International Journal Of Economics Social and Technology
member of scientific research institute
ISSN 2830-5132

Corporate Governance And Firm Performance: Empirical Evidence From Pakistan Banking Sector

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Received:
20/10/2022

Revised
21/11/2022

Accepted:
30/12/2022

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Abstract Corporate governance is important in developing a culture of integrity in an organization that enhances the performance of business resulting in sustainability in the business of the organization. The purpose of this study is to investigate the impact of corporate governance factors on bank performance in Pakistan. The data was collected from 15 banks from the period of 2010 to 2020. The data was collected from the financial reports of the banks. The dependent variable was returning on assets as a proxy of firm performance and the independent variables were corporate governance factors (namely, the board size, firm size, independent directors, CEO duality, and leverage). The technique was applied for this research included the Co-integration test, the Hausman test to determine Random or Fixed Effect, and the Panel Least Square Regression to check the relationship between variables The result found that board size has a significant effect on return on assets indicated that optimum board size in an organization increases the ROA. The results found board independence has a significant effect on return on assets indicating the independency of directors is involved in creating greater value for shareholders. The results found that CEO/Chairman duality has an insignificant impact on return on assets. The results found leverage has a significant impact on return on assets indicating that having high leverage earns more profit. The results found a positive impact of firm size on return on assets. Results can be concluded that improvement in corporate practices increases the firm performance shows the positive revenue generates by the company and the company used its assets through business. Good CG practices make firm-healthy.

Keywords: Corporate Governance, Firm Performance, Firm Size, Leverage

Introduction

Corporate governance is basically a system of processes, rules, and practices by which an organization is directed as well as controlled. It is involved in measuring the power as well as accountability of all the individuals working in the organization. Weil et al. (2004) defined corporate governance as a code of control for managerial conduct, organization, and corporate management. Corporate governance is important in developing the culture of integrity in an organization that enhance the performance of business result into sustainability in the business of organization. Brown et al. (2004) ensure that corporate governance impart a significant effect on the firm performance. According to him, there are six main pillars of corporate governance i.e, rules of law, effectiveness and efficiency, moral integrity, responsibility and accountability, transparency, and participation. All these pillars of corporate governance impart a significant effect in enhancing the firm performance.

Fooladi et al. (2013) explained that corporate governance is important in reducing the agency conflicts between both parties in a firm. This study explained that CG helped in aligning the goals of organization considering all stakeholders of firms to enhance its performance. This study explained that CEO/Chairman duality don't impart significant effect on the performance of organization. Mashayekhi et al. (2008) explained that corporate governance impart a significant effect on the performance of an organization. All the factors of corporate governance board size, institutional investors, board independence, and board leadership impart a significant effect on all profitability indicators: ROA, ROE, and EPS of organization.

There are multiple factors of corporate governance impart its effect in performance of a firm, it has been noted that factors of corporate governance: board size, board independence, CEO/Chairman duality, firm size, and firm leverage impart its effect on firm performance. This study is done to measure the effect of corporate governance on the firm performance concerning the banking sector of Pakistan. The study of Ajanthan et al. (2013) explained that influence of corporate governance on banking performance. This study explained that four aspects of corporate governance: board meeting frequency, board size, outside directors percentage, and board diversity impart a significant effect on performance of banks.

The concept of corporate governance has been studied in multiple studies such as Inam et al. (2014), Alodat et al. (2021), Brown et al. (2004), and Fooladi et al. (2011). Most of these studies have suggested that corporate governance mechanism impart positive effect on the firm performance. However in studies of Ajanthan et al. (2013) and Ramiz ur Rehman et al. (2012) explained tat corporate governance practices don't impart significant effect on the performance of banks in Pakistan. This research identified some gaps present in literature which indicate that performance of banks in Pakistan has enhanced due to presence of proper corporate governance. However the appropriate implications of all factors involved in corporate governance mechanism to enhance the banking performance don't discussed in literature in detail. Thus, this research has been done to overcome the identified research gap. The basic purpose of this study is to measure the impact of corporate governance on the performance of firm. Current paper includes literature review, methodology, data analysis and conclusion

Literature Review

CG is combination of process and rules by which an organization controlled all its actions. It is stated that CG is basically implication of process to ensure the safety of all rights of shareholders of an organization. The financial performance or profitability of banking industry of Pakistan is measured by using multiple profitability indicator: ROA, ROE, ROI, and many more. In this study the profitability of banking sector of Pakistan is measured by using return on assets. Multiple studies are conducted to measure the impact of CG on the financial performance and ROA of banking industry in Pakistan. There are multiple factors come under CG such as board size, firm leverage, board independence, firm size, and chairman duality that are used to measure the ROA of banking industry of Pakistan

Banking industry in Pakistan

The banking industry that involved in providing the financial services to the public. There are 31 banks present in banking industry of Pakistan from which five banks are public, four are foreign banks, and 22 are local private banks. The six banks of Pakistan are main competitors of Pakistan and hold almost 57% of deposits as well as 53% of advance in the economy of Pakistan. State Bank of Pakistan regulate the banking industry as it govern all local banks under its cost-effective regulations. International Basel III Standards also implemented on all banks of Pakistan for proper regulation. The growth of banking industry of Pakistan is remarkable in some past years such as from 2009 to 2016 total assets of Pakistan has increased from 6,516 pkr billion to 15,134 pkr billion, and deposit rate has increased from 4,786 OJR billion to 11,092 PKR billion. In Pakistan multiple types of banks are present based on their function such as development finance institution, central banks, investment banks, financial banks, saving banks, micro-finance banks, exchange banks, Islamic banks, industrial banks, and commercial banks. With the development of technology in Pakistan e-banking also increased at a great level. There are multiple advantages of e-banking are reduce the pressure on banks, easily pay bills, rare chances of errors, easily transfer of funds from one account to other account, and reduce the transaction costs.

Theoretical background

The theoretical background measured that CG impart significant effect on the performance of an organization. There are multiple factors of CG such as board size, board independence, firm leverage, CEO duality, and firm size that have influence on the growth and performance of an organization. Staikouras et al. (2007) explained that board size of directors has negative influence on the performance of organization. Uribe-Bohorquez et al. (2018) has done a study to assess the relation of board independence on the performance of an organization. The findings of this study explained that board independence impart a significant effect on the performance of an organization. When all the directors present in board are independent they focused on the growth of organization, and enhance the performance of organization that result in the profitability of organization. Inam et al. (2014) explained that firm leverage impart a significant positive effect on the performance of an organization.

CG and Firm performance

CG imparts a significant effect in enhancing the financial performance of an organization. Alodat et al. (2021) has done a study to measure the influence of CG on the financial performance. This study is done to measure the influence of attributes as well as ownership structure of director boards and the audit committee on the performance of an organization. There are multiple theories such as resource dependence as well as agency theory has explained the impact of CG on the performance of an organization. The study also outlined the provisions of the provision of ownership structures, particularly foreign ownership and institutional holdings, describing the part that reflects structural importance in explaining corporate performance.

Researcher of this study has implemented empirical approach for conduction of this study to measure the impact of CG on almost 81 non-financial organization over a period of 2014 to 2018. The findings of this study measured that board of directors as well as audit committee impart a positive remarkable effect on the performance of an organization. It is also assessed that both foreign as well as institutional ownership have positive remarkable effect on the ROE and performance of an organization. Whereas, Tobin's Q led impart negative effect on the ownership as well as performance measures of an organization.

Brown et al. (2004) has done a study to measure the relationship present between the CG and the financial performance of organization. This study is conducted based on the dataset provided by the institutional shareholder service to measure the CG as well as Gov-Score. The Gov-Score is basically composite measure of almost 51 factors comprised of eight CG categories such as state of incorporation, audit, progressive practices, board of directors, ownership, charter/by law, compensation of directors and executive, and the education of directors. The findings of this study explained that the better governing of organization enhance the pay out, profitability, as well as value of organization towards their shareholder. This study measured that which category from these eight category majorly involved in enhancing the performance of organization. The findings of this study explained that good governance of an organization regarding the compensation of directors and executive are highly related to the effective performance of an organization.

Fooladi et al. (2011) has done a study to determine the impact of CG on the financial performance of an organization. This study is conducted based on the agency theory explained that CG of an organization is important to reduce the agency conflicts present between the controller as

International Journal Of Economics Social and Technology
member of scientific research institute
ISSN 2830-5132

well as individual who own the residual claims within the organization. CG is a mechanism that involved in aligning all the goals of management of an organization to its stakeholder to enhance the performance of that organization. The value creation by CG is also measured by the performance of organization. This study considered four main characteristics of board to explain the relationship of CG and financial performance of organization. The board characteristics taken in this study are board independency, board size, CEO duality, and the ownership structure. The regression analysis on data set of this study explained that CEO duality has a significant influence on the performance of organization whereas ownership structure, board independency, and board size don't have significant influence on the performance of organization.

Mashayekhi et al. (2008) has done a study to measure the influence of corporate governance on the performance of organization in Iran. In this study multiple factors of corporate governance: board size, board investors, board independence, and board leadership used to measure their influence on ROE, EPS, and ROA of performance of banks. The analysis of this study is done by regression analysis and results ensure that board size impart negative effect on the performance of organization. It is concluded that institutional investors and board independence impart a positive significant effect on the performance of organization. There are multiple factors of CG that affect the performance of an organization. Some of these factors are board size, board independence, firm leverage, chairman duality, and firm size are discussed in this study.

Impact of board size on ROA of organization

Board size is defined as the number of directors present in the board of an organization involved in decision making process and other important process of organization. Board size impart a significant impact on the firm performance and optimum board size is 8-10 directors of an organization. It is stated that smaller board size impart significant effect on performance of organization that result in the increase of ROA of organization. Whereas larger board size decrease the performance of organization which result in the reduction of ROA of organization. Multiple scholars have done their study to measure the effect of board size on the performance and ROA of an organization.

Staikouras et al. (2007) has done a study to assess the effect of board size on the performance of banks of Europe. The financial institutions including banks has faced multiple CG challenges. This study is done to measure the relationship of board size as well as proportion of non-executive directors on the performance of an organization. The researcher of this study has taken sample of 58 large banks of Europe over a range of 2002 to 2004. The results of this study explained that board size of directors impart a negative effect on the financial performance and profitability of organization. Whereas board compensation impart a negative effect on the performance of financial institution.

Shakir et al. (2008) has done a study to determine the impact of board size, board composition, as well as property on the performance of an organization. The effective governance of the Asian economies has been a major problem in the context of the Asian financial crisis of 1997. When ownership is separated from management, difficulties develop with the agency. In CG, this circumstance posed the main question of how managers can efficiently monitor and control so that managers can act in the shareholder's best interests. This study explained that the existence of the board of directors very important for the monitoring as well as controlling of shareholders of an organization. Board composition is an important factor in assessing the size and in controlling of the interest of shareholders of organization. The conducted survey of this study explained that good CG impart a significant effect on the performance of an organization. Thus, it is concluded that board composition as well as board size impart a significant effect on the performance of an organization.

Impact of board independence on ROA of organization

Board independence is defined as the condition in which majority or all directors of a board don't have any relation with the organization. Board independence is very important for the performance of an organization as this independence is involved in creating the greater value for shareholders. The presence of board independence enhanced the reputation of organization and also increased the shareholders of organization that result into the increase in profitability of organization. Thus, board independence impart a significant effect on the profitability of an organization.

Syed Fuzi et al. (2016) has done a study to assess the influence of board independence on the performance of organization. The Executive Board is a group body that must work in the best possible interest of its shareholders. In order to meet shareholder interests, the Board necessitates combining executive and non-executive directors. Unless they are independent from management and provide an unbiased company judgement, the non-executive directors on the board are unable to carry out their tasks successfully. Independent managers are responsible for representing shareholders and help to alleviate the problem of agencies. In addition, it is recommended that the membership of the board members be balanced, composed of independent directors, in the Code of CG and regulators. However, simple observance of the suggestions is not sufficient if the independent directors do not successfully perform their duties.

A study on the independence of the Board and firm performance was conducted in a few countries. The findings showed that independent managers and company performance had a mixed link. While the corporations were the most independent managers, it would not ensure improved performance in the company. Thus, it is concluded that monitoring of independent directors is important to enhance the positive values of shareholder of an organization.

Uribe-Bohorquez et al. (2018) has done a study to assess the relation of board independence on the performance of an organization. In this study, researcher has implemented a new research approach to measure the relationship present between the board independence and the performance of organization. This study examined the institutional factors impart moderating effect on the performance of organization by enforcement of laws. In this study, a survey questionnaire was conducted based on 2185 organization over a range of 2006 to 2015. The analysis of collected data was done by truncated regression analysis to measure the efficiency in the performance of organization. The findings of this study explained that board independence in an organization impart a positive influence on efficiency in the performance of an organization. The implementation of laws regarding board independence also enhance the performance of organization. Thus, it is concluded that the performance of board independence is increased in organization that ensure the implementation of laws or any legal body regarding board independence.

Impact of Chairman Duality on ROA of organization

Chairman duality is defined as the situation in which CEO of an organization also hold the position of chairman of board. CEO/ chairman duality also affect the performance of an organization because in this way the control as well a monitoring on all tasks of organization has reduced that result into the poor performance of organization. Some theories explained that chairman duality is good for the organization as it enhance the performance of organization.

Arslan et al. (2014) has done a study to determine the effect of CEO duality as well as audit committee on the performance of oil and gas listed organization present in Pakistan. The basic aim of this study was to measure the relationship present between the mechanism of CG and the performance of an organization. Multiple factors such as audit committee as well as CEO duality of CG mechanism taken in this study to measure the ROE and profit margin as performance of organization. This study was conducted on 11 listed organizations of Pakistan over a time period of 2010 to 2011. The findings of this study explained that audit committee has remarkable positive influence on the ROE of organization. Whereas, CEO duality don't impart a significant effect on the ROE as well as profit margin of organization. The findings of this study also concluded the importance of both audit committee as well as CEO duality on the profitability of organization.

Shrivastav et al. (2016) has done a study to determine the relationship present between CEO duality and the performance of an organization by using pane regression approach. There are two main theories of CG such as agency theory and the stewardship theory. Both of these theories explained that CG impart a significant effect on the performance of organization. The agency theory of CG explained that CEO duality impart negative effect on the performance of organization whereas stewardship theory suggest that CEO duality has positive influence on the performance of organization. This study was done based on previously conducted studies to assess the panel data of almost 145 non-financial organization listed on National Stock Exchange over a time period of 2008 to 2012. In this study, Tobin's Q as a market-based measure as well as ROE measure the performance of organization. The panel data analysis with fixed effect model including various variables has done in this study to assess this relationship. The findings of this study explained that CEO duality has negative influence on performance of organization when Tobin's Q is taken as the measure of performance.

Impact of firm size on ROA of organization

The size of a firm is defined as the Firm size impart a positive effect on the performance of an organization that is measured by ROA. The size of an organization basically explained the experiencing growth as well as overall growth of the organization so that it has positive place in the market.
Abbasi et al. (2015) has done a study to determine the moderating effect of firm size on the financial performance of an organization. The basic aim of this study was done to measure the moderating effect of firm size on relation of growth as well as performance of an organization. The researcher of this study has developed null as well as alternate hypothesis as null hypothesis of this study ensure that firm size don't impart moderating effect whereas alternate hypothesis ensure that firm size impart moderating effect on the performance and growth of organization. The secondary cross-sectional tool was used to collect the data from almost 50 listed organizations of Karachi Stock Exchange. In this study, formality of stationary of data has also fulfilled before the application of regression equation model to analyze the data. The findings of regression analysis measured that alternate hypothesis of this study accepted whereas null hypothesis is rejected. Thus, it is concluded that firm size impart a significant moderating effect on the growth as well as performance of organization.

Azhar et al. (2019) has done a study to determine the relationship present between the firm size and profitability of organization present in Pakistan. This study is done to measure the relationship present between the firm size as well as profitability of an organization as the research on this relation on emerging economies is very limited. This study is done to explore this relationship in the textile listed organizations of Pakistan to measure that how the firm size impart a significant effect on the performance of textile firms. The data for this study was collected from top 10 textile organization of Pakistan on the Pakistan Stock Exchange over the time period of 2012 to 2016. The profitability and performance of these organizations was measured by ROE as well as net profit ratio whereas the total assets as well as total sale of that organization measured size of organization. The data analytical techniques used in this study were correlation analysis as well as regression analysis. The results of this study explained that there is no as such remarkable relationship present between the firm size and performance of organization in the textile industry of Pakistan

Impact of firm leverage on ROA of organization

Firm leverage is defined as the investment strategy of an organization to enhance its performance and profitability. The leverage of an organization is calculated by ratio of total company debts to shareholders equity. Firm leverage impart a significant effect on the performance of an organization.

Iqbal et al. (2018) has done a study to measure the influence of financial leverage on the performance of organization. This study is done to measure the relationship present between the financial leverage as well as financial performance of the textile organizations present in Pakistan. There are 16 companies were selected from total Pakistan textile company and select the data of these companies from 2011 to 2015. The analysis of collected data was done by analytical techniques such as descriptive statistics, panel regression model, and correlation analysis. The findings of this study explained that financial leverage impart significant negative effect on the ROE whereas positive effect on the ROA of organization. This study further indicate that interest rate result in the decrease of the value of equity and impart a negative effect on the financial performance of an organization. While, on the other hand, financial leverage impart highly positive effect on the performance of an organization.

Inam et al. (2014) has done a study to determine the effect of financial leverage on the performance of organization present in fuel and energy sector of Pakistan. Fuel and energy sector impart a significant effect in supporting the economic development. This study explained that financial leverage is highly supportive in enhancing the financial performance of organization. The findings of this study ensure that firm leverage impart a positive significant effect on the financial performance of an organization. This study explained that all the energy and fuel organizations that have high profit also involved in improving the financial performance of these organization due to presence of liquidity conditions and firm leverage.

Method

The methodological research approach for this study is deductive because in this study already present fact influence of corporate governance on the performance of an organization is measured. This is a quantitative data and involved in hypothesis development and then analysis of this hypothesis is done for verification. This study based on the positivism as this is a quantitative study and positivism involved in quantitative methods such as official statistics, surveys, and questionnaires. Research was carried out this research by implementing quantitative research strategy. This research strategy has been choose due to the addressing of multiple areas of research numerically by using relevant statistical as well as mathematical methods such as graphs, central tendencies, as well as tabulations. In this study secondary data collection is used to collect the secondary data for proper analysis of study. This study is based on the analysis of performance of banks over last 10 years so that's why data for this study is collected by official government publications and annual reports of those banks over last 10 years. There are multiple sources of secondary sources such as books, official government publications, annual reports, journals, websites, and newspapers. The collection of secondary data is quiet easy for researcher as compare for primary data collection because all data is available and gathered by use of internet easily

Results and Discussion

To analyze collected data following test were applied; Descriptive analysis, Panel Unit Root, Co-integration, and Hausman test. Panel Unit Root was run to found stationary/non-stationary data. Test of Co-integration was applied to check the relationship among variables. Fourth, Test of Hausman was applied to check the fixed/random effect between variables then fixed effect, Regression of Panel Least Square was performed to analyze the connection among governance of corporate and banks performance. Table 4.1 shows that the mean of ROA was 0.012, BS was 8.75, ID was 0.33, CCD was 0.14, FS was 8.78 and LEV was 0.07.

Table 1 Descriptive Statistics

Variables	Obs.	Mean	Median	Max	Min	St. Dev.
ROA	150	0.012666	0.011000	0.04170	-0.01360	0.007686
BS	150	8.753333	6.000000	15.0000	5.00000	2.231371
ID	150	0.332044	0.333333	0.60000	0.09090	0.089235
CCD	150	0.140000	0.000000	1.00000	0.00000	0.348149
FS	150	8.780028	8.811839	9.56154	7.68304	0.404859
LEV	150	0.072370	0.069450	0.14400	0.03580	0.025074

International Journal Of Economics Social and Technology
member of scientific research institute
ISSN 2830-5132

Note: ROA=Return on Asset; BS=Board Size; ID=Independent Director; CCD=CEO/Chairman Duality; FS=Firm Size; LEV=Leverage

The standard deviation of ROA was 0.007, BS was 2.23, ID was 0.08, CCD was 0.34, FS was 0.40, and LEV standard deviation was 0.02. In contrast, BS standard deviation was optimal than other variable that demonstrated that BS was optimally volatile during the period of sample. However, ROA was low volatile during the sample period. The results summarize in Table 4.2 shows probability value of ROA was lees than 0.05 in LCC, and ADF test at level but above 5% in IPS, indicated ROA was non-stationary at level. However, it became stationary at first difference. While, probability value of LEV and BS were above 5% at level in LLC, IPS and ADF Test demonstrated non-stationary at level.

Table 2 Panel Unit Root Test

Method		ROA		BS			
		Level	1st Difference	Level	1st Difference		
LLC		0.03	0.00	0.06	0.00		
IPS		0.09	0.05	0.64	0.00		
ADF		0.05	0.03	0.63	0.00		
PP		0.07	0.00	0.00	0.00		
ID		CCD		FS		LEV	
Level	1st Difference	Level	1st Difference	Level	1st Difference	Level	1st Difference
0.00	0.00	0.00	0.00	0.19	0.01	0.26	0.01
0.07	0.01	0.00	0.00	0.99	0.01	0.95	0.01
0.02	0.00	0.00	0.00	0.98	0.00	0.98	0.00
0.00	0.00	0.01	0.00	0.60	0.00	0.05	0.00

Note: ROA=Return on Asset; BS=Board Size; ID=Independent Director; CCD=CEO/Chairman Duality; FS=Firm Size; LEV=Leverage

Moreover, LEV and BS were became stationary at 1^{st} difference. ID and CCD values were below 5% percent at level, indicated the variables are stationary at level. On the other hand, the probability values of FS in LLC, IPS, ADF and PP test were above than 0.05, indicated that non-stationary at level but after 1^{st} difference it became stationary. In conclusion, all the variables probability values were below 5% at first difference, which indicated at first difference data became stationary. Pedroni (1999) methodology is used, to check the stability of long-term connection between variables. Table 4.3, the results show that the probability value of all estimation is less than 5%, suggest that alternative hypothesis is accepted as there is co-integration between variables. The results indicate that there is long-term connection among variables.

Table 3 Co-integration Test

Pedroni (Eagle Granger based) Panel Co-integration Estimates	Statistic	Prob.
Panel v-Statistic	-3.5092	0.0034
Panel rho-Statistic	-2.8469	0.0481
Panel PP-Statistic	-5.8738	0.0000
Panel ADF-Statistic	-5.2904	0.0000
Alternative hypothesis: individual AR coefficient		
Group rho-Statistic	-3.3911	0.0097
Group PP-Statistic	-4.8294	0.0000
Group ADF-Statistic	-7.6483	0.0000

First Hausman test was applied to check either random or fixed affect model is appropriate. The result shows in table 4.4. The value of probability is 0.06 that is above 0.05, which does not support the null hypothesis and indicated that model random effect is appropriate.

Table 4.4

Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.596105	5	0.060

Panel regression with random effect was performed to analyze the governances of corporate effect on ROA of banks. The results show by Table 4.5 that P-value of BS, ID, FS and LEV variables were less than 0.05, which indicated size of board, independent directors, size of firm and leverage significantly and positively effect on ROA. Hence, H 1, H2, H4 and H5 were supported by the findings. The results demonstrated that increases in size of board, leverage (capital ratio), number of independent directors and assets of firm significantly increases the performance of firs (profitability). Moreover, CCD (CEO/Chairman Duality) has insignificant influence on ROA.

The value of Adjusted R-Squared shows how much the change in DV (dependent) occurs due to the IVs (independent) variables. In this case, the Adjusted R-Squared is 0.84 or 81%, which shows that the change in ROA was 81% due to its IVs that is substantial value of R-Squared. The value of Durbin-Watson was 1.58, indicated issue of autocorrelation was not find in that data. The F-statistics is 0.000 that demonstrated there were jointly effects of all IVs on DV.

VIF indicated the multicollinearity that represents correlation quantity among IVs. The result indictaed no multicollineratity issue was find among the variables because VIF is below 10. In table 4.6, the results show that all variables' VIFs were less than 10, indicated that there were no multicollinearty issue in data.

Table 5 Panel Least Square Regression with Random Effect

Dependent: ROA					
Variable	Coefficient	Std. Error	t-Statistic	Prob.	VIF
BS	0.001796	0.000317	5.659415	0.0000	3.07
ID	0.027856	0.006329	4.401336	0.0000	3.88
CCD	0.000191	0.003530	0.054044	0.9570	1.88
FS	0.031168	0.008153	4.401336	0.0002	2.98
LEV	0.107151	0.028775	3.723798	0.0003	2.55
C	0.021780	0.003574	6.094360	0.0000	
R-squared		0.842586			
Adjusted R-squared		0.816578			
F-statistic		32.39776			
Prob(F-statistic)		0.000000			
Durbin-Watson stat		1.682834			

Note: ROA=Return on Asset; BS=Board Size; ID=Independent Director; CCD=CEO/Chairman Duality; FS=Firm Size; LEV=Leverage

Discussion

The discussions on findings in detail are mentioned below. The panel least square results present in table 4.6 shows the association among CG factors and ROA performance of firm. The study applied Panel regression to analyze the governances of corporate effect on ROA (performance of banks). The results show by Table 4.6 that P-value of BS, ID, FS and LEV were less than 0.05, which indicated size of board, independent directors, size of firm and leverage significantly and positively effect on ROA. Hence, H 1, H2, H4 and H5 were supported by the findings. The results demonstrated that increases in size of board, leverage (capital ratio), number of independent directors and assets of firm significantly increases the performance of firs (profitability).

Relationship between Board Size and ROA

Board size has significantly positive effect on performance. Previously, researcher suggested that the (BOD) act as important role in the connection among strategy of CG and practices (Balsmeier et al., 2014). Barroso et al. (2011) the maximum size of board means high knowledge level, abilities and skills with combine effect significantly influence performance of firm. Hence, huge boards enhance the performance of company. Orozco et al (2018) board and firm size are the financial and reputational indicators. Staikouras et al. (2007) found that board size of directors impart a negative effect on the financial performance and profitability of organization. The reason behind that 8 to 10 directors recognized as optimum board size in an organization. It is stated that 8 to 10 BS significantly effect on performance of organization that result in the increase of ROA of organization. Shakir et al. (2008) argued that the existence of the BOD is very important for the monitoring as well as controlling of shareholders of an organization. Moreover, it is considered as an important factor in assessing the size and in controlling of the interest of shareholders of organization. The conducted survey of this study explained that good CG impact a significant effect on the performance of an organization. Thus, it is concluded that board composition as well as board size impart a significant effect on the performance of an organization.

Relationship between Independent Directors and ROA

Board independency is also important factors of good CG. It is mainly in the field of business, economic and financial management (Balsmeier et al., 2014). Uribe-Bohorquez et al. (2018) found that board independence in an organization effect positively on efficiency in the performance of an organization. It also enhance the performance of organization. Syed Fuzi et al. (2016) argued that Independent managers are responsible for representing shareholders and help to alleviate the problem of agencies. The result found significantly positive impact of ID on performance ROA Thus, it is concluded that monitoring of independent directors is important to enhance the positive values of shareholder of an organization. The reason behind that independency of directors is involved in creating the greater value for shareholders. The presence of board independence enhanced the reputation of organization and also increased the shareholders of organization that result into the increase in profitability of organization. Thus, It has a significant effect on the profitability of an organization. Alqatan et al. (2019) argued that the board practices have a great influence on performance of corporate. However, meetings for (CG) practices are important to set and complete the task, enhance task effectiveness and achieve the set goals. Moreover, if (BOD) specifically independent directors meet with the set schedule, it make possible to resolve the issue, problems, and management monitoring efficiently, thus (BOD) perform better duties regarding to manage interest of shareholders and coordination.

Relationship between CEO/Chairman Duality and ROA

CCD (CEO/Chairman Duality) has insignificant influence on ROA. In previous study, the presence of CEO/ Chairman Duality in an organization reduces the firm performance such as monitoring on all tasks of organization has reduced that result into the poor performance of organization (Alodat et al., 2021). While several studies argued that Chairman/CEO duality is good for the organization as it enhance the performance of organization (Brown et al., 2004). In contrast, Arslan et al. (2014) found that CEO duality has insignificant effect on the ROA as well as performance of organization. The results supported H3. Shrivastav et al. (2016) found insignificantly affect of CCD on ROA. The strong reason behind that mostly banks (financial companies) of Pakistan do not have duality of CEO/Chairperson that is why it has insignificant impact on ROA

Relationship between Firm Size and ROA

Abbasi et al. (2015) found that FS such as growth of the firm significantly effect profitability as well as performance of organization. Azhar et al. (2019) found that the profitability and performance of non-financial (textile) sectors were measured by ROA that significantly affected by size of the firm. The reason behind that increases in firm size increases the profitability and performance of the firm. Thus, it has supported H4 and previous studies results. According to Shahwan (2015) improvement in CG practices and FS increases the firm performance shows the positive revenue generate by company and company used its assets through business. Large FS make firm healthy. Tylecote and Visintin (2007) results reveal governance of corporate is the main determinant for change of technology and innovation. Wandari, S. (2021) argued that company growth increases if firm has large size. The reason behind that increases in total asset increases the sales and profit as well that enhance the performances of the firm also (ROA).

Relationship between Leverage and ROA

Bui, T. (2020) found that leverage has both negative and positive effect on firm more leverage increases the performance of firm (ROA) that leads to increases the risk also. The findings indicated risky investments can be made by companies with high operational and high advantage. Further, if a firm has high operating leverage it makes fewer sales but has higher profit margins or return. Iqbal et al. (2018) found that leverage significantly and negatively effect the ROE whereas positively effect ROA of organization. The results indicated high leverage increases the performance of the firm as well as risk, Thus supported H5 and previous studies results. Inam et al. (2014) found that leverage positively and significantly effect the financial performance of an organization. The reason behind that all organizations that have high leverage earn more profit also involved in improving the financial performance of these organization due to presence of liquidity conditions and firm leverage.

Hypotheses Summary

Hypothesis	Statement	Decision
H1:	BS significantly influence ROA	Supported
H2:	ID significantly influence ROA	Supported
H3:	CCD Significantly influence ROA	Not Supported
H4:	FS significantly effects ROA	Supported
H5:	LEV significantly effects ROA	Supported

Conclusion

This research aims to investigate the influence of governance of corporate factors on performance of banks (ROA). The independent variables include size of board, independence of board, CEO/Chairman duality, size of firm, leverage and dependent variable is return on assets. Secondary data was collected from 15 banks of Pakistan. The ten years data is collected over the period of 2010 to 2020. The data was collected from state bank of Pakistan. The total number of observations were 150. This study developed hypotheses from previous studies results as BS, ID, CCD, LEV, FS have positive impact on ROA. To test the hypotheses of this research, following test are performed, Descriptive analysis, Panel Unit Root, Co-integration, Hausman test, and Panel Least Square with random effect. The finding of this study was supported the by theories were applied on previous studies study include agency theory, stewardship theory.

Furthermore, the results were supported H1, H2, H4 and H5. The results show that the relations among CG factors and ROA are significant and positive. The results demonstrated that

increases in size of board, leverage (capital ratio), number of independent directors and assets of firm significantly increases the performance of firs (profitability). Moreover, CCD (CEO/Chairman Duality) has insignificant influence on ROA. The value of Adjusted R-Squared was 0.84 or 81%, which shows that the change in ROA was 81% due to its IVs that is substantial value of R-Squared. The Durbin Watson value was 1.58, suggested that there was no issue of autocorrelation.
Moreover, Staikouras et al. (2007) found that board size of directors impart a negative effect on the financial performance and profitability of organization. The reason behind that 8 to 10 directors recognized as optimum board size in an organization. Uribe-Bohorquez et al. (2018) found that board independence in an organization effect positively on efficiency in the performance of an organization. The reason behind that independency of directors is involved in creating the greater value for shareholders that result into the increase in profitability of organization. Shrivastav et al. (2016) found insignificantly affect of CCD on ROA. The strong reason behind that mostly banks (financial companies) of Pakistan do not have duality of CEO/Chairperson that is why it has insignificant impact on ROA
Further, Abbasi et al. (2015) found that FS such as growth of the firm significantly effect profitability as well as performance of organization. Wandari, S. (2021) found that company profit increases if firm has large size. The reason behind that increases in total asset increases the sales and profit as well that enhance the performances of the firm also (ROA). Inam et al. (2014) found that leverage positively and significantly effect the financial performance of an organization. The reason behind that all organizations that have high leverage earn more profit also involved in improving the financial performance of these organization due to presence of liquidity conditions and firm leverage. Results can be concluded that improvement in corporate practices increases the firm performance shows the positive revenue generates by company and company used its assets through business. Good CG practices make firm healthy.

Managerial Implication

The managers will able to know about Agency theory challenge that successful corporate governance improve ability of company to face challenges and diminish the conflicts of agency. Furthermore, managers will able to verify that to compare the competent of directors, external directors are higher in proportion than internal directors. The agency Purposed that successful corporate governance enhance a corporate's authenticity & progress on performance of firm that will help managers of the firm to make strategies to increases the profit. Because increases the demand from stakeholders for development of corporate sustainability. The CG practices can decrease the problems of agency, which make by managers responsible for the stakeholders. Because the stakeholders' require to take details regarding to current actions which have enlarged extremely in the previous decades. They wait for firms to report non-financial and financial details. Moreover, business companies, the highest stakeholders are (BOD) and their task is to set the management's goal to their stakeholders. This research will provide the value to the firm's investors and other stakeholders. This study introduces the association among practices of governance of corporate and performance of banks.

Furthermore, this study will be helpful for the managers to believe on good governance as balancing mechanisms for better stakeholder management. Managers will be able to understand the importance of CG practices that support benefits and purposes among the company managers and finance providers that's why past has a point of risk certainty to provide the funds for managers. The (BOD) have a link for owners and control of the daily operation of the firm, and it is stated as as the control decisions made by top body within (CG) (Adams et al., 2008). Corporate Governance system can be divided into outside (external or linked with different markets) and inside (internal or self-setup of company). Even though, various the former studies have investigated the impact of (CG) on the performance and value of firm. Tylecote and Visintin (2007) results reveal governance of corporate is the main determinant for change of technology and innovation. Therefore, by this study company's managers will innovate their company by different technology.

Future Recommendation

This study has a quantity of executions for the firm's governance and performance. This study has only focused on internal control rather than external control system. Additionally, this research conducts in the context of financial companies (Banks) only. However, future research may conduct from non-financial companies of Pakistan such as textiles, automobile, fuel and energy, fashion industry etc. This research has focused on the financial companies of Pakistan. The study recommends that future research may conduct on different countries financial companies. Comparative research may conduct in future. This research was collected limited data due to the short period. In future, studies may collect large data. This study has used proxy of performance that was ROA only. However, future research may use different proxies such as ROE or profit margin as financial performance.

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