URL: http://dx.doi.org/10.31703/ger.2021(VI-I).05 **DOI:** 10.31703/ger.2021(VI-I).05
p-ISSN: 2521-2974 **e-ISSN:** 2707-0093 **L-ISSN:** 2521-2974
Citation: Ahmad, I., Sadiqa, A. B., & Khan, R. (2021). The Impact of Corporate Governance Practices on the Firm Financial Performance of the Non-Financial Firms. *Global Economics Review*, *VI*(I), 53-70.
https://doi.org/10.31703/ger.2021(VI-I).05

The Impact of Corporate Governance Practices on the Firm Financial Performance of the Non-Financial Firms

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Abstract *The study focuses on whether the Corporate Governance characteristics influence the firm performance of Non-Financial Firms in Pakistan. In this study, three types of industries like pharmaceutical, cement, and food were analyzed from the Pakistan Stock Exchange for the period of 2010 to 2019. The authors used the diagnostic test on data that argued that the model is better, like the fixed effect model or random-effect model for analysis. Multiple regression-based methodologies were developed to use a fixed-effect model for both dependent variables, Return on Assets and Tobin-Q variables, to discover the association between corporate governance and firm performance. It is concluded that board size, board education board experience, board nationality and board compensation have significant the ROA and board size, board experience, the board size, and board compensation shows significance with Tobin-Q.*

Pages: 53 – 70

Vol. VI, **No.** I (Winter 2021)

Key Words:
Corporate Governance, Firm Performance, Pakistan, Board Size, Board Gender , Board Experience , Firm Size, ROA, Tobin-Q

JEL Classification:

Introduction

The word Corporate Governance is achieving the vital attention topic all over the world between the stockholders from the last few decades. Corporate governance is a set of the management of the system and controls it, in which all the allocations of rights and accountabilities of multiple contestants in the firm are elucidate stated and, therefore, the regulation and proceedings to be implemented on the judgment and the firm are explicate in an elaborate.

Corporate performance is a consequential conception which is related to the arterial and amenities in which financial bankroll available to a firms are discreetly used to attain the overall corporate objective of the firms; it observe the firm in business and bring a high command for upcoming opportunities.

In universe climate, every country have their own rules and regulations in their delicate zone as per their social, political and religious requirements. In some centuries these rules and regulations as laws, guidelines spell some are social norms. According to Black et al. (2003), these guidelines are written down in light and dark to demonstrate that all organizations obey a certain set of laws,

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maintaining a fair contest and safeguarding the interests of all stakeholders.

The main purpose of this study is to explore the associations of "good" corporate governance with the financial performance of three Non-Financial firms like Cement, Pharma and Foods in Pakistan Stock Exchanged for the period of 2010 to 2019. As per previous study by Turnbull (1997) delineates CG as the authorities impressive the processes of institutional, along the all practising to the controls and regulate, complicate in organizing the manufacturing process, deal of good and services. The author Ehikioya (2009), CG is distracted with procedures and building amount those members engaged in the organization take functional steps to cover shareholders' claim.

The CG has grown highly relative in coetaneous times as company's promotion and elaborate in the arising economies of developing and developed (Freeman, 1983, 2010). It is also a benefit of the community that the firms used raw materials from local market, appoints local labor force, pays govt. taxes, sale its products in local community. Additionally, in modern corporate reflections have been criticized basically on "bed" practices of corporate governance. The conclusion that, the failure in high leave, which can be perceived in all angle of culture and society. According to Mallin (2016), the capital of investors can be scoured out late, will occur jobs losses and many more.

The story has another side: corporate interests classified as the practices of stakeholders could also affect the corporate entity. For example, if a business is dissatisfied with the company's operations, it will respond adversely to the company. One should, therefore, boycott its goods. This illustrates that it is possible to consider corporate governance structures relevant to the financial performance of corporations.

In order to pursue expansion projects, companies involve financing from investors. The point would be that the firm's corporate governance processes are taken into account before investors think about investing in companies, as per the previous of Weir (1997), a company for that the system of CG looks like as "unacceptable" is working for got loans. According to Mallin (2016), notes out here that they consider metrics such as insider shareholders, audit committees, board independence, the board size, CEO duality, and many more, all relevant to the company's achievement, ahead of investors achieve their asset to investment activities. In response, companies have now started developing good corporate governance systems that would have been acceptable to institutional investors.

Although so according to Cadbury (2000), in response to a structure under which companies are directed and regulated, corporate governance problems arise due to the distinction between owners of the business and its control. The exploration of asymmetric knowledge arising from an incomplete contractual relationship amount the owners and managers, the issue of conflict of interest can arise. Such data may act as a motivation for administrators, to the detriment of shareholders, to undertake self-beneficial company ventures. Furthermore, the investor can conclude its own corporate interest's conflict with their fiduciary obligations.

Managing these disputes between the principals and the agents is one role in corporate governance. Effective CG must also have clear structures within the organization to control different special interests, thus minimizing large agency costs (Ackerman, 1973)

Review of Literature

Theoretical Background

This has been pointed out that one of the obstacles in enforcing "right" corporate governance today is the potentially strained association amount BOD and shareholders. The agency theory and stewardship theory both have discussed (Donaldson & Davis, 1991).

Agency Theory

The association between managers (agents) and shareholders (principals) is defined in the agency theory (Donaldson & Davis, 1991). It helps to overcome disputes between both the organization's management and its shareholders through prescribing strategies for resolving such conflicts, such as assigning judgment responsibility to project managers.

According to the agency theory, if costs are held low, companies will boost their financial results. Due to the extreme conflict of interests between managers and owners, the agency expense can be perceived as a value loss for shareholders (Jensen & Meckling, 1976). Furthermore, agency expenses are expressed in the stock market, which has an impact on the company's share price. As a result, if agency expenses are adequately handled, they will assist in increasing share value, thus enhancing the firm's overall financial efficiency. As a result, in order to minimize agency expenses, the corporate governance process must define the origins of these disputes, necessitating a detailed understanding of the "agency theory."

Stewardship Theory

The previous theory, which proposes that both positions of chairperson and CEO be divided, the stewardship theory proposes that both roles be merged. According to the stewardship principle, directors can accomplish corporate goals for shareholders by optimizing their utility rather than being self-serving. Some empirical evidence supports the stewardship theory side of the debate (Donaldson & Davis, 1991).

Furthermore, stewardship theory emphasizes managers' responsibility for their integrity and intended career advancement force them to behave in the best interests of shareholders, reducing agency costs (Donaldson & Davis, 1991). There is a psychological dimension to the claim that managers will give up their best when they are happy with their work. According to Clarke (2004), empowering managers to make choices without having to go through bureaucratic procedures increases job satisfaction, which leads to the firm's overall financial results.

Empirical Framework

CEO Duality

In certain businesses, the CEO acts as both the chairperson of the board of directors and the executive officer (Elsayed, 2007). When a CEO also serves as the chairperson of the board of directors, corporate governance rules assume that control is concentrated (ASX Corporate Governance Council, 2007). The main problem with CEO duality is that managerial dominance of the board of directors will lead to shady agenda management (Firstenberg & Malkiel, 1994). In this case, the CEO/chair can choose to submit information to the board of directors only if it is of financial goals to them. As a result, in businesses where corporate governance structures aren't closely controlled, governance is free to follow their own interests (Fama & Jensen, 1983).

H_1: There is a positive association amount chief executive duality and firm performance

Board Size

The board of directors plays an important role in the corporate governance system, according to economic theories (Fama & Jensen, 1983). Shareholders are concerned about the board of directors' ability to track and regulate managers so that they behave in the best interests of the company. The common belief is that businesses with a large board of directors are more likely to have good oversight, which may help them perform better.

H_2: There is a positive association amount board size and firm performance

Board's Committees

The Sub-Committee oversees the company's reporting activities. From the Bottom the Organization Theory Viewpoint, Fama and Jensen (1983) propose the audit, Sub-committees of selection and remuneration carry out different roles in the decision-making process and in the control mechanism of a company. Then it is possible to track firms' operating activities more intensively. This, in effect, can promote voluntary disclosure and decrease asymmetries in information (Collier 1993; Fama 1980; Vafeas 2000). According to Carson (2002), the role of the audit, appointment and remuneration committees. The audit committee plays a crucial role in controlling companies in compliance with the regulations. The selection committee considers the expertise of the directors and periodically reviews the board's results—the compensation committee reports on the terms and conditions of remuneration given to a firm's senior management. An organization can consider using subcommittees to ensure that monitoring activities are carried out effectively in order to implement better control and openness and to reduce asymmetry of information.

H_3: There is a positive association amount board committees and firm performance

Board's Education

The act of the board is to operate a business internally (Fama, 1980). A committee is also a mechanism for customer management (Fama and Jensen, 1983). The effectiveness of the company should be increased by a board of directors that effectively manages management decisions. It makes it possible for any Member of the Management Board to have management expertise, including accounting, finance, marketing, IT, legal problems and many more related policy areas. This allows each board member to contribute substantially to the decisions taken by management, which are then transformed into the results of the company (Nicholson and Kiel, 2004; Fairchild and Li, 2005; Adams and Ferreira, 2007).

H_4: There is a positive association amount board education and firm performance

Board's Gender

Since blacks and women turned out to be a greater proportion of the workforce in the new world, firms are seeing substantial improvements in categories of potential senior executive candidates (Berke & Nelson, 2002).In recent years, issues of class and minority in corporate governance have created controversy. Dobbin and Jung (2011) concluded that diverse teams strive to be more effective and faster in addressing workplace challenges. In fact, the internal decision-making processes were taken by teams with demographic and functional perspectives, thereby improving the consistency of the organizational decisions. I argue further that diversity stimulates imagination and innovation.

The authors concluded that diversity brings synergistic advantages for an organization. The writers related back to the principle of social diversity

H_5: There is a positive association amount board gender and firm performance

Board's Experience

The Board members' perspectives are performing a crucial role in the increase of organization's efficiency. The Board members' experience and know-how contribute significantly to the firm's performance. According to restrained theory, board resources associates with more experience and know-how perform better and effectively handle organizational problems. Hence, the organization's human resource officer seeks to pick the most qualified applicants during the process of screening.

H_6: There is a positive association amount board experience and firm performance

Board's Nationality

Janis developed the idea of group-think in 1972, which was extensively debated in the 70s and 80s. The definition was created to describe mechanisms of decision-making that can lead to mistakes, accidents and terrorism types. Strategic blunders such as the Nazi decision to attack the Soviet Union in 1941 and Ford's ill-fated introduction of the Edsel in 1958 are manifestations of collective reasoning triggered by an inadequate examination of options and goals, inability to analyze the hazards of choice and lack of knowledge, interpreted in a skewed manner (Sunstein, 2009). The community thought mentality makes individuals with views beyond the comfort zone stop sharing their thoughts and opinions in the consensus of a committed party.

H_7: There is a positive association amount board nationality and firm performance

Firm Size

Size is found at every firm as a significant output determinant. Multiplying in scale has always been the company's goals to get an advantage over their rivals. Scale economies technically explain the positive relationship between scale and efficiency. However, other companies had low results on an annual basis while growing in number. The reviewed literatures established the reason behind the negative relation between size and performance; Kouseret et al. (2012) traced the issue to the achievement of company managers' personal interest. Maja and Josipa (2012) have emphasized the question of combining the organizational income maximization motive with managerial utility maximization. Baumol (1959) accepted that larger companies could contribute to an increase in the need for teamwork, making management activities challenging, resulting in inefficiencies and lower revenues.

H_8: There is a positive association amount firm size and firm performance

Board Compensation

There has been discussion of the relationship between board pay and corporate governance from various perspectives. The compensation applies to the advantages that the company's employees receive in return for the job. This involves incentives, holiday pay, income sharing, appreciation bonuses and incentives such as equity shares, company-paid accommodation and company-paid vehicles in some cases. Broadly speaking, the board of directors pay arrangements to consist of stocks, assets, and stock options. Empirical data

suggests that high pay has the power to suit employee priorities. Scholars in the area of corporate governance propose that managers be motivated to act in the best interests of the stockholders through financial and non-financial opportunities.

H_9: There is a positive association amount board compensation and firm performance

Research Methodology

In this study, the author explored the impact of CG practices on the financial performance of Non-financial firms in Pakistan. The nature of study author used as quantitative research. The secondary data used in the study and collected from the website of the Pakistan Stock Exchange. In this study, three industries have selected from Pakistan, i.e. Pharmaceutical, Cement and Foods. The sample data is selected from cement twelve (12), Food thirteen (13) and Pharmaceutical five (05) firms.

Econometrics Model

The dependent variables, i.e., return on and assets (ROA) and Tobin's Q and independent variables, i.e., chief executive duality, the board size, board committees, board education, board gender, board experience, board nationality, firm size and board compensation has studied in this paper. The following econometrics model will be used:

ROA= α + ß1 x CEDUit + ß2 x BRSIZit + ß3 x BRCMTit + ß4 x BREDUit + ß5 x BRGDRit + ß6 x BREXPit + ß7 x BNit + ß8 x FRMSIZit + ß9 x BRCMPit + €

……

……..……Eq. # 1

TQ= α + ß1 x CEDUit + ß2 x BRSIZit + ß3 x BRCMTit + ß4 x BREDUit + ß5 x BRGDRit + ß6 x BREXPit + ß7 x BNit + ß8 x FRMSIZit + ß9 x BRCMPit + €

……

……..……Eq. # 2

Proxy & Measurement

The following Proxy & Measurement will be used in the paper.

Table 1.

S. No	Definition	Proxy	Measurement
Dependent Variables			
1	Return on Asset	ROA	Net income of the firm divided by total assets of the firm
2	Tobin's-Q	TQ	The total value of the firm in the market divide by the total assets of the firm
Independent Variables			
1	CEO Duality	CEDU	"1" if working on both position and "0" otherwise
2	Board Size	BRSIZ	Number of total board members
3	Board Committee	BRCMT	Number of total board committees
4	Board Education	BREDU	Percentage of supervisors having financial education
5	Board Gender	BRGDR	Number of women present on the board
6	Board Experience	BREXP	Percentage of supervisors having professional knowledge or work experience
7	Board Nationality	BM	Number of foreign member in Board

S. No	Definition	Proxy	Measurement
8	Firm Size	FRMSIZ	The total Assets of the firms
9	Board Compensation	BRCMP	1 if paying compensation other wise 0

Result, Discussion and Recommendations

Overview

In this section, the authors will briefly discuss the collected data and use of the statistical model for getting results. In statistical analysis, the authors will find out the Mean, Median, Standard Deviation, coefficient of variance, correlation and Diagnostics Test of all dependent and independent variable of the study. The objective of statistical analysis to determine the impact of CG practices on the financial performance and financial behavior of non-financial firms in Pakistan.

Descriptive Statistics of Pakistan

Table 2.

Variable	Mean	Median	Std. Dev.	CV.
ROA	-4.1141	0.070899	72.734	17.679
TQ	111.61	0.47337	1501.9	13.457
CEDU	0.23667	0.0000	0.42575	1.7989
BRSIZ	7.7300	7.0000	1.0713	0.13858
BRCMT	2.1533	2.0000	0.85572	0.39739
BREDU	3.0633	3.000	0.71252	0.23260
BRGDR	0.92000	1.000	0.97816	1.0632
BREXP	216.70	214.00	60.584	0.27958
BN	0.41333	0.0000	1.0954	2.6501
FRMSIZ	10.942	11.136	1.7178	0.15699
BRCMP	2578.9	839.32	5652.9	2.1920

Note: ROA stands for Return on Assets. TQ stand for Tobin's Q. CEDU stand for Chief Executive Duality. BRSIZ stand for Board Size. BRCMT stand for Board Committees. BREDU stand for Board Education. BRGDR stand for Board Gender. BREXP stand for Board Experience. BN stand for Board Nationality. FRMSIZ stand for Firm Size, and BRCMP stand for Board Compensation.

Table 2 reports the descriptive statistics of all dependent and independent variables to include in the study. The mean of CEDU is 0.236, with a standard deviation is 0.425. The mean of BRGDR is 0.920, with a standard deviation is 0.978. The difference between mean and standard deviation is normal, therefore, we conclude that the CEDU and BRGDR are consistent in the Pakistan context.

The mean of ROA is -4.114, with a standard deviation is 72.734. The mean of TQ is 111.61, with a standard deviation is 1501.9. The mean of BRSIZ is 7.730, with a standard deviation is 1.071. The mean of BRCMT is 2.153, with a standard deviation is 0.855. The mean of BREDU is 3.063, with a standard deviation is 0.712. The mean of BREXP is 216.70, with a standard deviation is 60.584. The mean of BN is 0.413, with a standard deviation is 1.095. The mean of FRMSIZ is 10.942, with a standard deviation is 1.717. The mean of BRCMP is 2578.9, with a standard deviation is 5652.9. The difference between mean and standard deviation is too large, therefore, we conclude that

the ROA, TQ, BRSIZ, BRCMT, BREDU, BREXP, BN, FRMSIZ and BRCMP is not consistent in the Pakistan context.

Correlation Matrix of Pakistan

Table 3.

	ROA	TQ	CEDU	BRSIZ	BRCMT	BREDU	BRGDR	BREXP	BN	FRMSIZ	BRCMP
ROA	1.0000										
TQ	-0.998	1.0000									
CEDU	-0.104	0.0960	1.0000								
BRSIZ	0.0396	-0.042	0.2506	1.0000							
BRCMT	0.0786	-0.0821	-0.1458	0.0015	1.0000						
BREDU	0.0052	0.0118	-0.0716	0.5176	0.1047	1.0000					
BRGDI	0.0547	-0.0593	0.0777	0.1453	0.0786	0.0697	1.0000				
BREXP	0.0331	-0.0420	0.0110	0.4604	-0.0955	0.2388	0.1302	1.0000			
BN	0.0222	-0.028	-0.182	0.1838	0.0820	0.2535	-0.234	-0.013	1.0000		
FRMSIZ	0.3317	-0.3346	0.1043	-0.0097	0.3065	0.0112	0.1376	0.0159	0.1556	1.0000	
BRCMP	0.0267	-0.0322	-0.1394	0.2280	0.2378	0.1725	0.0258	-0.0498	0.6253	0.3765	1.0000

Table 3 reports the correlation matrix of all dependent variables with independent variables. If we observe the table, we found a negative (-0.104) correlation between ROA and CEDU. It means that the firms' profitability goes downward; a person has the slot of the CEO as well as chairman-ship as well, and our result is consistent with the previous result found by Mesut *et. al,* (2013) in turkey. The correlation between TQ and CEDU is positive (0.096), so it's mean that the firm trades in overvaluing when a person has the slot of Chief Executive Officer (CEO) and Chairmanship as we and our result is consistent with the previous result found by Rashid (2010) in developing countries.

The correlation of ROA and BRSIZ observe in table 3 we found positive (0.0396). It means that the firms' profitability goes upward when the size of the board is large, and our result is consistent with the previous result found by Bublykova (2014) in Hunger. The correlation between TQ and BRSIZ is negative (-0.042), so it's mean that the firm trades in undervaluing when the size of the board is large, and our result is consistent with the previous result found by Bøhren and Strøm (2010) in Norway.

The correlation of ROA and BRCMT observe in table 3 we found positive (0.078). It means that the firms' profitability goes upward when a firm has all the committees working, and our result is consistent with the previous result found by Jorge Kevin D. Chen *et al.* (2016) in UAE. The correlation between TQ and BRCMT is negative (-0.082), so it's mean that the firm trades in undervaluing when a firm has all the committees in working, and our result is consistent with the previous result found by Bhuiyan, Roudaki and Clark (2010) in New Zealand.

The correlation of ROA and BREDU observe in table 3 we found positive (0.0052). It means that the firms' profitability goes upward when the committees of the firm have relevant education, and our result is consistent with the previous result found by Al-Matari (2014) in Oman. The correlation between TQ and BREDU is positive (0.0118), so it's mean that the firm trades in overvalue when the committees of the firm have relevant education, and our result is consistent with the previous result found by Batsakis (2017) in Pakistan.

The correlation of ROA and BRGDR observe in the table 3 we found positive (0.0547). It means that the firms' profitability goes upward when the board have female member, and our result is consistent with the previous result found by Khursheed et al. (2016) in Pakistan. The correlation between TQ and BRGDR is negative (-0.0593) so it means that the firm trades in under value when board have female member and our result is consistent with the previous result found by Darmadi (2011) in Indonesia.

The correlation of ROA and BREXP observe in the table 3 we found positive (0.0331). It means that the firms' profitability goes upward when the committees of the firm have relevant experience and our result is consistent with the previous result found by Darmadi (2011) in Indonesia. The correlation between TQ and BREXP is negative (-0.0420) so it's mean that the firm trades in undervalue when the committees of the firm have relevant experience, and our result is consistent with previous result found by Joce (2018) in UAE.

The correlation of ROA and BN observe in the table 3 we found positive (0.0404). It means that the firms' profitability goes upward when the board

have multiple nationality and age and our result is consistent with previous result found by Tarigan *et. al.* (2018) in Indonesia. The correlation between TQ and BN is negative (-0.028) so it's mean that the firm trades in under value when the board have multiple nationalities, and our result is consistent with the previous result found by Mihaela *et al.* (2018) in Roman.

The correlation of ROA and FRMSIZ observe in table 3 we found positive (0.331). It means that the firms' profitability goes upward when the total asset of the firm count, and our result is consistent with previous result found by Oyelade (2019) in Nigeria. The correlation between TQ and FRMSIZ is negative (-0.3346), so it's mean that the firm trades in undervalue when a total asset of the firm count, and our result is consistent with previous result found by Darmadi (2011) in Indonesia.

The correlation of ROA and BRCMP observe in table 3 we found positive (0.0267). It means that the firms' profitability goes upward when the committees of the firm have relevant education, and our result is consistent with the previous result found by Razali (2018) in Malaysia. The correlation between TQ and BRCMP is negative (-0.032), so it means that the firm trades in undervaluing when the committees of the firm have relevant education, and our result is consistent with the previous result found by Mihaela *et al.* (2018) in Roman.

Dependent Variable Return on Assets in Pakistan

Table 4 reports the results of dependent variable return on assets with all independent variables in Pakistan. We have an allied fixed effect model as suggested by a diagnostic test.

Table 4. Dependent Variable: Return on Asset in Pakistan

	Coefficient	Std. Error	t-ratio	p-value	
Const	1.670	1.089	1.534	0.126	
CEDU	0.089	0.266	0.336	0.736	
BRSIZ	-0.157	0.129	-1.214	0.005	***
BRCMT	0.091	0.158	0.580	0.562	
BREDU	-0.140	0.191	-0.730	0.005	***
BRGDR	0.026	0.118	0.219	0.826	
BREXP	0.004	0.002	1.707	0.088	*
BN	0.012	0.224	0.056	0.054	**
FRMSIZ	-0.094	0.080	-1.173	0.241	
BRCMP	1.675e-05	2.313e-05	0.724	0.009	***
R-squared	0.232	Adjusted R2		0.120	
F(38, 361)	2.082	P-value(F)		0.0004	

*Note: *, **, *** denotes significance level for 1%, 5% and 10% respectively.*

Model 1: ROA= α + ß1CEDU + ß2BRSIZ + ß3BREDU+ ß4BREDU + ß5BRGDR+ ß6BREXP + ß7BN + ß8FRMSIZ + ß9BRINDPit + ß10BRCMP+ e

ROA is the dependent variable and stands for Return on Asset. A is constant (intercept). B1 to b9 are regression coefficients. E stands for random error. The independent variables are CEDU stand for Chief Executive Duality. BRSIZ stand for Board Size. BRCMT stand for Board Committees. BREDU stand for Board Education. BRGDR stand for Board

Gender. BREXP stand for Board Experience. BN stand for Board Nationality. FRMSIZ stand for Firm Size, and BRCMP stands for Board Compensation.

We observe table 4. we found that the coefficient of CEDU is positive and insignificantly related to ROA. It's mean that the firm's profitability goes upward if a person has the slot of chief executive officer (CEO) and chairmanship as well and our result is consistent with the previous result found by Nazar (2016) in Sri Lanka argued that if the chief executive officer is also working as chairman of the board its impact on the performance of the firm because one person can perform the responsibility of two. The observation of the coefficient of BRSIZ is positive and significantly related to ROA. It means that the firm's profitability goes upward, and our result is consistent with the previous result found by Gill (2011) in Canada argued that if Board size is large and every responsibility performed by the specific person, the result will be better as compared to the small size of the board. The observation of coefficient of BRCMT is positive and insignificantly related to ROA. It means that the firm's profitability goes upward, and our result is consistent with the previous result found by Mohd *et al.* (2016) in Malaysia resulted that if the board have multiple committees for every responsibility is have a positive effect on the performance. The observation of the coefficient of BREDU is negative and significantly related to ROA. It means that the firm's profitability goes downward, and our result is consistent with the previous result found by Muange *et. al,* (2020) in Kenya resulted that if the board have relevant education have no effect on the performance. The observation of the coefficient of BRGDR is positive and insignificantly related to ROA. It means that the firm's profitability goes upward, and our result is consistent with the previous result found by Hamza (2017) in Malaysia argued that if the board have female member, it has a positive effect on the performance of the firm. The observation of the coefficient of BREXP is positive and insignificantly related to ROA. It means that the firm's profitability goes upward when the board have relevant experience, and our result is consistent with the previous result found by Athambawa (2019) in Nigeria argued that if the board have relevant experience, it has a positive effect on the performance of the firm. The observation of coefficient of BN is positive and significantly related to ROA. It means that the firm's profitability goes upward when the board have members of multiple nationalities, and our result is consistent with the previous result found by Fernando *et al.,* (2020) in Spain argued that if the board have foreign member it has a positive effect on the performance of the firm. The observation of the coefficient of FRMSIZ is negative and insignificantly related to ROA. It means that the firm's profitability goes down when the firm have large assets and our result is consistent with the previous result found by Oyelade (2019) in Nigeria resulted that if the firm size is large it result will negative effect on the performance of firm. The observation of coefficient of BRCMP is positive and significantly related to ROA. It means that the firm's profitability goes upward when the board have some suitable compensation or salaries, and our result is consistent with the previous result found by Fernandes (2005) in UAE argued that if the board have some compensation, it has a positive effect on the performance of the firm.

As per the table, 4. results the CEDU, BCMT, BGDR AND FSIZE are insignificant with ROA in Pakistan. Thus, the hypothesis H_1, H_3, H_5, and H_8 is rejected. The results of board size, board

education, board experience, board nationality and board compensation are significant with ROA in Pakistan. Thus, the hypothesis H_2, H_4, H_6, H_7, and H_9 are accepted.

Furthermore, in table 4. the value of R squared is 0.232, which means that the independent variable, i.e. chief executive duality, the board size, board committees, board education, board gender, board experience, board nationality, firm size and board compensation have 23% share in the expansion of dependent variable i.e. Return on Asset (ROA).

Dependent Variable Tobin's Q in Pakistan

Table 5 reports the results of the dependent variable Tobin Q with all independent variables in Pakistan. We have an allied fixed effect model as suggested by a diagnostic test.

Table 5. Dependent Variable: Tobin Q In Pakistan

	Coefficient	Std. Error	t-ratio	p-value	
Const	18281.3	1128.02	16.206	<0.001	***
CEDU	-55.728	275.781	-0.202	0.840	
BRSIZ	-412.854	133.981	-3.081	0.002	***
BRCMT	193.241	163.881	1.179	0.239	
BREDU	-232.472	198.689	-1.170	0.243	
BRGDR	0.929	122.928	0.007	0.993	
BREXP	22.982	2.732	8.409	<0.001	***
BN	-12.919	232.545	-0.055	0.955	
FRMSIZ	-1805.02	83.366	-21.651	<0.001	***
BRCMP	0.040	0.023	1.709	0.088	*
R-squared	0.677	Adjusted R-squared		0.630	
F(38, 261)	14.452	P-value(F)		4.07e-45	

*Note: *, **, *** denotes significance level for 1%, 5% and 10% respectively.*

TQ = α + ß1 x CEDUit + ß2 x BRSIZit + ß3 x BREDUit + ß4 x BREDUit + ß5 x BRGDRit + ß6 x BREXPit + ß7 x BNit + ß8 x FRMSIZit + ß9 x BRINDPit + ß10 x BRCMPit + €

Note: TQ is the dependent variable and stands for Tobin's Q. A is constant (intercept). B1 to B10 are regression coefficients. € stands for random error. The independent variables are CEDU stand for Chief Executive Duality. BRSIZ stand for Board Size. BRCMT stand for Board Committee. BREDU stand for Board Education. BRGDR stand for Board Gender. BREXP stand for Board Experience. BN stand for Board Nationality. FRMSIZ stand for Firm Size, and BRCMP stands for Board Compensation.

We observe in table 5. we found that the coefficient of CEDU is negative and insignificantly related to TQ. It means that the firm trades in undervalue if a person has the slot of chief executive officer (CEO) and chairmanship as well and our result is consistent with the previous result found by Liu (2019) in Chicago argued that if the chief executive office is also working as Chairman of Board, its will negatively affect the performance of the firm. The observation of the coefficient of BRSIZ is negative and significantly related to TQ. It means that the firm trades is in undervalue when the size of a board member is large, and our

result is consistent with the previous result found by Vaidya (2020) in BSE argued that if Board size is large, it resultant on the firm performance is negative. The observation of coefficient of BRCMT is positive and insignificantly related to TQ. It means that the firm trades in overvalue, and our result is consistent with the previous result found by Ramadan *et al.* (2014) in the UK argued that if the board have multiple committees, it has a positive effect on the performance. The observation of the coefficient of BREDU is negative and insignificantly related to TQ. It means that the firm trades in undervalue when the board have relevant education, and our result is consistent with the previous result found by Singh, Tabassum, Darwish, Batsakis (2017) in British argued that if the board have relevant education, it has no effect on the performance. The observation of the coefficient of BRGDR is positive and insignificantly related to TQ. It means that the firm trades is in overvalue when the board have female member, and our result is consistent with the previous result found by Tomislava *et al.* (2016) in Croatian resulted that if the board have female member, it has a positive effect on the performance of the firm. The observation of the coefficient of BREXP is positive and significantly related to TQ. It means that the firm trades in overvalue when the board have relevant experience, and our result is consistent with the previous result found by Fairchild *et al.* (2005) in Spain argued that if the board have relevant experience, it has a positive effect on the performance of the firm. The observation of the coefficient of BN is negative and insignificantly related to TQ. It means that the firm trades in undervalue when the board have members of multiple nationalities, and our result is consistent with the previous result found by Nguyen *et al.* (2007) in Australia argued that if the board have foreign member, it has a negative effect on the performance of the firm. The observation of the coefficient of FRMSIZ is negative and significantly related to TQ. It means that the firm trades in undervalue when the firm has large assets, and our result is consistent with the previous result found by Robert (2005) in Pakistan argued that if board have large size it have negative effect on the performance of firm. The observation of coefficient of BRCMP is positive and significantly related to TQ. It means that the firm trades in under value when the board have some suitable compensation or salaries and our result is consistent with the previous result found by Adam *et al.,* (2017) in Egypt argued that if the board have some remuneration, it has a positive effect on the performance of firm because due to the salary border.

As per the table, 5. results the chief executive duality, board committees, board education, board gender, and board nationality are insignificant with TQ in Pakistan. Thus, H_1, H_3, H_4, H_5, and H_7, is rejected. The results of board size, board experience, firm size and board compensation are significant with TQ in Pakistan. Thus, H_2, H_6, H_8, and H_9, the alternative hypothesis H_1e, is accepted.

Furthermore, in table 5. the value of R squared is 0.67, which means that the independent variable, i.e. chief executive duality, the board size, board committees, board education, board gender, board experience, board nationality, firm size and board compensation, have 67% share in the expansion of dependent variable i.e. Tobin Q (TQ).

Conclusions

Corporate Governance indicators have a growing position for stakeholders worldwide, especially in developing countries and performing the role of the pillar. Corporate governance is has been

widely discussed in developing countries with microscopic studies.

In this study, the authors argued on the performance indicators Return on Asset and Tobin-Q with the association of Corporate Governance indicators chief executive duality, the board size, board committees, board education, board gender, board experience, board nationality, firm size, and board compensation. The regression model results of dependent variable Return on Asset (ROA) argued that board size, board education, board experience, board nationality and board compensation have significant on the Return on Asset (ROA), which means that if there is any change in board size, board education, board experience, board nationality and board compensation, it is effecting the ROA. Furthermore, the R^2 of Return on Asset results demonstrate a value of 0.232, which means that the independent variable has 23% share of the benevolence of independent variables (ROA). The regression model results of dependent variable Tobin Q (TQ) with the independent variables of the study demonstrations that board size, board experience, firm size and board compensation have a significant impact on Tobin Q, which means that if there is any change in board size, board experience, firm size and board compensation, it will affect the Tobin Q. Furthermore, the R^2 of Tobin-Q results demonstrate a value 0.677, which means that the independent variables have 67% shares on the benevolence of independent variables.

Due to a time constraint and data limitations, the analysis was restricted to study only ten years of data to construct an index of performance with Corporate Governance Practices. However, the study can be extended to more than ten years of data. Secondly, due to the data limitations, the analysis was restricted to only two governance variables in a panel setup. Constructing a governance index incorporating a larger set of governance parameters can further extend the study. Furthermore, the response variable included Return on Equity, Return on Sale, and Return on investment can be incorporated in the study.

The authors, theoretical implications contributes to the literature knowledge on two dimensions discussed in terms of Corporate Governance Practices with the associate with Firm Performance. The practical implication of this the study contributing the awareness to Investor, shareholder, stockholders, Creditor, Manager, Customer, Society, Government, and employees of the association between the Corporate Governance Practice with Firm Performance.

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