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Contributing Factors and Consequences of Corporate Governance in Small Pakistani Listed Companies

Syed Harris Laeeque
Department of Management Science, Bahria University, Islamabad
harris970@live.com

Abstract
In this research, the contributing factors of corporate governance practices and their consequences are examined in the context of small Pakistani companies traded on Karachi Stock Exchange before the year 2006. The researcher develops an entirely new database in order to facilitate the construction of an index to determine the corporate governance practices of all 312 companies included in the sample and to evaluate their performances. The study notes that a number of organizational characteristics, such as the nature of auditor, market value of equity, leverage, ownership structure of the company, and composition and size of the boards, are closely associated with effective corporate governance practices. Furthermore, the study provides substantiation that effectual adherence to corporate governance regulations not only enhances the organizational performance, but also improves the quality of reported earnings. In the light of the achieved findings, the study concludes that despite the fact that abidance of governance regulations and practices is likely to enhance the organizational performance, small companies that have constrained resources may choose not to follow or implement them. Therefore, the shareholders and management of these companies are required to take more notice of the pluses and minuses of abiding by the governance systems
Keywords: Corporate governance, small Pakistani listed companies, accruals quality, Karachi Stock Exchange, company performance, Securities and Exchange Commission Pakistan.

1. Introduction

There is a plethora of research, debate and discussion on the concept of corporate governance (CG) by various academicians, practitioners and watchdogs. The concept of corporate governance is regarded as a mechanism by dint of which businesses can be overseen and regulated. There is an agreement in the literature as regards what comprises appropriate governance and the variety of strategic measures to make sure businesses take on effectual practices (Klapper, & Love, 2004). In Pakistan, businesses that are listed on the Karachi Stock Exchange (KSE) are obliged to abide by the guidelines of corporate governance, and if in case they don't, they must give a reasonable justification for their noncompliance. Ever since the scandals of Mehran Bank and Cresent Bank have come to light, more and more Pakistani organizations listed on KSE are adhering to the regulations of corporate governance (Cheema, 2003). The same can also be seen in the organizations listed on all the other major stock exchanges of the developed and developing world. Despite the fact that majority of the world's best performing organizations in the stock markets of today generally abide by all the practices of corporate governance sincerely, there is an inadequacy of substantial empirical verification which confirms that by adhering to the rules and practices of corporate governance, organizational performance can be improved (Gupta, Kennedy, & Weaver, 2009). This is especially true in the context of Pakistan, where very little research has been carried out that explores the matter of corporate governance and establishes whether it is associated with the performance of a business or not (Hasan, & Butt, 2009).

The dearth of substantial verification regarding the influence of corporate governance regulations and practices on corporate performance is supposed to be the outcome of effective dissemination of good governance practices by the Securities and Exchange Commission Pakistan (SECP) (Cheema, 2003). The SECP published sixteen best corporate governance guidelines during the early 2000s and encouraged all listed businesses on KSE to go by them. It was solely at the discretion of the organizations to accept those guidelines or not; however, it was mandatory for all the KSE-listed organizations to weigh their practices of corporate governance against those sixteen best practices elaborated by SECP at the end of each year (Iqbal, 2012). This served as a strong incentive for listed businesses, particularly the larger ones. By embracing the best practices of corporate governance they could achieve lesser disparity in the best practices when compared with other listed companies and this could possibly help in enhancing their organizational reputation for being ethical and reliable (Yasser, Entebang, & Mansor, 2011). The large businesses implemented the best practices more as compared to the smaller ones because they usually possess the assets required to follow the guidelines. Besides, some of the giant KSE-listed companies are also listed on Bombay Stock Exchange (BSE), and therefore they are obliged to follow the Indian corporate governance practices too. In view of all this discussion, it is believed that large businesses listed on KSE abide by the regulations of corporate governance in one way or another (Hasan, & Butt, 2009). Hence, it makes it very hard to verify the existence of an association between organizational performance and corporate governance. For instance (Ibrahim, Rehman, & Raoof, 2010) carried out a study to determine how following the regulations of corporate governance has influenced the performance of KSE-listed Pakistani corporations. The findings of this study revealed that ever since the introduction of corporate governance mechanisms by the SECP, more and more businesses are abiding by the regulations, while the association between organizational performance and corporate governance has weakened.

The smaller businesses listed on the Karachi Stock Exchange before the year 2006 are the main focus of the present study. This is because before this year, the KSE-listed companies were not obliged to follow the corporate governance regulations by the SECP. That is, the implementation and declaration of the governance practices was entirely at the discretion of the management of individual organizations (Yasser, Entebang, & Mansor, 2011). Taking into consideration the accessibility to resources and size of the KSE-listed businesses to improve their governance systems, the discretionary implementation and declaration may perhaps differ across organizations. Hence, this disparity facilitates the researcher in better assessment of the efficacy of discretionary governance practices (Sheikh, & Wang, 2012).

The publically traded small KSE-listed companies before the year 2006 are a context that has not been researched well in Pakistan. Hence, in view of this distinctive context, the present study makes a sound contribution to the existing literature on corporate governance. The present study develops an entirely new database (explained afterwards) in order to facilitate the construction of an index to determine the corporate governance practices of all companies included in the sample and to evaluate their performances. The study notes that a number of organizational characteristics, such as the nature of the auditor, market value of equity, leverage, the ownership structure of the company, and the composition and size of the boards, are closely associated with effective corporate governance practices. Furthermore, the study provides substantiation that effectual adherence to corporate governance regulations not only enhances the organizational performance, but also improves the quality of reported earnings. In the light of the achieved findings, the study concludes that despite the fact that abidance of the governance regulations and practices is likely to enhance the organizational performance; small companies that have constrained resources may choose not to follow or implement them. Therefore, the shareholders and management of these companies are required to take more notice of the pluses and minuses of abiding by the governance systems.

1.1. Research Questions

For determining the contributing factors and impacts of corporate governance practices in small listed businesses, the present study focuses on three key research questions:

1(A): In a non-regulated setting, which types of companies are more likely to abide by the governance practices?

1(B): Is the implementation of governance practices contingent on the resource limitations faced by the companies?

2: Is the accounting performance, particularly the quality of reported earnings, influenced by the effectiveness of corporate governance practices? If yes, then which of the aspects of corporate governance are most crucial for it?

3: Does the market value of companies that adhere to the corporate governance practices witness an enhancement in their market values? If yes, then which aspects of corporate governance are the most crucial for it?

The first research question focuses on the subject of choice. It attempts to explain the level to which small listed companies deliberately choose to implement the best practices of corporate governance. In addition, it also seeks to determine how the resource limitations on businesses influence their decision to implement the best practices. In order to address the second part of this question, the researcher has carried out an in-depth review of the prior studies concerning governance practices of small listed companies (Switzer, 2007; Malin & Ow-Yong, 1998; Lin, 2011). In accordance with the reviewed prior studies, resource limitation faced by companies is one of the prime hindrances to the successful adherence of corporate governance guidelines. However, none of the studies shed any light on the subject of intentional choice for following governance regulations (Eisenberg, Sundgren, & Wells, 1998).

The second research question focuses on the subject of organizational reporting practices. It endeavors to determine how the quality of reported earnings by companies is influenced by the corporate governance systems (Morck, Shleifer, & Vishny, 1988). Although a lot research has dealt with this subject in past, there is still an inadequacy of verification advocating that compliance to the best practices and rules of corporate governance minimizes the risk of opportunistic behavior of management and consecutively improves the dependability and value of the information presented in the financial statements (Niu, 2006). Theoretically, when companies stick to the guidelines of corporate governance, the asymmetry of information between managers and shareholders is reduced greatly. This as a result, upholds and heightens the conviction of owners in the reliability and worth of the organizational financial statements (Welker, 1995). Regardless of so many plus points of corporate governance practices, the high costs associated with them makes many companies, especially smaller ones, reluctant to implement them (Cormier, Ledoux, Magnan, & Aerts, 2010). Hence, small listed companies usually do not accept the corporate governance guidelines in order to avoid spending their limited capital resources. In total, the purpose of the second research question is to determine if the smaller listed companies can be expected to adhere to the governance guidelines of higher-quality financial reporting (Klein et al., 2005).

The third and the last research question focuses on the subject of financial performance of listed companies. So far, mixed results have been achieved by various empirical studies conducted in past to test the hypothesis that superior corporate governance systems bring about an enhancement in the financial functioning of companies (Daily, Dalton, & Cannella, 2003; Adams, Hermalin, & Weisbach, 2010). Majority of these studies whose results support this hypothesis were carried out in the developed economies of the world, where the capital market is highly regulated by the corporate governance mechanisms, and examined mostly the larger companies (Yermack, 1996; Gompers, Ishii, & Metrick, 2003). Similarly, the research which addresses this subject in the context of Pakistan has also achieved mixed findings (Cheema, 2003; Ali Shah, Butt, & Hassan, 2009; Hasan, & Butt, 2009; Yasser, Entebang, & Mansor, 2011_. Most of these domestic studies have worked on comparatively smaller samples of Pakistani KSE-listed companies and collected the data largely from the official publications of PICG (Pakistan institute of Corporate Governance) and SECP.

Taking into consideration the discussion presented in this section, it can be said that it is not a straightforward task to determine the best practices of corporate governance as there is a range of dimensions that make up each of the best practices. The soundest and the most practical way of determining them is to combine all of them together in order to create a single index of corporate governance. In addition to applying this method in the present study, the researcher also makes use of some sub-measures so as to ascertain which of the best practices is more important as compared to the others. This approach is employed to determine both, financial and accounting performance of the KSE-listed companies.

3. Materials and Methods

The sample of the current study is composed of all publically traded companies that were listed on the Karachi Stock Exchange in the year 2006. All those listed companies that had market capitalization of less than Rs. 25 million were qualified as small companies (Ibrahim, Rehman, & Raoof, 2010). By making use of the proxy data gathered by the Pakistan Board of Investment and Trade (PBIT), National Accountability Bureau (NAB), Asian Development Bank (ADB), and Lahore University of Management Sciences' (LUMS) Suleman Dawood School of Business, the governance score and other data was recorded for 474 companies publically traded on KSE in 2006. Besides, supplementary financial data was also gathered for these companies which is explained in the following sections of the study.

3.1. Data from Proxy Statements

Different researchers have employed different measures to determine the overall quality of corporate governance. For instance, some utilized exploratory factor analysis (Sheikh, & Wang, 2012), many relied on the corporate governance data presented by governmental publications (Klein et al., 2005), while few of them created their personal indices of composite governance (Gompers et al., 2003; Bujaki & McConomy, 2002). The most applied and readily available index of comprehensive corporate governance scores in Pakistan is published in the Annual Industry Review by Business Recorder, a daily financial newspaper. The index issued by Business Recorder attempts to encapsulate a remarkably extensive range of corporate governance indicators pertaining to disclosure policy, shareholder rights policy, shareholding and compensation policy, and board composition; however, to some extent it arbitrarily attaches weights to these indicators. Furthermore, Business Recorder, in its Annual Industry Report, only publishes corporate governance scores of large Pakistani companies that are listed on KSE (Iqbal, 2012). In view of these two shortcomings, this index cannot be used in the analysis of the present study.

Following the technique proposed by Bujaki and McConomy (2002), the researcher makes use of the proxy data gathered by the above mentioned Pakistani institutions and develops an index to determine the degree to which the Pakistani publically traded companies in KSE adhere to the sixteen best practices of corporate governance outlined by the SECP. Each of the sixteen best practices is assigned a score, adding up which leads to the overall score of corporate governance of the KSE-listed companies.

By referring to the prior research that relied on the scores published by Business Recorder, the present study creates two new sub-indices by splitting up the corporate governance scores. The first sub-index is labeled as composition and it corresponds to the total score of each of the different facets of best practices associated with the composition of board, such as: (1) most part of the board is not contingent on the management, (2) only independent directors can join up to form the audit commission, (3) only independent directors are allowed to serve in the compensation commission, (4) only independent directors function as the members of nominating commission, (5) the chair of chief executive officer (CEO) is distinct from that of the board, (6) there is always a chief director who leads the board, (7) the performance of the members, commissions and the board itself is evaluated by means of a systematic procedure, (8) the management does not interferes in the meetings of the board, (9) each chair of the board signifies a neutral director, (10) a nominating commission is present in the firm, (11) a compensation commission operates in the firm, and (12) a corporate governance commission functions in the firm. Each of these dimensions of best practices is assigned a value of 1, tallying up which help to conclude the score of board composition. The second sub-index is labeled as policies and it corresponds to the difference between the composition score and corporate governance score. The different facets of best practices associated with policies are: (1) the ranking regarding the company's policy of disclosure or evaluation of the efficacy of board, (2) taking assistance from outside consultants by the board members, (3) code of ethics or conduct; (4) informative programs and inclination of board, and (5) strategic position.

The current study appraises the constitution of the ownership by means of proxy statements. These statements provide information regarding the number of people and/or groups who have voting rights in excess of 10% (called block holders) and also about all those individuals serving as board members who are associated with an entity that has voting rights in excess of 10% (called board director block holders). These block holders are the main focus of this study since it is assumed that a company's conscious decision to abide by the corporate governance principles is influenced by the considerable figure of minority investors. In view of the insufficiency of resources faced by small businesses to pay off the board members, this research work analyzes the extent to which variance in the corporate governance score in influenced by the board size, i.e. the total figure of directors serving in the board (Coles, Daniel, & Naveen, 2008).

3.2. Financial and Performance Variables

The researcher personally gathered pertinent financial statistics of KSE-listed companies from their financial statements that are easily accessible from Bloomberg (www.bloomberg.com), Standard Capital Securities (www.scstrade.com) and Pakistan Finance (www.pkfinance.info). According to Malin and Ow-Yong (1998), one of major factors that determine the choice of companies to implement the corporate governance mechanisms is their accessibility to the financial markets. Hence, in this study, a dummy variable of debt issue is used to assess a company's existing financial capital. A value of 1 of this dummy variable signifies that a long-term debt was issued by the company in 2006. Such companies would like to make sure that the interests of their shareholders are secured and may perhaps express this concern by exhibiting higher levels of staunchness to the best practices of corporate governance. In order to determine a firm's accessibility to capital markets, three financial factors were included: (1) size of the company, quantified through taking market value of equity's logarithm (viz. "share price at the fiscal year end times the number of shares outstanding", Banz, 1981), (2) DREV or sales growth's average (viz. "a change in revenue scaled by average total assets", Krishnan, & Yu, 2012), and (3) financial leverage (viz. "book value of debt divided by market value of common equity", Mandelker, & Rhee, 1984). When the levels of financial leverage are lower, they signify greater capacity of the company to acquire debt. Large growing companies that are greatly funded by debt have a tendency to obtain funding by issuing equity and for this reason, they seriously make a conscious choice to abide by the guidelines of corporate governance.

The researcher employed two methods to determine the quality of earnings (viz. accruals) presented in the financial statements and the resulting irregularity of information. The first employed method to measure the quality of accruals (AQ1) was put forward in the study by Srinidhi and Gul (2007). In accordance with it, the quality of accruals corresponds to the total figure of the remainder obtained from the regression connecting accruals to: (1) property, plant, and equipment, (2) change in returns, and (3) future, present and past cash flows. When the accruals are shaped by the deviousness of managers, their quality deteriorates; however, when they are influenced by the requirement to communicate confidential information, their quality improves (Mandelker, & Rhee, 1984). The second employed method to measure the quality of accruals (AQ2) was put forward by Kothari et al. (2005), inspired from the performance adjusted model of Jones Model (1991). In accordance with it, the quality of accruals corresponds to the total figure of discretionary accruals. The researcher uses the return on assets in 2006 as a benchmark and then makes a comparison between the observations of discretionary accruals of one company to that of the other company operating within the same sector. For simplifying the analysis, values of AQ1 and AQ2 are multiplied by -1 in order to make sure that increase in the quality of accruals is properly indicated by the increasing figures of AQ1 and AQ2 (Banz, 1981).

In line with the previous studies (such as Klein et al., 2005), the present study uses relative market valuation to quantify the performance of a KSE-listed company by the help of Tobin's Q (i.e. "the book value of liabilities plus market value of common equity divided by the book value of assets", Mandelker, & Rhee, 1984). According to the results of most of the prior studies (like Wallace & Naser, 1995), those publically traded businesses that are assessed by large audit companies are likely to publish more reliable financial data. Therefore, the researcher uses auditor as a dummy variable; where, a value of 1 of the dummy indicates that the company in question is audited by any of the top five audit companies of Pakistan. It is expected that when a business is appraised by some reputed auditing company of the country, there is likelihood that it reveals high levels of confidential information. This can ultimately help that company in enhancing its corporate governance scores and lowering the cost associated with overseeing its management. Lastly, the researcher incorporates some dummy variables related to the industry characteristics as it is believed that companies are often pressurizes by their contemporaries to adhere to the corporate governance guidelines prevailing in the industry.

4. Empirical Results and Discussion

The information concerning the characteristics of board and scores of corporate governance practices of all the 474 companies publically traded on KSE is easily available from various sources mentioned in the previous section. However, due to the limited accessibility of financial information, the actual sample of this study is reduced to only 312 companies. On the basis of the cumulative data (not exhibited here) it is inferred that, on the whole, corporate governance scores of companies that are larger in size are higher as compared to those companies that are smaller in size. Moreover, the larger companies usually have boards larger than those of the smaller companies.

Presented in table 1 is a condensation of data obtained for the 312 KSE-listed companies whose financial data is also available. It is noted from the table that a typical board comprises of only five members, which is comparatively smaller. Besides, in a considerable percentage of companies (i.e. 63%), investors hold large chunks of shares that are equal to or greater than 10%. The average value of Tobin's Q is approximately 4.000, according to which, majority of the KSE-listed companies are categorized as growing companies. Only 13% of the companies included in the sample issued debt in 2006, therefore, it can be said that these firms are not much leveraged.

The table 2 of the study presents confirmation about the factors influencing corporate governance. The value of correlation coefficient for the association between policies and composition is 0.8124 (i.e. more than 81%). Hence, in view of this high correlation, there is a need for carrying out further analyses in which these two determinants of corporate governance score are examined individually.

The number of large block holders of listed companies has a positive and statistically significant bearing on corporate governance score and its determinant of board composition. However, when block holders are related with quite a lot of board members in any way, then the positive impact of block holders is greatly reduced. Putting it differently, when the block holders are totally external, corporate governance systems of companies is expected to get better. This implies that when block holders are internal to the organization, they are not much concerned about asymmetry of information, and for this reason they do feel the need for requesting the management to deal with this issue.

The organizational factors like, auditor's type, higher market value of equity, higher leverage and larger board size, are found be positively associated with corporate governance mechanisms and also its determinants. Companies that are very rich in resources usually have larger boards as compared to others and these resources may perhaps help them to carry out better corporate governance practices. Creditors usually suspect the credibility of companies that are highly leveraged. Such companies therefore try their best to effectively abide by the corporate governance guidelines so as to signal the creditors about their trustworthiness. In the same way, companies that have large amount of stock outstanding sincerely follow the best practices of governance. This helps to enhance the market value of their equity and signal the investors about the reliability of their stocks. The findings of the study also put forward that when reputed auditors of the country audit the listed companies as compared to the not-so-reputed auditors, their immense knowledge and expertise help to encourage these companies to adhere to the governance practices more strictly. Furthermore, as compared to other industries, the listed companies in the industry of bio-technology are much more likely to consider the corporate governance best practices and follow them earnestly. A possible explanation for this finding can be that the environment of companies in bio-technological sector is characterized largely by ambiguity and intricacy. These companies are bound to adhere to the corporate governance guidelines if they wish to minimize environmental risk and sustain in the long run.

The table 3 of the study presents substantiation to determine if the quality of earnings is linked to the corporate governance practices or not. The proxy data for both kinds of accrual quality (i.e. AQ1 and AQ2) demonstrates that when listed-businesses accept, implement and reveal corporate governance systems, the quality of their published earnings get higher. However, to researcher's surprise, it was revealed that factor of policies has a much more economically and statistically significant impact on corporate governance score as compared to the factor of composition. Hence, it looks as if the corporate governance dimensions associated with the capacity to approach outside advisors and implement code of ethics has a more serious bearing on the quality of earnings as compared the other highly publicized dimensions such as the composition of board and commission. In line with the past research, the outcomes of this study also propose that larger listed firms that are highly leveraged exhibit more high quality earnings as compared to the smaller, less leveraged firms.

In the end, table 4 presents verification about the influence of corporate governance best practices on the financial performance of a listed company. The results deduce that Tobin's Q or company's value is enhanced considerably when the corporate governance systems of that company are properly functioning, particularly its dimension of composition. Hence, in view of the financial performance of listed companies in Pakistan, it is determined that corporate governance plays an indispensable role and its dimensions associated with commission and board structure are of especial significance. On the whole, all of the control variables related to financial information are statistically substantial. In accordance with the works of Klein et al. (2005)

and others, this study also finds that financial performance and leverage are inversely associated with the size of a listed-company. Besides, financial and economic performance of a KSE-listed company gets better when it is audited by a reputed auditing company.

5. Conclusion and Implications

In the present research work, the contributing factors of corporate governance practices and their consequences are examined in the context of small Pakistani companies publically traded on Karachi Stock Exchange (KSE) before the year 2006. The researcher personally gathered the financial and corporate governance data regarding all those KSE-listed companies before 2006 in order to scrutinize the practices of corporate governance in smaller companies. The findings of the study obtained through rigorous analyses reveals that good corporate governance is one element that should never be ignored by the management and owners of an organization. It is undoubtedly, one of the most crucial elements which drive the performance of small companies. However, it was noted that owing to the resource limitation faced by the small listed companies, most of them do not make investments in the implementation or improvement of their corporate governance mechanisms.

A very critical question is raised by the achieved results, that is: When abiding by the best practices of corporate governance increases the likelihood of improving the performance of a company (especially the performance in financial market), then why do some companies deliberately decide not to implement them? A possible answer of this question can be that the monetary cost associated with high corporate governance systems (viz. more expensive auditors, more commissions, larger boards, and etc.) can be construed and quantified very easily; while, the benefits achieved through these systems (viz. increase in market value and stock price) are difficult to measure and take a lot of time to transpire. Therefore, companies mull over the costs of governance more profoundly. The findings put forward that companies are making a terrible mistake by doing so. A second answer of this question can be that companies often fail to make a distinction between the relevant and not-so-relevant benefits and costs associated with corporate governance and due to this failure, the cost simply prevails over the benefits in most of the cases. Besides, the findings propose that when smaller companies are taken into consideration, the costs of governance rise greatly.

The present study observed that company size is exceptionally important when it comes to implementation of corporate governance practices. It was established from the sample that corporate governance systems are considerably better in large listed companies as compared to the small listed companies. Generally, the board size of large companies is much larger than the small companies. Owing to their limited organizational resources, small companies cannot afford to bear the costs associated with large boards, and hence they make a conscious choice of putting corporate governance aside. In comparison, large companies have adequate funds that make them able to support large and high-class board.

The findings of the present study suggest to the management and investors of small listed companies that they both should pay special attention to the plus points associated with implementing corporate governance best practices. If companies feel that it is difficult for them to follow corporate governance guidelines due to the cost associated with them, they should try to find some other means through which they can concentrate on the dimensions of governance. For instance, the composition dimension of corporate governance is found to be valued greatly by the shareholders of a company. Hence, small listed companies should leave policies dimension aside for the time being and concentrate more on the dimension of composition.

The findings of the present study suggest to the owners that while building portfolios, the metric of good corporate governance can prove to be very valuable. The owners should be cautious of block holding. Though private benefits of control can be achieved through it, concentration of ownership greatly weakens the effectiveness of corporate governance.

The findings of the present study suggest to the public policy makers that in the dynamic and competitive environment of today, it is not possible for all kinds of companies listed on the stock exchange to adopt one particular set of corporate governance policies. Though large listed companies that have enough resources can somehow implement such policies, the smaller companies will find it very expensive to implement them. Public policy makers should design flexible governance regulations so that they can be adopted by all sorts of listed companies easily.

In the end, the findings of the present study raise many questions which can motivate the academicians to carry out future studies and seek answers for them. Why the contributing factors of financial performance are not comparable to those of earnings quality? When all companies will be subject to the governance guidelines of KSE, what will happen to them? When the Pakistani listed companies will move from KSE to the other stock exchanges of the more developed countries, what will happen to their corporate governance systems? Surely, the present academic environment has geared up for further investigation.

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Table 1. Summary of the Collected Data

Variable	Mean	Std. Deviation	Median	Minimum	Maximum
CG Score	3.2668	3.9364	1.0000	0.0000	19.0000
Composition	1.3141	2.0756	1.0000	0.0000	11.0000
Policies	1.7285	2.4870	0.0000	0.0000	9.0000
Board Size	4.1769	1.3930	5.0000	3.0000	12.0000
Block	0.5785	0.8871	1.0000	0.0000	5.0000
BD Block	0.6231	0.8293	0.0000	0.0000	5.0000
AQ1$^{¤}$	-0.2339	0.2396	-0.1484	-1.0000	-0.0001
AQ2$^{¤}$	-0.1594	0.1687	-0.0994	-1.0000	-0.0001
MVE ($. mil)^{e}	10.9189	20.7948	4.7256	0.0027	241.1316
AT ($. mil)^{e}	5.5591	10.3589	2.5526	0.0326	138.2000
Tobin's Q$^{\Omega}$	3.9898	4.2616	2.3294	0.3000	17.5000
ΔREV$^{¤}$	0.0266	0.2524	0.0016	-1.0000	1.0000
Leverage$^{\Omega}$	0.3547	0.6532	0.0677	0.0000	2.5369
Debt Issue	0.1053	0.3079	0.0000	0.0000	1.0000
Auditor	0.2362	0.4257	0.0000	0.0000	1.0000
Mining	0.6008	0.4906	1.0000	0.0000	1.0000
BioTech	0.0938	0.2900	0.0000	0.0000	1.0000
Industrial	0.0515	0.2214	0.0000	0.0000	1.0000
R/E (Rs. mil)	-7.6142	12.1336	-5.2225	-196.8099	47.9064
NI (Rs. mil)	-0.9211	3.4038	-0.5214	-81.3894	8.7939
Sales (Rs. mil)	1.6253	5.33077	0.003	0.000	39.0847

$^{¤}$ variables are winsorized to prevent them from exceeding 1 in absolute value;
$^{\Omega}$ variables are winsorized at the extreme 1%;
^{e} variables are converted into log form for the regression and correlation and analysis.

Table 2. Corporate Governance's Determinants (CG Score)

Variable	CG Score	Composition	Policies
Intercept	-9.6535***	-6.4578**	-4.2154**
Block	0.6926***	0.6215*	0.2571
Block*BD Block	-0.3658*	-0.1871**	-0.0267
Board Size	0.3272**	0.2333***	0.16225***
Debt Issue	-0.1756	0.1418	-0.1536
Leverage	0.9254***	0.3621***	0.2162
ΔREV	0.4856	0.06174	0.0068
Log (MVE)	0.6114**	0.3447***	0.2336***
Auditor	1.1168***	0.7554**	0.4153**
Mining	0.2236	-0.0055	0.2186
BioTech	1.6255**	1.6421*	0.3974*
Industrial	-0.9355	-0.0957	-0.5895
Adjusted R^2	28.1518%	16.2467%	6.2686%

Note: N=312; $^{*}p<0.05$; $^{**}p<0.01$; $^{***}p<0.001$.

Table 3. Accrual Quality's Determinants (AQ)

Variable	AQ1	AQ1	AQ1	AQ2	AQ2	AQ2
Intercept	-0.5585***	-0.6002***	-0.5994***	-0.4617***	-0.4366***	-0.4831***
CG Score	0.0004*	0.0006***				
Composition	0.0023	0.0096				
Policies	0.0061**	0.0122***				
Auditor	0.0019	0.0021	0.0021	0.0009	0.0013	0.0011
Leverage	0.0490***	0.0490***	0.0490***	0.0062	1.0623	0.0022
Log (MVE)	0.0245***	0.0257***	0.0255***	0.0009	0.0012	0.0011
Mining	-0.0126	-0.0164	-0.0173	0.0379	0.0038*	0.0036
BioTech	-0.0694***	-0.0691***	-0.0819**	-0.1163***	-0.1007***	-0.1006***
Industrial	-0.0936***	-0.0917***	-0.0995***	-0.0055	-0.0057	-0.0052
Adjusted R^2	4.6866%	4.3655%	4.7638%	3.3115%	2.5523%	3.3967%

Note: N=312; *p<0.05; **p<0.01; ***p<0.001.

Table 4. Financial Performance's Determinants

Variable	Tobin's Q	Tobin's Q	Tobin's Q
Intercept	29.7520***	29.8658***	29.1732***
CG Rank	0.0687***		
Composition		0.2327***	
Policies			0.053
Auditor	0.9540***	0.8533***	1.0042***
ΔREV	-0.6552	-0.6662	-0.6353
Leverage	-0.8270***	-0.8732***	-0.8284***
Log (AT)	-1.7450***	-1.7460***	-1.6981***
Mining	-0.7156**	-0.6975**	-0.7037**
BioTech	0.4447	0.2574	0.6355
Industrial	0.1342	0.0724	0.1352
Adjusted R2	33.7588%	34.3253%	33.3562%

Note: N=312; *p<0.05; **p<0.01; ***p<0.001.

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