Corporate governance and economic growth in developing countries

The paper extensively tests, by documentary review, using empirical research works from various authors on the effects of corporate governance and economic growth in developing countries. Corporate governance is defined as a process of involving "a set of relationships between a company's management, its board, its shareholders, and other stakeholders" (OECD, 2004). According to Khan (2007) economists agree that governance is one of the critical factors explaining the divergence in performance across developing countries .The problem addressed by the paper is that the existence of corporate governance codes in developing countries has not yielded into economic development growth, as compared with institutions in the United States of America and Europe. The research's corporate governance codes were Board Size (BS), Non-Executive Directors (NED), and Full disclosure in Financial Reporting (FGFR) and Gross Domestic Product (GDP) as variables of investigation. The paper sought answers to the following questions; (i) reasons for the weak Corporate Governance practice amongst intuitions in developing countries. (ii)Effect of governance on capital flows to the economy (iii) Effect of Good Corporate Governance Practice on the GDP. Sampled research works in the paper included those of; Fan, Wong & Zhang (2006), Khan (2007), Fayisa&Nsiah (2013), Deither (1999), Briguglio (2016), World Bank reports , Pere (2015) , Gradstein (2001) , and others. There was a convergence trend in the conclusion of the sampled papers on good corporate governance and GDP . Worldwide Governance Indicators (WGI) correlated positively with the GDP of selected countries. For developing countries it was established that the Governance practice lacked an enforcement framework translating in low GDPs. Capital flows were triggered by an existence o sound framework of corporate governance that acted as an incentive for lenders to extend credit.

Keywords: Governance, Gross Domestic Product (GDP), Economy, Capital flows,