROA</i>	<i>OLS</i>		<i>RE</i>		<i>2SLS (IV)</i>		<i>GMM-system</i>	
	Coefficient	<i>p</i> > (<i>t</i>)	Coefficient	<i>p</i> > (<i>z</i>)	Coefficient	<i>p</i> > (<i>z</i>)	Coefficient	<i>p</i> > (<i>z</i>)
L1							0.32191	0.000
(Constant)	0.0965	0.04	0.0965	0.42	0.2334	0.38	0.00385	0.97
<i>BSize</i>	(0.0025)	0.38	(0.0025)	0.38	(0.0005)	0.92	(0.00165)	0.55
<i>PAf</i>	(0.1442)	0.06	(0.1442)	0.05	(0.4393)	0.12	(0.02351)	0.73
<i>Risk</i>	0.0910	0.00	0.0910	0.000	0.1319	0.00	0.61057	0.01
<i>Freq</i>	0.0250	0.19	0.0250	0.19	0.0438	0.12	0.01678	0.27
<i>Tenure</i>	0.0081	0.18	0.0081	0.18	0.1934	0.13	0.00067	0.90
<i>Civil</i>	(0.2304)	0.03	(0.2304)	0.03	(0.5079)	0.08	(0.18235)	0.08
<i>AnRpt</i>	(0.0304)	0.11	(0.0304)	0.10	0.0680	0.11	0.00844	0.71
<i>Third</i>	0.0373	0.14	0.0367	0.14	0.2489	0.09	(0.16535)	0.02
<i>Lev</i>	0.0033	0.000	0.0033	0.000	0.0036	0.000	0.00223	0.000
<i>LnCSize</i>	(0.0024)	0.66	(0.0024)	0.66			(0.00215)	0.5810
<i>LnAge</i>	0.0420	0.01	0.0420	0.01			0.00310	0.9200
<i>Industry</i>	(0.0146)	0.04	(0.1461)	0.03			0.17232	0.2790
<i>Compete</i>	(0.0891)	0.000	(0.0891)	0.000				
No. of obs.	126		126		126		126	
No. of instruments							119	
No. of groups	9		9		-		9	
<i>R</i> ²	0.46		0.24		0.01		0.25	
Between <i>R</i> ²	-		0.92		-		-	
Overall <i>R</i> ²			0.47		-		-	
<i>F</i> (13,112)	7.61							
Wald <i>Chi</i> ²			98.98		44.51		108.23	
Prob. > <i>F</i>	0.000							
Prob. > <i>Chi</i> ²			0.000		0.000		0.000	

Notes: Table 14 presents comparative regression results for static models and dynamic models of 2SLS and GMM-system. There is a significant relationship between corporate governance and performance variable of *ROA* at *p*-value of < 0.05.

4.3. Qualitative data analysis

In line with the critical case study design, the second part of the study had to do with the qualitative part of the study to identify governance structures and mechanisms that emerged from various themes. Results were obtained through document reviews

and personal interviews. Results from the interviews are summarised in Table 15 and were applied to four cases using the replication model. Table 15 presents the frequency of themes and governance mechanisms summarised from interviews collected from 9 SOEs.

Table 15. Frequency of themes and governance mechanisms

Theme/Governance mechanism	Frequency of respondents	Effect on SOEs' performance
1. Legal form		
1.1. External institution monitoring	36%	+
1.2. Decreased shareholder power	43%	+
1.3. Increased state ownership power	36%	-
1.4. Institutional shareholding	7%	+
2. Ownership arrangements		
2.1. Multiple and conflicting principals	43%	-
3. Board attributes		
3.1. Qualified and independent board	36%	+
3.2. Captured and ingratiated board	57%	-
4. Capital structure		
4.1. Soft budget constraints	18%	-
5. Disclosure		
5.1. Conflict of interest	36%	-
6. Cultural values		
6.1. Cronyism	50%	-
6.2. Large power distance	32%	-
6.3. Materialism	18%	-

The results in Table 15 reveal that corporate governance influences corporate performance. Effective legal form and board of governance have a positive influence on performance while captured board, soft budget constraints, lack of disclosure, and socio-cultural values have a negative effect on

performance. After applying the above mechanism to selected cases, the following results were obtained. Table 16 presents a list of selected cases chosen based on their performance, and Table 17 presents summarised results from case analysis following replication logic.

Table 16. Selected cases

Case	Name of the case	Industry	Selection criteria
1	Sunbird Tourism Ltd.	Tourism	Consistently good performer.
2	ESCOM	Energy	For the period under study, the SOE has performed well but in 2017-2018 the company is operating under distress. A good case.
3	Malawi Posts Corporations (MPC)	Telecommunications	Poor performance most of the years under study.
4	Malawi Housing Corporation (MHC)	Property development	Consistently poor.

Notes: Table 16 is a list of cases that have been selected based on performance. Case 1 represents the best performing SOE which is followed by the other good performing SOE and then two poor-performing SOEs.

Table 17. Comparative analysis of four cases

Governance mechanism	Effect on performance of SOEs			
	Sunbird	ESCOM	MHC	MPC
Shareholder power	Decreased shareholders' power contributed positively.	Increased shareholders' power has a negative effect.	Increased shareholders' power has a negative effect.	Negative performance due to increased shareholders' power.
External monitoring institution	The presence of Malawi Stock Exchange (MSE) contributed to a strong governance mechanism	The existence of the Malawi Challenge Corporation (MCC) compact contributed to a positive monitoring mechanism but was not sustainable because had a limited mandate.	The absence of external monitoring institutions had a negative effect on corporate governance practices.	The absence of external monitoring institutions had a negative effect on the effectiveness of the governance system.
Ownership arrangements	There was no effect of ownership arrangement in terms of multiple principals.	Multiple principals had an effect on the operations of the ESCOM including conflict of interest among the reporting lines.	Multiple principals and approvals contribute to delays in critical decisions as a result performance is affected.	Poor performance has been attributed to multiple approvals and principles which contributes to delays in decision making.
Qualified and independent board	A qualified and independent board contributed to the effectiveness of internal governance mechanisms.	A qualified but not independent board was attributed to poor performance.	Somewhat qualified but not independent board contributed to poor performance.	Somewhat qualified but lacked independence and contributed to its poor performance due to lack of competitiveness of the company in the industry.
Captured and ingratiated	Sunbird was neither captured nor ingratiated. The lack of this generative mechanism contributed to effective board and good performance.	Evidence of a captured and ingratiated board led to poor performance.	A board was both captured and ingratiated. This is led to poor performance amidst a competitive environment.	A board captured and ingratiated and was a mere spectator. Contributed to poor performance in a competitive environment.
Soft budget constraint	The soft budget constraint does not influence performance.	The soft budget influence was visible, but this did not have a negative influence. However, the budget constraint was positively related to performance.	Soft budget constraints did not have any effect on performance.	Soft budget constraints did not have any effect on performance. However, lack of funding for social obligations had a negative effect on performance.
Transparency and disclosure	There was proper disclosure, and this had a positive effect on performance.	A lack of transparency and prevalence of conflict of interest contributed to poor performance.	There was a lack of disclosure but there was no relationship between disclosure and performance.	There was a lack of disclosure as stipulated by the act but there is no relationship between disclosure and performance.
Cronyism	No evidence of cronyism.	Evidence of cronyism was prevalent and this contributed to poor performance.	There was evidence of cronyism which contributed to poor performance.	There was evidence of cronyism and this had some effect on performance.
Large power distance	While there was evidence of large power distance, this did not affect performance due to an effective monitoring framework.	Large power distance had a negative effect on good corporate governance.	Large power distance had a negative effect on good corporate governance practices.	Large power distance affected good corporate governance practices.
Materialism	There is no effect of materialism on corporate governance.	Materialism had a negative effect on good corporate governance practices.	Materialism appears to have some effect on good corporate governance practices.	Materialism had no effect on corporate governance practices.

Responding to a question about the ideal legal form, respondents from ESCOM and Sunbird said that if these organisations are to perform well, the government should not own more than 50% of the shares. The findings of this study are consistent with the study conducted by Lin and Fu (2017) on

Chinese companies listed on Shanghai Stock Exchange (SHSE) and Shenzhen Stock Exchange (SZSE), who found that government-controlled companies are related to poor performance. One way of constraining state power is through listing on the stock exchange.

Other highlights from the interviews have revealed that board size does not significantly impact the SOEs' performance. However, respondents noted that political party leaders use SOEs to reward their political protégés. Responding to the question about the effect of tenure on the performance of SOE, some respondents felt that the short term has a negative effect on the stability of the SOE (Department of Statutory Corporations, DSC). In contrast, others felt that when people overstay in a position, they lose innovation and creativity (ESCOM). The short term was attributed to poor performance and the eventual collapse of Malawi Development Corporation (MDC). Where the state is a sole shareholder, the appointment process is flawed, the board is captured, and hence the committees become ineffective. Committees as board structures in this scenario are used for legitimation to meet the minimum requirements or to conform to the rules and regulations.

Transparency and disclosure are the key elements of corporate governance. However, interviews and documents reviewed reveal that there is a prevailing culture of secrecy that pervades Malawian corporate society. This culture of secrecy promotes non-disclosure of conflict of interests and compromise levels of compliance. It was also noted that non-compliance issues are related to cronyism which is prevalent in a legal form where the government is the sole shareholder. The study also noted that most of the institutions did not bother to disclose their financial results and other material effects to the general public except for Sunbird, the listed SOE. A lack of transparency and disclosure is a characteristic of a large power distance society. This finding agrees with the study of Qu and Leung (2006) who noted that large power

distance cultures are less transparent and very secretive in terms of disclosures. Large power distance is an antecedent to culture of cronyism. Boateng, Wang, Ntim, and Glaister (2020) found that large power distance has an influence on favouritism and nepotism which form part of the elements of cronyism.

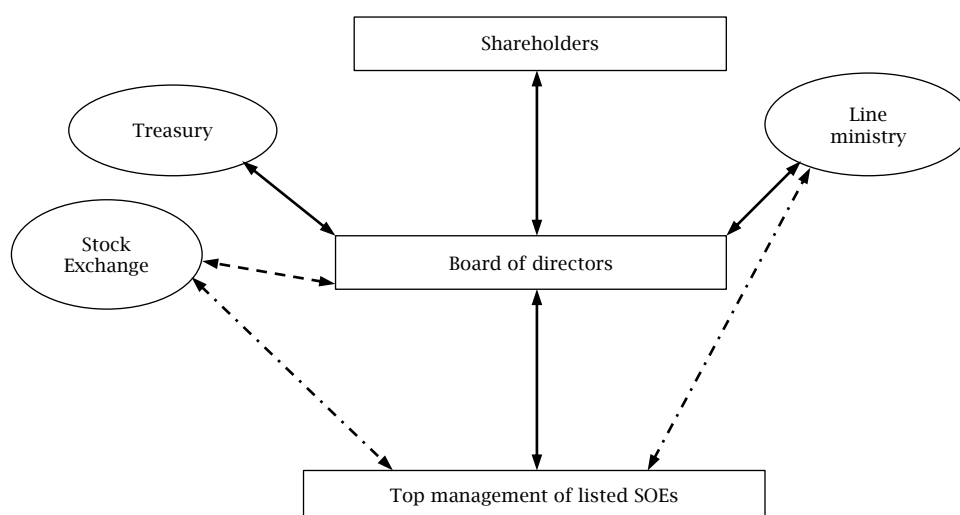
Cronyism can either be horizontal or vertical. Horizontal cronyism is where peers share favours, while in vertical cronyism, superiors extend favours to their subordinates (Shaheen, Bari, Hameed, & Anwar, 2019). It is the vertical cronyism that is prevalent in Malawi. Related to cronyism, the study observed a growing culture of materialism. Materialism has been associated with increased incidents of corruption. Lu and Lu (2010) found that higher materialism was related to lower ethical values in Indonesia. Several respondents attributed materialism to lower levels of ethical standards in Malawi's corporate society.

5. PROPOSED CORPORATE GOVERNANCE FRAMEWORK AND RECOMMENDATIONS

Based on the aforementioned findings, the study would like to make the following recommendations to strengthen the corporate governance framework.

Figure 2 shows that management reports directly to the board, which reports to shareholders. In addition, Malawi Stock Exchange (MSE) serves as an external governance monitoring mechanism. Line ministry advised on policy matters, but it does not exercise ownership rights on behalf of shareholders. We propose that listed SOEs use this structure because it has proved effective.

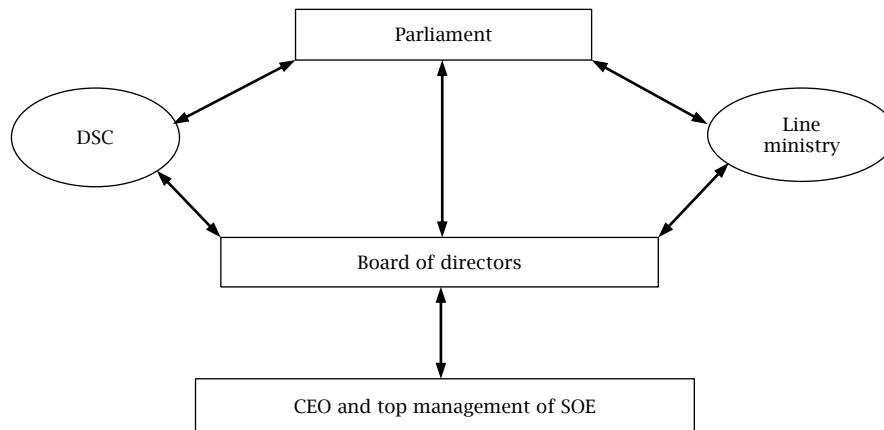
Figure 2. Proposed Sunbird Tourism Ltd. ownership arrangement



For SOEs established by the Act of Parliament that may not change their legal form to a limited company, we propose that the ownership arrangement for SOEs should be streamlined. Management of SOE should report to the board, which reports to the Parliament, the Department of

Statutory Corporations (DSC), and the line ministry. We recommend that the board of directors should be a representative body between shareholders and management of SOEs for whole government-owned companies as per Figure 3.

Figure 3. Proposed ownership arrangement of wholly government-owned SOE source



5.1. Recommendations to the Government of Malawi

Below are some recommendations to the Government of Malawi:

- The Government should harmonise legal instruments and remove any ambiguities.
- The state should invite private minority shareholders for all companies established under the Companies Act. This should be through listing on the Malawi Stock Exchange.
- The state should establish an ownership entity that has the capacity to exercise its shareholders' rights.
- The study recommends that the DSC can be capacitated to be an ownership entity for the state.
- The appointment process of directors and management for wholly-owned government SOEs should be outsourced to independent job placement companies. This will ensure that there is transparency and that only qualified directors are recruited.
- The board tenure should be a minimum of 3 years subject to renewal on satisfactory performance for additional 3 years. However, the tenure of Chairperson should be a minimum of 4 years and subject to renewal for an additional one term. Tenure should not be tied to political changes.
- The reporting system should be streamlined. Management should report to the board and the board should report to the ownership entity, which should report to the parliamentary committee on public accounts.

5.2. Recommendations to the National Assembly

Recommendations to the National Assembly are as follows:

- The Parliament should amend Acts to create harmony. Clauses that give the minister power to appoint and dismiss directors or CEOs should be amended.
- The Parliament, through the Public Appointments Committee, should confirm all candidates appointed to serve as directors through a transparent appointment process.
- The Parliament, through the Public Accounts Committee, should review performance reports from SOEs and hold the board accountable.

- The Parliament should amend roles that give independence to the governance bodies like ACB, NGO, and National Audit Office.

5.3. Recommendations to the boards of directors

The board is the highest internal governance institution of an SOE tasked with making performance improvement decisions. The following recommendations are made for the board:

- The board should perform its fiduciary responsibility with due care and act independently without external influence.
- The board should be the only authority in appointing CEOs for SOEs.
- The board should submit performance reports to shareholders, the ownership entity on behalf of the shareholders, and the public accounts committee of the National Assembly timely.

6. CONCLUSION

The study concludes that large power distance, cronyism, and materialism negatively affect the quality of corporate governance. The study also concludes that legal form and ownership arrangements influence the performance of SOEs measured by ROA. Increased state ownership hurts performance, and decentralised arrangements negatively affect monitoring and control and invariably the performance of SOEs. In addition, the study concludes that the increased shareholder's power of state nature without external monitoring mechanism leads to non-commercial expediency, which results in poor performance. The study further concludes that qualified and independent directors positively affect SOEs performance; on the contrary, a captured and ingratiated board has a negative effect on performance. The study has found that board effectiveness is influenced by the level of state ownership. Increased state ownership leads to a captured and ingratiated board.

Increased state ownership also negatively affects board effectiveness through the appointment process of the board and management. However, reduced state ownership through listing positively influences board quality and independence. The study concludes that shorter board tenure due

to increased state ownership has a negative effect on the performance of SOEs. On board structures, the study concludes that board committees positively influence performance. However, the effectiveness of the committees mirrored that of the board. Committees like the board are a function of state ownership. SOEs which had risk management committees performed better than their counterparts.

The study further concludes that civil servants and ex-officio members on the board do not add value to SOEs. On the contrary, their presence affects board independence and regresses the SOEs into government departments. In addition, their presence increases the conflict of interest. On the capital structure, the study concludes that leverage has a positive and significant influence on the performance of SOEs. It has further been concluded that soft budget constraint does not have any influence on performance. Finally, the study concludes that transparency and disclosure influence performance because it promotes accountability. Disclosure is moderated by legal form and cultural variables. Increased state ownership leads to low levels of disclosure.

The current study is a pioneering work that has combined socio-cultural values, corporate governance, and the performance of SOEs. The main

contribution of this paper is the development of a strategic corporate governance framework for SOEs for a developing country to enhance performance. In addition, the authors have also established the influence of socio-cultural values on the effectiveness of corporate governance in less developed markets. The study has not exhausted the issue of socio-cultural values and their impact on corporate governance. Future studies should expand to private sector companies to understand how socio-cultural values impact corporate governance and company performance. This study focused on commercial SOEs; further studies should include all statutory bodies.

The other limitation is that this study is based on a case study of SOEs from one country. The use of the case study method has raised the debate of generalisation. Whereas positivists view generalisation of the observed events in the empirical domain (Zachariadis, Scott, & Barrett, 2013), in other words, generalising findings from a sample to a population (Yin, 2016, p. 104), critical realists, on the other hand, argue that generalisation can only be that of generative mechanism (Zachariadis et al., 2013). While this study does not claim statistical generalisation, the use of replication logic has been used to achieve analytical generalisation (Yin, 2009).

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APPENDIX. QUESTIONNAIRES

Table A.1. Quality of SOEs' corporate governance (Part 1)

Score item	Scoring scheme	Question	Score
B1	1 if yes; 0 if no	Does the board comprise a majority of independent and non-executive directors?	
B2	1 if yes; 0 if no	Has the company clearly defined "independent directors"?	
B3	1 if yes; 0 if no	Does the company have set criteria for appointing independent directors?	
B4	1 if yes; 0 if no	Does the board have the majority of members from the private sector?	
B5	1 if no; 0 if yes	Has any of the independent directors served more than 6 years?	
B6	1 if yes; 0 if no	Does the board comprise NEDs with a commercial and financial background?	
B7	1 if no; 0 if yes	Does the board comprise NEDs with a civil service background?	
B8	1 if no; 0 if yes	Does the board comprise politically connected members?	
B9	1 if yes; 0 if no	Does the board have full authority and autonomy as stipulated in company law?	
B10	1 if yes; 0 if no	Is management free from interference from the board in their day-to-day responsibilities?	
B11	1 if yes; 0 if no	Do directors have the right mix of skills, competence, and experience?	
B12	1 if no; 0 if yes	Has the board been completely renewed during the past 5 years?	
B13	1 if yes; 0 if no	Is there a transparent process of appointing directors to the board?	
B14	1 if yes; 0 if no	Are newly appointed members provided with training and induction about their duties and roles as board members?	
B15	1 if yes; 0 if no	Is the secretary of the board a member of the institute of secretaries and has legal, financial, or business training?	
B16	1 if yes; 0 if no	Does the secretary maintain a record of SOEs compliance to the Code or explanation for the failure to comply?	
B17	1 if yes; 0 if no	Are the roles of the CEO and secretary separated?	
B18	1 if no; 0 if yes	Does the board have public servants who serve as non-executive directors?	
B19	1 if no; 0 if yes	Is the size of the board less than 5?	
B20	1 if no; 0 if yes	Is the size of the board more than 12?	
B21	1 if no; 0 if yes	Does the number of Ex-Office exceed one-third of the total number of the board?	
B22	1 if yes; 0 if no	Does the board monitor compliance with the laws, regulations, and codes including Code II?	
B23	1 if yes; 0 if no	Does the board set out a clear strategic direction for the CEO and management which include, mission, objectives, KPIs, and risk management?	
B24	1 if yes; 0 if no	Has the board developed a charter?	
B25	1 if yes; 0 if no	Is the board responsible for the appointment of the CEO and top management?	
B26	1 if yes; 0 if no	Does the board carry out an annual evaluation of its performance?	
B27	1 if yes; 0 if no	Does the board evaluate its failure including strategic failure, control failure, ethical failure, and interpersonal relationship failure?	
B28	1 if yes; 0 if no	Is the board evaluation report sent to an ownership entity?	
B29	1 if yes; 0 if no	Do the directors declare conflict areas of interest?	
B30	1 if yes; 0 if no	Did all members attend at least 75% of board meetings or committee meetings?	
B31	1 if no; 0 if yes	Have one or more members missed 25% of board meetings or committee meetings?	
B32	1 if yes; 0 if no	Did the board replace any member due to missing more than 50% of meetings?	
B33	1 if yes; 0 if no	Does management provide accurate and timely information to the board to prepare for the meetings?	
B34	1 if yes; 0 if no	Did the board replace any member due to poor performance as a result of a lack of effective contribution during meetings?	
B35	1 if yes; 0 if no	Do non-executive directors meet without executive directors?	
B36	1 if yes; 0 if no	Does the board invite executive management to meetings for clarification?	
B37	1 if yes; 0 if no	Has the board established at least two sub-committees with clear Terms of Reference?	
B38	1 if yes; 0 if no	Does the board have an audit committee?	
B39	1 if yes; 0 if no	Is the audit committee chaired by an independent non-executive director with an accounting background?	
B40	1 if yes; 0 if no	Is the audit committee wholly composed of non-executive board members?	
B41	1 if yes; 0 if no	Is there at least one non-executive member of the audit committee who has general expertise in accounting or financial management?	
B42	1 if yes; 0 if no	Does the audit committee have sole authority to approve any non-audit services from the company's outside auditor?	
B43	1 if yes; 0 if no	Has the board adopted a separate committee or subcommittee responsible for oversight of risk management?	
B44	1 if yes; 0 if no	Has the board identified risks pertaining to the SOE that needs managing?	
B45	1 if yes; 0 if no	Does the SOE use the services of internal audit to assist the board in managing risks?	
B46	1 if yes; 0 if no	Is the remuneration committee wholly composed of non-executive board members?	
B47	1 if yes; 0 if no	Does an independent director chair the remuneration committee?	
B48	1 if no; 0 if yes	Does the CEO/managing director sit on the remuneration committee?	
B49	1 if no; 0 if yes	Does the remuneration committee have any independent board members?	
B50	1 if yes; 0 if no	Does the company disclose specific numeric performance targets for the upcoming fiscal year (not the prior fiscal year), for at least one of the performance objectives (not just a target award percentage of salary)?	
B51	1 if yes; 0 if no	Is the nomination committee chaired by an independent director?	
B52	1 if yes; 0 if no	Does the board have dual leadership?	
B53	1 if yes; 0 if no	Does the board have an independent chairman?	
B54	1 if yes; 0 if no	Has the chairman recommended the removal of non-performing directors during the past 3 years following annual evaluation?	
B55	1 if no; 0 if yes	Do members 50% of more of the directors hold more than 6 other directorships?	
B56	1 if yes; 0 if no	Are there any shareholders or provisions from SOE Charter that set criteria for appointing directors?	
B57	1 if yes; 0 if no	Is the appointment process of the board managed by the ownership entity?	
B58	1 if no; 0 if yes	Are members of the board linked to head of state, head of government, or ministers?	

Table A.1. Quality of SOEs' corporate governance (Part 2)

Score item	Scoring scheme	Question	Score
D1	1 if yes; 0 if no	Did the board disclose remunerations and benefits received from SOE during the year?	
D2	1 if yes; 0 if no	Did the SOE disclose any transactions made with management, board members, government officials, political party officials, or relatives of the board or management?	
D3	1 if yes; 0 if no	Has the SOE developed a code of ethics?	
D4	1 if yes; 0 if no	Has the SOE developed a corporate social responsibility policy?	
D5	1 if yes; 0 if no	Does the SOE have a Client Service Delivery Charter?	
D6	1 if yes; 0 if no	Has the Client Service Delivery Charter been reviewed since implementation?	
D7	1 if yes; 0 if no	Does the company disclose its environmental performance in its annual report, on its website, or in a special environmental report?	
D8	1 if yes; 0 if no	Does the SOE report on how it impacted the environment through its operations?	
D9	1 if yes; 0 if no	Are there specific targets set on how the SOE plans to reduce environmental exposures?	
D10	1 if yes; 0 if no	Does the SOE report on its general objective as an organisation?	
D11	1 if yes; 0 if no	Did the organisation disclose any financial assistance or guarantees received or commitments (e.g., regulatory exemptions, tax relief, subsidies, financing) made on behalf of other organisations?	
D12	1 if yes; 0 if no	Has the SOE prepared its financial statements according to International Financial Reporting Standards?	
D13	1 if yes; 0 if no	Are annual reports for the SOEs available to the public?	
D14	1 if yes; 0 if no	Are financial statements of the SOEs made available to the public either through print or corporate websites?	
D15	1 if no, 0 if yes	Did the independent external auditor's opinion contain any qualifications?	
D16	1 if yes; 0 if no	Does the SOE have a policy on IT governance?	
D17	1 if yes; 0 if no	Have the accounts been audited by an external auditor annually?	
D18	1 if yes; 0 if no	Did the external auditor have access to the chairman of the audit committee?	
D19	1 if yes; 0 if no	Are findings of the external auditors brought to the chairman of the audit committee?	
D20	1 if yes; 0 if no	Did the SOE act on issues raised by independent external auditors?	
D21	1 if yes; 0 if no	Does the SOE have criteria for disclosing related party transactions?	
D22	1 if yes; 0 if no	Did the financial statements comply disclose any related party transactions?	
C1	1 if yes; 0 if no	Does the SOE have a capital structure and dividend policy?	
C2	1 if no; 0 if yes	Does the SOE have more debt in its capital structure?	
C3	1 if yes; 0 if no	Does the SOE have a mix of bond financing and bank financing?	
C4	1 if no; 0 if yes	Did the SOE obtain a loan from a state-owned bank (MSB or INDEBANK)?	
C5	1 if no; 0 if yes	Did the government convert any SOE loans into shares?	
C6	1 if yes, 0 if no	Has the SOE paid tax on its corporate profits?	
O1	1 if yes; 0 if no	Is there an ownership entity managing the shareholding on behalf of the government and the citizens of Malawi?	
O2	1 if yes; 0 if no	Does the SOE have a legal status distinct from the government?	
O3	1 if yes; 0 if no	Is there a clear ownership arrangement (where ownership is centralised in one entity)?	
O4	1 if yes; 0 if no	Does the SOE have a policy on treating shareholders and protecting minority shareholders' rights?	
O5	1 if yes; 0 if no	Do the shareholders participate in shareholders' meetings and receive dividends?	
O6	1 if yes; 0 if no	Are shareholders provided with accurate and timely information on the number of shares held by each class of shareholder?	
O7	1 if yes; 0 if no	Do minority shareholders nominate board members where the state does not have 100% ownership?	
O8	1 if yes; 0 if no	Does the SOE have a policy including those of on governance and ethics on how to improve on issues of corporate governance?	
O9	1 if yes; 0 if no	Is the SOE corporatised?	
O10	1 if yes; 0 if no	Is the SOE incorporated according to company law?	
O11	1 if yes; 0 if no	Does the SOE disclose its compliance with Malawi Code II and SOE Guidelines of the Code?	
O12	1 if yes; 0 if no	Has the SOE adopted corporate governance practices that are consistent with international best practices for SOEs governance?	
O13	1 if yes; 0 if no	Is the SOE subjected to the competition?	
O14	1 if yes; 0 if no	Is the ownership entity accountable to a representative body (such as the Parliament)?	

Notes: Respondents to these questions include a CEO, a company secretary, a CFO, and a board chair.

Key: B stands for board measures; D denotes disclosure; C represents capital structure; and O stands for ownership structure.

Table A.2. Religious commitment survey

Instructions: The statements below describe religious commitment. Read each of the following statements. Using the scale to the right, circle the response that best describes how true each statement applies to you.

Question	Description	Respondent's response				
1	I often read books and magazines about my faith.	1	2	3	4	5
2	I make financial contributions to my religious organisation	1	2	3	4	5
3	I spend time trying to grow in understanding of my faith.	1	2	3	4	5
4	Religion is especially important to me because it answers many questions about the meaning of life.	1	2	3	4	5
5	My religious beliefs lie behind my whole approach to life.	1	2	3	4	5
6	I enjoy spending time with others of my religious affiliation.	1	2	3	4	5
7	Religious beliefs influence all my dealings in life.	1	2	3	4	5
8	It is important to me to spend periods of time in private religious thought and reflection	1	2	3	4	5
9	I enjoy working in the activities of my religious affiliation.	1	2	3	4	5
10	I keep well informed about my local religious group and have some influence in its decisions.	1	2	3	4	5

Notes: Respondents include all current board members, members of executive management, and senior management.

Key: 1 = not at all true of me; 2 = somewhat true of me; 3 = moderately true of me; 4 = mostly true of me; 5 = totally true of me.