CORPORATE GOVERNANCE IN EXTREME INSTITUTIONAL ENVIRONMENT: EVIDENCE FROM EMERGING ECONOMY

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How to cite this paper: Arslan, M., Abidin, S., Alqatan, A., & Roudaki, J. (2019). Corporate governance in extreme institutional environment: Evidence from emerging economy [Special issue]. *Corporate Ownership & Control, 17*(1), 211-235. http://doi.org/10.22495/cocv17i1siart5

ISSN Online: 1810-3057
ISSN Print: 1727-9232

Received: 08.10.2019
Accepted: 10.12.2019

JEL Classification: G00, G3, G30, G32, G34
DOI: 10.22495/cocv17i1siart5

Abstract

Corporate governance (CG) is often split among rule and principle-based methods to regulation in distinctive institutional contexts. Relying on an alternative theoretical framework (i.e. institutional theory), rather than the dominant agency theory, this study conceptualizes corporate governance practices and structures as institutionally resolute and directed and explores the key institutional determinants of good CG practices in an emerging economy. Drawing on qualitative and quantitative methods, this study conducted semi-structured interviews from eight CG professionals, followed by a survey questionnaire (N=105) from PSX listed firms. The study explores the extent to which certain underlying formal and informal institutional determinants, such as the auditing, political, legal, board, shareholders awareness, voting, culture, and values play a determining role in corporate governance. Using exploratory factor analysis, this study identified five major barriers, i.e. firm-level barriers, external barriers, social barriers, education and training barriers and legal barriers which restrain good CG practices in Pakistan. In addition, this study identified four major drivers, i.e. internal drivers, regulatory drivers, motivational drivers and collaborative drivers which can promote good CG practices in Pakistan. The findings of multiple hierarchical regression analysis revealed that the CGI score has a significant positive relationship with both return on assets and return on equity. This study emphasizes the necessity to revisit the foundation of institutional and agency theories in the environment of developing countries.

Keywords: Institutional, Determinants, Corporate Governance, Formal and Informal, Agency Theory, Barriers, Drivers, CG Compliance

Authors' individual contribution: Conceptualization – M.A.; Methodology – M.A.; Validation – M.A.; Formal Analysis – M.A.; Investigation – M.A.; Resources – M.A. and A.A.; Data Curation – M.A. and A.A.; Writing - Original Draft– M.A.; Writing –Review and Editing – S.A., J.R., and A.A.; Visualization – M.A.; Supervision – S.A. and J.R.; Project Administration – M.A., S.A., and J.R.; Funding Acquisition – M.A, S.A., and J.R.

1. INTRODUCTION

Across the globe, the economic crisis has amplified the significance of good corporate governance (CG) and increased regulation as complementary to the "over-liberated" freedom of modern capitalism (Claessens & Yurtoglu, 2013). On the other side, classic cases of corporate fraud such as WorldCom, Enron, and Arthur Andersen, one of the top audit firms, have been ascribed to weak CG practices (Ntim & Danbolt, 2012) and triggered the need for stringent CG mechanisms. However, in most comparative CG research, it is assumed that national institutions determine firm-level CG practices (Aguilera & Jackson, 2003). Mallin (2007) and Iturriaga (2009) argued that CG codes have gained popularity due to these mega-corporate failures and evolving investors' awareness. Consequently, CG regulations and reforms have become a primacy agenda for market regulators and governments (Aguilera & Cuervo-Cazurra, 2009). Agency theory was prominent in fostering contemporary CG discussions. Nonetheless, researchers debated that CG is shaped by institutional factors, especially, in the international context (Creed, DeJordy, & Lok, 2010; Peng, Sun, Pinkham, & Chen, 2009; Williamson, 1989). Thus, the institutionalism based CG literature has advanced considerations beyond the boards of directors (BoDs) to the legal structure and financial markets, and to the broader cultural understanding about the role of the corporation in modern society (Davis, 2005).

Researchers acknowledged that divergence in global CG practices is due to divergence in institutional environments across countries (Judge, Douglas, & Kutan, 2008). This has led to a growing appreciation of the institutional effects on CG in developed countries (Adegbite, Amaeshi, & Nakajima, 2013; Aguilera & Jackson, 2003; Aguilera, 2005; Lubatkin, Lane, Collin, & Very, 2007; Sauerwald & Peng, 2013), conversely, a comparative gap still exists in the CG literature for developing countries that are usually characterized by weak institutions (Adegbite & Nakajima, 2011). Specifically, in the socio-economic environment of Asian developing countries, the corporate context is critically exaggerated through informal social relations (Hussainey & Al-Nodel, 2008) which are highly socially valued. The governance structure of any country can be determined by its de facto realities of the corporate environment (Khanna, Kogan, & Palepu, 2006), firms' articles of association and the legal and regulatory framework.

In this debate, the questions arise as to how the institutional environment affects CG practices and how local and international firms can, by themselves; promote good CG in weak institutional settings. This study addresses these questions and pursues comprehending how CG can be regulated and reformed to improve good CG practices in Pakistan? This study also identifies the barriers to good CG practices and, finally, examines the nexus between CG compliance (CGI) score and firm performance on a sample of Pakistan Stock Exchange (PSX) listed firms.

In Pakistan, the detailed provisions, regarding CG mechanisms, are provided by the Code of Corporate Governance (CCG) issued by the Security and Exchange Commission of Pakistan (SECP) in March 2002. However, in 2012, the SECP carried out a reform of CCG 2002 and made most of the provisions mandatory for the listed companies. All the listed companies need to comply with CCG 2012 to remain listed on PSX, consequently, many firms delisted from PSX. Besides all these efforts by SECP, the problem still exists regarding true compliance with the corporate governance code.[1] After the reform in CCG 2012, the CCG has many mandatory provisions related to auditing, board structure, and disclosure for listed companies but there are still some voluntary provisions (SECP CCG, 2012). These provisions challenge the discretionary power of the state and families and have great impact on a company's management. Therefore, they are unwilling to regard the CG code in its true spirit and compliance with the CCG is in form not in substance. A recent study conducted by Khan (2014) documented that tick box practice is very common among PSX listed firms and CG provisions are not complied with in the true sense. He also documented that senior officers of SECP confirmed that the CCG does not comply in the true sense as many public listed firms are family-owned (FOBs) in Pakistan. Therefore, in such firms, family members are elected as executive and non-executive directors. Additionally, these firms also appoint family members as independent directors with a few shares. Many FOBs have appointed their children as independent directors with a few shares to fulfill the requirement of the CCG 2012. He further concluded that "law in books" is not enough; it should be implemented to be considered as "law in action". Similarly, Samza (2016) conducted a study in Pakistan to identify weaknesses of CG and explored opportunities for its improvement. She documented that many of the CCG provisions overlap with the Companies' Ordinance 1984 which is problematic. She further documented that the SECP and the Pakistan Institute of Corporate Governance (PICG) should have a strategy to increase awareness about the benefits of adopting corporate governance.

Yakasai (2001) and Ahunwan (2002) argued that the weak institutional context makes self-regulatory initiatives impractical and corporate law enforcements naive. Hence, it is noticed that CG in developing countries faces several challenges (Berglöf & Claessens, 2006; Okpara, 2011; Reed, 2002) including weak institutional frameworks (Adegbite et al., 2013; Adegbite & Nakajima, 2012; Aguilera, 2005; Arslan & Abidin, 2019a), inefficient adoption of Anglo-American models (Kraakman & Hansmann, 2017; West, 2006), various deviations in firm-level governance (Klapper & Love, 2004; Okike, Adegbite, Nakpodia, & Adegbite, 2015) and principal-principal concerns (Chen & Young, 2010; Su, Xu, & Phan, 2008; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). Similarly, Rwegasira (2000) debated that the institutional environment needs to be accounted for before and during the establishment of CG systems in developing countries. Okpara (2011) reinforced this argument and documented that CG challenges during its development could be expounded by the quality of the underlying institutional environment in the developing economies. In addition, researchers debated that board effectiveness depends on the firm's institutional environment (Gillan, 2006; Mangena, Tauringana, & Chamisa, 2012); consequently, governance theories may need reforms or improvement in order to achieve a robust CG system. According to a report of the World Bank (2013), emerging market firms are playing a compelling part in reforming the global industrialisation process. Therefore, it is critical to establish effective CG mechanisms in these emerging economies because the prevalence of a weak CG system in these economies could have global implications. This study used the exploratory sequential research design and conducted the semi-structured focus group interviews from eight respondents, followed by survey questionnaire from 105 respondents of PSX listed firms. Drawing substantially on agency and institutional theories, this study, therefore, explicitly contributes to CG

[1] SECP introduced a new code of corporate governance in 2017, implemented from 2018, which is beyond the scope of this study.

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literature in developing countries (Douglass, 1990; Scott, 2013; Zucker, 1987), especially in Pakistan. The study contributes to and encompasses the extent of institutional theory. The institutional theory has already identified the capacity of institutions to control behaviour of economic agents (Douglass, 1990; Scott, 2013) and has received evolving interest among scholars regarding its role in the evaluation of CG issues (Aguilera, 2005; Roe, 2003). In addition, emerging literature affirmed that CG is persuaded by the vigour of institutional factors (Adegbite et al., 2013; Nakpodia, Shrives, & Sorour, 2018) in the business environment (Adegbite & Nakajima, 2011; Judge et al., 2008). Consequently, various categorizations such as legal, political and economic institutions (Adegbite & Nakajima, 2011; Okike et al., 2015) and sociological, historical and political institutionalism (Leicht & Jenkins, 2009), have been widely espoused in discussing the institutional environment and theory of CG (Adegbite & Nakajima, 2011, 2012). Notwithstanding these developments, this study was inspired to explore the capacity and robustness of the key institutional determinants and categorizations in order to expound CG practices in an emerging country such as Pakistan. In addition, this interest was inspired by the positions of some scholars (Fukuyama, 2006; Glaeser, La Porta, Lopez-de-Silanes, & Shleifer, 2004; Przeworski, 2004) who question the applicability of institutions and institutional determinants. Scholars further postulated that it is the conditions that reinforce institutions, more than institutions affecting the CG practices and direction. The findings of this study (see Section 5) are in agreement with the views and support the applicability of institutions (Nakpodia, 2017; Owoye & Bissessar, 2012; Sorour & Howell, 2012), confirming their significance in adding to existing knowledge concerning the institutional theory of CG. It is noted that CG literature is limited in developing countries (Armitage, Hou, Sarkar, & Talaulicar, 2017; Berglöf & Claessens, 2006; De Nicolò, Laeven, & Ueda, 2008; Mangena & Tauringana, 2007), hence, this study adds to the existing CG literature. Majority of CG studies, in emerging countries particularly in Pakistan, are exaggerated on the empirical and limited to secondary data. Therefore, this study contributes to CG literature by employing both qualitative and quantitative methods. Due to the scarcity of CG studies in developing countries, it is challenging for multiple national corporations to comprehend the challenges of CG in these countries. Thus, a key motivation of this study is to address these challenges among developing countries and contribute to existing knowledge.

The study has implications for and contributes to practice. In Pakistan, the foremost corporate governance regulation was introduced in 2002 by SECP, a principal based regulatory approach, and was recently reformed in 2012, in which SECP made provisions mandatory for listed firms. However, many scholars and practitioners have identified concerns and challenges regarding CG practices in Pakistan (Arslan, 2019; Arslan & Abidin, 2019b; Fatima, Mortimer, & Bilal, 2018; Khan, 2014; Samza, 2016). This antecedent assessment was supported by participants of this study, consequently, need arises to introduce a regulatory approach that could promote good CG system in Pakistan. Section 5 highlighted the CG challenges which are faced in the country. In Pakistan, the corporate governance code was introduced with a principles-based approach (comply or explain), however, SECP has made it mandatory in the recent reform in 2012. Indeed, it was apparent that most companies are not complying with corporate governance practices in a true spirit and are performing tick box practice. It indicates that a rule-based approach is also not helpful in the context of Pakistan while a principles-driven approach is effective in presence of robust institutional elements and free information flow (Arjoon, 2005; Tariq & Abbas, 2013). Therefore, it proposes the need for integration of the elements of rules-based and principles-based approaches in Pakistan. Both approaches can adequately strengthen each other to spawn optimum outcomes of CG system (Arjoon, 2005; Sama & Shoaf, 2005). The combination of both will help in boosting the CG system in Pakistan. Section 2 presents the literature review while Section 3 presents the detailed methodology of the paper. The findings of the study are presented in Section 4 while Section 5 concludes the paper.

2. LITERATURE REVIEW

The East Asian crisis has injected fresh fuel into the promulgation of various CG codes in this part of the world. Nevertheless, low compliance and loose CG rules are blamed as the causes of the crisis in 1997-1998 (Haniffa & Hudaib, 2006). On the other side of the world, the failure of big companies such as Enron and WorldCom has been ascribed to weak CG practices (Ntim & Danbolt, 2012). Mallin (2007) and Iturriaga (2009) argued that globalization, corporate collapses, and increased investors' awareness have prompted the diffusion and worldwide popularity of CG practices. Hence, around the globe, evolving attention has made CG regulations and reforms a primacy topic for market regulators and governments. Similarly, Aguilera and Cuervo-Cazurra (2009) documented that corporate governance has received ample consideration from academics and policymakers due to the implications of CG reforms, specifically in the socio-economic environment of Asian developing countries where the corporate environment is affected by highly valued informal social relations (Arslan, 2019; Arslan & Roudaki, 2017; Hussainey & Al-Nodel, 2008). Most of the existing CG literature revolves around larger companies in developed countries; however, it is still emerging in developing countries. Baydoun, Maguire, Ryan, and Willett (2013) conducted a study in Arab countries and found high ownership concentration and family dominant firms. Consequently, interest is evolving in exploring the CG in the Islamic environment of Arab countries (Alsaeed, 2006; Baydoun et al., 2013). Islam provides comprehensive guidelines for all facets of the Muslim community including business and economic practices.

Islamic principles profoundly guide daily life in Pakistani society, including economics, law, business, and other areas. Additionally, the socio-economic factors of developing countries, particularly Pakistan, are quite different from developed countries in terms of legal, political and social systems. Thus, these imperative and distinct contextual, regulatory and institutional divergences can have substantial significance for the efficacy of accountability, CG disclosure, and performance. In Pakistan, most firms are family-owned and they

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usually recruit family members or close relatives and friends. In this context, merit is compromised in employing the employees. Mostly, employees are hired on the basis of personal relationships or social linkages with the owner of the firm. These appointments can have negative impacts on internal CG mechanisms like board structure, audit committee structure, internal auditors and corporate governance monitoring systems. In Pakistan, most of the public listed firms are dominated by politicians. Researchers also found that CG practices are greatly influenced by these political connections and appointments are made to corporate boards of firms (Hussainey & Al-Nodel, 2008). Correspondingly, all these have negative effects on the independence and composition of BoDs. In Pakistan, agency problems may be exaggerated due to the high ownership concentration (Javid & Iqbal, 2008). This high ownership concentration may influence the recruitment process in family firms. Baydoun et al. (2013) conducted a study among Arab countries but it is also applicable to the Pakistani environment. They suggested that high ownership concentration and dominance of family businesses in Arab countries have great influence on employees' recruitment in some listed firms and only close relatives and friends are appointed to corporate boards, so consequently, board independence is compromised in those firms. Besides these, poor CG practices may not only cause the loss of the domestic but also of the foreign shareholders. In addition, the weak corporate governance regime exacerbates information asymmetry in Pakistan and consequently has adverse effects on local and foreign investment in the country.

Researchers have documented that institutions are predetermined and shaped by the distinct national system of the country (Douglass, 1990; Gustafsson, Knudsen, & Mäki, 2003). Gilson (1996) argued that the economic success of firms is also dependent on the institutions of a particular country in which they are expected to compete. Sorour and Howell (2012) conducted a study in Egyptian banks and found that powerful agents drive the political process of CG. In a similar vein, Jizi, Salama, Dixon, and Stratling (2014) argued that powerful CEOs take liberal decisions that may not be in best interest of firms. Thus, it is evident that economic actors appear to endure more effect on the discretion of CG. Researchers also investigated the impact of low education on political institutions and found that well-educated countries exhibit more stable democracies from those poorly educated countries (Hanushek & Wößmann, 2007; Jones, 2016; Karatnycky, 2002). These findings expound the political institutions are more pertinent in educated countries as compared to their counterparts (Lipset, 1960). Cuervo (2002) examined the deficiencies in shareholders' protection in Anglo-Saxon and Continental European systems of CG. He found that the enforceability issue in Continental Europe restricts the use of codes. The existing literature also provides evidence that the dominant religion (Hilary & Hui, 2009; McGuire, Omer, & Sharp, 2011) and prevailing culture (Haniffa & Cooke, 2002), for example, are vital for the effectiveness of CG codes. In addition, legal institutions can also be confronted by legitimacy issues that also emasculate their effectiveness. Judge et al. (2008) found three pillars (such as legal institutions, culture and particularly, corruption) of institutionalization which driving the perceptions of CG at the country level. In addition, global CG systems cannot be restricted to the Anglo-Saxon or Continental European models (Judge et al., 2008).

Researchers also found issues of the legal protection of minority shareholders in emerging economies (Hasan, Kobeissi, & Song, 2014; Klapper & Love, 2004) which raises the question about the role of legal institutions in those economies. Similarly, corruption is associated with societal elites in many weak institutional contexts. Despite the importance of the institutional framework, researchers have questioned its significance in creating a robust CG system (Adegbite et al., 2013; Johanson & Ostergren, 2010; Przeworski, 2004). Some researchers agreed that institutions matter (Adu-Amoah, Tsamenyi, & Mensah Onumah, 2008) while others documented that institutions do not matter absolutely (Przeworski, 2004). It is not possible to design an effective CG system without taking political and social factors into account (Adu-Amoah et al., 2008).

In a nutshell, it is documented that institutions do play a significant role in developing CG systems; however, it depends on the extent of institutional sophistication. However, the intuitional sophistication may be affected by the conditionalities which are intrinsic in a specific system. The effects of these conditions depend on economic development of particular country. Therefore, these conditions are flabbergasted by the robustness of existing institutions in developed countries while it is divergent in emerging economies and affects the CG model adopted in emerging countries.

3. METHODOLOGY

This study used mixed methods research i.e. qualitative and quantitative and exploratory sequential research design is employed. First, the study conducted semi-structured focus group interviews, followed by survey method.

3.1. Semi-structured focus group

A focus group is an interview that is conducted with a small group of people on a particular topic (Patton, 2002) and has been widely used in social science research for qualitative data collection (Morgan, 1998). Focus groups are useful in exploring, clarifying and reacting to ideas (Krueger, 2014). They are an informal discussion among a group of selected individuals about a topic (Wilkinson & Silverman, 2004) and usually consist of 6 to 10 participants and a moderator (Howell, 2012). The rationale of this group size is to ensure information diversity. In addition, the focus group also offers a collective set of observations, experiences, and values which are interpreted in the context. Moreover, it is a qualitative research instrument that demonstrates the essential bias for systematic attention to specify additional solid ground (Morgan, 1998). In addition, it is particularly helpful in obtaining and discovering new information on the same topic (Krueger, 2014) and is more economical. Though there are benefits in using a focus group, it has some limitations as well.[2] Compared to one on one interviews, a focus group may not explore more in-depth information. In addition, participants may not be as cosy as in one-on-one interviews and may

[2] (see Creswell & Creswell, 2017; Zikmund, Babin, Carr, & Griffin, 2013)

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not expose sensitive information. Researchers generally need quite high levels of interviewing expertise to conduct focus group interviews. For instance, they require 'gatekeeping' skills to help avoid 'group think' outcomes and preventing any individuals from dominating conversations as well as teasing contributions from quieter members. That said, where the focus group does not present any of these dilemmas the researchers should be mostly anonymous, often only needing to contribute to commence, prompt occasionally and finalize the session.

To overcome the limitations of the focus group, this study employed a semi-structured focus group in which interviews are conducted, following the interview protocol and guide to keep the same context and ensure validity and reliability.

3.2. Selection of interviewees and interview instrument

Researchers have argued that the data quality determines the quality of findings (Saunders, 2011) and it is critical to develop criteria for the selection of interviewees. This study employed a purposive sampling technique and only those respondents were considered who had the required experience of corporate governance in Pakistan to obtain informed opinions (Bailey & Peck, 2013). In line with other studies, this study carefully recruited interviewees and focused on quality of data rather than quantity (see Haniffa & Hudaib, 2006). Consequently, this enhanced the reliability of the data. After identifying the targeted respondents, the researcher invited them to participate in the study through email and/or telephonic invitations and provided them with a research information sheet, detailing the objectives of the study, time required for interview and processing to ensure their confidentiality and anonymity. These procedures increase creditability and encourage respondents to contribute to the study (Creswell & Creswell, 2017). After using these techniques, a focus group was identified consisting of eight participants. The first interview package – including an initial invitation email, a follow-up email and/or phone call, a consent form and an interview guide – was prepared for conducting interviews with the agreed participants.

3.3. Interview protocol and guide

Table 1 presents the interview protocol. It can be seen that the duration of interviews ranged from 28 minutes to 43 minutes and interviews were conducted with directors/CEO or CG experts and/or consultants. A total of eight semi-structured focus group interviews were conducted, however, two participants did not allow recording of the interview. After getting approval from the Human Ethics Committee (HEC) of the concerned university, written permission (consent form) was taken from participants before starting the interview. An interview guide is employed to guide the discussion and extract the information from participants (Smith, 2015). Similarly, Bryman and Bell (2015) suggested that the interview guide needs to be comprised of questions that address the underlying research problem to conduct a semi-structured focus group. Hence, an interview guide, consisting of brief questions, is used to conduct the semi-structured focus group.

Table 1. Interview protocol

Interview type	***Semi-structured focus group***
Duration of interview	28 - 43 minutes
Level of interviewees	Director/CEO/ CG experts or consultants
Number of respondents	8
Purpose and style	Information extraction and exploration
Interview place	Online or office
Language	English
Confidentiality	High
Morality and ethics	Took Human Ethics Committee approval from the relevant university. Written consent is taken from participants
Recording responses	At the start of the interview, the interviewer told respondents that it will be recorded, and recording is started after their approval.
Information exchange	Detailed information was provided about the project and process. Preliminary questions were addressed in advance.
Question types	Open ended

3.4. Final interviews

The initial contacts were made through an email invitation, followed up by email and or/telephone. As only eight participants agreed to participate in the research, the interviews were conducted face to face and/or over skype, following the same interview protocol to ensure consistency among interviewees; however, different probes and prompts were used to gather as much as possible in-depth information from each interviewee. In addition to audio recording of interviews, notes were taken as back up.

3.5. Ethical considerations

In qualitative research, it is pivotal to consider ethical issues (Bryman & Bell, 2015). The research ethics are considered in three stages including before, conducting interviews and collection (Saunders, 2011). Similarly, Bryman and Bell (2015) suggested that interviewees should know about the purpose, the nature of the study and their rights of withdrawal from the interview. The research ethics are considered during data analysis and reporting of findings by keeping the confidentiality of interviewees. Similarly, Linck and Netter (2008) argued that interviewees' information should be treated confidentially and the interviewees' privacy ensured at every stage (Bryman & Bell, 2015). In addition, Lichtman (2013) argued that the researcher should ask appropriate questions and avoid questions about the personal lives of interviewees. This research study is approved by the Human Ethics Committee of concerned university.

3.6. Analysis of the semi-structured focus group

All the semi-structured focus group interviews were transcribed verbatim into Microsoft Word. Only the researcher was involved in the transcription process in order to achieve the highest level of familiarity with the data before commencing analysis. Each respondent was assigned a pseudonym to hide their identity. Table 2 presents a summary of all the interviews:

Table 2. Summary of interviewees

Pseudonym	*Experience*	*Position*	*Interview status*
R1	20 years	Director	Recorded and notes were taken
R2	11 years	Consultant- Corporate Governance	Recorded and notes were taken
R3	9 years	Director	Recorded and notes were taken
R4	8 years	Director	Recorded and notes were taken
R5	17 years	Director	Recorded and notes were taken
R6	14 years	Head of CG Compliance	Recorded and notes were taken
R7	9 years	Legal Consultant-Corporate Governance	Not recorded- only notes were taken
R8	16 years	Senior Manager – Corporate Governance	Not recorded- only notes were taken

The transcribed data were transferred to a qualitative software package called NVivo for analysis. The use of software reduces the chances of making mistakes, analyses the data more effectively and avoids missing key concepts (Quinlan, 2011). NVivo data analysis involved summarizing data into different categories based on concepts and themes (Neuman & Robson, 2014; Sekaran & Bougie, 2016). The study employed a coding process, consisting of three stages. Open coding is the first stage where the researcher goes through the transcribed interview to abridge the data into codes based on research interests. This stage creates numerous codes considered as sub-categories. Axial coding is the next phase, where the researcher finds common and repeating ideas by looking for the relationships and links among the sub-categories. This stage creates fundamental categories from the previous stage sub-categories (codes). Selective coding is the final stage in the coding of qualitative data where the researcher discovers the aggregate themes by looking into all the categories and subcategories. These new generated themes are called core themes (Creswell & Clark, 2011; Neuman & Robson, 2014; Quinlan, 2011) and directly related to the research questions.

The first stage of the coding process generated 131 open codes. In the second stage, the primary codes were revised by grouping similar codes with the same ideas in order to produce axial codes. This stage resulted in 11 key codes and 41 sub-codes/themes. The researcher then scanned all generated codes and sub-codes to develop the final core codes. This final coding stage resulted in eight core codes (themes) aligned with the research question (Table 3).

Table 3. Semi-structured focus group – themes and codes

Themes	*Codes*
Auditing	*Auditor Independence* Audit Committee *Risk Management*
Political	*Political System* Political Influences *Corruption*
Legal	*Compliance* Enforcement *Regulators*
Board	*Board independence* Board heterogeneity *Nepotism/Kinship*
Shareholders' awareness	*Shareholders' Rights Protection* Education and Training
Values	*Family System* Interpersonal Connections
Culture	*Institutional Culture* Organizational Whistle-Blowers
Voting	*AGM participation*

Quantitative research can be explanatory, predictive and confirmative in nature. A survey is a famous type of quantitative method which offers information on what people perceive (Nardi, 2018; Neuman & Robson, 2014).

3.7. Population and sample

A population is an entire set of individuals, events or subjects of interest that the researcher wishes to investigate (Mugenda, 2003; Sekaran, 2003) and it is pivotal to define the population and sample to ensure that the sample is an accurate representation of the population. The population of the study consists of all the 579 firms listed on the Pakistan Stock Exchange (PSX) and the sample should be drawn carefully to represent the whole population. However, researchers also documented some determinants such as research objectives, time and cost, proposed analysis and size of population that may affect decisions regarding selection of the sample size (Sekaran & Bougie, 2016; Veal, 2005). In addition, Kothari (2004) suggested that the sample size should not be too large or too small. Consequently, this research used a purposive sampling technique to recruit the sample. This technique has been widely used in the existing studies on CG in different countries (Anis, 2013; Fuzuli, Pahala, & Murdayanti, 2013; Mariri & Chipunza, 2011; Nur'ainy, Nurcahyo, Sri Kurniasih, & Sugiharti, 2013). This is a type of non-probability sampling technique in which the sample is selected in view of the purpose and defined criteria (Zikmund et al., 2013). This research excluded the financial companies from the sample due to their different CG structure. In a similar vein, Neuman and Robson (2014) argued that a purposive sampling technique is appropriate when researcher aims to attain a profound understanding of underlying research theme and have already selected their sample. The sample is recruited on two basic criteria. First, only those companies were contacted which had recent annual reports available (2017 or 2018)[3] because the study used the performance data from annual reports of the companies. Second, the survey was conducted from different respondents including managers, accountants, auditors or other members of organizations who were involved in the preparation of CG reports. Based on the above criteria, the questionnaire was distributed to 350

[3] In Pakistan, some companies have their year ending in June while some have December.

respondents[4], however, only 120 questionnaires were received. Out of 120 filled questionnaires, 15 questionnaires were incomplete, hence, making a final sample of 105 respondents.

3.8. Questionnaire survey

The study used the questionnaire survey to collect the primary data from respondents. Collis and Hussey (2013) documented that a questionnaire is a list of carefully chosen structured questions that are executed after considerable testing to elicit responses from respondents. In a similar vein, Sekaran (2003) argued that a questionnaire is a written set of questions to record respondents' answers. In addition, Zikmund et al. (2013) documented that the questionnaire method is very helpful in getting information from respondents related to the research problem and helps decision-makers to address the problem. Existing literature also provides evidence that a survey questionnaire is commonly used in the area of social sciences and all respondents were asked to answer the same questions in same circumstances (Easterby-Smith, Thorpe, & Jackson, 2012).

In line with the views of Oppenheim (1992) and Foddy and Foddy (1994), this study used a survey questionnaire for several reasons. It is the most commonly used method for data collection and ensures the anonymity of respondents; consequently, respondents respond in a more free and convenient manner. Hence, the credibility of data and research is increased. It is appropriate for individual researchers who have a shorter time span and limited resources. The survey questionnaire can easily disseminate to a larger sample which increases the credibility of data and generalizability of results. In addition, researchers also documented that a survey questionnaire is the best method of gathering data because CG studies are descriptive in nature (Alleyne, Howard, & Greenidge, 2006; Denscombe, 2014; Jones, Baxter, & Khanduja, 2013; Paape, Scheffe, & Snoep, 2003). There are two types of questionnaires as documented by Oppenheim (1992) and Bryman and Bell (2015). First is the self-administered questionnaire which can be conducted into three ways i.e. postal, internet-mediated and hand-delivered and collected (Jones et al., 2013). The second type is the interviewer-administered questionnaire which is classified into two types i.e. the structured interview and telephone questionnaire (Jones et al., 2013). Additionally, researchers also documented that the choice of questionnaire depends on many factors including sample size, respondents' characteristics, purpose of data gathering and number of questions (Saunders, 2011).

Keeping in view the objectives of the study, the self-administrated questionnaire was suitable and employed for several reasons. It was more appropriate in the Pakistani context due to authenticity[5], time savings, being easy to distribute, cheaper and kept anonymity that encouraged respondents and increased the response rate. In addition, existing studies on CG have already utilized this method (Goodwin & Seow, 2002; Hussain & Mallin, 2003; Solomon, Lin, Norton, & Solomon, 2003). Though the self-administrated questionnaire can be distributed through the post, internet, and hand delivery, researchers argued that the hand delivery method is the most appropriate for several reasons (Jones et al., 2013; Sekaran, 2003). It provides an opportunity for the researcher to motivate respondents to answer truly by providing a brief introduction to the research topic. Moreover, the researcher can collect responses in a shorter time and can clarify any ambiguity of respondents about questions. In addition, the questionnaire can be distributed to a large sample in a less expensive way as compared to interview and requires fewer skills. The researcher hired two research assistants to distribute the questionnaire to respondents to save time and cost.[6] The distribution and collection of questionnaires took two months.

3.9. Questionnaire design

Researchers have argued that the questionnaire design is a very complex process and guidelines need to be followed (Collis & Hussey, 2013). The questionnaire needs to be in simple and concise language to ensure the respondents understand the meaning of questions in the same way. Moreover, questions need to be specific so that respondents do not give several answers. The questionnaire was formulated from multiple sources[7] to ensure validity (Brace, 2018; Jann & Hinz, 2016; Perkins & Peterson, 2005). The survey questionnaire employed several kinds of questions such as Likert scale and multiple-choice questions. The questionnaire consists of four parts including demographic information to increase participants' confidence (Kelley, Clark, Brown, & Sitzia, 2003). The first part comprises the questions linked to the level of CG compliance, measured through a five-point Likert scale ranging from (1) strongly disagree to (5) strongly agree. The first part consisted of 48 CCG 2012 provisions, divided into seven sub-sections i.e. Auditing, BoDs, Charters/laws, Directors' Education, Executive Director Compensation, Ownership and Progressive Practice. This section represents the independent variable of the study and is used to compute the CG index (CGI) score.

The second and third parts comprise barriers and drivers of good CG practices in Pakistan, respectively, which are also measured through a five-point Likert scale ranging from (1) strongly disagree to (5) strongly agree. The part two (barriers) consists of seventeen items: (1) Lack of Auditors' Independence, (2) Board Ineffectiveness, (3) Institutional Culture of Pakistan, (4) Political and Governmental Interference in Business Activities, (5) Weak Legal Control and Enforcement, (6) Lack of Shareholders' Awareness, (7) Lack of Resources for CG Compliance, (8) Lack of Shareholders' Rights Protection especially Minority Shareholders, (9) Lack of Protection for Whistle Blowers, (10) Lack of Professional Education and Training among Stakeholders, (11) Fewer Voting Rights, (12) Low

[4] There is a total of 579 PSX listed firms in Pakistan, however, only 365 firms fulfilled the set criteria. Out of 365 companies, 15 companies were further excluded and were used in the pilot study.

[5] Due to many fraudulent emails and links, respondents are not comfortable with filling the questionnaires online which may reduce response rate. In addition, sometimes, emails go to a spam folder to protect from fraudulent activities.

[6] The researcher was based in New Zealand and it was not possible for the researcher to go back to Pakistan to collect survey data due to time and huge travelling costs. Therefore, two research assistants were hired who have relevant qualifications and experience to save time and cost. In addition, a pilot study was conducted which helped in training the research assistant (Connelly, 2008).

[7] The questionnaire is developed based on provisions of CCG 2012 and findings of the qualitative study.

AGM Participation, (13) High Level of Corruption, (14) Nepotism or Kinship Culture, (15) Wobbly/unstable Economy of Pakistan, (16) Strong Social Ties among Different Stakeholders, and (17) Interpersonal Connections among BoDs. The part three (drivers) consists of twelve items: (1) Auditors Independence, (2) Internal Control and Risk Management, (3) Provide Protection to Whistle Blowers, (4) Enhancing and Empowering Professional Regulatory Bodies, (5) Board Heterogeneity, (6) Board Independence, (7) Encouraging Participation in Events and Conferences related to Corporate Governance, (8) Enhancing Partnership with International Regulatory Bodies i.e. OECD, IFC to Promote CG in Pakistan, (9) Provide Accounting and Auditing Education to Internal Stakeholders, (10) Initiation of Training Programs for Directors, raise Awareness and Education for CEOs, Directors, Shareholders and Board Members, (11) Establish Corporate Governance Education Programs at Universities, and (12) Promote CG Research in Pakistan. Finally, the part four comprises respondents' demographic information including age, position within organization, qualification, specialization, and experience within job.

3.10. Pilot study

A pilot study is widely used by researchers to reduce errors at very minimal costs. After designing the questionnaire, a pilot test was conducted to ensure the validity and reliability of the instruments and procedure for data collection. The purpose of conducting a pilot study is manifold. It helps in developing and testing the adequacy of the research instrument, designing and testing protocols for study, collecting preliminary data and training of research assistants (Connelly, 2008). In addition, the participants in a pilot study are not included in the final sample to avoid response bias. Connelly (2008) stresses that a pilot study sample should be at least 10% of the total sample size of the study. Hence, this research conducted a pilot study from 15 respondents to fulfill the aforementioned objectives.

3.11. Validity and reliability

The instruments were pre-tested to ensure the content and face validity by analysing consistency and interpretation. For this purpose, the questionnaire was sent to experts in the field of CG to eliminate ambiguity and inadequacy. Simple words and language were used to ensure validity. Moreover, redundant and complicated terminologies were eliminated. The items were tested for their reliability through Cronbach Alpha with the help of Statistical Package for Social Sciences (SPSS) 24. The Cronbach Alpha indicates how well items in a set are positively correlated to each other and Cronbach Alpha is determined for the items. The results of Cronbach Alpha are presented below (Table 4):

Table 4. Cronbach Alpha value of instrument

Parts	*Variables*	*Number of total items*	*Cronbach Alpha*
1	Level of Corporate Governance Compliance	48	0.892
2	Barriers to Good Governance Practices	17	0.854
3	Drivers of Good Governance Practices	12	0.845

As seen in Table 4, the Cronbach Alphas for all three parts were above 0.70. The coefficient of Cronbach Alpha ranges between zero to one and above 0.7 is considered as highly reliable (Sekaran & Bougie, 2016).

3.12. Data collection and analysis

In addition to primary data, this research also used secondary data for analysis. The primary data is gathered via a survey questionnaire as discussed. Secondary data has some advantages over primary data due to its time and cost-effectiveness (Saunders, 2011; Sekaran & Bougie, 2016). Similarly, Ghauri and Grønhaug (2005) documented that it is desirable to use secondary data over primary data to answer the research questions if it is available. Consequently, this study also used secondary data to measure firm performance such as return of assets (ROA), return on equity (ROE) which is collected from recent annual reports of sampled firms.[8]

A research study produces massive raw data and it is necessary to organize and score data systematically for data analysis (Collins, 2003). In this research, the data is gathered from PSX listed firms through self-administrated questionnaires. The data analysis is a fascinating, creative and time-consuming process (Marshall & Rossman, 2014). This research used descriptive statistics, exploratory factor analysis (EFA), correlation and regression analysis to achieve the research objectives and SPSS 24 was used as a tool for data analysis. First, this research employed explanatory factor analysis (EFA) which is an interdependence method for classifying the most influential barriers and drivers of good CG practices in Pakistan. The factor analysis investigates the inter-correlations between the items and reduces them into small groups. The factors within a group are quite similar in meaning and represent the same meaning. This technique allows the researcher to determine underlying factors or dimensions that exist in a given data set. This technique is useful in academic and managerial research in reducing the items into discrete dimensions that can be further aggregated. Second this research estimated a hierarchical multiple linear regression model for the study which is mentioned below:

$$Firm\ Performance = \beta_0 + \beta_1 Demographic\ variables + \beta_2 CGI\ Score + \varepsilon \quad (1)$$

where,
β_0 = Constant;
Demographic variables: age, qualification, specialization, experience which is collected from the survey questionnaire;
Firm Performance: ROA and ROE from annual reports;
ROA = Net income/Total assets;
ROE = Net income/Total shareholders' equity;
CGI Score: Corporate Governance Index (CGI) Score which is calculated from the survey questionnaire;
ε: Error term.

[8] Data is collected only for those firms, who filled in the survey questionnaire.

4. FINDINGS OF THE STUDY

4.1. Demographic results

The results of the demographic information of respondents are presented in Table 5. There were a total of 105 respondents. These respondents were from different industries such as automobiles, cement, chemicals, textiles, sugar, engineering, fertilizer, oil and gas, and food and beverages. The result reveals that most respondents (39%) were aged between 31 and 40 years while only 3.8% of respondents were above 60 years of age. Table 5 reveals that 12.4% respondents were 30 years or less while 11.4% respondents were aged 51 to 60 years of age. There were 33.3% respondents aged from 41 to 50 years. The respondents were predominantly middle-aged (39+33.3+11.4 = 83.7) which is considered a reliable source of providing information for this study. Regarding position, the results reveal that most of the respondents (42.9%) held the position of manager while 33.3% were in senior manager positions. There were only 8.6% respondents in the position of auditor while 15.2% of respondents were in the position of accountant. Coupling the demographic information on age and position is a way of providing reliable data for steady analysis.

Table 5. Results of demographic information of respondents

		Frequency	*Percent*
Age	30 years or less	13	12.4
	31 to 40 years	41	39
	41 to 50 years	35	33.3
	51 to 60 years	12	11.4
	Above 60 years	4	3.8
Position	Senior Manager	35	33.3
	Manager	45	42.9
	Accountant	16	15.2
	Auditor	9	8.6
Qualification	PhD or equivalent	10	9.5
	Masters or equivalent	51	48.6
	Bachelors or equivalent	33	31.4
	Diploma or Professional	8	7.6
	Other	3	2.9
Specialization	Finance	28	26.7
	Accounting	36	34.3
	Economics	28	26.7
	Management	11	10.5
	Other	2	1.9
Experience	1 to 5 years	19	18.1
	6 to 10 years	42	40
	11 to 15 years	43	41
	16 to 20 years	1	1
N= 105			

The results also reveal that most of the respondents (34.3%) have specialization in accounting while only 1.9% of respondents have other specializations. There were 10.5% respondents who have specialization in management while both finance and economic specialization holders are each 26.7%.

Regarding experience, results reveal that most of the respondents (41%) have 11 to 15 years of experience while 40% of respondents have 6 to 10 years of experience. The 18.1% respondents who were in their early career have 1 to 5 years of experience, while only one respondent has 16 to 20 years of experience. All in all, the respondents are mature experienced managers.

The results of the demographic information also reveal that 48.6% of respondents have a master's degree or equivalent qualification, while only 2.9% of respondents have other qualifications. It is highlighted that only 9.5% of respondents have PhDs or equivalent qualifications while Bachelors' and Diploma holders were 31.4 % and 7.6% respectively.

4.2. Results of descriptive statistics and correlation analysis

The results of the descriptive statistics and correlation analysis are presented in Table 6. The results show the correlation between explanatory variables such as CGI score and dependent variables i.e. ROA and ROE while controlling for the effect of age, position, qualification, specialization, and experience of respondents. Table 6 also presents the descriptive statistics of the CGI score, ROA and ROE. The CGI score has a mean value of 162.5619 with a standard deviation of 15.101531. The ROA has a mean value of 0.06426 with a standard deviation of 0.067981, while the ROE has a mean value of 0.11491 with a standard deviation of 0.179549. The results of the correlation analysis revealed that the CGI score has a significant positive ($p < 0.01$) association with both ROA and ROE at the 0.01 level of significance.

Table 6. Results of the descriptive statistics and correlation analysis

Control Variables		*Mean*	*Std. deviation*	*CGI Score*	*ROA*	*ROE*
Age & Position & Qualification & Specialization & Experience	CGI Score	162.5619	15.101531	1		
	ROA	0.06426	0.067981	0.610***	1	
	ROE	0.11491	0.179549	0.431***	0.839***	1

*Note: ***correlation is significant at the 0.01 level (2-tailed). Where the total CGI Score is the total score of CG compliance obtained from the survey questionnaire. ROA is return on assets while ROE is return on equity.*

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Table 6 shows that there is a significant positive relationship (r = 0.610) between CGI score and return on assets at the 0.01 level of significance. Similarly, Table 6 reveals a significant positive correlation (r = 0.431) between CGI and return on equity at the 0.01 level of significance. The results of the correlation analyses are supported by prior studies (Javid & Iqbal, 2008; Maranho & Leal, 2018; Ntim, Lindop, Osei, & Thomas, 2014; Tariq & Abbas, 2013) that found significant positive relationships between the CGI score, ROA and ROE.

4.3. Barriers to good CG practices in Pakistan

This section presents the results of exploratory factor analysis (EFA) regarding barriers to good corporate governance practices in Pakistan. The survey includes 17 items that were measured on the five-point Likert scale. The results of Kaiser-Meyer-Olkin (KMO) and Bartlett's tests are presented in Table 7. KMO measure the sampling adequacy and should be greater than 0.5 for performing satisfactory factor analysis. Kaiser (1974) and Tabachnick and Fidell (2007) provided guidelines for interpreting these values.[9] Table 7 reveals that the KMO has a value of 0.702 which shows the adequacy of the sample for EFA.

Table 7. KMO and Bartlett's test for barriers to good CG practices

Kaiser-Meyer-Olkin measure of sampling adequacy		0.702
Bartlett's test of sphericity	Approx. Chi-Square	1561.297
	df	136
	Sig.	0.000

In addition to KMO, Bartlett's test of sphericity that estimates which inter-correlation matrix produced is an identity matrix. Generally, the value of $P < 0.05$ on Bartlett's test indicates that the inter-correlation matrix is not an identity matrix and factor analysis can be performed. In Table 8, Bartlett's test is highly significant ($P < 0.05$) which shows that EFA can be run for the extraction of factors by including all the items.

In EFA, the next step is the extraction of factors. Researchers have argued that factors are extracted until the value of variance is maximized (Mvududu & Sink, 2013) and different methods can be employed to extract factors. This study employed the principal axis factoring (PAF) method to extract the factors. This method is a preferred approach in the presence of a multivariate normality problem and when the researcher aims to find latent factors in the study. In addition, the PAF extraction method generates reliable results despite the high or low values of commonalities (Kahn, 2006). It is important for researchers to examine which evolving constructs could be retained for additional interpretation or analysis. The factor retention decision has important implications. First, it should have more effect on overall EFA results (Zwick & Velicer, 1986). Secondly, it is necessary to balance the need for frugality while effectively demonstrating fundamental correlations (Fabrigar, Wegener, MacCallum, & Strahan, 1999). Third, researchers argued that under-extraction and over-extraction can alter the overall EFA and its interpretation (Ledesma & Valero-Mora, 2007).

It is also noted that the number of factors retained varies across studies and different criteria have been used to make a decision. The following criteria (i.e. eigenvalue, scree test and variance explained) have been used in this study to make a decision about factor retention. Kaiser (1960) suggested that only those factors are retained for interpretation that have eigenvalues greater than 1.0. Eigenvalues represent the explained variable by a given factor. The benchmark of establishing eigenvalue 1.0 seems arbitrary, however, researchers documented that factors that have eigenvalues greater than one should be retained because these represent those factors that contribute to a higher percentage of communal variance than average (Nunnally & Bernstein, 1994). In addition to eigenvalue, there is an alternative approach called the Scree test to determine factors' retention and involves developing a scree plot of extracted factors against the magnitude of their eigenvalues (Cattell, 1966; DeVellis, 2016). In this approach, the researcher needs to identify an elbow or break where larger eigenvalues end in steep slope rambling off of smaller eigenvalues begins. Cattell (1966) suggested that only left side factors of the elbow are retained while right side factors are dropped.

Another common method about making a decision regarding factor retention is examining the cumulative variance accounted for by retained factors. Various sources recommended numerous levels from 50% onwards and there is no exact percentage of total variance explained. However, most statisticians and scholars recommended factors that are required to obtain a variance of 75% to 90% (see Hair, Black, Babin, Anderson, & Tatham, 2006; Peterson, 2000; Pett, Lackey, & Sullivan, 2003). Based on the above criteria (i.e. Eigenvalue, Scree test, and Total variance), this study only retained five factors that have eigenvalues of greater than one as shown in Table 8. The Scree test also reveals the elbow after five factors. In addition, Table 8 also reveals that these five factors explain the cumulative variance of 80.29% which is recommended by other researchers.

[9] The value of KMO test is considered good if it is more than 0.60 (see Kaiser, 1974; Tabachnick & Fidell, 2007).

Table 8. Total variance explained for barriers to good CG practices in Pakistan

Factor	*Initial eigenvalues*			*Extraction sums of squared loadings*			*Rotation sums of squared loadings*		
	Total	*% of variance*	*Cumulative %*	*Total*	*% of variance*	*Cumulative %*	*Total*	*% of variance*	*Cumulative %*
1	5.86	34.476	34.476	5.66	33.299	33.299	3.67	21.595	21.595
2	2.92	17.187	51.663	2.63	15.467	48.766	2.74	16.092	37.687
3	2.28	13.408	65.072	2.05	12.06	60.826	2.54	14.947	52.635
4	1.41	8.273	73.344	1.1	6.446	67.272	1.85	10.876	63.511
5	1.18	6.954	80.298	0.93	5.457	72.728	1.57	9.217	72.728
6	0.87	5.097	85.396						
7	0.56	3.314	88.71						
8	0.46	2.677	91.387						
9	0.39	2.285	93.672						
10	0.29	1.675	95.346						
11	0.2	1.156	96.503						
12	0.18	1.074	97.576						
13	0.15	0.895	98.471						
14	0.1	0.565	99.036						
15	0.08	0.496	99.532						
16	0.04	0.249	99.781						
17	0.04	0.219	100						

Extraction method: Principal Axis Factoring (PAF).

In Table 8, there are three main components, i.e. initial eigenvalues, extraction sums of squared loadings and rotation sums of squared loadings. The first factor has eigenvalues of 5.861 and these explain 34.476% of variance explained. Similarly, the second factor has an eigenvalue of 2.922 and explains 17.187% of the variance, making a cumulative variance of 51.663%. The third factor has an eigenvalue of 2.279 and explains 13.408% of variance, making a cumulative variance of 65.072%. The fourth factor has an eigenvalue of 1.406 and explains 8.273% of variance and cumulative variances reach 73.344%. Finally, the fifth factor has an eigenvalue of 1.182 and explains 6.954% of variance and cumulative variance reaches 80.298% which is within the recommended range by the researchers (Hair et al., 2006; Peterson, 2000; Pett et al., 2003).

Figure 1. Scree plot of EFA for barriers to good CG practices in Pakistan

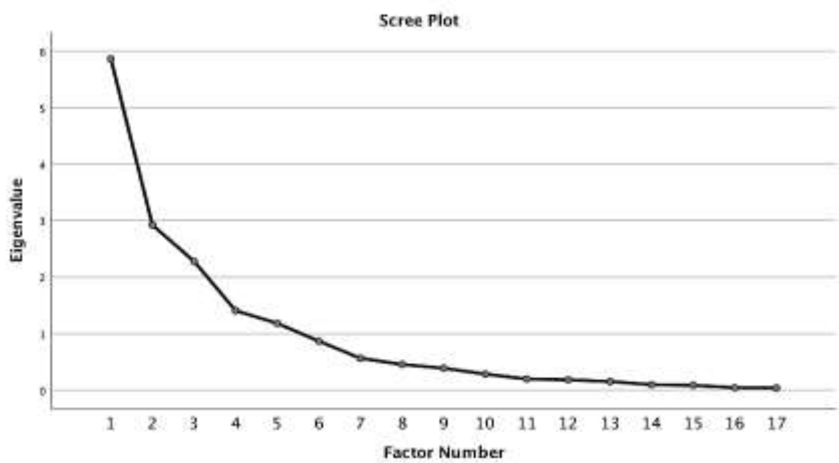

Figure 1 reveals the scree plot of EFA for barriers to good corporate governance practices in Pakistan. The scree plot graphically presents the eigenvalues in descending order. It can be seen that the first factor has an eigenvalue of 5.861 while the second factor has an eigenvalue of 2.922. Similarly, the third, fourth and fifth factors have eigenvalues of 2.279, 1.406 and 1.182 respectively. In addition, an elbow can be seen after factor five. As suggested by Cattell (1966), only these five factors are retained in this study that was on left side of the elbow and the right side factors were dropped.

It is often difficult to interpret factors that are initially extracted and retained. Consequently, Dimitrov (2014) recommended that researchers need to rotate these factors to more suitable positions to create the simplest possible factor structure, maximize high loading and minimize low loadings. The idea of rotating factors stems from the work of researchers such as Thurstone (1947) and Cattell (1966) who saw it as a way of simplifying factor structures so they could be more reliably interpreted. In SPSS, researchers have to choose either orthogonal or oblique rotation strategies that have quite different fundamental assumptions but have same goal (i.e. seeking simple structure) (Hair et al., 2006; Pett et al., 2003). In orthogonal rotation, it is assumed that factors are independent of one another, consequently, they are kept in a fixed position and it is expected that newly rotated factors are uncorrelated. Varimax, quartimax, and equamax are three common orthogonal rotation algorithms

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and varimax is the most widely used and easy to interpret (Dimitrov, 2014). This study selected varimax from the rotation menu and chose to suppress factors, having a coefficient score of less than 0.50 due to small sample size (due to the small sample, this study supressed the small coefficient of absolute value of 0.5 (Andy, 2000, p. 440)). Table 9 presents the rotated results of principal axial factoring for barriers to good corporate governance practices in Pakistan.

Factor loadings were considered in evaluating the factors retention that represent barriers of good corporate governance practices in Pakistan and only those factors were retained which had a minimum factor loading of 0.7 that is considered excellent (see Tabachnick & Fidell, 2007). Table 9 reveals that 17 items that were included in EFA were extracted and loaded into five factors. Factor 1 (three items) comprised lack of auditors' independence, board ineffectiveness and lack of shareholders' awareness. Factor 2 (three items) comprised political and governmental interference in business activities, weak legal control and enforcement and high levels of corruption. Factor 3 (two items) comprised strong social ties among different stakeholders and interpersonal connections among BoDs. Factor 4 (one item) comprised lack of professional education and training among stakeholders. In the end, Factor 5 (one item) comprised fewer voting rights.

Table 9. Rotated factor matrix[a] for barriers to good CG practices in Pakistan

	Factor				
	1	*2*	*3*	*4*	*5*
Lack of auditors' independence	0.748				
Board ineffectiveness	0.866				
Lack of shareholders' awareness	0.822				
Political and governmental interference in business activities		0.762			
Weak legal control and enforcement		0.752			
High levels of corruption		0.759			
Strong social ties among different stakeholders			0.722		
Interpersonal connections among BoDs			0.786		
Lack of professional education and training among stakeholders			0.722		
Fewer voting rights				0.845	0.718

Extraction method: Principal Axis Factoring (PAF).
Rotation method: Varimax with Kaiser Normalization.
[a] Rotation converged in 12 iterations.

Based on item loading and shared characteristics on each factor, the researcher assigned factor labels. Factor 1 is labelled as firm-level barriers, Factor 2 is labelled as external barriers, Factor 3 is labelled as social barriers, and Factor 4 is labelled as education and training barriers while Factor 5 is labelled as legal barriers.

4.4. Drivers of good CG practice in Pakistan

This section presents the results of exploratory factor analysis (EFA) regarding drivers of good corporate governance practices in Pakistan. The survey includes 12 items that were measured on a five-point Likert scale. The results of Kaiser-Meyer-Olkin (KMO) and Bartlett's tests are presented in Table 10. KMO measures the sampling adequacy and should be greater than 0.5 for performing satisfactory factor analysis. Kaiser (1974) and Tabachnick and Fidell (2007) provided guidelines for interpreting these values (the value of KMO test is considered good if it is more than 0.60 (Kaiser, 1974; Tabachnick & Fidell, 2007)). Table 10 reveals that KMO has a value of 0.735 which shows the adequacy of the sample for EFA. In addition to KMO, Bartlett's test of sphericity that estimates which inter-correlation matrix produced is an identity matrix. Generally, the value of $P < 0.05$ on Bartlett's test indicates that the inter-correlation matrix is not an identity matrix and factor analysis can be performed. In Table 10, Bartlett's test is highly significant ($P < 0.05$) which shows that EFA can be run for extraction of factors by including all the items.

Table 10. KMO and Bartlett's test for drivers of good CG practices in Pakistan

Kaiser-Meyer-Olkin measure of sampling adequacy		0.735
Bartlett's test of sphericity	Approx. Chi-Square	868.428
df		66
Sig.		0.000

Based on the criteria (i.e. Eigenvalue, Scree test, and Total variance), this study only retained four factors that have eigenvalues of greater than one as shown in Table 11. The Scree test also reveals the elbow shape after the fourth factor. In addition, Table 11 also reveals that these four factors explain the cumulative variance of 77.728%, which is recommended by other researchers (Pett et al., 2003). In Table 11, there are three main components, i.e. initial eigenvalues, extraction sums of squared loadings and rotation sums of squared loadings. The first factor has eigenvalues of 5.504 and these explain 45.866% of variance explained. Similarly, the second factor has an eigenvalue of 1.545 and explains 12.872% of variance, making a cumulative variance of 58.738%. The third factor has an eigenvalue of 1.252 and explains 10.437% of variance, making a cumulative variance of 69.174%. In the end, the fourth factor has an eigenvalue of 1.026 and explains 8.554% of the variance and cumulative variances reach 77.728%, which is within the range recommended by Pett et al. (2003) and Hair et al. (2006).

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Table 11. Total variance explained for drivers of good CG practices in Pakistan

Component	Initial eigenvalues			Extraction sums of squared loadings			Rotation sums of squared loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.504	45.866	45.866	5.504	45.866	45.866	4.228	35.236	35.236
2	1.545	12.872	58.738	1.545	12.872	58.738	2.404	20.037	55.273
3	1.252	10.437	69.174	1.252	10.437	69.174	1.354	11.285	66.558
4	1.026	8.554	77.728	1.026	8.554	77.728	1.34	11.17	77.728
5	0.701	5.842	83.571						
6	0.667	5.554	89.125						
7	0.459	3.824	92.949						
8	0.307	2.556	95.505						
9	0.224	1.869	97.375						
10	0.155	1.289	98.663						
11	0.091	0.761	99.424						
12	0.069	0.576	100						

Extraction method: Principal component analysis

Figure 2. Scree plot of EFA for drivers of good CG practices in Pakistan

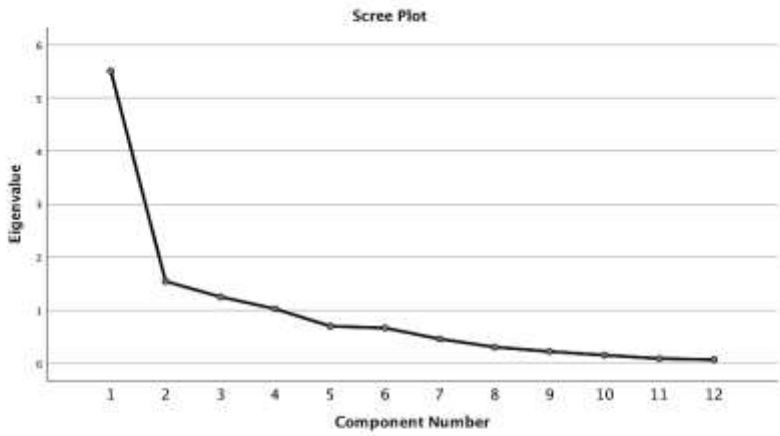

Figure 2 reveals the scree plot of EFA for drivers of good corporate governance practices in Pakistan. The scree plot graphically presents the eigenvalues in descending order. It can be seen that the first factor has an eigenvalue of 5.504 while the second factor has an eigenvalue of 1.545. Similarly, the third and fourth factors have eigenvalues of 1.252 and 1.026 respectively. In addition, an elbow shape can be seen after the fourth factor. As suggested by Cattell (1966), only these four factors that were on left side of the elbow are retained in this study and the right side factors were dropped. Table 12 presents the rotated results of principal component analysis for drivers of good corporate governance practices in Pakistan. Factor loadings are considered in evaluating the factors retention that represent drivers of good corporate governance practices in Pakistan and only those factors were retained which had a minimum factor loading of 0.7 that is considered excellent (see Tabachnick & Fidell, 2007). Table 12 reveals that 12 items that were included in EFA are extracted and loaded into four factors. Factor 1 (four items) comprised auditors' independence, board heterogeneity, board independence and initiate training programs for directors, raise awareness and education for CEOs, directors, shareholders, and board members. Factor 2 (one item) comprised enhancing and empowering professional regulatory bodies. Factor 3 (one item) comprised encouraging participation in events and conferences related to corporate governance). Finally, Factor 4 (one item) comprised enhance partnership with international regulatory bodies i.e. OECD, IFC to promote CG in Pakistan.

Table 12. Rotated factor matrix[a] for drivers of good CG practices in Pakistan

	Component			
	1	2	3	4
Auditors' independence	0.867			
Board heterogeneity	0.792			
Board independence	0.804			
Initiate training programs for directors, raise awareness and education for CEOs, directors, shareholders, and board members	0.915			
Enhancing and empowering professional regulatory bodies		0.88		
Encouraging participation in events and conferences related to corporate governance			0.869	
Enhance partnership with international regulatory bodies i.e. OECD, IFC to promote CG in Pakistan				0.824

Extraction method: Principal component analysis.
Rotation method: Varimax with Kaiser Normalization.
[a] *Rotation converged in 6 iterations.*

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Looking at the item loading on each factor, the researcher identified factor labels based on the shared characteristics of each item. Factor 1 is labelled as internal drivers, Factor 2 is labelled as regulatory drivers, and Factor 3 is labelled as motivational drivers while Factor 4 is labelled as collaborative drivers.

4.5. Hierarchical multiple regression analysis of ROA

Multiple regression analysis is a type of test that analyses the amount of variance explained in a dependent variable by one or more independent variables, while hierarchical multiple regression adds another piece to it and allows researchers to determine the R^2 change and change in F-statistics. The results of hierarchical multiple regression analysis are presented in Table 13. There is a total of two models. In Model 1, only the effect of demographic factors such as age, position, qualification, specialization, and experience are measured on ROA. In addition to multiple hierarchical regression, the collinearity tests are also conducted. In Model 1, it can be seen that all the demographic factors have a variance inflation factor (VIF) of greater than 1, it means there is no multi-collinearity among variables. Model 1 shows the R^2 value of 0.092, it means 9.2% variance independent variable (ROA) is explained by these demographic variables.

In Model 2, the CGI score is also added to investigate its impact on ROA. The Model 2 reveals that CGI score has a significant positive impact on ROA. It means those firms increase their financial performance which complies with the CG practices in true spirit. In Model 2, the VIF also reveals the absence of multi-collinearity among variables. The VIF of CGI score is 1.161 which rejects the existence of multi-collinearity. In addition, the R^2 has increased to 0.43; it means 43% variation in ROA is explained by these explanatory variables. The p- and t-statistics of the CGI score also show that CGI score has a significant positive relationship with ROA.

Table 13. Results of hierarchical multiple regression and collinearity stats for CGI score and ROA

	Model 1				*Collinearity stats*		*Model 2*				*Collinearity stats*	
Variables	*B*	*Std. Error*	*Beta*	*t*	*Tolerance*	*VIF*	*B*	*Std. Error*	*Beta*	*t*	*Tolerance*	*VIF*
Constant	0.041	0.036		1.127			-0.440	0.069		-6.338		
Age	0.015	0.011	0.223	1.404	0.364	2.751	0.005	0.009	0.074	0.575	0.355	2.817
Position	-0.004	0.007	-0.054	-0.534	0.903	1.108	0.004	0.006	0.057	0.700	0.874	1.144
Qualification	0.005	0.008	0.068	0.660	0.857	1.166	0.004	0.006	0.047	0.567	0.856	1.168
Specialization	0.014**	0.007	0.217	2.062	0.831	1.203	0.007	0.006	0.113	1.331	0.810	1.235
Experience	-0.024*	0.014	-0.266	-1.707	0.378	2.648	-0.001	0.012	-0.010	-0.080	0.352	2.842
CGI Score							0.003***	0.000	0.627	7.631	0.861	1.161
R	0.303						0.6560					
R^2	0.092						0.4300					
Adjusted R^2	0.046						0.3960					
S. error of the estimate	0.066392						0.052852					
F	2.008						12.3440					
Sum of square total	0.481						0.4810					
Df	(5, 99)						(6, 98)					
Dependent variable: ROA												

*Note: *, **, *** correlation is significant at the 0.10 level (2-tailed), 0.05 level (2-tailed) and 0.01 level (2-tailed), respectively.*

4.6. Hierarchical multiple regression analysis of ROE

The results of hierarchical multiple regression analysis are presented in Table 14. There is a total of two models. In Model 1, only the effect of demographic factors such as age, position, qualification, specialization, and experience are measured on ROE. In addition to multiple hierarchical regression, the collinearity tests are also conducted. In Model 1, it can be seen that all the demographic factors have a variance inflation factor (VIF) of greater than 1 and mean there is no multi-collinearity among variables. Model 1 shows the R^2 value of 0.065, it means 6.5% variance in the dependent variable (ROE) is explained by these demographic variables.

In Model 2, the CGI score is also added to investigate its impact on ROE. The Model 2 reveals that the CGI score has a significant positive impact on ROE. It means those firms perform better which complies with the CG practices in a true spirit. In Model 2, the VIF also reveals the absence of multi-collinearity among variables. The VIF of CGI score is 1.161 which rejects the existence of multi-collinearity. In addition, the R^2 has increased to 0.225 which means a 22.5% variation in ROE is explained by these explanatory variables. The p- and t-statistics of the CGI score also reveal a significant positive relationship between the CGI score and ROE.

Table 14. Results of hierarchical multiple regression and collinearity statistics for CGI score and ROE

	Model 1				*Collinearity stats*		*Model 2*				*Collinearity stats*	
Variables	***B***	***Std. Error***	***Beta***	***t***	***Tolerance***	***VIF***	***B***	***Std. Error***	***Beta***	***t***	***Tolerance***	***VIF***
Constant	0.069	0.098		0.702			-0.803	0.214		-3.760		
Age	0.038	0.030	0.209	1.298	0.364	2.751	0.020	0.027	0.107	0.714	0.355	2.817
Position	-0.003	0.020	-0.017	-0.171	0.903	1.108	0.012	0.019	0.059	0.617	0.874	1.144
Qualification	0.026	0.021	0.125	1.193	0.857	1.166	0.023	0.020	0.110	1.148	0.856	1.168
Specialization	0.021	0.019	0.121	1.135	0.831	1.203	0.009	0.017	0.050	0.502	0.810	1.235
Experience	-0.069	0.038	-0.291	-1.842	0.378	2.648	-0.027	0.036	-0.116	-0.771	0.352	2.842
CGI Score							0.005***	0.001	0.431	4.493	0.861	1.161
R	0.256						0.474					
R^2	0.065						0.225					
Adjusted R^2	0.018						0.178000					
Std. error of the estimate	0.177906						0.162824					
F	1.386						4.744					
Sum of square total	3.353						3.535					
Df	(5, 99)						(6, 98)					
Dependent variable: ROE												

*Note: * correlation is significant at the 0.10 level (2-tailed), ** correlation is significant at the 0.05 level (2-tailed), *** correlation is significant at the 0.01 level (2-tailed)*

4.7. Discussion

This section aims to achieve the remaining three research objectives of this study. First, the study identifies the more influential barriers to good CG practices in Pakistan. To achieve this, the study used EFA on all 17 barriers and identified five major barriers i.e. firm-level barriers (lack of auditor independence, board ineffectiveness, lack of shareholders' awareness), external barriers (political and governmental interference in business activities, weak legal control and enforcement, high level of corruption), social barriers (strong social ties among different stakeholders, interpersonal connections among BoDs), education and training barriers (lack of professional education and training among stakeholders) and legal barriers (fewer voting rights). These five barriers are the most important barriers which are affecting the implementation of good CG practices in Pakistan. The results are well supported by previous studies (Kaur & Mishra, 2010; Wanyama, Burton, & Helliar, 2009).

Regarding the first factor (firm-level barriers), the study finds that from the CG implementation viewpoint, auditors' independence is compromised in Pakistan. In addition, the BoDs have failed to be effective and shareholders' awareness acts as a barrier to implementation of good corporate governance practices in Pakistan. These findings are well supported by Capaul (2003) who argued that auditing is a major area of weakness in corporate governance enforcement in most transition and developing countries which have also failed to enforce their laws, rules, and regulation consistently. Auditors' independence is compromised, and they have been giving unqualified opinions, certifying that the accounts audited provide a true and fair picture despite the many defects noted.

Regarding the second factor (external barriers), the study finds political and governmental influence in firms and weak legal control and enforcement of regulatory bodies. In addition, the study also finds that the level of corruption is another major factor that hinders good corporate governance practices in Pakistan. Doidge, Karolyi, and Stulz (2007) argued that the political system of a country can have implications for corporate governance. The findings of the study reveal that weak legal control and enforcement are barriers for implementing good CG practices in Pakistan, while researchers documented that enforcement is vital for providing good CG system and an effective business environment in developing countries like Pakistan (Berglöf & Claessens, 2006). Similarly, Wilson (2007) and (Lin & Liu, 2009) documented that firms can be estranged from the corruption that prevails in the society if they are operating in a weakened corporate governance environment like Pakistan. Regarding the third factor (social barriers), the study finds that strong social ties and also interpersonal connections among BoDs, also hinder good corporate governance practices in Pakistan. Similarly, Haniffa and Cooke (2002) found that social factors such as culture affect CG practices in emerging countries. Regarding the fourth factor (education and training barrier), the study finds that stakeholders lack professional education and training. In a similar vein, Okpara (2011) documented that lack of required education and training is a barrier that hampers the development and implementation of corporate governance practices in Pakistan. Regarding the fifth factor (legal barriers), this study finds that shareholders have fewer voting rights, consequently, this acts as a barrier in the implementation of CG practices in Pakistan. Due to limited voting rights, the protection of shareholders' rights is also absent in Pakistan. In a similar vein, Okpara (2011) documented that shareholders' rights are very crucial and vary from country to country. In addition, Jiraporn and Davidson (2009) argued that shareholders' rights are an important part of corporate governance and play a pivotal role in controlling the behaviour of BoDs. Kirkbride, Letza, and Smallman (2009) argued that there is a need to provide effective protection in law to disgruntled minority shareholders.

To fulfill the second objective, the study identifies the most influential drivers of good corporate governance practices in Pakistan. To achieve this, the study used EFA on all 12 drivers and identified four major drivers i.e. internal drivers (auditors' independence, board heterogeneity, board independence, initiation of training and educational programs to raise awareness), regulatory drivers (enhancing and empowering professional regulatory bodies), motivational drivers (encouraging participation in events and conferences related to corporate governance) and collaborative drivers (enhancing partnership with international bodies). These four drivers are the most important drivers to promote good corporate governance practices in Pakistan.

Regarding the first factor (internal drivers), the study finds that auditor independence, board heterogeneity and independence and initiation of training and educational programs can promote good corporate governance practices in Pakistan. These findings are consistent with previous studies (Al-Mudhaki & Joshi, 2004). Similarly, Turley and Zaman (2004) documented that auditor independence has the potential to alleviate weaknesses in existing corporate governance structures especially in emerging countries. In addition, the researchers also argued that board heterogeneity promotes relationships and networking (Cox & Blake, 1991), enhances corporate leadership and increases firm performance (Carter, Simkins, & Simpson, 2003; Nguyen & Faff, 2007). Odle (2007) also argued that better corporate governance begins from board diversity. Researchers also documented that board independence promotes corporate governance practices in firms (MacAvoy & Millstein, 2003). Regarding Factor 2 (regulatory drivers), the study finds that empowering the regulatory and professional bodies can promote good corporate governance practices in Pakistan. Kajola (2008) argued that the corporate governance system will continue to experience challenges due to the absence of empowerment of regulators. Hence, it is pivotal to empower regulators to promote good corporate governance practices in Pakistan. Regarding Factor 3 (motivational drivers), the study finds that there is a need to motivate stakeholders to participate in events related to corporate governance to raise awareness of and willingness to adopt practices in the true sense. In Pakistan, corporate governance compliance is not in a true sense (Khan, 2014) and it is necessary to conduct CG related events in order to promote CG practices (Samza, 2016). Regarding Factor 4 (collaborative drivers), the study finds that there is need to collaborate with international bodies such as IFC, OECD to promote CG practices in Pakistan. Khan (2014) and Samza (2016) also recommended collaboration with international bodies to promote CG practices in Pakistan. Third and the last, the study examines the nexus between CG practices (measure from CGI score) and firm performance (measure from ROA and ROE). To achieve this objective, the study used a five-point Likert scale questionnaire to measure the CGI score and employed multiple hierarchical regression analysis. The findings of multiple hierarchical regression analysis revealed that the CGI score has a significant positive relationship with both ROA and ROE. Hence, CG practices can increase the firm's performance among listed firms in Pakistan. These findings are supported by existing empirical studies (Afza & Nazir, 2012; Javid & Iqbal, 2008; Tariq & Abbas, 2013).

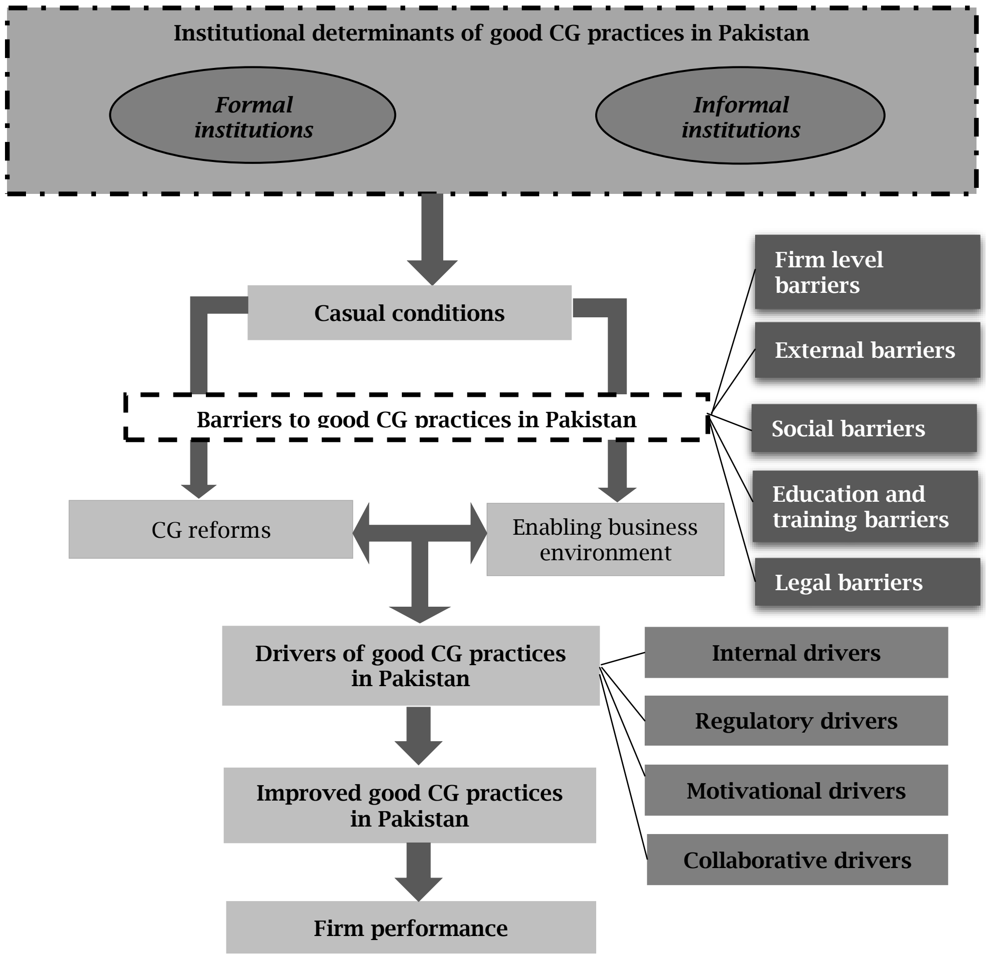
4.8. Integration of qualitative and quantitative findings

This section integrates the qualitative and quantitative findings and presents the proposed model of good CG practices in Pakistan (Figure 3). Drawing on qualitative analysis, the study first explored the eight key institutional determinants of good CG practices in Pakistan such as auditing, political, legal, the board, shareholders' awareness, voting, institutional culture and values and these were divided into formal and informal institutions. These are the key institutional determinants of good CG practices in Pakistan. Researchers have argued that certain prerequisite casual conditions need to be established and clarified for effective implementation and functioning of CG practices such as the role of government in the introduction of CG reforms and providing an enabling business environment (Goergen, 2012). In addition, it is fundamental to ascertain a suitable legal and institutional foundation to ensure an efficient corporate governance system (OECD, 2004). Based on these identified institutional determinants, this study developed a survey questionnaire and found the five most influential barriers to good CG practices in Pakistan. These barriers were firm-level barriers (lack of auditor independence, board ineffectiveness, lack of shareholders' awareness), external barriers (political and governmental interference in business activities, weak legal control and enforcement, high levels of corruption), social barriers (strong social ties among different stakeholders, interpersonal connections among BoDs), education and training barriers (lack of professional education and training among stakeholders) and legal barriers (fewer voting rights).

The barriers hinder good CG practices in Pakistan and influence the effectiveness of CG reforms and disturb the enabling business environment. Existing literature also provides evidence that ineffective BoDs (Okpara, 2011), a weak regulatory system and enforcement (Okeahalam & Akinboade, 2003), corruption (Adegbite, 2012, 2015), political influence (Adegbite, Amaeshi, & Amao, 2012; Okpara, 2011) weak monitoring (Adegbite, 2015), ineffective auditing practices (Kachelmeier, Rasmussen, & Schmidt, 2016), and interlocking relationships (McGee & Bose, 2009; Mensah, Aboagye, Addo, & Buatsi, 2003) are major challenges hindering effective implementation of CG practices in developing countries such as Pakistan. However, researchers' marked the role of government in CG development by providing an enabling business environment and introducing CG reforms (Adelman, 2003; Goergen, 2012).

Drawing on qualitative and quantitative findings, the study also finds four major drivers of good CG practices in Pakistan through the survey questionnaire such as, i.e. internal drivers (auditors' independence, board heterogeneity, board independence, initiation of training and educational programs to raise awareness), regulatory drivers (enhancing and empowering professional regulatory bodies), motivational drivers (encouraging participation in events and conferences related to corporate governance) and collaborative drivers (enhancing partnership with international bodies). These drivers can improve good CG practices in Pakistan. Enriques and Volpin (2007) also argued that some drivers can propel the CG practices in the presence of some fundamentals, to attain desired expectations such as shareholder activism (Appel, Gormley, & Keim, 2016; Bourveau & Schoenfeld, 2017; Stathopoulos & Voulgaris, 2016), board independence (Adegbite et al., 2013; Terjesen, Couto, & Francisco, 2016), investor protection (La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 2002), information disclosure (Hermalin & Weisbach, 2012), auditor independence (Francis, 2004), shareholders' engagement (Filatotchev, Jackson, Gospel, & Allcock, 2007) and collaboration with international regulatory bodies (OECD, 2004).

Figure 3. Proposed model for good CG practices in Pakistan



Note: Developed by researcher

Finally, the study examines the nexus between CG compliance and firm performance on a sample of PSX listed firms and found a significant positive relationship between CG practices, measured by a five-point Likert scale CG compliance index, and performance, measured by ROA and ROE. These findings are also consistent with studies of (Afza & Nazir, 2012; Javid & Iqbal, 2008; Tariq & Abbas, 2013).

4.9. Proposed model of good CG practices in Pakistan

This study proposed a model for good CG practices in Pakistan (see Figure 3) which aims to promote good CG practices in Pakistan. The study highlights and identifies the formal and informal key institutional determinants which shape the CG practices in Pakistan. This study also emphasized the role of government to do CG reforms and provide enabling business environment. However, there are different barriers such as firm-level barriers (lack of auditor independence, board ineffectiveness, lack of shareholders awareness), external barriers (political and governmental interference in business activities, weak legal control and enforcement, high level of corruption), social barriers (strong social ties among different stakeholders, interpersonal connections among BoDs), education and training barriers (lack of professional education and training among stakeholders) and legal barriers (fewer voting rights) that restrain the effectiveness of CG reforms and compliance in Pakistan. GOP and regulatory bodies (SECP, PICG) need to take appropriate measures to control these barriers in upcoming CG reforms and codes. The findings of study reveal that auditing process is not effective in Pakistan, hence, government needs to make strict criteria regarding appointment of internal and external auditors. In Pakistan, CCG 2012 required at least one independent director while it is increased to two independent directors in new CCG 2017. The problem is not about numbers, it is about true and fair compliance of CG code. It is proposed that SECP and PICG need to set a strict criterion regarding appointment of independent directors and it should be mandatory for firms to take approval from SECP before appointment of independent directors. It is proposed that SECP and PICG should launch awareness programs and highlight potential benefits of CG compliance. Political interference is quite common among business organizations in Pakistan; hence, politics should be separated from business and this can only be done through enforcement. Corruption is another severe problem that exists in Pakistan. The government needs to make reforms to tackle corruption in the country and strict action is proposed against those who involved in it. Social barriers are another big challenge in corporate sector of Pakistan. Appointments are made on the basis of social ties and personal relationships. Hence, it is proposed that regulatory bodies need to set strict criteria for key appointments within firms. Shareholders also have fewer voting rights that limit their power to control the firm. GOP needs to develop a policy regarding protection of voting rights of shareholders, especially in family-owned businesses.

The study also identified some drivers such as internal drivers (auditors' independence, board heterogeneity, board independence, initiation of training and educational programs to raise awareness), regulatory drivers (enhancing and empowering professional regulatory bodies), motivational drivers (encouraging participation in events and conferences related to corporate governance) and collaborative drivers (enhancing partnership with international bodies) that can promote implement and compliance of CG practices in Pakistan. It is proposed that GOP should make a separate independent regulatory body that ensures the independence of auditors and BoDs. GOP can also provide subsidies for those firms that comply with the CG practices in true spirit and punish the others. In addition, it is necessary to enhance the power of existing regulatory bodies (i.e. SECP, PICG, PSX, etc.) to ensure true CG compliance. It is also proposed that there is need to take initiatives to motivate shareholders to take part in CG related events. For this, SECP and PICG can organize events in major cities of Pakistan and encourage shareholders to participate either physically or online through video conference. It is also observed that SECP and PICG have launched directors training program (DTP) to train the directors which became mandatory in CCG 2017. The cost of DTP is too much which may hinder directors of small companies to get training certificates. Therefore, it is proposed that cost should be reduced and subsidized for such programs. In addition, GOP may motivate firms for CG compliance by giving them some tax rebates. The study also proposed that there is need to increase collaboration with international regulatory bodies such as OECD, IFC, etc. to implement effective CG system in Pakistan. GOP may fund and send some candidates to get training from these international regulatory bodies and these candidates can offer their services to firms at low cost.

5. CONCLUSION

The study highlights the pros of robust CG systems in Pakistan; however, the attainment of these pros can be compromised by various institutional determinants. Drawing on institutional and agency theories, this study pursues comprehending how CG can be regulated and reformed to improve good CG practices in Pakistan? The study finds eight aggregate institutional determinants of good corporate governance practices i.e. political, legal, culture, values, shareholders' awareness, voting, auditing and board in Pakistan. The study finds that political invulnerability and political influence are affecting the true practices of corporate governance in Pakistan. In addition, the study highlights that good CG practices are also affected due to high levels of corruption within the country. It is noteworthy that political invulnerability advances the latitude of existing knowledge; however, it has not attracted much attention particularly in emerging countries. The study finds that PSX listed firms lack true spirit CG compliance. Most firms are unaware of the benefits of CG practices and also do not have enough resources. Due to political influence and corruption, the enforcement is not there. The regulatory measures pointed at concentrating on Pakistan's corporate governance problems must be institutionally based. Similarly, it is necessary to gear the efforts of enforcing compliance in developing countries, especially Pakistan, with reforms and introducing new regulations (Okike, 2007). The study finds that the culture, particularly institutional culture has a critical effect on corporate governance practices in Pakistan. Discussions have revealed that the culture of Pakistani society has negatively influenced the quality, direction, and practice of corporate governance. In addition, there is no protection for organizational whistle-blowers; hence, CG related problems are not detected at an early stage. The study also finds that family systems and interpersonal connections have great importance and affect corporate governance practices in Pakistan. In addition, the appointments are made on personal and family connections rather than merit, consequently, firms lack transparency. The study also finds that BoDs are not independent and diverse, and interlocking exists between BoDs. The auditors lack independence and audit committees are not composed of independent directors. Hence, the authenticity and creditability of auditing are questionable. The institutional determinants acknowledged in this study have been significantly neglected in CG codes in Pakistan; therefore, it can be argued that the CG codes in Pakistan are unfamiliar to the obligatory business demands. Researchers documented that sometimes political and social forces surpass economics forces in shaping corporate destiny (Warren, 2003) and CG practices (Aguilera & Jackson, 2003; Judge et al., 2008). The findings also reveal that the legal infrastructure and regulatory instruments are present in Pakistan to successfully promote good corporate governance, but that compliance and enforcement related issues remain the key impediment.

In addition to qualitative analysis, the study also employed quantitative analysis to identify the most influential barriers and drivers of good corporate governance practice in Pakistan and examined the nexus between CG compliance and firm performance among PSX listed firms. The study identified five major barriers i.e. firm-level barriers, external barriers, social barriers, education and training barriers, and legal barriers. These five barriers are the most important barriers which are affecting and hindering the implementation of good corporate governance practices in Pakistan. Patel (2006) argued that there should be an effective system of checks and balances on boards and managerial behaviour to promote a good CG system in emerging countries. Regarding drivers of good CG practices in Pakistan, the study identified four key drivers, i.e. internal drivers, regulatory drivers, motivational drivers, and collaborative drivers. The findings of multiple hierarchical regression analysis reveal that CGI score has a significant positive relationship with both ROA and ROE. Hence, CG practices can increase the firm's performance among the listed firms in Pakistan. In the end, this study proposed a model for good CG practices in Pakistan that identifies institutional determinants and the most influential barriers of CG practices which restrain the effectiveness of CG reforms and hinder the CG reforms and enabling business environment in Pakistan. The model also identifies the most important drivers of good CG practices in Pakistan which can increase CG compliance and ultimately increase firm performance.

We argued that corporate governance practices are governed by institutions and appear out of nothing. In modern organizations across different countries, the expression and format of governance are reflections of their institutional environment. Two classes of institutions (formal and informal) and their associations with CG in the context of Pakistan have been analysed. Most prominently, these institutions are inter-reliant, interact with and affect each other. Consequently, in theorizing on CG in emerging countries, especially Pakistan, it is imperative to mention that the overall nature of the country's institutional environments is not harmonized with good CG principles, both at the firm and national levels. Institutions matter in reshaping corporate governance in Pakistan; however, Pakistan has not achieved required level of CG compliance despite enormous efforts. It can be due to lack of interests from firms or lack of enforcement in real sense. Evidence reveals that institutional environment still matters and persuades firms despite globalization. Therefore, CG models cannot be treated and comprehended in isolation from institutional reinforcements (Guillen, 1999). Actually, CG cannot be formulated in seclusion but exposes the fundamental institutions which influence the firm structures, responsibilities, and rights of directors and managers and structure these are systematized in distinct nations.

Although the research has some limitations and suggests areas for future research. This is a Pakistan case study. Due to the sensitivity of CG issues, participants were not drawn from all sectors of the Pakistan economy. Some participants were afraid to talk on this sensitive issue and have not given their consent to record their interviews. Although, the principles of corporate governance are applicable to all listed firms of Pakistan, however, is challenging to obtain data from the whole population (most of PSX listed were not interested to participate in the study). Nevertheless, whilst the findings of this study are not easily generalizable, given its contextual dimension, it nevertheless offers significant analytic generalizability (Creswell & Clark, 2011; Yin, 2009). In this study, the research has also employed a qualitative mixed-method approach for data collection and analysis. Future studies may employ alternative methodologies to further validate or challenge its findings. The study has drawn the sample from PSX listed firms through a survey questionnaire and future research may be conducted on listed vs non-listed firms of PSX. In addition, there is also opportunity to draw a sample from SMEs and SOEs. In addition, there is also opportunity to draw a sample from small and medium enterprises (SMEs) and state owned enterprises (SOEs). In Pakistan, the studies related to CG are somewhat scant and have neglected the SEOs, hence, it provides an opportunity to conduct further studies to evaluate the dynamics of CG in SOEs. Finally, as suggested by Steger and Hartz (2005), it is imperative to make some further efforts to explore corporate governance from economic and sociological theories which may add to existing knowledge.

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