

The Impact of Corporate Governance on Firm Performance on Stock Price among Publicly Listed Companies in the Philippines 2009 to 2011

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Abstract As corporations grew into Microsoft, GMs and GEs of today, they threw off the remaining shackles of state limitations. They gained the institutional rights and became self-perpetuating entities (Millstein, 2003). Nowadays, corporate scandals and bankruptcies have extremely affected many countries particularly those that happened in Enron Corp. and Xerox Corp, smooth the way for companies to improve their corporate governance practices. This study examined the impact of corporate governance on firm performance and stock price among publicly listed companies in the Philippines during 2009 to 2011. This study used multiple regression analysis to test the hypothesis in a sample of 52 firms. The researcher utilized Full model and Stepwise Model to come up with set of independent variables that were significant to ROE, ROA and Stock Price. The variables are transformed to make it comparable and were able to meet assumptions such as Linearity, Multicollinearity, Normality and Heteroscedasticity. Firm size directly related to ROE and Stock Price while inversely related on ROA. Interaction of Firm Size and Silver directly related to ROE and Stock Price while inversely related on ROA. The Interaction of Firm Size and Gold directly related to ROA while inversely related on ROE. Interaction of Firm Size and Platinum inversely related to Stock Price. Interaction of Firm Age and Silver directly related to ROA while inversely related on ROE. The Interaction of Firm Age and Gold directly related to ROE while inversely related on ROA and Stock Price. Interaction of Firm age and Platinum and Interaction of Firm age and Platinum Plus directly related to Stock Price.

Keywords Corporate governance, Bankruptcies, Firm performance, Stock price

1. Introduction

Corporate governance is not entirely new to the corporate world. It has existed in some substance and form in different places before. But with the corporate scandals that have rocked the US and of late Europe, corporate governance has now become the favorite recipe in corporate circles in the Philippines and abroad. And it will become so with certain variations until every citizen's investment is protected from unscrupulous business leaders, owners and board of directors.

The US responded swiftly to address the well-publicized corporate anomalies. The US Congress passed the Sarbanes-Oxley Act (SOA) on July 15, 2002 and signed by the president into law on July 30, 2002, less than a year from the resignation of the CEO of Enron on August 14, 2001. This is the broadest package of federal disclosure and corporate governance legislation since the federal securities laws were

first enacted in the 1930s. Most substantive provisions of the SOA can be traced directly to problems identified with Enron, Worldcom or other companies that collapsed one after another in 2002.

According to Philippine Stock Exchange definition, corporate governance (CG) defines as the framework of rules, systems and processes that governs the performance by the board of directors and management of their respective duties and responsibilities to the stockholders, with due regard to the stakeholders. Specifically, corporate governance is a system of directing and managing a corporation which involves the development and achievement of corporate goals; the function of the board and its relationship with management; control, risk and performance management systems; compliance with laws and best practices; and corporate self-restraint and ethics, among others.

The Philippines has been able to address this issue by announcing a corporate governance code on April 4, 2002 and by 2005, the Institute of Corporate Directors (ICD) has introduced the corporate governance scorecard and respective classification of companies that aims to measure compliance of entities to good corporate governance. In the year 2007, Securities and Exchange Commission (SEC) agree

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to partner up with ICD to encourage the companies to participate.

This research primarily discusses how the top performance publicly listed companies degree of compliance with good governance is related with the way the corporation performs as indicated by its accounting performance and stock price.

This study will determine, the impact of corporate governance top performance classification of publicly listed companies in the Philippines on their accounting performance which are return on asset, return on equity and stock price for 2009 to 2011. Is there any impact of corporate governance top performance classification of publicly listed companies in the Philippines on their accounting performance in terms of Return on Asset (ROA), Return On Equity (ROE), and Stock Price for the year 2009 to 2011?

1.1. Corporate Governance and Firm Performance

1.1.1. The Impact of Corporate Governance on Firm Performance

The World Bank, in 1999, states that corporate governance comprises two mechanisms, internal and external corporate governance. Internal corporate governance, giving priority to shareholders' interest, operates on the board of directors to monitor top management. On the other hand, external corporate governance monitors and controls managers' behaviors by means of external regulations and force, in which many parties involved, such as suppliers, debtors (stakeholders), accountants, lawyers, providers of credit ratings and investment bank (professional institutions).

1.1.2. Board Structure

Veliyath (1999) pinpoints that the board serves as a bridge between owners and managers; its duty is to protect shareholders' interests. Specifically speaking, taking responsibility for managing and supervising, the board should monitor managers' behaviors for shareholders' interests, make important decisions, employ management team and superintend firms to obey the law.

Jensen (1993) finds out that directors in a large board have diverse opinions and Consensus is difficult to reach, then the efficiency being lower, the situation could deteriorate if directors increase (Lipton and Lorsch, 1992), Yermack (1996), Eisenberg, Sundgren and Wells (1998) and Singh and Davidson (2003) unveil that board size is negatively related to corporate performance. Nevertheless, Bacon (1973) holds an opposite opinion that larger board implies members with diverse background and viewpoints, which is helpful for the quality of decisions; additionally, a wide range of their interests may neutralize decisions. Also, Zahra and Pearce (1989) and Kiel and Nicholson (2003) reveal board size is positively related to corporate performance.

A board includes internal and external directors. Fama and Jensen (1983) detect that internal directors, by virtue of their positions, possess much more information, are likely to

collude with managers and make decisions against shareholders. By comparison, external directors in neutral position, acting as supervisor, are good for eliminating principal-agency problem.

Beasley (1996) investigates the relation between board composition and financial scandals, revealing that the ratio of independent directors in the firms with no scandals is higher than the firms, which have been caught manipulating financial reports.

Bhagat and Black (2002) take the ratio of independent directors minus the ratio of inside directors as a proxy, and the result discloses that board independence, significantly and negatively, correlates with short-term performance, but board independence makes no difference in improving corporate performance.

According to Agency Theory, when a chairman assume the role of CEO, namely acting as decision maker and supervisor at the same time, the function of the board to minimize agency cost could be weakened tremendously; in the end, corporate performance goes down. (Jensen and Meckling, 1976; Fama and Jensen, 1983; Patton and Baker, 1987) Empirical studies by Daliy and Dalton (1993) and Dahya, Lonie and Power (1996) unveil that CEO duality could bring about negative effects for corporate performance. Nevertheless, according to stewardship theory, executives' responsibility may neutralize self-interest behaviors derived from CEO duality, and they are even much more devoted to advance corporate performance. Boyd (1995) agrees to that CEO duality brings in positive effects for corporate performance.

1.1.3. Ownership Structure

Berle and Means (1932) set forth that ownership dispersion implies management is distinguished from ownership, which, as Jensen and Meckling (1976) emphasize, may contribute to agency problems between managers and shareholders or Shareholders and debtors. On the other hand, Shleifer and Vishny (1986) and Morck, Shleifer and Vishny (1988) detect the phenomenon of ownership concentration. La Porta et al. (1999) and Claessens et al. usher (2000) in the conception of ultimate controller; they define firm ownership as voting rights, unearthing that many controlling shareholders of listed firms predominate firms by means of pyramid structure and cross holding, which could result in central agency problem.

Kao, Chiou and Chen (2004) reveal that firms in financial distress are closely related to high ratio of the shares pledged by directors, causing concern about the agency problem resulting from the pledge of corporation shares. Chiou, Hsiung and Kao (2002) indicate that, directors and supervisors could fund by the collateralized shares and further purchase more firm stocks to manipulate stock price or enhance their power. Directors' and supervisors' financial stress, because of the collateralized shares, is closely related to share price. Share price slumping, the value of the collateralized shares depreciates and even drops below the

standard of the required margin; correspondingly, collateralizing shareholders will be requested to collateralize more shares, while debtors fail to afford more shares as collaterals, financial institutions as creditors will close the position of collateralized shares. As a result, collateralizing shareholders, making use of their position, may make a prey of small shareholders or embezzle company funds.

1.2. Corporate Governance Mechanisms

It is well recognized in the literature that there are two types of governance mechanisms that help resolve the conflict between owners and managers and between controlling shareholders and minority shareholders. The first type is internal mechanisms (e.g., board of directors), while the second is external mechanisms (e.g., market for corporate control). In this study, due to level of importance, only internal mechanisms are assessed.

Insider ownership. One of the most important ways through which a firm maximizes its value is through well-designed ownership structure of the firm's shares. Generally, concentrated insider ownership is regarded as a bad mechanism since it gives the largest shareholders more discretionary powers of using firm resources in the areas that only serve their own benefits. But, such structure is common in Asian firms in the form of cross holding and pyramidal ownership (Claessens, Djankov and Lang, 2000). The consequence of such ownership arrangement is that the controlling shareholders are able to obtain more control at minimal capital expense. Some studies contend, however, that when the largest shareholder's stake is large, he would align his interest with the firm's interest leading to a positive effect (e.g., Jensen and Meckling, 1976).

Board Size. The literature has not defined the optimal board size. However, a number of studies argue that large boards (more than 7 or 8) are less effective because of high coordination costs and free rider problems (e.g., Jensen, 1993). In contrast, smaller boards reduce the possibility of free riding by individual directors and thus increase their decision-making processes (Yermack, 1996). Eisenberg et al. (1998) find a negative relationship between board size and profitability when studying a sample of small and mid-sized Finnish firms. Mak and Yuanto (2003) also confirmed the above findings in firms listed in Singapore and Malaysia. But, some empirical studies have found a positive relationship between small-sized boards and corporate performance (Yermack, 1996; Sanda et al., 2005) although Bhagat and Black (2002) noted that such relationship is not robust to changes in the measurement of performance. As a result, the relationship between board size and firm performance remains an unresolved issue in the literature.

CEO Duality. Duality occurs when the same person undertakes both the roles of chief executive officer and chairman or member of the board. The potential advantage of having the same person filling both posts is that they should exhibit a greater understanding and knowledge of the company's operating environment. But, separating the roles

of the CEO and chairman of the board at the time of the IPO can be considered as one way of increasing the board's independence from management and reducing uncertainty about the intrinsic value of issuing firms (Certo et al., 2001).

While it is argued that CEO duality is undesirable because it gives one person too much power within the decision-making process, there is however, little evidence to support that position. Most studies find no adverse relationship between duality and performance (e.g. Dalton et al., 1998). Moreover, Palmon and Wald (2002) find that small firms benefit more from the clearness and decisiveness of decision-making under a single leader, but large firms benefit more from the monitoring and balancing of having different people fill these two positions. Based on these findings the actual impact of duality on corporate performance is not clear. Table 1 summarizes the reviewed corporate governance mechanisms and their relationship to firm performance.

Table 1. Corporate Governance Mechanisms and Their Relationship to Performance

Governance Mechanisms	Relationship to firm performance		
	Positive	Negative	No relationship
Insider Ownership	Jensen and Meckling, 1976	Claessens, Djankov and Lang (2000)	
Board Size	Yermack, 1996; Sanda et al., 2005	Jensen, 1993; Eisenberg et al., Mak and Yuanto 2003	
CEO Duality	Palmon and Wald, 2002	Fama and Jensen, 1983	Brickly et al., 1997; Dalton et al., 1998

1.2.1. Ownership Structure of Publicly Listed Companies in the Philippines

The dominating factor in Philippines corporate governance is the large, family-based ownership structure of companies (Saldaña, 1999). This highly concentrated ownership in relatively weak legal and external control environments (Saldaña, 1999) remains a concern because it increases the agency risks of expropriating minority shareholders. Since the passage of the Securities Regulation Code of 2000, several reforms have been undertaken. For instance, the revised PSE listing rules require that a minimum of 10 percent of outstanding shares of a company shall be allocated to local small investors and 20 percent be issued to the general public (Revised Listing Rules, Art.III, Part G, Sec. 3 and 5). The rationale for this is to have wider dispersal of IPO shares and expansion of local investors (Revised Listing Rules, Art.III, Part G, Sec. 1). But do Philippine IPO firms issue enough shares to be truly widely held?

De Ocampo (2000) and Saldaña (2001) observed that companies usually issue only the minimum required number

of shares in order to list. As a result, the controlling shareholders who own the larger bloc of shares dominate corporate decision-making. Minority shareholders are not in a position to influence management and a takeover by other companies is very difficult. For these reasons, the resolution of conflicts of stakeholders in Philippines companies depends very much on the effectiveness of internal control systems (Saldaña, 2001), which, in turn, rests significantly on the actions of the board of directors.

1.2.2. Board Structure of Publicly Listed Companies in the Philippines

The Philippines Corporation Code mandates the board of directors to exercise its control over a corporation. The typical board is composed of at least five members representing the largest shareholders of the company. They are usually brought in by controlling shareholders (Saldaña, 1999). Interlocking directorates are common and extensive. According to the ADB survey (cited by Saldaña, 2001) board directors and chairpersons were elected mainly on the basis of either relationship with major shareholders or percentages of shareholdings. Board chairpersons in a substantial number of responding companies did not own significant amounts in their personal capacities. They got control through holding companies in which they have majority ownership.

The average term of office of the chairperson and members of the board is one year suggesting that large

shareholders want to keep their board members under close control (Saldaña, 2001). The Corporation Code prohibits the removal of any director without cause if that act would deprive minority shareholders of representation in the board. To strengthen due diligence procedures, companies may create special board committees but in the ADB survey, only about one-third of the companies have set up board committees (Saldaña, 2001).

Agustin *et al.* mentioned that each mechanism, either internal or external, has its own effect towards the company's performance. The concept of duality dictates that if there is a lack of separation between the duties of the CEO and the Board's Chairperson then it would lead to lower performance for the company (Agustin, 2006). The same goes with having CEO with large shareholdings, in which, the company's performance could be jeopardized. On the other hand, if the company has an audit committee, majority of its shareholdings are coming from the external sector, high level of leverage and high probability of having takeover, it is most likely that the company would be having better performances. Their group used the Q ratio, a measurement of how close the management and shareholder's interests are, with respect to the running of the business to determine the relationship each mechanism toward the company's performance (Weir, 2002).

According to the study, corporate governance control mechanisms are composed as follows:

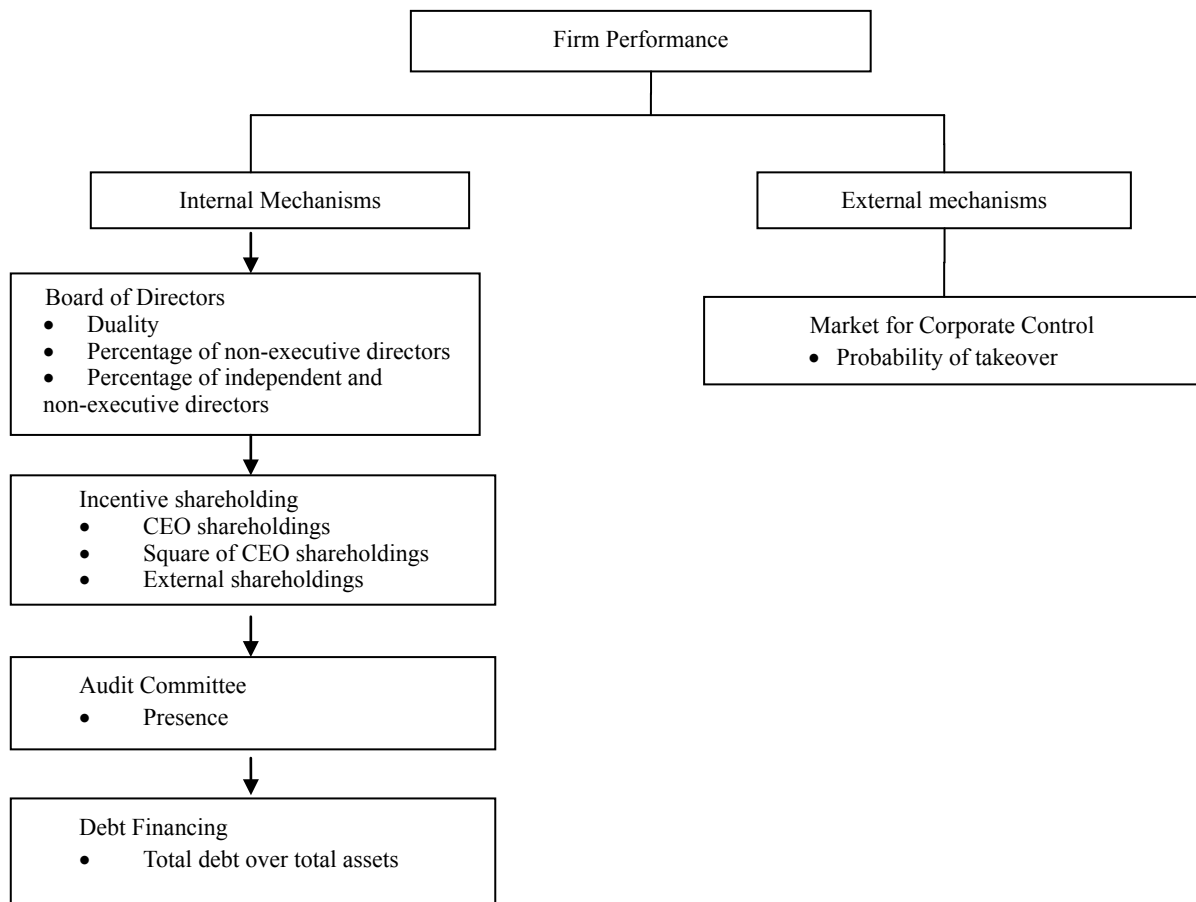


Figure 1. Composition of Corporate Governance Mechanism (Agustin *et al.*, 2006)

2. Method

2.1. Research Design

A relational study conducted to determine the impact that exists among the level of conformance to corporate governance principles as measured by corporate governance classifications and scores on the accounting performance and stock price of companies. This trend analysis study on the corporate governance practices and performance examined over 2009, 2010 and 2011. Bulks of the data used quantitative in nature specifically for the accounting performance. However, for data derived from corporate governance classifications, though quantitative in form, are actually is based on qualitative assessment on criteria outlined in the scorecards, the level of compliance is based on a qualitative assessment of companies on compliance to Corporate Governance practices and principles.

Essentially, this study conducted by having quantitative measures of quality assessment for a relational conclusion with regard to the impact that exists among the variables being studied.

2.2. Population and Respondents

The population involved in this study is all top performance publicly listed companies that are registered in the Securities and Exchange Commission and are actively trading their stocks at Philippine Stock Exchanges in 2009, 2010 and 2011. There are a total 52 publicly listed companies that participated in the CG scorecard in 2011. However not all companies are part of the study. These were subjected to the scope and limitations discussed earlier.

2.3. Sampling Design

Casual sampling employed to conduct the study. A set of classification or criteria adopted to determine the data and companies to be included. As what has been stated in the scope and limitation, only three years 2009 to 2011 corporate governance classifications of those companies that regularly answering and submitting the corporate governance scorecards through out the period were include in the study. This is further screen to exclude the companies that having incomplete and inconsistent data and those that have temporarily or permanently ceased operations during the three periods.

This study also excluded other classification of corporation and companies that are ranged between 50% to 89.9% which are companies that are Good, Pass, Need Improvement, Need Considerable Improvement by other. Other types of entities or companies such as education, holding and financial institutions excluded as well. Considering factors and qualifications presented, 52 companies would remain as subjects of the study during 2009, 2010 and 2011. This is approximately 20% of the PLCs in the Philippines. The sample size that has choose for this study is 52 PLCs in the Philippines.

2.4. Research Procedure

2.4.1. Data Procedure

To operationalize this study, various proxies were utilized to measure corporate governance and firms accounting performance and stock price. For corporate governance variable, the classifications according to respective score for corporate governance practice of the PLCs were provided by the institute of corporate directors (ICD). The scorecards used by ICD were based on OECD's five criteria good corporate governance. Under each criterion are sub-criteria, each of these are combined of questions based on good corporate governance practices of OECD. Corporate governance practices then were measured, adequate, better, best and with each description have corresponding scores. The scores were aggregated according to the five criteria (sub-scores), which constitute the overall rate for the firm's corporate governance (overall scores).

All of these aforementioned processes would be done and after that ICD will classify all publicly listed companies that has a attention to employee corporate governance practices and programs. Each of these three years have its own classification that follow as bellow:

In relation to 2009

ICD has been pushing companies in various sectors to aim for compliance when it comes to their corporate governance practices. The ICD, therefore, recognizes the best performing companies (in alphabetical order) in the CG Scorecard for PLCs:

Gold Awardees (95% and above)

Aboitiz Equity Ventures, Inc.
 Aboitiz Power Corporation
 Ayala Corporation
 Ayala Land, Inc.
 Bank of the Philippine Islands
 China Banking Corporation
 Energy Development Corporation
 First Metro Investment Corporation
 First Philippine Holdings Corporation
 Manila Water Company Inc.
 Metro Pacific Investments Corporation
 Philippine Long Distance Telephone Company
 SM Development Corporation
 SM Investments Corporation
 SM Prime Holdings, Inc.
 Union Bank of the Philippines, Inc.

Silver Awardees (90% - 94.99%)

Aboitiz Transport System (ATSC) Corporation/ ATSC
 Banco De Oro Unibank, Inc.
 Cebu Holdings, Inc.
 Globe Telecom, Inc.
 Highlands Prime, Inc.
 House of Investments, Inc.
 Integrated Micro-Electronics, Inc.

Lopez Holdings Corporation
 Macro Asia Corporation
 Manila Electric Company
 Manulife Financial Corporation
 Metropolitan Bank and Trust Company
 Petron Corporation
 Philex Mining Corporation
 Philippine National Bank
 Philippine Savings Bank
 Philippine Seven Corporation
 Philweb Corporation
 Phinma Corporation
 Rizal Commercial Banking Corporation
 San Miguel Brewery, Inc.
 San Miguel Pure Foods Company, Inc.
 Security Bank Corporation

First Gen Corporation
 First Metro Investment Corporation
 International Container Terminal Service, Inc. (ICTSI)
 IPVG Corporation
 Manulife Financial Corporation
 Metro Pacific Investments Corporation
 Petroenergy Resources Corporation
 Petron Corporation
 Philex Mining Corporation
 Philippine National Bank
 San Miguel Pure Foods Company, Inc.
 Semirara Mining Corporation
 SM Development Corporation
 SM Investments Corporation
 SM Prime Holdings, Inc.
 Union Bank of the Philippines, Inc.

In relation to 2010

There are 36 companies scoring 90% and above in the 2010 Corporate Governance Scorecards or PLCs. Among which, 16 companies belong to the Gold Category with 95% and higher ratings. On the other hand, there are 20 companies, belonging to the Silver Category with scores ranging from 90% to 94.99%. This year, ICD specially recognizes those companies that have consistently earned a Gold Category rating in the last three years. They are now classified under the Platinum Category. To remain in this category, companies must consistently earn a CG score of at least 95% in all annual surveys moving forward. Once it fails to reach threshold mark, it will have to accumulate another 3 years of Gold Category ranking before it can rejoin the Platinum Category. Followings are the top scoring companies:

Platinum (in alphabetical order)

Ayala Corporation
 Ayala Land, Inc.
 Cebu Property Ventures & Dev't Corp.
 First Philippine Holding Corp.
 Globe Telecom, Inc.
 Manila Water Company, Inc.
 Philippines Long Distance Telephone Co.

GOLD (in alphabetical order)

Aboitiz Equity Ventures, Inc.
 Aboitiz Power Corporation
 ABS-CBN Broadcasting Corporation
 Cebu Holdings, incorporated
 China Banking Corporation
 Energy Development Corporation
 GMA NETWORK, Inc.
 Integrated Microelectronics Inc
 Lopez Holding Corporation

SILVER (in alphabetical order)

Aboitiz Transport System Corp. (ATSC)
 Alaska Milk Corporation
 Bank of Philippine Islands (BPI)
 Filinvest Land

This year ICD also developed a description nomenclature corresponding to the corporate governance scores. For instance, companies scoring 95% and higher are labelled as excellent and companies with 90% to 94.9% are labelled as very good and companies with 80% to 89.9% are labelled as Good and companies with 75% to 79.9% are labelled as Pass and companies with 50% to 70% and below 50% need improvement and without any description.

Table 2. Corporate Governance Classifications in 2010

Score Range	description	number of companies
95% - 99.9%	Excellent-categorized as Gold and Platinum	16
90% - 94.9%	Very Good-categorized as Silver	20
80% - 89.9%	Good	57
75% - 79.9%	Pass	24
70% - 74.9%	Need Improvement	19
50% - 69.9%	Need Considerable Improvement	53
Below 50%	10	10

It's good to note that there are already 117 companies, which are on and above the passing mark of, 75%: 16 of which are in excellent and 20 are in very good levels. It translates therefore that 59% of all surveyed companies already have "pass" ratings. On the downside, there are 82 companies, which fall below the passing rating.

In relation to 2011

There are 39 companies who scored 90% and above in the 2011 CG scorecard. Five companies have maintained their Gold status for the past years and have graduated to the platinum plus award. Top performer, Enrgy Development Corporation, joins the platinum rankers after it maintained Gold level for the past 3 scorecard years. Sixteen more companies enjoy scores of 95% and higher and are awarded Gold. Silver Award goes to the 23 companies who managed to score between 90% to 94.9%. Below is the list of top performers according to their respective awards categories:

Platinum plus

Ayala Corporation
 Ayala Land Inc.
 First Philippine Holding
 Manila Water Company, Inc.
 Philippine Long Distance Telephone Company

Platinum

Energy Development Corporation

Gold

Aboitiz Equity Ventures, Inc.
 Aboitiz Power Corporation
 Ayala Corporation
 Ayala Land Inc.
 Bank of Philippine Island
 China Banking Corporation
 Energy Development Corporation
 First Metro Investment Corporation
 First Philippine Holdings Corporation
 Manila Water Company, Inc.
 Metro Pacific Investments Corporation
 Philippine Long Distance Telephone Company
 SM Development Corporation
 SM Investments Corporation
 SM Prime Holdings, Inc.
 Union Bank of the Philippines, Inc.

Silver

Aboitiz Transport System (ATSC) Corporation / ATSC
 Banko de Oro Unibank, Inc.
 Cebu Holdings, incorporated
 Globe Telecom, Inc.
 Highlands Prime, Inc.
 House of Investment, Inc.
 Integrated Micro-Electronics, Inc.
 Lopez Holdings Corporation
 MacroAsia corporation
 Manila Electric Company
 Manulife Financial Corporation
 Metropolitan Bank & Trust Company
 Petron Corporation
 Philex Mining Corporation
 Philippine National Bank
 Philippine Saving Bank
 Philippine Seven Corporation
 PhilWeb Corporation
 Phinma Corporation
 Rizal Commercial Banking Corporation
 San Miguel Brewery, Inc.
 San Miguel Pure Foods Company, Inc.
 Security Bank Corporation

Out of 196 surveyed companies, 115 companies had passing scores of 75% and above. It is good to note that 59% of the surveyed companies passes the CG scorecard.

However, 81 companies still failed the exercise this year. Fourteen companies who scored in the 70% - 74.9% still need to perhaps be more transparent and innovative about their corporate governance that affairs that may alter their

scores in the next survey. Unfortunately, in the 2011 CG Scorecard, 54 companies need considerable improvement in their CG practices. Thirteen companies performed the poorest in the survey.

In order to specify impact of corporate governance classification on ROE, ROA and Stock Return, this study used top performances of corporate governance firm measure with responding scores categorized into firm performance- accounting performance.

Table 3. Corporate Governance Classifications in 2011

Score Range	description	number of companies
95% - 99.9%	Excellent - categorized as Gold and Platinum	16
90% - 94.9%	Very Good-categorized as Silver	23
80% - 89.9%	Good	54
75% - 79.9%	Pass	22
70% - 74.9%	Need Improvement	14
50% - 69.9%	Need Considerable Improvement	54
Below 50%		13

2.4.2. Data Collection

After the explaining about the sampling design, in properly conducting the study and establishing its feasibility, the following sources of data used in gathering the necessary data and information.

1. Institute of corporate director - governance databank
 - For the corporate governance classifications of publicly listed companies
2. Financial statements for 2009, 2010 and 2011 of the companies under the study
 - For financial data that was analyzed
3. Securities and Exchange Commission
 - For the stock price status of publicly listed companies that were studied
4. Philippine Stock Exchange
 - For the list and stock price status of publicly listed companies that were studied
5. Osiris
 - For a comprehensive database of financial information of publicly listed companies

In this study, the data need for corporate governance obtained from ICD's corporate governance and their databank. As per sec memorandum circular No 12-2009, publicly listed companies were directed to comply with the ICD policy on corporate governance, submitting their requirements for the corporate governance scorecards (survey) to be used in series of assessments by SEC or ICD to come up with firms' score.

2.4.3. Data Analysis

In determining the impact of corporate governance on firm performance - accounting performance and stock price with

respective publicly listed companies classification in the Philippines from 2009 to 2011, the study assigned firm performance as a dependent variable as measured by various performance proxies covering accounting performance. Corporate Governance, on the other hand, designated as an independent variable as proxied by variables on the ICD classifications.

Descriptive statistics is the term given to the analysis of data that helped describe, show or summarize data in a meaningful way such that patterns might emerge from the data. However, descriptive statistics do not, allow us to make inferences or conclusions beyond what the data we have or come up with any conclusions with regards to our research hypotheses.

Descriptive statistics are very important primarily because simply presenting raw data would pose difficulty to visualize what the data is showing. Descriptive statistics allows us to present the data in a more organized and meaningful ways wherein we can simplify all the data gathered (Gravetter & Wallnau, 2013).

Descriptive statistics, however, are limited such that they only allow you to make summations about the people or objects that you have actually measured. In this regard, solely using descriptive statistics does not allow the data collected to create generalizations based on the sample to infer the properties of the population (Levin, Fox & Forde 2009).

Inferential statistics is therefore concerned with making inferences about a population based from observations and data gathered from the sample. In other words, inferential statistics allows for the analysis of data gathered from the sample in order to arrive at a conclusion and make generalizations applied to the larger population that the sample is representing. Pearson Correlation Coefficient used to correlate the variables in the study. The main goal of Pearson Correlation Coefficient Analysis is to determine the strength of relationship among the variable and how will these models behave in terms of pairs. Degree of relationship can easily be determine through their Correlation Coefficient wherein a Correlation Coefficient of ± 1.00 mean perfect correlation, ± 0.75 to ± 0.99 means a high degree of association, ± 0.25 to ± 0.74 is moderate degree while ± 0.01

to ± 0.24 mean low degree of association.

Multivariate Statistics through Multiple Regression Analysis was utilized to determine the significant predictor of the Accounting Performance Model. The general purpose of multiple regression (the term was first used by Pearson, 1908) is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. (<http://www.statsoft.com>). In order to use this treatment, testing of assumptions must be done first. These assumptions are: Linearity Assumption, Multicollinearity Assumption, Heteroscedasticity Assumption and Normality Assumption. Commonly, in order to meet these assumptions, data transformations were done. These data transformations are in the form of Logarithm and Square root suitable for large figures, Exponential and inverse for small positive figures and Squared for small or negative figures. Regression Model is commonly in the this form:

$$Y = \text{Constant} + X_1\beta_1 + X_2\beta_2 + \dots + X_N\beta_N \quad (1)$$

Predicting ability can be determined through R-squared value wherein a value below 0.300 or 30.0% is considered as low while 0.300 or 30.0% to 80.0% and above is considered as acceptable while 0.800 or 80.0% and above is high. Null hypothesis is rejected at 0.05 α -level of significance.

3. Results

3.1. Descriptive Statistics

Table 4 presented the Frequency and Percentage of the classifications of companies from year 2009 to 2011. As observed, Silver companies increases as time increased from 55.6% in 2009, 55.9% in 2010 and 57.1% in 2011. Gold companies decreased from 44.4% in 2009, 23.5% in 2010 to 25.7% in 2011. Companies classified as Platinum decreased from 20.6% in 2010 to 2.9% in 2011 while no records of Platinum Plus companies in 2009 and 2010 but 14.3% was recorded during 2011. As it shown in table 4 there is a change either decrease or increase in corporate governance classification which are platinum plus, platinum, gold and silver based on three respective years 2009 to 2011.

Table 4. Frequency and Percentage of the Classification of Companies

Class		Year			Total
		Year 2009	Year 2010	Year 2011	
Silver	Frequency	20	19	20	59
	Percentage	55.6%	55.9%	57.1%	56.2%
Gold	Frequency	16	8	9	33
	Percentage	44.4%	23.5%	25.7%	31.4%
Platinum	Frequency	0	7	1	8
	Percentage	0.0%	20.6%	2.9%	7.6%
Platinum plus	Frequency	0	0	5	5
	Percentage	0.0%	0.0%	14.3%	4.8%
Total	Frequency	36	34	35	105
	Percentage	100.0%	100.0%	100.0%	100.0%

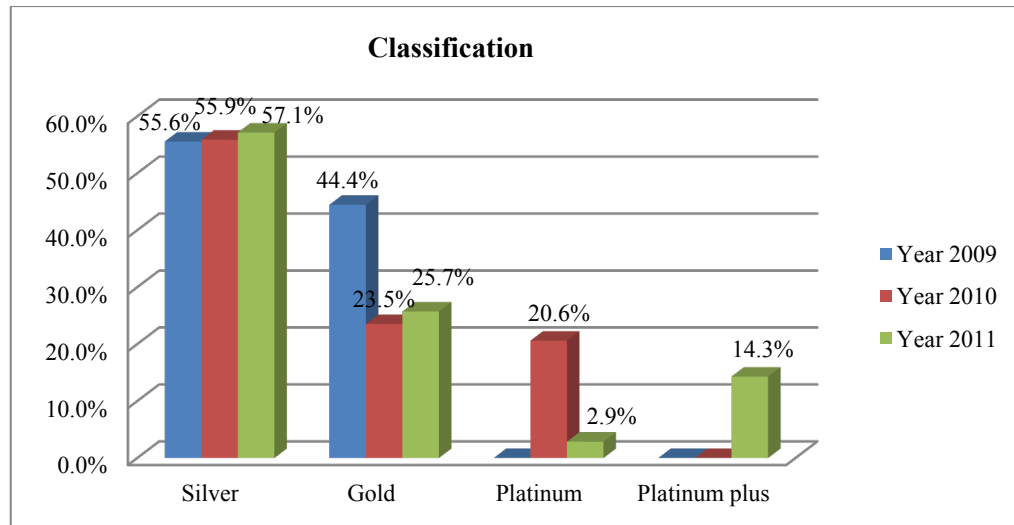


Figure 2. Classifications of Companies from 2009 to 2011

Figure 2 presented the graphical presentation of Frequency and Percentage of the classifications of companies from year 2009 to 2011. As observed, companies classified as Platinum Plus increases same as to Silver but companies classified as Gold and Platinum

Table 5. Descriptive Statistics of the Variables

		Firm size	Firm age	Leverage	ROE	ROA	Stock price
Silver	Mean	5078.4576	49.6102	.5820	.1263	.0770	134.3907
	N	59	59	59	59	59	59
	Std. Deviation	11129.61002	31.27135	.26871	.12069	.10755	293.59935
Gold	Mean	7959.5758	47.2727	.5638	.1895	.0863	249.0445
	N	33	33	33	33	33	33
	Std. Deviation	19578.32668	37.85851	.23410	.22292	.11317	622.16676
Platinum	Mean	15691.0000	45.0000	.5025	.1813	.0919	481.8163
	N	8	8	8	8	8	8
	Std. Deviation	32565.63265	25.71825	.19137	.12778	.04425	883.62710
Platinum Plus	Mean	4500.8000	44.6000	.5500	.1280	.0504	589.8120
	N	5	5	5	5	5	5
	Std. Deviation	7556.96164	26.87564	.10025	.06760	.02123	1098.12140
Total	Mean	6765.0190	48.2857	.5687	.1504	.0798	218.5820
	N	105	105	105	105	105	105
	Std. Deviation	16402.48330	32.58029	.24586	.15999	.10301	531.39732

Table 5 presented the Descriptive Statistics of the variables in the study. The variables are original data. The mean firm size was 6765.0190 (16402.48330), wherein the highest firm age was Gold classification with 7959.5758 (19578.32668). The mean Firm Age was 48.2857 (32.58029) wherein Silver had the highest mean Firm age of 49.6102 (31.27135). The mean Leverage was .5687 (.24586) wherein Silver has the highest mean Leverage of .5820 (.26871). The mean ROE is .1504 (.15999) wherein Gold had the highest mean ROE of .1895 (.22292). The mean ROA was .0798 (.10301) wherein Platinum had the highest mean ROA of .0919 (.04425). The mean Stock price was 218.5820 (531.39732) wherein Platinum had the highest mean Stock price of 589.8120 (1098.12140).

Subsequently the respective diagrams observed which indicated that the relationship of dependent variables (ROE, ROA and Leverage) to independent variables (Firm Size, Age and Stock Price) varies into classifications.

3.2. Multivariate Regression Analysis

Table 6 presented the Regression Models for ROE, ROA and Stock Price. As observed, the models are divided into two; the Original Model and the Stepwise Model. The Original Model has the complete set of independent variable which includes Firm size, Firm age, Leverage, Governance Classifications (Silver, Gold, Platinum and Platinum Plus) and its interactions while the Stepwise Model consist of reduced independent variables that were significant to the

ROE, ROA and Stock Price which would be the final Model. R-square is used to determine the predicting ability of the model. A value above 0.300 or 30.0% amount of variance is said to have a good predicting ability while 0.800 or 80.0% is considered as high. Null hypothesis will be rejected at 0.05 α -level of significance.

For ROE, the original Model which consist of Firm size, Firm age, firm Leverage, Governance Classifications (Silver, Gold, Platinum and Platinum Plus) and its interactions were not significant with p-value of 0.124 and r-square of 0.449 or 44.90% amount of variance. However, the stepwise procedure was done; the impact became significant at p-value of 0.001 at 0.384 or 38.40% amount of variance from independent variables to ROE.

For ROA, the original Model which consist of Firm size, Firm age, Leverage, Governance Classifications (Silver, Gold, Platinum and Platinum Plus) and its interactions were not significant with p-value of 0.451 and r-square of 0.382 or 38.20% amount of variance. However, the stepwise procedure was done; the relationship became significant at p-value of 0.006 at 0.339 or 33.90% amount of variance from independent variables to ROA.

For Stock Price, the original Model which consist of Firm size, Firm age, Leverage, Governance Classifications (Silver,

Gold, Platinum and Platinum Plus) and its interactions were significant with p-value of 0.000 and r-square of 0.589 or 58.90% amount of variance. However, the stepwise procedure was done; the relationship is still significant at p-value of 0.000 at 0.562 or 56.20% amount of variance from independent variables to Leverage.

Table 7 presented the Original Model of Firm size, Firm age, Leverage, Governance Classifications (Silver, Gold, Platinum and Platinum Plus) and its interactions to ROE. Since there are parts of the model, which consist of Dummy variables, point of comparison is necessary. For the Governance Classifications, Silver is the point of comparison since there are a lot of companies under it. For the interaction of Firm size and Governance Classifications, Interaction of Firm size and Silver is the point of comparison while for the interaction of Firm age and Governance Classifications, Interaction of Firm age and Silver is the point of comparison. As observed, Interaction of Firm Age and Gold is the only variable that appeared significant at p-value of 0.002 in the Original Model of ROE for this, Stepwise Model will be considered to come up with set of independent variables that are significant to the entire model of ROE.

Table 6. Multivariate Assessment of the ROE, ROA and Stock Price Models

	ROE			ROA			Stock Price		
	R-square	P-value	Verbal Interpretation	R-square	P-value	Verbal Interpretation	R-square	P-value	Verbal Interpretation
Original	0.449	0.124	Not Significant	0.382	0.451	Not Significant	0.589	0.000	Significant
Stepwise	0.384	0.001	Significant	0.339	0.006	Significant	0.562	0.000	Significant

Table 7. Regression Analysis of ROE and the Independent Variables using the Original Model

ROE	Beta Coefficient	P-value	Verbal Interpretation
(Constant)	.070	.469	Not Significant
Firm size	.263	.121	Not Significant
Firm age	-.242	.110	Not Significant
Leverage	.000	.998	Not Significant
Silver	0a		
Gold	-.184	.654	Not Significant
Platinum	-.482	.415	Not Significant
Platinum plus	-.382	.559	Not Significant
Interaction of Firm Size and Silver	0a		
Interaction of Firm Size and Gold	-.799	.117	Not Significant
Interaction of Firm Size and Platinum	-.054	.913	Not Significant
Interaction of Firm Size and Platinum Plus	-.158	.776	Not Significant
Interaction of Firm age and Silver	0a		
Interaction of Firm age and Gold	1.384	.002	Significant
Interaction of Firm age and Platinum	.565	.199	Not Significant
Interaction of Firm age and Platinum Plus	.086	.841	Not Significant
Interaction of Leverage and Silver			
Interaction of Leverage and Gold	-.138	.658	Not Significant
Interaction of Leverage and Platinum	.061	.866	Not Significant
Interaction of Leverage and Platinum Plus	.465	.470	Not Significant

Table 8 presented the Stepwise Model of ROE. For Firm size, one unit increase in firm size leads to an increase in ROE by 0.185 with p-value of 0.049. For Interaction of Firm Size and Gold, if the company is at Gold classification, one unit increase in its firm size leads to 0.686 decrease in ROE with p-value of 0.027 as compared to firm size of companies under Silver classification (Interaction of Firm Size and Silver). For Interaction of Firm age and Gold, if the company is at Gold classification, one unit increase in its firm age leads to 0.922 increase in ROE with p-value of 0.003 as compared to firm age of companies under Silver classification (Interaction of Firm Age and Silver).

$$\text{ROE} = 0.010 + 0.185 (\text{Firm size}) - 0.686 (\text{Interaction of Firm Size and Gold}) + 0.922 (\text{Interaction of Firm age and Gold}) \quad \text{Model 1 (2)}$$

Model 1 presents the Stepwise Model for ROE wherein Firm size, Interaction of Firm Size and Gold and Interaction of Firm age and Gold significant.

Table 9 presents the Original Model of Firm size, Firm age, Leverage, Governance Classifications (Silver, Gold, Platinum and Platinum Plus) and its interactions to ROA. Still, for the Government Classifications, Silver is the point of comparison since there are a lot of companies under it. For the interaction of Firm size and Governance Classifications, Interaction of Firm size and Silver is the point of comparison while for the interaction of Firm age and Governance Classifications, Interaction of Firm age and Silver is the point of comparison. As observed, None of the independent variables appears significant which means that Stepwise Model will be considered to come up with set of independent variables that are significant to the entire model of ROA.

Table 8. Regression Analysis of ROE and the Independent Variables using the Reduced or Stepwise Model

ROE	Beta Coefficient	P-value	Verbal Interpretation
(Constant)	.010	.867	Not Significant
Firm size	.185	.049	Significant
Interaction of Firm Size and Silver	0a		
Interaction of Firm Size and Gold	-.686	.027	Significant
Interaction of Firm age and Silver	0a		
Interaction of Firm age and Gold	.922	.003	Significant

Table 9. Regression Analysis of ROA and the Independent Variables using the Original Model

ROA	Beta Coefficient	P-value	Verbal Interpretation
(Constant)	.094	.145	Not Significant
Firm size	.179	.305	Not Significant
Firm age	-.218	.165	Not Significant
Leverage	-.105	.451	Not Significant
Silver	0a		
Gold	.649	.130	Not Significant
Platinum	-.285	.641	Not Significant
Platinum plus	-.300	.657	Not Significant
Interaction of Firm Size and Silver	0a		
Interaction of Firm Size and Gold	-.378	.471	Not Significant
Interaction of Firm Size and Platinum	-.015	.977	Not Significant
Interaction of Firm Size and Platinum Plus	-.138	.810	Not Significant
Interaction of Firm age and Silver	0a		
Interaction of Firm age and Gold	.277	.534	Not Significant
Interaction of Firm age and Platinum	.313	.490	Not Significant
Interaction of Firm age and Platinum Plus	.099	.823	Not Significant
Interaction of Leverage and Silver	0a		
Interaction of Leverage and Gold	-.555	.088	Not Significant
Interaction of Leverage and Platinum	.010	.979	Not Significant
Interaction of Leverage and Platinum Plus	.286	.667	Not Significant

Table 10 presented the Stepwise Model of ROA. For Firm size, one unit increase in firm size leads to a decrease in ROA by 0.123 with p-value of 0.024. For Interaction of Firm Size and Gold, if the company is at Gold classification, one unit increase in its firm size leads to 0.589 increase in ROA with p-value of 0.010 as compared to firm size of companies under Silver classification (Interaction of Firm Size and Silver). For Interaction of Firm age and Gold, if the company is at Gold classification, one unit increase in its firm age leads to 0.614 decrease in ROA with p-value of 0.008 as compared to firm age of companies under Silver classification (Interaction of Firm Age and Silver). Model 2 presents the Stepwise Model for ROA where in Firm size, Interaction of Firm Size and Gold and Interaction of Firm age and Gold significant.

$$\text{ROA} = 0.114 + 0.185 (\text{Firm size}) + .589(\text{Interaction of Firm Size and Gold}) - .614(\text{Interaction of Firm age and Gold}) \quad \text{Model 2(3)}$$

Table 11 presents the Original Model of Firm size, Firm age, Leverage, Government Classifications (Silver, Gold, Platinum and Platinum Plus) and its interactions to Stock Price. Still, for the Government Classifications, Silver is the point of comparison, for the interaction of Firm size and Government Classifications, Interaction of Firm size and Silver is the point of comparison while for the interaction of Firm age and Government Classifications, Interaction of Firm age and Silver is the point of comparison.

As observed, Firm size and Interaction of Firm age and Platinum are the variables that appear significant at p-value of 0.032 and 0.021 in the Original Model of Stock Price for this, Stepwise Model will be considered to come up with set of independent variables that are significant to the entire model of Stock Price.

Table 10. Regression Analysis of ROA and the Independent Variables using the Reduced/Stepwise Model

ROA	Beta Coefficient	P-value	Verbal Interpretation
(Constant)	.114	.001	Significant
Firm size	-.123	.024	Significant
Interaction of Firm Size and Silver	0a		
Interaction of Firm Size and Gold	.589	.010	Significant
Interaction of Firm age and Silver	0a		
Interaction of Firm age and Gold	-.614	.008	Significant

Table 11. Regression Analysis of Stock Price and the Independent Variables using the Original Model

Stock Price	Beta Coefficient	P-value	Verbal Interpretation
(Constant)	-.388	.399	Not Significant
Firm size	.331	.032	Significant
Firm age	.180	.190	Not Significant
Leverage	.089	.464	Not Significant
Silver	0a		
Gold	.504	.178	Not Significant
Platinum	-.019	.972	Not Significant
Platinum plus	-.440	.456	Not Significant
Interaction of Firm Size and Silver	0a		
Interaction of Firm Size and Gold	-.311	.498	Not Significant
Interaction of Firm Size and Platinum	-.782	.081	Not Significant
Interaction of Firm Size and Platinum Plus	-.569	.260	Not Significant
Interaction of Firm age and Silver	0a		
Interaction of Firm age and Gold	-.052	.894	Not Significant
Interaction of Firm age and Platinum	.927	.021	Significant
Interaction of Firm age and Platinum Plus	.689	.079	Not Significant
Interaction of Leverage and Gold	.003	.992	Not Significant
Interaction of Leverage and Platinum	.000	.999	Not Significant
Interaction of Leverage and Platinum Plus	.520	.372	Not Significant

Table 12 presents the Stepwise Model of Stock Price. For Firm size, one unit increase in firm size leads to an increase in Stock Price by 0.260 with p-value of 0.024. For Firm size, one unit increase in firm age leads to an increase in Stock Price by 0.084 with p-value of 0.036. For Interaction of Firm Size and Platinum, if the company is at Platinum classification, one unit increase in its firm size leads to 0.691 decrease in Stock Price with p-value of 0.005 as compared to firm size of companies under Silver classification (Interaction of Firm Size and Silver). For Interaction of Firm age and Platinum, if the company is at Platinum classification, one unit increase in its firm age leads to 0.413 increase in Stock Price with p-value of 0.002 as compared to firm age of companies under Silver classification (Interaction of Firm Age and Silver) while for Interaction of Firm age and Platinum Plus, if the company is at Platinum Plus classification, one unit increase in its firm age leads to 0.107 increase in Stock Price with p-value of 0.034 as compared to firm age of companies under Silver classification (Interaction of Firm Age and Silver).

$$\text{Stock Price} = .076 + .260 (\text{Firm size}) + .084 (\text{Firm Age}) - 0.691 \left(\begin{array}{c} \text{Interaction of Firm Size} \\ \text{and Platinum} \end{array} \right) + 0.413 \left(\begin{array}{c} \text{Interaction of Firm Age} \\ \text{and Platinum} \end{array} \right) + 0.107 \left(\begin{array}{c} \text{Interaction of Firm Age} \\ \text{and Platinum Plus} \end{array} \right) \quad \text{Model 3} \quad (4)$$

Model 3 presents the Stepwise Model for Stock Price wherein Firm size, Firm Age, Interaction of Firm Size and Platinum, Interaction of Firm age and Interaction of Firm age and Platinum Plus are significant.

Table 12. Regression Analysis of Stock Price and the Independent Variables using the Reduced/Stepwise Model

Stock Price	Beta Coefficient	P-value	Verbal Interpretation
(Constant)	.076	.804	Not Significant
Firm size	.260	.024	Significant
Firm age	.084	.036	Significant
Interaction of Firm Size and Silver	0a		
Interaction of Firm Size and Platinum	-.691	.005	Significant
Interaction of Firm age and Silver	0a		
Interaction of Firm age and Platinum	.413	.002	Significant
Interaction of Firm age and Platinum Plus	.107	.034	Significant

3.3. Assumptions

3.3.1. Linearity Assumption

Table 13 presents the Linearity Assumption of the three models in the Analysis through “linktest” command of STATA. Here, the null hypothesis that the predicted model (Hat square is statistically equal to the real value of ROE, ROA and Stock Price. The goal of the researcher is to accept the null hypothesis that corresponds to linearity assumption. For ROE, the original Model has p-value of 0.004, which means that we reject the null hypothesis and therefore conclude that the original Model of ROE is not linear. However when stepwise analysis is considered, the p-value became 0.198, which means that we fail to reject the null hypothesis and therefore conclude that the stepwise or reduced Model of ROE is linear.

For ROA, the original Model has p-value of 0.081, which means that we fail to reject the null hypothesis and therefore conclude that the original Model of ROA is linear. When stepwise analysis is considered, the p-value became 0.258, which means that we fail to reject the null hypothesis and therefore conclude that the stepwise or reduced Model of ROA remains linear after the process.

For Stock Price, the original Model has p-value of 0.793, which means that we fail to reject the null hypothesis and therefore conclude that the original Model of Stock Price is linear. When stepwise analysis is considered, the p-value became 0.500, which means that we fail to reject the null hypothesis and therefore conclude that the stepwise or reduced Model of Stock Price remains linear after the process.

Table 13. Linearity Assumption

Model	Linearity Assumption								
	ROE			ROA			Stock Price		
	Hat2	P-value	Verbal Interpretation	Hat2	P-value	Verbal Interpretation	Hat2	P-value	Verbal Interpretation
Original	4.080	0.004	Non-Linear	5.002	0.081	Linear	0.036	0.793	Linear
Stepwise	1.124	0.198	Linear	4.043	0.258	Linear	0.138	0.500	Linear

3.3.2. Multicollinearity Assumption

Table 14 showed the Multicollinearity Test through Variance inflation factor (VIF) output for the model ROE, ROA and Stock Price Models. A VIF greater than 10 means that the data is subjected to multicollinearity. For ROE, the original Model has VIF of 236819.35, which means that the original model is subjected to Multicollinearity problem or over-correlation. However, when the stepwise process is done, the VIF became 7.660, which means that there is no presence of multicollinearity in the model. For ROA, the original Model has VIF of 236819.35, which means that the original model of ROA is subjected to Multicollinearity problem. However, when the stepwise process is done, the VIF became 4.25, which means that there is no presence of multicollinearity in the model on ROA.

Lastly for Stock Price, the original Model has VIF of 236819.35, which means that the original model of Stock Price is subjected to Multicollinearity problem. However, when the stepwise process is done, the VIF became 4.92, which means that there is no presence of multicollinearity in the model on Stock Price. Multicollinearity test is applicable on models with more than 3 independent variables because failure to meet this assumption will be subjected to Type 2 error. Through this test, spurious regression will be eliminated.

Table 14. Multicollinearity Assumption

Model	Multicollinearity Assumption					
	ROE		ROA		Stock Price	
	VIF	Verbal Interpretation	VIF	Verbal Interpretation	VIF	Verbal Interpretation
Original	236819.35	Multicollinear	236819.35	Multicollinear	236819.35	Multicollinear
Stepwise	7.66	No Multicollinearity	4.25	No Multicollinearity	4.92	No Multicollinearity

3.3.3. Heteroscedasticity Assumption

Table 15 showed the Heteroscedasticity on ROE, ROA and Stock Price Models. Here, we tested the null hypothesis that there was no Heteroscedasticity in the data. The motive is to accept the null hypothesis. For ROE, the original Model has p-value of 0.000, which means that we reject the null hypothesis and therefore concluded that the original Model of ROE is Heteroscedastic or unequal variances. However when stepwise analysis is considered, the p-value became 0.275, which means that we fail to reject the null hypothesis and therefore concluded that the stepwise or reduced Model of ROE is Homoscedastic.

Table 15. Heteroscedasticity Assumption

Model	Heteroscedasticity Assumption								
	ROE			ROA			Stock Price		
	Chi-square	P-value	Verbal Interpretation	Chi-square	P-value	Verbal Interpretation	Chi-square	P-value	Verbal Interpretation
Original	152.250	0.000	Heteroscedastic	42.440	0.409	Homoscedastic	42.050	0.425	Homoscedastic
Stepwise	1.190	0.275	Homoscedastic	10.680	0.153	Homoscedastic	8.350	0.909	Homoscedastic

For ROA, the original Model has p-value of 0.409, which means that we fail to reject the null hypothesis and therefore conclude that the original Model of ROA is Homoscedastic or equal variances. When stepwise analysis is considered, the p-value.

Became 0.153, which means that we failed to reject the null hypothesis and therefore conclude that the stepwise or reduced Model of ROA remains Homoscedastic.

For Stock Price, the original Model has p-value of 0.425, which means that we fail to reject the null hypothesis and therefore conclude that the original Model of Stock Price is Homoscedastic. When stepwise analysis is considered, the p-value became 0.909, which means that we fail to reject the null hypothesis and therefore conclude that the stepwise or reduced Model of Stock Price remains Homoscedastic.

3.3.4. Normality Assumption

Table 16 showed the Normality test of each variable. Unlike other assumption of regression, Normality test was done on each variable to determine which transformation procedure to be done onto it. Here, the null hypothesis that there is normality in the data is tested and the goal of the researcher is to accept the null hypothesis that variances are equal to 0, which corresponded to normality assumption. Using the raw data, Firm size, Firm age and Stock price are non-normal with p-value below 0.05 however, when the data is transformed; Logarithm on Firm size and Stock price and Square Root on Firm age, p-value became 0.343 (Firm Size), 0.111 (Firm Age) and 0.084 (Stock price) which mean that these variables were normal. On the other hand, Stock Price, ROE and ROA using its raw values are normally distributed with p-value above 0.05.

Table 16. Normality Assumption

Variables	Normality Assumption						
	Raw Data			Transformed Data			
	Chi-square	P-value	Verbal Interpretation	Transformation Procedure	Chi-square	P-value	Verbal Interpretation
Firm size	100.000	0.000	Non-Normal	Logarithm	2.140	0.343	Normal
Firm age	25.230	0.000	Non-Normal	Square Root	4.390	0.111	Normal
Leverage	6.170	0.064	Normal	No need to transform			
ROE	3.660	0.161	Normal	No need to transform			
ROA	2.890	0.113	Normal	No need to transform			
Stock price	72.090	0.000	Non-Normal	Logarithm	4.950	0.084	Normal

4. Discussion

In this study the researcher employed a relational approach using a cross sectional data of 52 companies across industries for the year 2009 to 2011 to estimate the impact of corporate governance classification on firm performance and stock price for the said period. With this end at hand, the researcher constructed regression models of firm performance using two proxies for performance (ROE and ROA) and Stock price to estimate the impact of governance classifications (Platinum plus, Platinum, Gold and Silver) to firm performance-accounting performance and stock price.

Other variables such as firm size, firm age and firm leverage were also identified and held as moderating variable in construction of the original model to take into consideration the effects of these variables to firm performance and stock price.

Table 17. Summary of models

	ROE	ROA	Stock Price
Single Variables			
● Firm size	Direct	Inverse	Direct
● Firm age			Direct
Interaction			
● Interaction of Firm Size and Silver	Direct	Inverse	Direct
● Interaction of Firm Size and Gold	Inverse	Direct	
● Interaction of Firm Size and Platinum			Inverse
● Interaction of Firm age and Silver	Inverse	Direct	
● Interaction of Firm age and Gold	Direct	Inverse	Inverse
● Interaction of Firm age and Platinum			Direct
● Interaction of Firm age and Platinum Plus			Direct

Followings present the discussion of result of the data according to table 17. As for this, null hypothesis are all rejected at 0.05 α -level of significance in all 9 hypothesis of this study.

1. Corporate Governance Classifications have no significant effect on ROA of top performance publicly listed companies in the Philippines during 2009 to 2011.

2. Corporate Governance Classifications have no significant effect on ROE of top performance publicly listed companies in the Philippines during 2009 to 2011.

3. Corporate Governance Classifications have no significant effect on Stock Price of top performance publicly listed companies in the Philippines during 2009

to 2011.

4. Firm size, Firm Age and Leverage on ROE

● Firm size has significant effect on ROE of top performance publicly listed companies in the Philippines during 2009 to 2011.

● Firm age has no significant effect on ROE of top performance publicly listed companies in the Philippines during 2009 to 2011.

● Leverage has no significant effect on ROE of top performance publicly listed companies in the Philippines during 2009 to 2011.

5. Firm size, Firm Age and Leverage on ROA

- Firm size has significant effect on ROA of top performance publicly listed companies in the Philippines during 2009 to 2011.

- Firm age has no significant effect on ROA of top performance publicly listed companies in the Philippines during 2009 to 2011.

- Leverage has no significant effect on ROA of top performance publicly listed companies in the Philippines during 2009 to 2011.

6. Firm size, Firm Age and Leverage on Stock Price

- Firm size has significant effect on Stock Price of top performance publicly listed companies in the Philippines during 2009 to 2011.

- Firm age has significant effect on Stock Price of top performance publicly listed companies in the Philippines during 2009 to 2011.

- Leverage has no significant effect on Stock Price of top performance publicly listed companies in the Philippines during 2009 to 2011.

7. Interaction of Corporate Governance Classification and Firm size, Firm Age and Leverage on ROA

- Interaction of Corporate Governance Classification and Firm size has significant effect on ROA of top performance publicly listed companies in the Philippines during 2009 to 2011.

- Interaction of Corporate Governance Classification and Firm age has no significant effect on ROA of top performance publicly listed companies in the Philippines during 2009 to 2011.

- Interaction of Corporate Governance Classification and leverage has no significant effect on ROA of top performance publicly listed companies in the Philippines during 2009 to 2011.

8. Interaction of Corporate Governance Classification and Firm size, Firm Age and Leverage on ROE

- Interaction of Corporate Governance Classification and Firm size has significant effect on ROE of top performance publicly listed companies in the Philippines during 2009 to 2011.

- Interaction of Corporate Governance Classification and Firm age has no significant effect on ROE of top performance publicly listed companies in the Philippines during 2009 to 2011.

- Interaction of Corporate Governance Classification and leverage has no significant effect on ROE of top performance publicly listed companies in the Philippines during 2009 to 2011.

9. Interaction of Corporate Governance Classification and Firm size, Firm Age and Leverage on Stock Price

- Interaction of Corporate Governance Classification and Firm size has significant effect on Stock Price of top performance publicly listed companies in the Philippines during 2009 to 2011.

- Interaction of Corporate Governance

Classification and Firm age has significant effect on Stock Price of top performance publicly listed companies in the Philippines during 2009 to 2011.

- Interaction of Corporate Governance Classification and leverage has no significant effect on Stock Price of top performance publicly listed companies in the Philippines during 2009 to 2011

Corporate governance

In relation to classifications

As presented earlier in the regression analysis as a part of this study, the results showed that corporate governance classifications have no significant effect on profitability of firms that are ROE and ROA and Stock price of respective firms. The study is in consistent with the previous study conducted by Bauer, et. Al (2004) which provided that there is an unexpected inverse relationship between corporate governance compliance and performance. In which, Bauwhede was able to determine that the reason behind the negative relationship is due to poorly governed companies using the available discretion over the timing of the asset sales to cover up their inherently lower operating performance.

As it mentioned earlier there is insignificant impact between corporate governance classifications and performances and stock price that is inconsistent with Heidi Vender Bauwhed's study that entitled "on the relation between corporate governance compliance and operating performance" indicated that there is strong positive relationship between the degree of compliance with international best practices on various governance dimensions and the operating performance of European companies.

The data in Bauwhede's study used return on assets as the preferred measure of operating performance because the income measure used in computing the return on assets, i.e. operating income, is less influenced by discretionary items than the income measure used to compute the return on equity or net profit margin, i.e. income before extraordinary items. The return on equity and net profit margin are the performance measures used by Bauer et.al. She also used the demenor rating as the variable representing the compliance with international best practices. This rating uses governance indicators that can be divided into four categories: rights and duties of shareholders, range of takeover defenses, disclosure on corporate governance and board structure and functioning. The demenor rating issues a rating on each one of the four categories. However, Bauwhede, in her research, focused her study of corporat governance with board structure category because this is the factor that does not significantly vary with the different corporations as it provides that the board of directors is the final internal control within the company. It hires, compensates and fires the CEO. The study was done using a regression analysis using a degree of compliance, as provided by Demenor Rating (using 1 to 5, within 5 being the highest) and the one year ahead ROA, Instead of the

contemporaneous, to make sure that the governance system described by the ratings are in place and operational at the moment when the operating performance is measured.

In relation to firm size, firm age and firm leverage

Firm leverage

In order to show the impact of moderating variables on dependent variables in this study, the researcher used the regression analysis also for this purpose. As a part of result, it needs to point first that firm leverage did not have any relationship or impact to Roe, Roa and Stock price at all. Even when the study came up to see the interactions to classifications, still there is no relationship or impact between firm leverage and other variables which is consistent with Bebczuk (2005), This may indicate that as firm leverage or debt needed to finance the operations of the companies increase, their return on equity may increase but the value they return to their assets may suffer.

On the other hand for the impact of firm leverage on stock price of the top performance publicly listed companies from 2009 to 2011, it may be seen, based on the results that firm leverage has no significant impact on stock prices and vice versa. This may mean that the debt incurred by the companies to maintain their regular operations may not have a direct and significant effect on the increase or decrease of their stock prices in the market. Therefore hypothesis about firm leverage will accept null and reject alternative hypothesis. According to Bebczuk (2005), "leverage ratio (debt to assets) can, on one hand, improved performance by limiting managerial behavior and by serving a signal of high quality, but on the other hand, high leverage may lead to assets substitution and underinvestment."

Firm size

Firm size may have either a negative or positive effect on performance. It may have a negative effect when if it is correlated with the exhaustion of growth opportunities. On the other hand, a positive effect may result if "size is correlated with more diversification, greater economies of scale and scope, more professionalized management, and less sever financial constraints" (Bebczuk, 2005).

The researcher found out that there is an insignificant relationship between firm size, as measured by natural logarithm of total employees, and operating performance. This result is consistent with the study of Bebczuk (2005), which also found no significant relationship between the two.

5. Conclusions

Silver companies had an increasing behavior across years. While Gold companies decreased across years same as to the companies classified as Platinum while no records for Platinum Plus companies. The average Firm size is 6765.0190; the average Firm Age is 48.2857 while mean Leverage is .5687. The mean ROE is .1504, mean ROA is .0798 and the mean Stock price is 218.5820. Across

Classification, there is an increasing number of firm size, mean ROE, ROA and Stock Price while a decreasing behavior across classification was observed on variables; Firm age and leverage. Most of the companies were under Silver with 59 or 56.2%, Gold with 33 or 31.4%, Platinum with 8 or 7.6% and Platinum plus with 5 or 4.8%.

According to observed results on hand, corporate governance classifications of top performance publicly listed companies in the Philippines (Platinum plus, Platinum, Gold and Silver) did not have any significant impact on firm performance (ROE, ROE) and Stock price, Firm size directly related to ROE and Stock Price while inversely related on ROA. Interaction of Firm Size and Silver, being the point of comparison of Interaction of Firm Size and government classification directly related to ROE and Stock Price while inversely related on ROA. The Interaction of Firm Size and Gold directly related to ROA while inversely related on ROE. Interaction of Firm Size and Platinum inversely related to Stock Price. Interaction of Firm Age and Silver, being the point of comparison of Interaction of Firm Age and governance classification directly related to ROA while inversely related on ROE. The Interaction of Firm Age and Gold directly related to ROE while inversely related on ROA and Stock Price. Interaction of Firm age and Platinum and Interaction of Firm age and Platinum Plus directly related to Stock Price. Cells in black are the once omitted during the stepwise process.

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