

Impact of Corporate Governance Practices on the Financial Results of Manufacturing Joint Ventures Dire Dawa

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Abstract: This study focused on the impact of corporate governance on the financial performance of manufacturing companies in Dire Dawa, Ethiopia over a 13-year period from 2007 to 2019. As a result, there was a lack of documented literature. The overall purpose of this study was to examine the impact of corporate governance practices on the financial performance of Dire Dawa limited liability companies. The research design used in this study aims to clarify the causal relationship between the attributes of corporate governance and the variables of corporate performance (ROE) in the manufacturing industry. Research design. The dependent variable used to measure the financial performance of manufacturing companies is return on equity. The researcher considered five public companies in the study, and the total number of public manufacturing companies was obtained from his ERCA subsidiary, Dire Dawa. Board information was obtained through a structured questionnaire as directors or board secretaries are well positioned to express their views on corporate governance issues. Budgets were collected from all production companies. This study used a panel data analysis method to draw conclusions about the study. The survey found an average board size of 8 members, an average management experience per director of 4, an average audit committee board size of 4, and an average ownership concentration of 71.21%. Empirical results indicate plate size; a director's experience in the areas of corporate governance and shareholder concentration has a significant positive impact on the bottom line of a productive company. Finally, the study recommends that shareholders prioritize board size, board experience in running the company, and shareholder concentration.

Keywords: Corporate Governance, Financial Results, ROE, ROA, NIM, Dire Dawa, Ethiopia

1. Introduction

1.1. Background of the Study

Corporate governance refers to the code of conduct for governing and managing a company [13]. The concept of corporate governance has been around for some time, but became official in the UK in the early 1990s. Corporate governance issues have become a top priority in developed countries after numerous frauds and corporate failures. Currently, it is also attracting a lot of attention in emerging countries [17].

The concept of corporate governance has been a hot topic since world-renowned organizations such as Enron Corporation and MCI Inc. In the US, companies such as Australia's HIH Insurance and Italy's Parmalat faced financial scandals. Due to financial difficulties, more and more

attention is being paid to corporate governance. Good corporate governance practices, a tool of how companies are managed and organized, have become fundamental issues. Both studies have received widespread attention [18].

Making manufacturing companies more competitive is a key driver of structural change and broader growth. [11]. The manufacturing sector is more open than the agricultural and service sectors to potential investors raising capital. Due to these potential advantages of the manufacturing sector, the Ethiopian government has paid due attention to the manufacturing sector in various development schemes such as PASDEP I & II and GTP I & II [15]. Since the 2000s, Ethiopia has become one of Africa's fastest growing economies. Nevertheless, Ethiopia's manufacturing sector is far from being an engine of growth and structural change [12].

Ethiopia's manufacturing sector had two characteristics of

her: First, "...low degree of industrialization in terms of sector share of GDP, export earnings, industrial intensity and competitiveness. Second, the industrial structure is dominated by SMEs and commodity-based industries (especially the food industry), concentrated around the capital" [12]. The author [18] talks about the corporate governance practices of Ethiopian listed companies, but the changing circumstances of the corporate environment in the countries in which the companies operate are leading the way. Because there is no Today's operations are similar to developed countries, but different from governance practices. A company's financial performance is affected by its corporate governance characteristics, as the performance or failure of a company depends on the extent to which it is managed efficiently. Key Performance Indicators are the backbone of economic entities without which decisions cannot be made. Financial key performance indicators are one of the most important key performance indicators for economic entities.

According to the Ethiopian Commercial Code of 1960, there are six forms of business organization: General Partnership Company, Joint Venture Company, general partnership company, Joint Stock Company, Joint Stock Company, Limited Liability Company. Among these types, the study focused only on listed companies, specifically listed manufacturing company types. This study builds on existing evidence by providing new evidence on the impact of corporate governance practices on the financial performance of manufacturing plants, measured using purely accounting standards due to the lack of scholarships held in Ethiopia. Extend the literature.

1.2. Rationale of the Problem

Corporate governance is gaining ground in organizations as an approach to improving organizational performance. Poor corporate governance has led to poor performance by organizations around the world and the suppression of good and sound business decisions. It is generally accepted that the first determining factor for the future viability and development of a company is mainly its "corporate governance" policy. Companies can follow a stakeholder model or a shareholder model. Irrespective of this, the practice of corporate governance is becoming increasingly important. The rise of financial and managerial fraud has resulted in investors increasingly looking for transparency and professionalism in conducting their businesses. [13]

For real, there is no system of governance which can totally protect companies from collapses. It is difficult to say that all companies around this visible world are governed by common set of guidelines because of complex business environment. However, review of their corporate governance attributes/ arms / from time to time is the home work for them to reduce the anxiety of being financially underperformance. Companies' corporate governance practices and their financial performance relationships are exposed to many factors that limit these relationships.

The legal system and financial structure of a country may

have significant impacts on this relationship [13].

There is no single model of corporate governance. Governance practices vary not only across countries but also across firms and industry sectors. Each country has through time developed a wide variety of mechanisms to overcome the agency problems arising from the separation of ownership and control [1].

The corporate governance framework in Ethiopia comprises the Commercial Code of the Empire of Ethiopia (1960) and the Ethiopian Code of Corporate Governance (2011, „the Code“). The Code was developed by the Private Sector Development hub under the Addis Ababa Chamber of Commerce and sectorial associations. For listed companies, the application of the Code is based on the „apply or explain“ approach. The Commercial Code of the Empire of Ethiopia is currently being revised by the Ministry of Justice [10].

Corporate governance practices of Ethiopian share companies are not as expected in line with the varying land scape of corporate business environment. This is due to lack of awareness as to corporate governance, lack of up to date regulatory framework, absence of policy framework and Unstructured governance practices because of national principles and codes [18].

Financial performance is used to determine the overall financial health of companies over a period of time and can also be used to compare similar companies in the same industry or to compare industries or sectors in an aggregation. Most previous studies have been conducted in Ethiopia on the impact of corporate governance practices on the financial performance of financial institutions. [7]

However, these studies relate more generally to the banking sector, insurance sector and microfinance institutions and cannot represent the manufacturing industry due to differences in corporate governance structures and cultures. To the researcher's knowledge, there are no published studies on the impact of corporate governance practices on the financial results of manufacturing companies. The research gap in the case of underdeveloped countries is the lack of literature. As of apart from the area gap, there is no specific code of conduct for the corporate governance of manufacturing companies in Ethiopia.

Production is the production of consumer goods or goods for sale with the help of machines, tools and labor. It refers to a range of human activities, from manual labor to high technology, but more commonly it applies to industrial manufacturing, where raw materials are transformed into new end products on a large scale. Manufacturing includes facilities that mechanically, physically, or chemically transform materials, substances, or components into new products [4].

The collapse of manufacturing companies would hit the entire economy of the country. This is intended to ensure the improvement of performance, [5]. profitability and corporate growth and to strengthen investor confidence; Strong, effective and good corporate governance must be developed and implemented. With this in mind and in view of the potential contribution of the manufacturing industry to the

economies of underdeveloped countries, this study was undertaken to measure and assess the impact of corporate governance practices on the financial performance of the company in utilizing manufacturing companies in Dire Dawa, Ethiopia analyze. This study fills this gap and serves as a reference point for further research on corporate governance. It also provides empirical evidence on the impact of corporate governance mechanisms on the financial performance of firms in the manufacturing industry..

1.3. Objective of the Study

1.3.1. General Objective

The overall objective of this study was examining the effect of corporate governance practices on firms' financial performance by taking evidence from manufacturing share companies in Dire Dawa, Ethiopia.

1.3.2. Specific Objectives

Assessing the impact of board size on the financial results of a Dire Dawa manufacturing company.

Studying the impact of board experience in corporate governance on the economic performance of dawa dawe manufacturing firms.

Analyze the impact of supervisory board size on the economic performance of a Dire Dawa production company.

Studying the impact of concentration of ownership on the financial performance of Dara Dawa manufacturing companies.

1.4. Purpose of the Study

The investigation was limited to manufacturing companies operating only in the city of Dire Dawa. While financial performance can be determined by a variety of factors from different perspectives, this study aims to examine the impact of corporate governance on the financial performance of a manufacturing company in Dire Dawa, Ethiopia. Methodologically, this study used an explanatory and descriptive study design with a mixed research approach. Additionally, the secondary data used for this study includes 13 years of certified financial statements (i.e. 2007-2019). As there is no organized exchange in Ethiopia, the dependent variable is limited to accounting code only.

2. Review of Related Literature

2.1. Theoretical Literature

2.1.1. Historical Background of Corporate Governance

There is constant change in this world and a corporate form of organization is required to maintain financial health and improve financial performance. Great attention is paid to continuous learning, research, growth and calculated planning. Corporate governance is a tool to ensure that a company is properly managed while minimizing the risk of corporate failure. The concept of corporate governance is broad and can be traced back to corporate management. Corporate governance as a concept predates the official use

of the term by centuries [4] It started in the 1980s and peaked in importance at the beginning of the 21st century. Indeed, there is no definitive historical treatment of corporate governance, and given the enormity of the subject, it may never exist. We have taken an interest in corporate governance because the use of legal forms increases the potential for conflict between owners and managers. In one way or another, "Corporate governance has always been with us, at least as long as the corporate form allowed for struggles between investors and management. Governance issues start and go back from the beginning of a company." To the 16th and 17th century East India Company, Hudson's Bay Company, Levant Company and other large chartered companies [14].

2.1.2. Main Responsibilities of Board of Directors

According to the research [6] a board is a group of directors whose purpose is to advise and oversee a company's top management team, including the general manager. Directors are elected to advise and oversee the company's top management team. She/he advocates for the interests of investors and other stakeholders and has expertise in industry, technology, accounting, marketing, etc. relevant to company performance. An internal director is an officer who is involved in the day-to-day business of the company, whereas an independent non-executive director is not subject to the day-to-day business of the company. Outside directors often have additional responsibilities. B. As CEO of another company or as a professor of corporate her governance. One of the board's most important responsibilities is the hiring, firing, and compensation of the CEO. The board sets the general business purpose, appoints and oversees the chief executive officer and management team, and holds them accountable when things go wrong at the end of the day. A director is also a watchdog for investors and the company. In addition, the board's liability includes costs that must be reimbursed [16].

The board has the following tasks: Directors must act in the best interest of the company and its shareholders with good information, integrity, due care and diligence. Where board decisions may affect different groups of shareholders differently, the board should treat all shareholders fairly. The Board must apply high ethical standards. The board must be able to make objective and independent judgments on company matters. Board members need access to accurate, relevant and timely information in order to perform their duties. According to the Ethiopian Commercial Code, section 362 directors are responsible for: Keeping regular records of management and meetings, keeping accounts and books, submitting annual accounts to auditors, and submitting annual reports on the affairs of the company, including accounts related to meetings, in accordance with the provisions of the Articles of Incorporation Convocation of meetings, convocation of shareholders' meetings without delay, attended by three-fourths of the capital Set up reserves as required by law or by the Articles of Incorporation and apply to the courts if the company stops making payments for the purpose of settling creditors or dissolving the company[1].

2.1.3. Characteristics of Good Corporate Governance

Different literatures of finance and law have documented that good corporate governance has played its part for firms, markets and countries success. Good corporate governance is an important pillar of the market economy and it enhances investor confidence [16]. Good corporate governance needs qualified board of directors as a directing body for the executive management of a company. It has also an association with profit of organizations and achievements of corporate objectives.

According to the research [8] good corporate governance is a fundamental to the economies with extensive business background and also facilitates the success for entrepreneurship. Good Corporate Governance results in higher companies' profit and more efficiently using firms' resource. Always investors are taking a look at good corporate governance and demanding stronger property rights protection. Good corporate governance also helps ensure that corporations take into account the interests of a wide range of constituencies, as well as of the communities within which they operate. Further, it ensures that their boards are accountable to the shareholders. This, in turn, helps assure that corporations operate for the benefit of society as a whole.

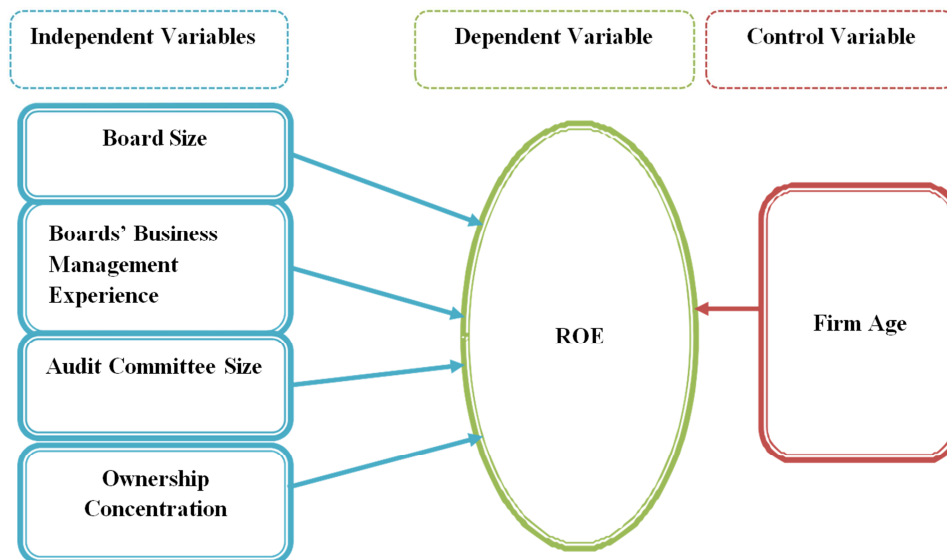
2.2. Financial Performance

The term "performance" comes from the Old French word *parfournir*, which means "to do", "to carry out" or "to carry out", and refers to the act of performing. Do, complete, achieve, etc. In a broader sense, performance refers to accomplishment of a specific task measured against preset criteria of accuracy, completeness, cost, and speed. In other words, it refers to the extent to which services are provided

or are provided (Shodhganga.inflibnet.ac.).

According to Frich Kohlar, performance is a general term applied to some or all of the performance of an organization's activities over a period of time, often past or projected cost effectiveness, management responsibility or accountability, etc. I am referring to Therefore, not only the presentation but also the quality of the results obtained is related to performance. Performance is used to show company success, conditions and compliance. Financial performance refers to the act of conducting financial activities. In a broader sense, financial performance refers to the extent to which financial goals are met or met. This is the process of financially measuring the results of corporate policies and operations. It is used to measure the overall financial health of a company over time and can also be used to compare similar companies in the same industry or to compare industries and sectors on an aggregate basis (Shodhganga.inflibnet.ac.). [7]

On the other hand, there are three approaches to performance measurement. an accounting-based approach, a goal-centered approach, and a behavioral approach. The first approach uses accounting information such as profitability, liquidity and solvency ratios from financial statements to assess performance. The second approach usually assesses the performance of an organization or sub-unit of an organization such as a working group or project related to a goal. Finally, his third approach is based on accounting literature and relies on financial measurements. From an accounting perspective, a company prepares annual financial statements at the end of each financial year. Annual accounting is the end product of financial accounting. They are periodic reports that encapsulate financial and operational data that a company collects in its books of accounts (general ledger). [2]



Source: Researcher's own model

Figure 1. Conceptual framework.

2.3. Financial Performance Analysis Techniques

Financial performance can be analyzed using two

measures: Accounting-based measurement. This technique is also known as financial engineering. Multiple accounting measures such as comparative financial analysis, normal

scale financial analysis, trend analysis, cash flow analysis, cash flow analysis, CVP analysis, ratio analysis and value creation analysis May be used for financial analysis purposes. Some specific techniques are described below. a) ratio analysis Financial analysts require specific tools that must be applied to various financial aspects in order to assess a company's financial condition and performance. One widely used and powerful tool is Ratio or Index. A ratio expresses a numerical relationship between two or more things. This ratio can be a percentage (25% of sales), a fraction (1/4 of sales), or a number (1: Four). Accounting ratios are used to describe the significant relationships that exist between figures displayed on balance sheets, income statements, budget control systems, or other parts of an accounting organization. Ratio analysis plays an important role in determining a company's financial strengths and weaknesses compared to other companies in the same industry. The analysis also shows how the company's financial position has improved or deteriorated over time. Ratios can be divided into four large groups based on the factors used. (1) liquidity ratio; (ii) capital structure/leverage ratio; (iii) profitability ratio; and (iv) activity ratio. b) Normal Scale Financial Analysis Common size statements are also called components 2.3 Conceptual Framework of the Study.

Based on the theoretical and empirical literature review the following diagrammatic framework was developed.

3. Research Methodology

3.1. Research Design and Research

Study design is the arrangement of conditions for collecting and analyzing data in a manner intended to combine research expediency and process economics. In fact, a research project is a conceptual framework within which research is conducted. A plan for collecting, measuring, and analyzing data [14]. The purpose of this study is to examine the impact of corporate governance on the financial performance of public limited companies in the manufacturing sector. Given the study objectives and nature of the study, the study design used was descriptive and descriptive, and a mixed research approach was employed for data collection to achieve the study objectives.

3.1.1. Data Sources and Data Collection Methods

There are two types of data sources: Primary and secondary data sources. Primary data can be obtained through observations, direct communication with respondents, or face-to-face interviews, while secondary data can be extracted from journals, reports, publications, etc. Researchers used both secondary and primary data sources. Secondary data were collected from the audited financial

statements of all manufacturing companies between 2007 and 2019. This period is to provide the current financial situation of these manufacturing companies and also to facilitate data collection. Board-related information was collected through questionnaires.

3.1.2. Research Subjects and Sample Design

The general purpose of this study was to examine the impact of corporate governance on the financial performance of manufacturing companies operating in Dire Dawa Municipality. The target group for this study are stock manufacturing companies operating in Dire Dawa city. According to data obtained from the ERCA Dire Dawa branch, as of 2020, five manufacturing joint stock companies offer manufacturing activities to users. In this study, researchers used a national census. A complete census of all elements of the "population" is called a census. In such studies, if all elements are included, it can be assumed that no elements of randomness remain and the best accuracy is achieved [9].

3.2. Model Formulation and Specifications

The empirical model used in this study to determine the impact of corporate governance practices on the financial performance of listed manufacturing firms is: $ROE_{it} = \beta_0 + \beta_{1a}(BS_{it}) + \beta_{1b}(BBME_{it}) + \beta_{1c}(ACZ_{it}) + \beta_{1d}(OWSHCON_{it}) + \beta_{1e}(AMSHC_{it}) + \mu_{it}$ where: i =cross-sectional dimension t =time series dimension β_0 =intersection point BS =board size $BBME$ = Management Experience of Board ACZ = Size of Audit Committee $OWSHCON$ = ownership concentration $AMSHC$ = Era of public company manufacturing. μ = error term.

4. Results and Discussion

4.1. Descriptive Statistics of Variables

Use descriptive data analysis to quantitatively describe the important characteristics of a variable with mean, standard deviation, minimum and maximum values This section described summary statistics for each variable in the study. Variables include dependent variables, independent variables, and control variables. The dependent variable used in this study to measure the financial performance of listed manufacturing companies was return on equity, and the explanatory variables were board size, executive committee management experience, and audit committee size. Size and real estate concentration that is. In addition to explanatory variables, firm age was included as a control variable in this study. The resulting descriptive statistics for all variables are shown in Table 1 below.

Table 1. Summary of Descriptive Statistics.

Variables	Observation	Mean	Std. Dev.	Min	Max
ROE	65	.1503034	.2602604	-.36	.862
BS	65	8.353846	.7165623	7	10
BBME	65	4	1.262438	1	7

Variables	Observation	Mean	Std. Dev.	Min	Max
ACZ	65	3.769231	.9645146	2	5
OWSHCON	65	.7121538	.1522179	.5	.99
AMSHC	65	31.6	11.58906	12	55

Source: Author's survey data 2020, STATA version 15 output

The averages are related to average board size, board management experience, audit committee size, ownership concentration, company age, and return on equity, using standard deviations to determine the explanatory variables. Variation of the control variable was calculated and analyzed with the dependent variable (egg). As shown in Table 1 above, the average dependent variable (ROE) measuring the financial performance of listed limited companies operating in Dire Dawa is 15.03% with minimum and maximum values of -36% and 86.2% respectively. The standard deviation for this variable was 15.03% to 26.03% off the mean. The standard deviation of 26.03% indicates a very wide variance in the dependent variable (ROE) for the public limited manufacturing company operating in Dire Dawa, Ethiopia.

Another summary statistic from the survey relates to director experience as measured by the number of directors with director experience at each manufacturing listed company. As can be seen from Table 1 above, the average management experience on the board is 4, with a minimum of 1 and a maximum of 7. The managing director's management experience is also out of his average of 1.26 or 1, which is relatively low. In addition, there is another notable observation regarding the size of the audit

committees of these manufacturing joint-stock companies in Dire Dawa, Ethiopia. The size of the test plate was in this A manufacturing company in the last 13 years has an average of 4 or 3.769231 members per year, with a minimum of 2 and a maximum of 5. The standard deviation from the mean is 0.9645146 or 1 person, which is relatively low.

Correlation analysis this part of the study dealt with correlation analysis of study variables. The purpose of correlation analysis is to see if there are multicollinearity problems in the model and to show if the variables are moving together in the same direction, and the correlation coefficient is the difference between her two variables. Indicates the strength of the linear relationship Correlation coefficients vary from -1 to +1, with -1 indicating a completely negative correlation and +1 indicating a completely positive correlation. If the correlation is zero, the movements of the variables are said to be uncorrelated. Table 3 below shows the dependent variable ROE and the independent variables board size, board management experience, audit committee size, ownership concentration, and listed manufacturing companies operating in Dire Dawa. Shows a correlation matrix showing the relationship with age, Ethiopia.

4.2. Correlation Analysis of ROE and Corporate Governance Attributes

Table 2. Correlation analysis of ROE and corporate governance attributes.

	ROE	BS	BBME	ACZ	OWSHCON	AMSHC
ROE	1.0000					
BS	0.3328	1.0000				
BBME	0.4023	0.2245	1.0000			
ACZ	-0.0393	0.3009	0.1797	1.0000		
OWSHCON	0.2520	0.0602	-0.0179	0.1099	1.0000	
AMSHC	0.0481	-0.1596	0.2339	0.1594	0.0300	1.0000

Source: output of STATA version 15, 2020

In this study, Return on Equity is the dependent variable. Change in number of board of directors has moderate positive significant association with dependent variable (ROE). This implies an increase in number of directors may result in high profitability ratio as measured by ROE. ROE has also moderate positive significant correlation with BBME. This means that the higher the number of boards having business management experience, the higher will be ROE. On the other hand, audit committee size has negative very weak significant correlation with return on equity. This means that although, there is weak correlation it have significant effect on dependent variable (ROE).

4.3. Regression Results of Manufacturing Share Enterprise Performance (ROE)

According to the regression results shown the study found

the estimation results of the multiple regression analysis to be quite satisfactory. This can be confirmed by the fact that the R-squared of the dependent variable (ROE) is 33.01%. See Appendix C. The adjusted R-squared values of the model show good associations between the dependent and explanatory variables, and all explanatory variables together show the performance of manufacturing equity firms as measured by ROE. About 28.4% of Both the R-squared and adjusted R-squared values of the model in this study were found to be good, suggesting that it is more explanatory. Moreover, for longitudinal data, an R-squared greater than 20% (see Appendix 'C') is large enough to draw firm conclusions (Cameron and Trivedi, 2009). In general, the R2 result indicates the overall goodness of fit of the model used in this study. Overall reliability and validity of the model It was also further improved by starting the probability value of

the model from 0.0000, showing strong statistical significance. the generalized least squares (GLS) results for the random effects of the model obtained by regressing the return on equity (ROE) on four independent variables and one control variable. Board size, management experience of board members, audit committee size, degree of concentration of ownership, and age of listed companies. The model is significant with Wald chi2 = 29.08, DF = 4 p-

values< 0.0. Interpretations for each explanatory variable are given below the GLS regression with random effects GLS regression with random effects Observations = 65Group variable: Number of IDs in Group = 5R Square: Observations by group: Within = 0.2428 minutes = 13Between = 0.8044 Mean = 13.0Total = 0.3301 Maximum = 13.

Corr (u_i, x) = 0 (assumed) Wald chi2 (5) = 29.08 Prob > chi2 = 0.0000

Table 3. Multiple regression analysis Result.

ROE	Coef.	Std. Err	Z	P> z	[95% conf. Interval]	
BS	.1129505	.0428916	2.63	0.008***	.028844	.1970166
BBME	.0762498	.0235618	3.24	0.001***	.0300695	.12243
ACZ	-.0633747	.0311034	-2.04	0.042**	-.1243362	-.0024131
OWSHCON	.4522541	.1836449	2.46	0.014***	.0923167	.8121915
AMSHC	.0009141	.0025764	0.35	0.723	-.0041354	.0059637
Constant	-1.210353	.3659495	-3.31	0.001	-1.927601	-.4931053

Source: Author regression result of STATA version 15, 2020

Note: *** represents significant at 1% and ** represents significant at 5%.

5. Conclusions and Recommendations

5.1. Conclusions

According to the study, all corporate governance attributes influence the financial performance of listed manufacturing companies. Depending on the results of descriptive statistics, correlation and regression analyses, researchers drew the following conclusions: Boards of manufacturing stock companies are characterized by an average of 8 directors and show a moderately positive correlation with the dependent variable (ROE). Regression results from this study show that board size has a significant positive impact on a company's financial performance as measured by ROE. This means that a larger number of boards mean greater oversight, greater independence of the board, effective oversight and control of the operations of the manufacturing joint-stock company, reduced agency costs, and improved corporate performance. Because it can improve Therefore, manufacturers have to increase the board size.

According to descriptive statistics, he had four directors with management experience, and the impact of a director's management experience on the company's performance as measured by her ROE was positive and significant. This is because the public manufacturing company operates in a highly competitive industry and to meet customer needs and requirements, Cost of production, market creation of output, financial feasibility, business proposition and other relevant necessary business skills. Therefore, a manufacturing corporation's board of directors must be enriched with the level of business skills necessary to properly run the manufacturing corporation. Therefore, business experience is essential for the board. The study found that the size of the audit committee has a significant and negative impact on the financial performance of listed manufacturing companies operating in Dire Dawa, Ethiopia.

Therefore, a small audit committee can be effective in

improving the financial performance of manufacturing corporations. In terms of ownership concentration, 71.21% of companies are owned by the top 10 or less shareholders, showing a moderately positive and significant correlation with the dependent variable (ROE). Ownership concentration has a statistically significant positive impact on the financial performance of listed manufacturing companies as measured by ROE. The presence of significant shareholders is beneficial as they tend to engage in more rigorous oversight activities, leading to more efficient governance structures that translate into significant shareholder value. Therefore, stock holdings in these manufacturing industries should have a high concentration of ownership.

5.2. Recommendation

The main purpose of this study was to examine the impact of corporate his governance on the financial performance of Dire Dawa companies. Depending on the knowledge and conclusions obtained, the researchers made the following fruitful recommendations:

As this study shows, in Dire Dawa, the board of directors of manufacturing joint ventures plays a key role in improving the financial performance of the company. Therefore, when shareholders give due consideration to the experience of their directors when appointing them for approval, they can improve the performance of the company.

Manufacturing joint-stock companies should appoint boards with better management skills. To promote good corporate governance, directors with corporate management experience should be appointed to committees based on industry experience.

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