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Corporate Governance and Firm's Performance: Evidence from Automobile Assemblers Sector of Pakistan

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Abstract

The objective of this research is to consider the connections between various corporate governance mechanisms, CEO-Duality, and business performance on Car Assembler Companies listed on Pakistan Stock Exchange (PSX). The data has been analyzed from 2016-2020. T-test and multiple regressions have been applied to verify the effect of corporate governance on business performance. The investigation results indicate that the Size of the Board, Audit Committee, Annual general meeting, and CEO-duality contain a positive relationship to companies' performance. As a result, the correlation coefficient explains that return on equity and profit margin has a positive relation with independent variables for example Board size, Audit committee, Annual general meeting, and CEO-Duality but, all of them are statistically insignificant. Moreover, ROE Coefficient Results in Fixed Effects and Random Effects Model indicates that only board size has a negative and significant effect on ROE. More specifically, PM Coefficient Results in Fixed Effects Model explain that the Size of the Board shows a negative and insignificant impact on PM. Moreover, the other two independent variables i.e. Audit Committee and Annual General Meeting show a positive and insignificant effect on PM. While in the PM Coefficient Results in Random Effects Model explain that the Size of the Board, Audit Committee, and Annual General Meeting show a positive and insignificant effect on PM. Besides that, Duality shows a negative and insignificant effect on PM.

Keywords: *Corporate Governance, Board-Size, Audit Committee, Annual, CEO's Duality.*

Introduction

Corporate governance explains connections among executives, administrators, and stakeholders, at the same time as, it's the blending concept of laws, instructions, contribution rules, generating profits and satisfies legitimate and social commitments (Yasser, 2011). Several corporate governance concepts have been accepted through various investigations in the whole world. On the other hand, researchers and social market analysts have expressed that "Corporate Governance" is the body that can influence the company's allotment and execution (O'Sullivan, 2000). Moreover, corporate governance is a strategy, plan, and method to direct the company's operations (Nordberg, 2010). A superior corporate governance formation can help of organization from inner and outer risks. It can assist with keeping up the interests of investors Be that as it may, denied corporate administration can weaken the exhibition of a business, yet in addition the market. It is contended that if at the macroeconomic level structures are not very much administered and their corporate administration structures are not grounded, macroeconomic targets may not be accomplished (Ganiyu & Abiodun, 2012). A good corporate administration practice from a productive organization is to positively contribute to a sustainable development economy, addressing inside organizational evils and providing external access to capital. In developing business markets such as Pakistan, corporate governance is very imperative to public policy. Because of the China Pakistan Economic Corridor (CPEC), an incredible renaissance was seen in car assemblers in Pakistan. They have companies like Atlas Honda and Gandhara Industries that observed dramatic growth results from CPEC ads.

Pakistan is currently on the developing business markets list, which makes Corporate Governance a fundamental viewpoint for associations in this nation to get the greatest benefit from emerging opportunities. Governance practices have been improved due to economic scandals that occur in histories that have led to the requests of business improvements to governance practices (Baydoun *et al.,* 2013). Corporate administration had a considerable global problem due to the failure of companies like Enron, World Com, and HIH (Farrar, 2008; Du Plessis *et al.,* 2011). Corporate administration is an advanced administration approach in the world that is generally popular everywhere for recent 20 years. Globalization has been dramatically increasing so that many organizations become under pressure to approach global business sectors. Besides that, globalization has carried some changes in business dealing, policy, and key management (Musteen *et al.,* 2009). Globalization makes some impact on trade, development, competition enhanced, business expansion internationally, enrich stock market regulations, buying and selling, firm valuation measures, and much more, the main theme of corporate organization for attracting national and international customer relations to gain extensive reputations in money market economy (Adiloglu *et al.,* 2012). For the explanation that every one of that reasons, corporate administration has garbed the premium of most researchers and corporate administration is addressed in numerous investigations. Corporate administration is a fundamental piece of the essential administration (Gurbuz & Ergincan, 2004; Pandya, 2011; Fülöp, 2014). Great corporate administration is a compelling instrument in assisting an organization with accomplishing exhibitions (Ghabayen, 2012; Lubale, 2012).

The motivation behind this examination is to explore the connection between corporate governance practices and the firm performance of automobile assembler companies in Pakistan. The overall region of exploration is administration, and the particular center is corporate administration and its impact on firm execution of vehicle constructing agent recorded in Pakistan stock trade.

Significance of the Study

In recent decades, the corporate governance issue has sparked a lot of discussion about its competency Kiel & Nicholson (2003) because of bankrupt of companies e.g. “Enron” and “World Com” (Plessis *et al.,* 2011). Subsequently, corporate governance practice has been dictated by advancements in western nations. Such as, (USA) founded the Sarbanes-Oxley Act in 2002, which required key alterations in corporate administration practices implemented by United Kingdom Combined Code (2003) improved the report by Turnbull, Higgs, and Smith (Mallin, .2011); New York Stock Exchange (NYSE). Dragomir (2008); and the Australian Stock Exchange (ASX, 2003) created its principles of corporate control after disaster inside well-reputed entities, that is Heath International Holding Insurance (Ltd) in 2002 (Habib & Azim, 2008). The greater parts of the global associations, for example, the World Bank and Organization. For Economic Cooperation and Development (OECD), has urged every nation to execute worldwide corporate administration principles and also an advanced guiding principle for corporate administration (Aguilera & Cuervo Cazurra, 2009). These guidelines offer a structure for supreme corporate administration involving components, for example, constitution, ordinance, loyalty, and commercial practice (Okpara, 2011). On the other hand, the OECD communicated possibly that the body and system of this framework ought to be altered by every nation's extraordinary circumstance, in addition, to adopt new rules and customs in businesses (OECD, 2004). Consequently, various nations have improved their corporate administration codes for the encouragement of organizations to implement great corporate administration dependent on the OECD corporate administration standards, which give a typical system to the vast majority of these nations (Caliskan & Icke, 2011). In emerging nations, supports for productive and compelling corporate administration have a necessary component to improve the capital market and catch investors for the efficiency of the economy (Marn & Romuald, 2012). Much of the researchers suggest that feeble corporate administration prompts low execution and dissatisfaction among partners (O'Regan *et al.*, 2005).

Consequently, business performance must be estimated as far as the degree of fulfillment of all partners in an organization. Corporate administration is responsible to a wide scope of partners, including investors, administrators, workers, clients, providers, worker's organizations, monetary administrations suppliers, controllers, and the network (Jhunjhunwala & Mishra, 2009). Notwithstanding improving the organization's exhibition, Brown, Beekes, and Verhoeven (2011), a feature that much examination has contemplated the issue and impact of corporate administration in bookkeeping, the money, and evaluating.

Research Problem

The corporate governance in Pakistan has newly begun denoting the surface. Because of numerous economic mutilations, market influences don't restore great administrations or rebuff unethically**.** Much of the undocumented economy discourage the advancement of simplicity and responsibility within the entity. The overall administration structure is likewise not in favor of defining good governance standards. Many listed companies are not fully practicing the good governance code. Limited ownership, few professional skills, insufficient change agents, audit validity, and general weaknesses in the structure are bottlenecks in corporate governance growth in organizations. Investors in Pakistan have countable information regarding automobile assemblers' firm operation and how corporate standards influence the performance of companies (Ameer, 2013).

Literature Review

Preceding investigators haven't been capable of concluding outcomes as the outcomes have diverse in various frameworks, particularly when examinations have been made among developing and well-established nations (Boubaker & Nguyen, 2014). Only some papers are accessible with regards to developing nations, for example, Pakistan. The first significant study, in the context of developing economies, was directed by Kajola (2008) in Nigeria. Ehikioya (2009) conducted a new examination in Nigeria in which he considered the relationship with practical proof. The five-year information of 107 recorded organizations in Nigeria shows a positive connection between the organization's performance and corporate administration. Heenetigala and Armstrong (2011) got information from 37 of the main 50 recorded organizations in Sri Lanka and presumed that there is a positive relationship between the organization's appearance and corporate administration. Guo and Kga (2012) analyzed connections in Sri Lanka taking information from the Colombo stock exchange. Velnampy (2013) examined corporate administration and business execution in Sri Lanka. It investigated information from 28 assembling organizations over the five years, concluded that there was no relationship between execution and administration measures.

Much of Pakistan's corporate culture is like that of India; subsequently, it is critical to take note of some important investigations in India on this subject. Similar results were found in a new examination in India by Bansal and Sharma (2016). Board information from 235 organizations demonstrated that CEO-director duality and board size had a positive relationship with execution; though, the audit committee didn't have an important connection with the execution. Other research in India has examined data from the 2008 to 2012 periods of 119 Indian organizations and presumed that ROA had a negative connection with factors on the board (Garg & Singh, 2017). Arora and Sharma (2016) study interest on 20 numerous corporations of the Indian manufacturing industry for 10 years (2001 to 2010). Fundamental outcomes in this research are: initial, outcomes explain that size of the board is negatively identified with ROA. Secondly, the meeting of boards are revealed to be positively connected with firm execution; however the connection is a little bit powerless. After all, return on equity, productivity and returns on stock are not discovered to be identified with corporate administration of firm indicator Likewise, the duality of CEO isn't revealed to be identified with any measure of performance; in this way, it doesn't appear to be an essential determinant of firm execution. Ibrahim *et .al*., (2010) analyzed reports in the pharmaceutical sector in Pakistan. The results showed that corporate governance had an impact on ROE, while ROA was found insignificant effect on it. In a case study of *Dar et al.*, (2011) were analyzed Oil and Gas Company's where some comparative outcomes were founded. The duality of the CEO and audit committee negatively affected several performance estimators. One more significant research was led by Yasser *et al.* (2011) wherein data of the companies were gathered from Karachi Stock Exchange (KSE 30). They didn't locate a critical connection between the corporate administration instrument and performance variables. Another result reasoned that: performance estimators (and Governance mechanism (i.e. Size of the board, The audit committee, Annual general meeting and duality of CEO had positive relations among one another, however just size of the board and audit committee are statistically significant (Ansari, Gul & Ahmad, 2017). Chugh *et al.* (2011) concluded that a bigger board size makes more chances and assets for better economic outcomes. Another investigation in Sri Lanka indicated various outcomes where information was gathered from 174 organizations throughout a year (2010). Board size and its composition had significantly affected on company's operation (Guo & Kga, 2012). One more examination in Sri Lanka explored a similar relationship with information from 37 organizations and found that there is a positive connection between corporate administration and firm execution. Azhar and Mehmood (2018) select a sample from Pakistan Stock Exchange. A 10 listed Textile Organizations to research the connection between corporate administration and firm execution. Association is explored by main significant corporate administration instruments (size of board, performance of board and audit committee), whereas execution estimators (Return on Assets and Profit Margin). No immediate relationship was found between any of the corporate administration factors on execution factors (Heenetigala & Armstrong, 2011). As indicated by Ibrahim, Rehman and Raoof (2010) there is a negative connection of ROA with board size. Chaghadari (2011) in the after-effects of his investigation indicated that the duality of the CEO negatively affects ROA. Mostly, the duality of the CEO has been found to diminish the capability of the board. Chugh, Meador, and Kumar (2011) have studied; the duality of CEO has negatively corresponded by the company's performance. Lam & Lee (2012) examined the composition of directors positively linked to a company's performance. Rasheed & Zaki (2018) reasoned that just a single independent variable that is the structure of the board has a huge outcome which shows that solitary this variable has an impact on the exhibition firm while different factors which are: organization size, the duality of CEO, size of the board, the dependent and independent variable has a value of insignificant which implies that they don't have any impact on the performance of the pharmaceutical sector. Almoneef & Samontaray's (2019) research intends to investigate the effect of corporate administration on the Saudi financial execution for the time of 2014–2017. These exact discoveries show that the size of the board, meeting of the audit committee, and bank size positively affect ROE, though board freedom negatively affects ROE. Also, board size and bank size have a positive relationship with ROA. Correspondingly, the size of the board and the size of the bank have a positive link with ROA, and the meeting of the board has a negative connection with ROA. Many of the researchers like, Ibrahim *et al*. (2010); Dar *et al*. (2011); Arora (2016); Bansal and Sharma (2016) are concluded mixed results.

The association positive or negative relies upon the independence or non-independence of the board of the organization. The duality of the CEO is negatively identified with the company's performance. Ujunwa (2012) uses the panel data regression model to determines the board size, duality of CEO / president was negatively identified with business performance, while the independence of the board has positively affected company performance. The motivation behind this article is to analyze how corporate governance affects car assembler's company performance. Corporate governance practice in the company offers organizations competitive advantage and helps them position themselves in the global market. If corporate administration is steady, it will create trust on the lookout and society will stay stable in a wide range of issues. Numerous nations accept that great corporate administration will help improve monetary conditions.

There should be a similarity between universal standards and corporate administration. To get by in the worldwide market, organizations should join significance to corporate administration (Mashayekhi & Bazaz, 2008). The study of Baek *et al.* (2004) discloses the value of corporate administration in the nation and revealed that without following corporate administration in a company can't be a steady market. Corporate governance mechanisms are the actual practices implemented by governmental authorities through the use of governmental framework mechanisms (Nam *et al.*, 2004). One more case study by Ng'eni (2015) found that corporate governance is the key to successful firm performance. Much of the study identified a relationship between corporate governance and corporate performance (Klapper & Love, 2002; Black *et al.*, 2003; Gompers *et al.*, 2003), with conflicting results Weir *et al.* (1999) and Bhagat *et al*. (2000) observed a positive affiliation between corporate governance and company performance. Corporate administration has two unique perspectives also. Corporate administration is viewed as a law that causes the proprietors to achieve their benefits from the huge view and is observed as a system that assists with ensuring entire partners' benefits (Cretu, 2012). Great corporate administration has become very important for improving company performance, guaranteeing shareholder rights, improving the investment environment, and promoting financial growth (Price, Roman, & Rountree, 2010; Braga-Alves & Shastri, 2011). Even though consideration has been paid to corporate administration in undeveloped nations a large number of these nations suffer from insufficient governance. (Ekanaakey, Perera, & Perera, 2010). This issue is seen as a causal issue to the financial crisis (Tarraf, 2011). As a result, corporate administration in both developed and undeveloped nations has to pay attention to academic research (Reed, 2002; Clarke, 2007; Mallin, 2004; Weir & Laing, 2001; Sternberg, 2004). Incorporate administration, the directorate is the basic component of an organization. They have two purposes, hiring and compensation manager, and advising them for strategic decisions. If managers perform these tasks successfully, they will expand the adequacy of the board and its decision process (Masulis, Wang, & Xie, 2010). They have declared that they are targeting an attractive class of executives, who are independent foreign executives who aren't citizens of that country where the company operates. Foreign decision-makers might be less valuable for certain reasons; executives who live outer the country are unable to be present at meetings normally, so they can't actively participate in a company's decision-making and management process. The model of corporate administration in a developed nation has been clarified utilizing different theories (Solomon, 2010). In the perspective of agency theory, the motivation behind corporate administration is to decrease likely clashes among supervisors and investor interests (Jensen & Meckling, 1976). The theory of stakeholder can help expand organization execution and joined advantages of all partners thinking about the interests, all things considered (Freeman, 1984; Donaldson & Preston, 1995). The connection between corporate administration and corporate execution, which is perhaps the most attractive and hot topic, has gotten a great deal of consideration from various nations around the globe, particularly since the Asian economic crisis of 1997. In addition, the universal monetary crisis that began in 2007 significantly influenced the economy of numerous nations, raising the new alarm about corporate administration strategy and practice (Tricker, 2015; Nguyen & Nguyen, 2016). Much exploration has examined the association between corporate administration and corporate execution (Klapper & Love, 2004; Bhagat & Black, 2001; Gompers, Ishii, & Metrick, 2003; Adams & Mehran, 2008; Haniffa & Hudib, 2006; Griffin *et al.*, 2014; Ramdani & Van Witteloosuijn, 2010). Here, the researcher claims that the CG function is significant for improving company performance. For example, Bryan, Liu, and Tiras (2004), Dey (2008), Mishra & Mohant (2014), Chhaochharia & Grinstein (2007), emphasized that corporate performance can be significantly influenced through the corporate governance mechanism.

Dar, Naseem, Niazi, and Rehman (2011) led an examination in which the corporate administration measures were the size of the board of directors, annual general meetings, audit committee, and President Duality status, and the measures for the monetary advantages were the return on equity and profit margin of two companies. The information gathered came from organizations having a place with the oil and gas area which were listed on the Karachi stock exchange from 2004 to 2010. The system utilized was that of panel's data and multiple regression models were utilized to notice the effect of the factors while the normal least square was utilized for assessment purposes. The outcome indicated that there is a positive and critical relationship between's the board size director along with the annual general meeting and business performance, while the status of executive and audit committee has in reverse connection with the status of the executive Point extracted from this study was that board size has limited together with a correct mix of managers who must be involved on board. Yasser, Entebang, and Mansor (2011) used the duality of CEO, the structure of board size, audit committee, and size of the board of directors as a corporate governance measure. The consequences of the investigation uncovered the positive and critical connection between Board size and return on equity, the frail connection between the duality of the President and the return on equity, the essentially positively connection between the return on equity, the structure of the board chiefs and audit committee and no massive connection between the duality of the Chief and the profit margin. They can't get the nature of data about the business, so this will influence its performance for the organization. Kajola, SO (2008) examines the relationship between the company's performance, with two representatives (PM and ROE) and four governance mechanisms (size of board of directors, composition of the board of directors, audit committee, and CEO duality). An example of non-financial 20 companies scheduled on the Nigerian stock exchange from 2000 to 2006. A panel data method is used; the analysis method is multiple regressions and the estimation method is OLS. The investigation finds the following outcomes: There is a positive and significant relation between ROE, the board size, and chief executive, and also PM and CEO. Before the study of Park and Shin (2004), the presence of corporate administration can't or can't be practically said about the performance of the business. They didn’t found a connection between them. On the other hand, this issue can be clarified for some reasons, for example, information incorrectness because of the restricted extent of the examination. Corporate governance has been studied in Bahrain (Hussain & Malian, 2002), Ukraine (Muravyev, 2010) Kenya (Mulili & Wong, 2011), Nigeria (Olayiwola, 2010), Taiwan (Solomon *et al.,* 2003), Cyprus (Krambia-Kapardis & Psaros, 2006), Indonesia (Junarsin & Ismiyanti, 2009), five Arab countries (Baydoun *et .al*., 2013), Egypt (Bremer .& .Elias, 2007) and Turkey (Gurunlu, 2008).

Hypotheses

H_1: Corporate Governance (i.e. Board Size, Audit Committee, Annual General Meeting, and CEO Duality) has a significant effect on the Return on Equity.

H_2: Corporate Governance (i.e. Board Size, Audit Committee, Annual General Meeting, and CEO Duality) on the Profit Margin.

Data and Methodology

Research design and Method

The goal of this research is to studies the relationships between the various corporate governance mechanisms and business performance. To verify the hypothesis pointed above, a quantitative approach was embraced. After that data collection has been examined and the justification for the selection of the variables has been presented. After summarizing the final data, the model and the quantitative approach gradually well-argued to provide a global understanding. Lastly, the results will be interpreted in the context of the Security Exchange Commission of Pakistan, as well as being compared with previous studies.

Research Type

This investigation is mainly a case study in which the investigator studies in-depth to identify that the problem is the same as that found in the current situation. Hypotheses have been developed. Secondary data have been used to evaluate corporate governance and company performance to acquire the most recent outcomes in their intervention.

Population and Sampling Procedures

The study aims to research practices of good governance in a listed company in Pakistan, in addition to their impacts on business performance and the extension of embracing corporate governance practices in recorded organizations for the period 2016-2020. The size of the sample consists of the car assembler 12 listed companies. We have used (BS), (AC), (CEOD), (AGM), as corporate governance indices and PM and ROE as substitutes for corporate performance. Multiple regressions and t-tests have been applied to check the effect of corporate governance on company performance.

Study Model

$$ROE= a + b_1 * BS + b_2 * AC + b_3 * AGM + b_4 * CEOD + e \ldots\ldots\ldots\ldots\ldots\ldots (1)$$
$$PM= a + b_1 * BS + b_2 * AC + b_3 * AGM + b_4 * CEOD + e \ldots\ldots\ldots\ldots\ldots\ldots (2)$$

In the above equations 1 and 2, the a represents the constant value; b_1 represents the coefficient of Board Size; b_2 represents the coefficient of Audit Committee; b_3 represents the coefficient of Annual General Meeting, and b_4 represents the coefficient of CEO duality. Finally, the "e" represents the term error in the equation.

Data Analysis

The information acquired from any study should be examined and deciphered to be valuable to accomplish study objectives and answer to question research (Saunders, Thornhill & Lewis, 2007). The decision of information examination relies upon a few viewpoints, (i.e. variable types and their nature, dispersion of variable, and the way of study through which data gather on the variable. In data analysis we apply two types of Statistics; descriptive and inferential statistics (Singh, 2007). Descriptive statistics include the method and procedures used in the gathering, analyzing, and interpreting of data and expressing the results in tables graphs, and diagrams, while inferential statistics include the method and procedures used to conclude population based on sample data. The uses of statistical techniques are varying from study to study relying upon the study nature (Oppenheim, 1992). The preceding parts of this chapter shown the different techniques for the collection of data, while this part shown statistical analysis used for reporting study responses and to check the connection between corporate governance and business performance.

Table 1: Dependent Variables Justification

Dependent Variable	**Formula**
Return on Equity = (ROE)	$\frac{Net\ profit\ after\ taxes}{Shareholder's Equity}*100$
Profit margin = (PM)	$\frac{Net\ profit\ after\ taxes}{Total\ sales}*100$

Table 2: Independent Variables Justification

Independent Variable	**Description**
(BS) = Board Size	Board of Directors in firm
(AGM) = Annual General Meeting	Number of Board Meeting in a year
(COED) = CEO Duality	If a CEO of a firm has two or more positions at a time, i.e., MD and CEO. (0) has been allotted. If a CEO only holds a single position, (1) has been allotted.
(AC)= Audit Committee	Members in Audit Committee

Dependent Variable

Return on Equity

Return on Equity is the ratio of profitability that shows profitability to the shareholders of the company (after all expenses and taxes). Return on Equity is the measure of overall gain that is returned to shareholder equity and measures the benefit of the organization by showing the amount of income that the organization makes with cash that investors have contributed (Khatab *et al.,* 2011). ROE is calculated as follow:

$$ROE = \frac{Net\ profit\ after\ taxes}{Shareholder's\ Equity} * 100$$

Profit Margin

Profit margin is the ratio of profitability that shows the profitability of firms after obtaining all the accounts of expenses and income taxes PM is calculated as follow:

$$PM = \frac{Net\ profit\ after\ taxes}{Total\ sales} * 100$$

Independent Variable

Board Size

Earlier investigations expose the corporate governance framework in Pakistan is not in control. The problem does not concern with rules, laws, and regulations; however, the issue is with several directors, which becomes a failure governance mechanism. Ansari, Gul, and Ahmad (2017) have been noted that more often than not; executives have no time and meet generally under eight times each year. In addition, directors pay fewer times in board meetings, office meetings, and pre and post-committee meetings. Lipton and Lorsch (1992) stated that a standard board size should be ten, with a minimum of two independent directors. Moreover, they recommended that the directorate meet two times a month, with committee meetings and other conferences. Moreover, directors should go through at least a hundred hours of the year in each meeting to which they belong.

Audit Committee

Formerly, research was carried out about audit committees, board committees, and directors of the board in revenue management. Observations of 280 Companies were gathered to examine the effect of the audit committee, which makes up 15% affiliate directors and the remaining others. Investigation revealed that the committee of audit and members of the board with financial status are bound to be those private companies that have less current accumulations. It was additionally reasoned that members of the audit committee and the financial class of the board directors can assume a critical part in limiting managers' ability to manage revenue (Xie., Davidson & SaDalt, 2003). Generally, attention to the audit committee has increased significantly about the information, freedom, and experience of the members. Another investigation was directed on the impacts of financial reporting, audit experience, and information on individuals of the audit committee. The analysts chose 69 individuals from the review board to test their hypotheses. The outcome presumed that the more noteworthy the experience and information on the review of an individual from the audit committee, the more prominent the help for auditor who safeguards “substance beyond form" in conflict with the client the executives. Specialists additionally inferred that the review board should comprise a free reason for choosing its chiefs (Ansari, Gul, & Ahmad, 2017).

Annual General Meeting (AGM)

AGMs are considered an essential element of corporate governance. However, this doesn't significantly affect the organization's performance like other factors. AGMs are a key element of Pakistan`s corporate governance practices. Because it offers a stage where every interested party (shareholders, administrators, evaluators, workers, providers, and others) be able to approach and gives opinions and recommendations at the front of management and media. Annual General Meeting is needed to do the corporate administration practice as it is dealt with a critical component of the report (Tesco, 2010).

CEO Duality

As indicated by the theory Agency, the duality of the CEO affects the performance of companies badly as adjusted for control and monitoring of CEO. Considering that, the theory of Stewardship argues that the duality of CEO can positively affect the performance of companies as it gives a single person a union of command. According to the stewardship theory, some factors can influence CEO dualities like scarce resources, social and other dynamics (Peng, Zhang, & Li, 2007). The research was carried out on Egyptian listed organizations for the purpose to investigate whether corporate governance affects companies' performance. The research investigated that the effect of the duality of CEO had not been found on the financial position of firm performance, however when researchers verified the business-wise effect, CEO duality affected company's performance.

Data Interpretation

Descriptive statistics results and discussion

Table 3

	PM	ROE	BS	AC	AGM	CEO_Duality
Mean's values	-2.723	0.279	8.933	4.350	4.567	0.750
Std. Errors	2.663	0.052	0.220	0.169	0.090	0.056
Medians	0.065	0.238	9.000	4.000	4.000	1.000
Modes	0.084	0.000	9.000	3.000	4.000	1.000
Std. Deviations	20.625	0.400	1.706	1.313	0.698	0.437
Sample's Variances	425.395	0.160	2.911	1.723	0.487	0.191
Kurtoses	59.933	3.806	3.181	-0.770	1.276	-0.619
Skewness'	-7.740	1.202	1.527	0.618	1.147	-1.185
Ranges	160.248	2.388	8.000	4.000	3.000	1.000
Min. Values	-159.780	-0.597	6.000	3.000	4.000	0.000
Max. Values	0.468	1.791	14.000	7.000	7.000	1.000
Sum Values	-163.381	16.728	536.000	261.000	274.000	45.000
Counts	60.000	60.000	60.000	60.000	60.000	60.000
Conf. Levels (95%)	5.328	0.103	0.441	0.339	0.180	0.113

The study variables are symbolized with basic characteristics of data that is Mean a single representation of a set of data called Mean. Median The middle value of an arranged data or a value that divides the arranged data into two equal parts is called the median. Mode the most occurring value in a data set or the maximum number of frequency occurring in a frequency distribution is known as a model. Range the differences between the largest and smallest values of the variable in a series of data are called rang. Variance the arithmetic mean of the square deviation of the values taken from their mean is known as a variance. Standard Deviation is the square root of the square deviation of the values from their mean is called standard deviation. We discuss these, in Table.3 from 2016 to 2020. As per the given result, the average size of the board is 8, and value of the minimum is 6 and the maximum is 14, which indicates a positive and active sign towards the organization. The average of the audit committee in automobile assemblers firm is value 4 and its minimum is 3 and the maximum value is 7, which proves strong compliance of presence. According to the result, the average meeting of the Board held in a year is 4, which proves a strong and positive commitment towards the active performance of the organization. After that, the duality of CEO explains that most of the CEO of automobile assemblers has played a double role at a time like CEO and MD, etc. So here we have a 0.75 mean of CEO duality with a minimum value of 0 and a maximum value of 1. The value of standard deviation in board size is 1.70 and the range of board size is 8 which is close to its mean. The variance sample of board size is 2.9 which shows a little difference in the board. So finally we declare that the mean profit margin is -2.72 and Return on equity is 0.27 for automobile assemblers in Pakistan which expresses that, companies' bears have big losses from 2016 to 2020 and their returns are very low to survive in this pandemic situation. Furthermore, there is much more variation amid minimum and maximum of ROE and PM. More specifically, ROE and PM have negative values which present a financial slump.

Regression analysis results and discussion

Table 4: Correlation coefficients (at 5% level)

ROE	BS	AC	AGM	CEO_Duality	
1.0000	-0.3825	0.1156	0.0753	-0.4238	ROE
	1.0000	0.1544	-0.1243	-0.0228	BS
		1.0000	0.1684	-0.2292	AC
			1.0000	0.3059	AGM
				1.0000	CEO_Duality

Pearson Correlation Coefficient Results of this study

A correlation coefficient is an analysis tool for the relation of variables that determines how variables are related to one another. More specifically, the correlation coefficient helps in the measurement of relations among variables.

According to Kumar *et al.* (2014), the qualities of associations might be delegated as:

$0.00 \le |r| \le 0.30$ "Weak"
$0.31 \le |r| \le 0.60$ "Moderate"
$0.61 \le |r| \le 1.00$ "Strong"

Table:4 explains that the correlation coefficient among ROE and independent factors i.e. Board size, Audit committee, Annual general meeting, and CEO-Duality have a positive and statistically insignificant effect on it.

Table 5: Model 1: Fixed-effects, using 60 observations

	Coefficient	Std. Error	T ratio	P value	
Const	1.23977	0.758172	1.635	0.1090	
BS	−0.122121	0.0619299	−1.972	0.0548	*
AC	0.0407921	0.116895	0.3490	0.7287	
AGM	−0.0103934	0.0565865	−0.1837	0.8551	

Mean of Dep. Variable	0.278802	S.D. dependent var.	0.400017
Sum of Squared residuals	2.452689	S.E. of regression	0.233461
LSDV R^2	0.740203	Within R^2	0.083462
LSDV F(14, 45)	9.158015	P Value (F)	5.15e-09
Log-likeli-hood	10.77847	Akaike criterion	8.443053
Schwarz criterion	39.85822	Hannan-Quinn	20.73125
Rho	0.279439	Durbin-Watson	1.049301

Fixed-Effect Model (FEM) Results of this study:

Fixed-Effect Model FEM is likewise called Least Squares Dummy Variable (LSDV) and is an alternative to Random-Effect Model. It is adopted to check endogeneity favoritism in a model. After that, the Hausman Fixed Test will provide the outcomes to recognize the most suitable model between the FE model and RE model (Jakpar *et al.*, 2019).

Coefficient Results in Fixed Effects

Model in Table.5 the constant shows an insignificant effect on ROE (in absence of all other independent variables). The first independent viable i.e. BS that stands for Board Size shows a negative and significant effect on ROE at a 10% significant level. More specifically, a -0.122 coefficient means a one-unit increase in BS will lead to a 0.122 unit decrease in ROE.

Coefficient of Determination (R2) Results

The value for R^2 (coefficient of determination) is 0.74 which is 74% which implies independent variables that is (BS, AC, AGM) explain about 74% variation within the dependent variable (ROE). Furthermore, the remaining 26% variation is clarified by other variables that are not included in this model.

Table 6: Model 2 – Random Effects (GLS)

	Coefficients	SD Error	Z	P Values
Const	1.34280	0.491580	2.732	0.0063***
BS	−0.104691	0.0388679	−2.694	0.0071***
AC	0.0289873	0.0572746	0.5061	0.6128
AGM	0.00675089	0.0546099	0.1236	0.9016
CEO_DUALITY	−0.380911	0.191629	−1.988	0.0468**

Mean dependent var.	0.278802	SD dependent var.	0.400017
Sum squared resid.	6.220483	S.E. of regression	0.333287
Log-likelihood	−17.14140	Akaike criterion	44.28280
Schwarz criterion	54.75453	Hannan-Quinn	48.37887
Rho	0.279439	Durbin-Watson	1.049301

Random-Effect Model (REM) Results of this study

Random-Effect Model is a measure model adopted to direct the endogeneity hypothesis. The RE Model is superior to FE Model because it very well may be adopted for all parameters and adjusts the endogeneity favoritism from big populations (Jakpar *et al.*, (2019).

Coefficient Results in Random Effects Model in Table.6

The constant shows a significant effect on ROE (in absence of all other independent variables). The first independent viable i.e. BS that stands for Board Size shows a negative and significant effect on ROE at a 5% significant level. Moreover, a -0.104 coefficient means a one-unit increase in BS will lead to a 0.104 unit decrease in ROE. Besides that, the last independent variable i.e. CEO-Duality shows a negative and significant effect on ROE at a 5% significant level. More specifically, a -0.380 coefficient means a one-unit increase in CEOD will lead to a 0.380 unit decrease in ROE.

Table 7: Correlation coefficients

PM	BS	AC	AGM	CEO_DUALITY	
1.0000	0.0689	0.1420	0.1057	-0.0792	PM
	1.0000	0.1544	-0.1243	-0.0228	BS
		1.0000	0.1684	-0.2292	AC
			1.0000	0.3059	AGM
				1.0000	CEO_Duality

Pearson Correlation Coefficient Results of this study

A correlation coefficient is an analysis tool for the relation of variables that determines how variables are related to one another. More specifically, the correlation coefficient helps in the measurement of relations among variables.

As per Kumar *et al*. (2013), the qualities of association might be delegated as:

$0.00 \leq |r| \leq 0.30$ "Weak"
$0.31 \leq |r| \leq 0.60$ "Moderate"
$0.61 \leq |r| \leq 1.00$ "Strong"

Table.7 explains that the ***correlation coefficient*** among ROE and independent factors i.e. Board size, Audit committee, Annual general meeting, and CEO-Duality have a positive and statistically insignificant effect on it.

Table 8: Model 1: Fixed-effects estimates using 60 observations

Variables	Coefficients	Std. Errors	T statistics	P Values
BS	-.540119	5.5705	-0.0970	0.92319
AC	.0333569	10.5145	0.0032	0.99748
AGM	3.58069	5.08987	0.7035	0.48537

Mean dependent var **Mean dependent var**	-2.72301 -2.72301	S.D. dependent var S.D. dependent var	20.6251 20.6251
Unadjusted R^2	0.209348	Adjusted R^2	-0.03663
F-statistic (14, 45)	0.851073	p-value(F)	0.613
Log-likelihood	-259.176	Durbin-Watson	1.28458
Schwarz criterion	579.767	Akaike criterion	548.351
		Hannan-Quinn	560.64

Fixed-Effect Model (FEM) Results of this study

Fixed-Effect Model FEM is likewise called Least Squares Dummy Variable (LSDV) and is an alternative to Random-Effect Model. It is adopted to check endogeneity favoritism in a model. After that, the Hausman Fixed Test will provide the outcomes to recognize the most suitable model between the FE model and RE model (Jakpar *et al.,* 2019).

Coefficient Results in Fixed Effects Model in Table.8

The first independent viable i.e. BS that stands for Board Size shows a negative and insignificant effect on PM. Moreover, the other two independent variables i.e. Audit Committee and Annual General Meeting show a positive and insignificant effect on PM.

Coefficient of Determination (R2) Results

The value for R^2 (coefficient of determination) is 0.20 which is 20% which implies that independent variables (BS, AC, AGM) explain about 20% variation within the dependent variable (PM). Furthermore, the remaining 80% variation is clarified by other variables that are not included in this model.

Table 9: Model 2: Random-effects (GLS)

Variable	Coefficients	Std. Errors	T statistic	P values	
Const	-29.3987	26.448	-1.1116	0.27116	
BS	0.790641	1.83914	0.4299	0.66895	
AC	1.36847	2.52867	0.5412	0.59057	
AGM	3.73981	4.36146	0.8575	0.39491	
CEO_DUALITY	-4.55825	7.76071	-0.5873	0.55937	

Mean dependent var	**-2.72301**	**S.D. of dependent var**	**20.6251**
Sum squared resid	24131.6	S.E of residuals	20.7587
'Within' variance	440.979	'Between' variance	121.076
theta used for quasi-demeaning	0.146518	Akaike criterion	540.089
Schwarz criterion	550.56	Hannan-Quinn	544.185

Random-Effect Model (REM) Results of this study

Random-Effect Model is a measure model adopted to direct the endogeneity hypothesis. The RE Model is superior to FE Model because it very well may be adopted for all parameters and adjusts the endogeneity favoritism from the big population (Jakpar *et al.,* 2019).

Coefficient Results in Random Effects Model in Table.9

The constant shows an insignificant effect on PM (in absence of all other independent variables). The first independent variables i.e. Board Size, Audit committee, and Annual general meeting show a positive and insignificant effect on PM. Besides that, Duality shows a negative and insignificant effect on PM.

Discussion and Conclusion

Discussion

The examination intends to research practices of good governance in a listed company in Pakistan, in addition to their impacts on business performance and the extension of embracing corporate governance practices in the recorded organization under Pakistan from 2016-2020. The size of the sample consists of car assembler-listed companies. Researchers reasoned that the relationship between corporate governance and firm performance may exist in Pakistan. More specifically, much of the relation is insignificant. Inside Pakistan, the Size of Board (BS), Committee of Audit (AC), Annual General Meeting (AGM), and duality of CEO contain a positive relationship to companies' performance and these are insignificant as well. The Table.4 correlation coefficient explains that return on equity and profit margin has a positive relation with independent variables i.e. Board Size, Audit Committee, Annual general meeting, and CEO-duality but, all of them are statistically insignificant. According to Ansari, Gul & Ahmad (2017) Results reasoned that: performance estimators (i.e. Profit margin and Return on Equity) and Governance mechanism (i.e. Size of the board, Audit committee, Annual general meeting, and duality of CEO had positive relations among one another, however just size of board and audit committee are statistically significant. Moreover, Table.5 ROE Coefficient Results in Fixed Effects Model shows that just board size has a significant but negative effect on ROE at a 10% significant level. Moreover, a -0.122 coefficient means a one-unit increase in BS will lead to a 0.122 unit decrease in ROE. The result of Table.6 ROE Coefficient in Random Effects Model shows that board size has a negative and significant effect on ROE at a 5% significant level. Furthermore, a -0.104 coefficient means a one-unit increase in BS will lead to a 0.104 unit decrease in ROE. Besides that, the last independent variable i.e. CEO-Duality shows a negative and significant effect on ROE at a 5% significant level. More specifically, a -0.380 coefficient means a one-unit increase in CEOD will lead to a 0.380 unit decrease in ROE. The value for R2 (coefficient of determination) is 0.74 which is 74% which implies that independent variables (BS, AC, AGM) give details about 74% of the variation within the dependent variable (ROE). Furthermore, the remaining 26% variation is clarified by other variables that are not included in this model. In Table.8 PM Coefficient Results in Fixed Effects Model explain that Board Size shows a negative and insignificant effect on PM. Moreover, the other two independent variables i.e. Audit Committee and Annual General Meeting show a positive and insignificant effect on PM. In Table.9 PM Coefficient Results in Random Effects Model explain that Board Size, Audit Committee, and Annual General Meeting show a positive and insignificant effect on PM. Besides that, Duality shows a negative and insignificant effect on PM. The value for R2 (coefficient of determination) is 0.20 which is 20% which signifies that independent variables (BS, AC, AGM) clarify about 20% of the variation in the dependent variable (PM). Furthermore, the remaining 80% variation is described by other variables that are not included in this model. Turan and Bayyurt (2013) founded that profitability of the business has a significant correlation with corporate governance, although outcomes would be changed because of various business cultures in various businesses. As a result, the determination of a relationship between both internal and external issues can affect business performance.

Conclusion

Recently, in Pakistan, numerous studies were carried out on CG practices with company's performance and their results show that the effect of corporate governance mechanism on business performance exists in Pakistan. Many of the researchers like, Dar *et al.,* (2011); Ibrahim *et al.,* (2010); Yasser *et al.,* (2011); Arora, (2016); Bansal & Sharma, (2016) are concluded mixed results. As we know that many biggest scandals such as Enron have contributed to developing CG practices in developed and developing nations. The research aims to check the relation between CG practices and business performance through performance indicators i.e. (PM stands for Profit Margin and ROE stands for Return on Equity) and governance mechanism i.e. (BS stands for Board Size, AGM stands for Annual General Meeting, AC stands for Audit Committee and CEO-Duality) in car assemblers firms in Pakistan. Moreover, the size of the study sample consists of 12 car assembler-listed companies in PSX from the period of 2016 to 2020.

Multiple Regression and T-Test analyses have been used. The study results reveal that relations amid corporate governance and firm performance may exist in Pakistan. More specifically, much of the relation is insignificant. Inside Pakistan, the Board Size (BS), Audit Committee (AC), Annual General Meeting (AGM), and CEO-duality contain positive relationship to companies' performance.

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