

An empirical analysis of corporate governance and firm value: Evidence from KSE-100 Index

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CHRONICLE

Article history:

Received December 5, 2014

Received in revised format

February 16 2016

Accepted July 1 2016

Available online

July 25 2016

Keywords:

Corporate governance

Firm value

Tobin's Q

ABSTRACT

This paper investigates the impact of corporate governance on firm value measured by Tobin's Q. Different corporate governance proxies i.e. board size, board independence, audit committee and CEO duality are interacted with firm value. A sample of 91 nonfinancial firms listed on KSE was selected over the period 2010-2014. The findings of the study show that board size and CEO duality had negative impacts on firm value. Moreover, board size, non-executive directors and audit committee had positive and significant impacts on firm value.

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1. Introduction

The study of corporate governance in the field of management has traditionally highlighted and addressed the complexities of organizational decision such as Board composition, powers of executives and senior managers (Smith, 2014). Various studies over the years, on subject of corporate governance have shaped a unique combination of stakeholder's working relationship, risk management, employee's compensation and other challenges important to organization (Renders & Gaeremynck, 2012; Huyghebaert & Wang, 2012; Pindado, Requejo, & de la Torre, 2012). Moreover, the constantly evolving organizational dynamics and business environment also give birth to new questions, issues and conflicting managerial roles and their new contexts to social and environmental complexities (King & Wen, 2011). Challenges like that, always present an opportunity for managers and policy maker to constantly fine tune the delicate strings of corporate governance in the best interest of their stakeholders.

The concept of corporate governance is deeply rooted into financial perspective. As highlighted by Shleifer and Vishny (1997) by raising key question at the heart of corporate governance as "the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment. How do the suppliers of finance get managers to return some of the profits to them? How do they make

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sure that managers do not steal the capital they supply or invest it in bad projects? How do suppliers of finance control managers?" This point of view is built on the concept of Agency theory, which advocates the segregation of managerial control and ownership in organization (Jensen & Meckling, 1976). According to recent studies and industry's critique, the concept of corporate governance has mushroomed out from the shell of narrow financial prudence, and gradually added more dynamic roles such as a stewardship and leadership under its umbrella. According to a market survey of Board of directors of various firms in 15 countries, the new hallmarks of vibrant corporate governance are, engaged leadership, organizational strategic alignment, openness to changing work dynamics and execution of strategic objectives (Heidrick & Struggles International, Inc., 2014). In different academic and industry research the effectiveness of corporate governance has been questioned in various organizations such as entrepreneurs, private equity firms, big organizations, government owned firms, family controlled businesses and different stakeholders, varying from simple consumer up to the policy makers. The quest of these questions and issues like authority of executives, responsibilities of board of directors and their relationships within organization have developed a key insight on the subject and rational for managerial decisions in the context of risk and uncertainty.

Contrary to developed countries, the growth in corporate governance research in developing countries like Pakistan is still at its initial stage (Ameer, 2013). The reasons of ineffectiveness of corporate governance is the nature of ownership, irresponsible boards, lack of policies, partial implementation of governance codes and unwillingness of management to implement corporate governance norms (Dar, Naseem et al., 2011). Due to lack of corporate practices and its importance in business world resulted in corporate failure and scandals like PTCL, ENGRO group of companies, Mehran bank, Crescent bank fraud, and Taj Company are some of the examples in Pakistan (Gull et al., 2013). Over the years different authors have used various proxies to gauge the importance of corporate governance rules and practice and their impacts on business success and failure. This study will add into the existing literature on subject of corporate governance by defining different proxies such as board size, audit committee, Board independence, and CEO duality, and their impacts on firm value for KSE listed non-financial firms.

The remaining paper is organized as follow. In section 2 of this study we will cover the brief literature review and identify proxies for corporate governance. The research methodology is covered in section 3 and section 4 will cover the results and analysis. The conclusion of the study will be drawn in last section 5 of the study.

2. Literature review and hypotheses development

The Corporate governance is system of integrated and interdependent rules, regulations, processes and activities to manage and control the affairs of an organization. Starting from defining the responsibilities of Board of director to effectively govern organizations, explaining the shareholders' role to appoint directors and auditors to insure the smooth, efficient and accountable working environment, and structuring executives, managers and employees conduct of business affairs (Wahab & Holland, 2012). The jobs of Board of directors are to set the organizational philosophies, delineate an organizational strategic plane, insuring the availability of resources to mangers and inspiring them to materialize those goals, in an accountable way, and at the same time also to provide adequate and timely information for shareholders (Lopes & Walker, 2012). Further, boards are accountable to shareholders and their actions are subject to strict laws and regulations (Cadbury, 1992). The topic of corporate governance is not new to academic research and it has always been under spot light by electronic press and media. Various studies have covered the area of owner's interest, corporate monopoly, board structure, management roles and authority, pay structure, bonuses and many more fine areas in various dynamics and different geographic boundaries (Dalton et al., 2007). But some new dynamics evolved in the field of corporate governance in past few decades are worth mentioning. Although, these developments are predominantly part of corporate world of advance economies, but sooner or latter its influence will felt in developing economies as well.

First, the importance of agency problems has been highlighted by a series of events of corporate failure specifically in late 1990s and early 2000s, till recent times of subprime crisis (McDonnell & King, 2013). The mega corporate scandals across the globe like BCCI, Enron, WorldCom, Northern Rock, Lehman Brothers, Freddy Mac, Fanny Mae and many more have motivated global corporate reforms and regulations in developed world, which was followed and adopted by developing world (Vintila & Gherghina, 2013). The most prominent among these are Oxley Act in the United States, the Cadbury Code in the United Kingdom, Cromme Code in Germany, the Provisional Code of Corporate Governance for Securities Companies in China, and the Recomendações sobre Governança Corporativa in Brazil and Code of Corporate Governance in Pakistan (Kamran & Shah, 2014). These corporate reforms have brought numerous managerial challenges and technicalities to managers and policy holders, which would have long lasting effects on organizational performance and conduct of daily affairs as highlighted in studies by Shipilov et al. (2010), Zhang and Wiersema (2009), and others.

The second important area in corporate governance is CEO's monitoring and compensation especially in big firms and financial conglomerates (Kacperczyk, 2009). This area has attracted massive media attention and criticism in the aftermath of corporate scandals in late 1990s and early 2000s, but after the global financial crisis in 2007, much more attention was given to address the dark area of corporate world and media investigation (Bednar, 2012; Pollock et al., 2008). Third and a very important dynamic in corporate governance was the response of politicians, regulators, and other authorities after the global melt down, which led direct and indirect interventions in many organization by governments (Cuomo et al., 2013). The capital induction by government specifically in financial sector and some other sectors give birth to a new way of organizing business. At the same time those sectors were brought under a very tight government defined rules of governance and goals under the "narrative of too big to fail". The government involvement in those sectors was mostly temporary, but in some instances governments maintained and even extended its stakes, resulting in state capitalism (Inoue et al., 2013).

Fourth, important development in the landscape of corporate governance is increased scrutiny of managers and executives by various stakeholders which were traditionally not responsible or bothered to take this sort of governance duties (Kacperczyk, 2009). These stakeholders are employees, unions and associations, social activists, and other groups which may not be directly responsible to run the affairs of corporations. For instance, increasing the number of managerial fraud and executives scams have been reported and shared by employees on various social media networks. Similarly, different social movement groups and organizations formed by employees, customers and other stakeholders are frequently putting pressure on managerial and executive decisions by organizing different seminars, public awareness campaigns and even calling for protests against the organization's policies (McDonnell & King, 2013). This general public awareness and threat of boycotts have pushed the managers to change their line of actions and forced them to alter organizational policies in line with the interest of all stakeholders, or broadly we can say that traditional profit oriented policies have been transformed into "triple bottom line, i.e. profit, people and planet (Jayachandran et al., 2013; King, 2008)

2.1 Corporate Governance in Pakistan

Historically in Pakistan the only available legal document to address the issues of corporate governance was Companies Ordinance, 1984. Latter on with changing global scenario and specifically after Asian financial crisis in 1990s, the OECD established the best practices for corporate governance which became a reference for most of developing countries (Javed & Iqbal 2010). In year 2002, Securities Exchange Commission of Pakistan (SECP) issued *Code of Corporate Governance (CCG)* a comprehensive set of corporate governance rules, to establish the trust of various stakeholders on corporate management (Javed & Iqbal 2007). The Code of Corporate Governance rules addressed different issues of corporate governance in its 47 sub clause, which was revised in 2012 again (Ameer, 2013). Subsequently, SECP also launched corporate governance rules for state-owned commercial entities in March 2013 which enhance corporate governance framework for public sector companies (Kamran & Shah, 2014). In past one and half decade the area of corporate governance in Pakistan is under academic research and discussion and various aspects are investigated in local dynamics (Gull

et al., 2013). Different authors have used various proxies to gauge the importance of corporate governance rules and practice and its impact on business success and failure. Some of those proxies of corporate governance such as board size, board independence, audit committee and CEO duality will be discussed in different dynamics and its association with firm value will be identified.

2.2 Board Size

One of the main proxy to corporate governance is Board size, which means total number of directors on the board. Board of directors has a responsibility to ensure the implementation of corporate governance practices (Shleifer & Vishn, 1997). According to Malik et al., (2014) the relationship between board size and firm value is still a fundamental issue for researcher. Some authors suggest that on average 5 to 16 members to be present at the board of an organization (Yasser et al., 2014). There are two schools of thoughts, large board and small size board, both have their own advantages and criticisms. But empirical research results are mixed across various countries and industry dynamics, and still it is a matter of research which school of thought to be followed in a particular situation (Yang et al., 2009). If the academic research is broadly analyzed, the imperial results in developing countries show a mix results on association of board size and firm (Nazir et al., 2009).

The advocate of small board size in organization (Lipton & Lorsch, 1992; Jensen, 1993; Yermack, 1996; Mak & Kusunadi, 2005) believe that, small board results in better for organizational performance, higher firm value and oversight. Smaller boards have the abilities to better communicate, coordinate and make decisions more, effectively. According to Yasser et al. (2011) the limited number of directors in the board has a positive impact on firm value. Similarly result were drawn in research conducted by Yermack (1996), Mak and Khusnadi (2001), Rouf (2011) and found in their studies a negative relationship between board size and firm value. They are of the view that, small boards results in efficient and smooth operations of organization.

But contrary to smaller board size in organization there is constant debate and support from empirical results to have large board in organization. Coleman and Biekpe (2006) argue that in developing countries like Ghana the board size and firm value have a positive relationship. Van den Berghe and Levrau (2004) argued that resource enrichment theory favors the large board size that increases the value of firm because members have managerial talent and they perform their duties effectively. There is also a view point that large board size has more control on top management and directors can prudently monitor the management performance and duties, which will eventually increase the value of the firm (Abdullah et al., 2012). The advocates of large board size suggested that firms that are large in size and complex require more expertise of their directors. So the presence of large board and more representation of directors are prerequisite for smooth operations and control. This variation in views on board size leads us to our first Hypothesis.

H₁: Board size has a significant impact on firm value.

2.3 Board Independence

In pursuance of good governance and Code of Corporate Governance in Pakistan it is required for every listed company to have, at least, one third independent directors. At the same time the executive directors must not exceed 75% of board size (Yasser, et al., 2014). The simplest way to establish the independence of board in a firm is to find the presence of non-executive directors on a board (Gallo, 2005). There are some studies which hold the view that board independence and firm value have negative relationships. Similar results were found in the studies conducted by Bhagat and Bolton (2008), Dah et al. (2012) which show that the presence of independent directors would make things more completed and in most of the cases will result in delay of decisions making and thus will negatively affect the firm value.

The nonexecutive directors play a significant role in value creation for the firm. Various studies have been conducted in different sectors and geographic location across the globe such as Choi et al. (2006), Chan and li (2008), Nazir et al. (2009), Dunstan et al. (2011), Rouf (2011), Vintila and Gherghina

(2013) found that there was a positive and significant relationships between board independent director and firm value. The presence of non-executive directors on board gives a positive signal to the investors and shareholders in particular and stakeholders in general that affairs of the firms are prudently monitored which also increase public confidence and subsequently add to firm value (Hassan & Butt, 2009). According to agency theory the large proportion of independent directors affect positively the value of firm (Ramdani & Van, 2009). The presence of independent directors on board will insure the effective timely monitoring and will also safeguard the interests of shareholders and in most of the times leads to on merit selection of CEO to run the organization (Khan & Awan, 2012). The above discussion leads us to our second hypothesis of the study.

H₂: Board Independence has significant impact on firm value.

2.4 Audit Committee

The role of audit committee is no less important in pursuance of good governance. The role of audit committee is explained by Cadbury (1992) as “*Audit committees provide a frame work within which the external auditor can assert his independence in the event of dispute with management and strengthen the position of internal audit function, by providing a greater degree of independence from management*”. In Pakistan according to Corporate Governance Code 2012, every listed company should has an audit committee. Audit committee consists of total three members all of which should be non-executive directors.

The role of audit committee is of great importance in good governance and protection of rights shareholders, which results in smooth operations and sense of responsibility across the firm (Aanu et al., 2014). Beside financial fairness of a corporation it also enhances the financial and managerial capabilities by insuring the implementation of good practices (Epps & Cereola, 2008). Other studies like Anderson, Mansi and Reeb (2004), Matar et al. (2014) show the same positive association between firm value and audit committee. To reduce the agency problems it is very important to place a well functioning and an independent audit committee (Erickson et al., 2005). The size and the number of meeting of audit committee is of great interest in academic discussion, and have been frequently associated with firm value (Abdelsalam & Street, 2007). Various studies conducted such as Dar et al. (2011), Rouf (2011), Chughtai and Tahir (2015) came up with results that audit committee and firm value have negative relation. At same time, there is also a risk of financial misreporting if the size of audit committee is increased too much (Chaganti et al., 1985).

H₃: The Size of audit committee has a significant impact on firm value.

2.5 CEO Duality

The CEO duality means that the CEO is also holding a position as a Chairman of the board of directors. According to Yang and Zhao (2014) the separation of post of CEO and the Chairman of the Board is one of the most debatable corporate governance issues in recent years. The Board of directors will define duties to Chairman and CEO, whether these are the same or separate. The relationship between CEO duality and firm value, have been examined in numerous occasions and circumstances, but there results are always mixed and inconclusive (Wellalage & Locke, 2011). Some of the researchers are in the favor of CEO duality and came up with positive association between CEO duality and firm value. With fast evolving work dynamics it is important to have a clear chain of authority and control, and it would not be possible without CEO duality (Gillan, 2006). The same results are confirmed by Rouf (2011) which found in his study that there was a positive relationships between CEO duality and firm value. On other hand authors like Fosberg (2004), Sanda et al. (2005) confirmed that when CEO and chairman of the board positions are separate then there would be more valuable prepositions for the firms. The integration of power in one hand is not the norm of today’s work environment and it will bring negative effects on a firm performance especially in long run (Combs et al., 2007). Almost similar result was drawn by Agrawal and Chadha (2005) that CEO and chairman of the board positions should not be held by the same person. This led us to our fourth hypothesis.

H₄: CEO duality has significant negative impact on firm value.

2.6 Firm Value

Good corporate governance is believed to be one of the important factors in improving the value of the firm. There is a growing body of literature in finance which provides evidence on the linkage between corporate governance practices, corruption, legal infrastructure and firm performance and value (Ficici & Aybar, 2012). According to Black et al. (2003) the corporate governance is an important factor of explaining the market value of companies. They found in their study that there was a positive and significant relationships between corporate governance index and firm value. There is a constant support to confirm the notion that good corporate governance would increase the value of the firm (Bauer et al., 2004)

The value of firm is the amount of benefits by shareholder from the share of the firm. In empirical studies Tobin's Q has been widely used as a proxy to measure the value of firm (Lindenberg & Ross, 1981; Amit & Wernerfelt, 1990; Palia, 2001; and Bhagat & Jefferis, 2002). Tobin's Q is defined as the ratio of the Market Value of Assets (equity and debt) to the Replacement Value of Assets. According to Lang and Litzenberger (1989), Tobin's q is a growth measure and a high Tobin's q value shows that growth increase.

Tobin's Q was calculated by a following formula in previous studies.

$$\text{Tobin's } Q = \frac{(TA - BE) + MVE}{TA}$$

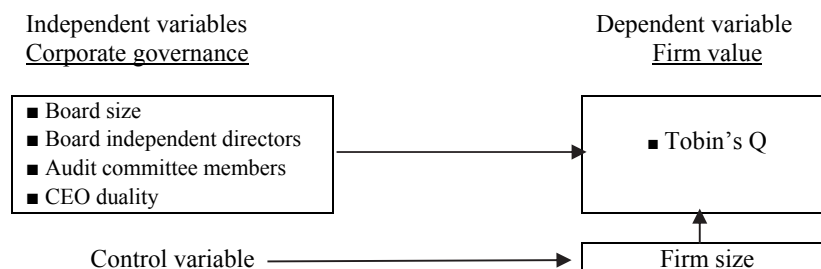


Fig. 1. The proposed study

3. Research methodology

In this study we used 5 years panel data from time period 2010-2014, using stratified random sample by dividing different firms (nonfinancial firms) in to different sectors on Karachi Stock Exchange. From different sector 91 non-financial firms were selected using simple random sampling. For data analysis we used E-Views software and applied different test such as Panel data regression, Hausman test, Random Effect Regression. In this study following dependent, independent and control variable are used.

Table 1

Variable Definition

Dependent Variable		
Firm Value	Firm value measured by Tobin's Q.	Tobin's Q = $\frac{(TA - BE) + MVE}{TA}$
		<i>TA=Total Assets, BE=Book value of Equity, MVE=Market Value of Equity</i>
Independent Variables		
Board Size	Total number of directors in the board	
Board Independence	Proportion of independent directors sitting in board	
Size of Audit Committee	Total numbers of audit committee members	
CEO Duality	0 for Same person occupies the post of chairman and chief executive and 1 for separate.	
Control Variable		
Firm Size	Natural log of firm Total Assets	

To analyze the data following model is used.

$$Q = \alpha + \beta_1(BS)_{it} + \beta_2(BID)_{it} + \beta_3(AC)_{it} + \beta_4(CD)_{it} + \beta_5(FS)_{it} + \mu_i$$

In this model Tobin's Q is used for firm value as a dependent variable and board size (BS), board independent directors (BID), audit committee (AC), CEO Duality (CD), as independent variables, and firm size (FS) used as a control variable. α is the intercept and β shows slope $t = \text{time}$.

4. Results and Analysis

In this section, we discuss about the data and its results. The collected data are analyzed by using E-views software and descriptive statistics and random effect techniques are applied on the data.

4.1 Descriptive Statistics

The descriptive statistics explain the features of the data quantitatively. Following descriptive statistics in Table 2 shows the mean, median, standard deviation of each variable. The mean value of Tobin's Q is 1.49 of sampled of 91 firms listed on Karachi stock exchange. The average board size (BSIZE) of the sampled firms is 8 with standard deviation of 1.46. The minimum members are 6 and maximum members are 14 and average proportion of independent directors in the board is 5.27 with a standard deviation of 2.11. The minimum proportion of independent directors in the board 0 and the maximum limit is 13. This indicates that on average the independent nonexecutive director is approximately 5.27% of the board. The average size of audit committee in the firms is 3 with standard deviation of 0.68. The results show that audit committee consists of minimum 2 and maximum 6 members. The results indicate that 74% person holding the position of holding the position of CEO and chairman separately. Only 26% of them holds CEO and chairman position at the same time.

Table 2
Descriptive Statistics

	TOBIN Q	FIRM SIZE	B SIZE	BIND	BACOM	CEOD
Mean	1.498833	22.63969	8.070330	5.270330	3.340659	0.742857
Median	1.004000	22.49500	8.000000	5.000000	3.000000	1.000000
Maximum	12.69000	27.66500	14.00000	13.00000	6.000000	1.000000
Minimum	0.014000	16.90300	6.000000	0.000000	2.000000	0.000000
Std. Dev.	1.480268	1.722027	1.456982	2.108170	0.686878	0.437540
Skewness	3.824173	-0.084648	1.691476	0.730426	2.014800	-1.111325
Kurtosis	22.36419	4.009390	6.034230	5.295054	6.507963	2.235043
Jarque-Bera	8217.849	19.85939	391.5070	140.3174	541.1367	104.7511
Probability	0.000000	0.000049	0.000000	0.000000	0.000000	0.000000
Sum	681.9690	10301.06	3672.000	2398.000	1520.000	338.0000
Sum Sq. Dev.	994.8023	1346.281	963.7495	2017.749	214.1978	86.91429
Observations	455	455	455	455	455	455

4.2. Hausman test for random effect regression or fixed effect regression

For analysis of data first we have used Hausman test to choose between Random Effect and Fixed Effect. We got insignificant result from Hausman test i.e. p-value of 0.3179, which leads us to use random effect model to analyze data.

Table 3
Hausman Test

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.882146	5	0.3179

4.3 Results and Discussion

The result of Table 4 shows that board size p-value is 0.048 which is significantly associated with firm value, and thus we accept our first hypothesis, i.e. H_1 : Board size has a significant impact on firm value.

But the coefficient of board size is negative i.e. -0.166; which means that board size is negatively but significantly correlated with firm value (Tobin's Q). This shows that small board size will lead to a better firm performance, earlier studies (Goodstein et al., 1994; Judge & Zeithaml, 1992; Ran et al., 2014) confirmed this notion and identified multiple issue like slow decision making, low R&D spending, higher fixed asset investments and free rider problem with increasing the size of board in organizations. The Board independent directors p-value is 0.002 which shows that null hypothesis will be rejected and our second hypothesis will be accepted, i.e. *H₂: Board Independence has significant impact on firm value*. The coefficient of Board Independent director's is positive i.e. 0.157. So the results show that Board independent directors have a significant and positive relationship with firm value. It means more nonexecutive directors in the board will increase the value of firm. It will also give a positive signal to the investors and shareholders that firm are being effectively monitored which will add to public confidence and ultimately results in value of firm (Hassan & Butt, 2009). According to agency theory the adequate control of management authority is not possible without the existence of independence of board and to insure the avoidance of possible opportunism and nepotism of management in greater interest of shareholders (Fama & Jensen, 1983; Jensen, 1993; Jensen & Meckling, 1976). The presence of independent directors will also reduce information asymmetries and agency costs between shareholders and management (Chang, 2009; Daily, 1995; Fich & Slezak, 2008).

Board audit committee p-value is 0.013 which means null hypothesis will be rejected and accepts our third hypothesis i.e. *H₃: The Size of audit committee has a significant impact on firm value*. The coefficient value is 0.301 which means board audit committee is positively and significantly related with Tobin's Q. The result shows that an increase in the size of audit committee will increase the value of the firm. According to DeAngelo (1981) the independence of audit committee is a key to detect financial manipulation and errors. At the same time the presence of auditor from large and reputable auditing firms will insure financial and operational stability as compared to auditors from smaller auditing firms (Palmrose, 1988). Yasser et al. (2011) also found in their study that audit committee had a positive and significant impact on firm value. The CEO duality variable's p-value is 0.696; which is greater than significance level of 5%, so the null hypothesis is accepted and thus we reject our fourth hypothesis i.e. *H₄: CEO duality has significant impact on firm value*. So, the CEO duality has insignificant and negative impact on firm value. Some authors argue that separation of a role of CEO and chairman is a key to effectiveness of board and monitoring controls (Baysinger & Hoskisson, 1990; Jensen, 1993). The research conducted by Amba (2013) also confirm the same results and further suggested that CEO duality create agency cost and decrease the value of firm. Chughtai and Tahir (2015) found in their study CEO duality has insignificant impact on firm value.

Table 4
Results of Panel Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.076660	1.471453	0.731698	0.4647
FIRM_SIZE	-0.000772	0.062046	-0.012443	0.9901
B_SIZE	-0.166636	0.082801	-2.012493	0.0448
BIND	0.157560	0.051203	3.077146	0.0022
BACOM	0.301183	0.121833	2.472093	0.0138
CEOD	-0.070110	0.179806	-0.389921	0.6968
Weighted Statistics				
R-squared	0.037693			
Adjusted R-squared	0.026976	S.D. dependent var		0.983023
S.E. of regression	0.969674	Sum squared resid		422.1798
F-statistic	3.517367			
Prob(F-statistic)	0.003950			

5. Conclusion

The relationship between corporate governance and firms' value has been enormously documented in various countries especially in developed world. But there is a clear gap in academic research in Pakistan on this issue. This study aimed to address that gap in current academic research. Different proxies of corporate governance such as board size, board independence, audit committee and CEO duality were identified with the help of existing literature and their impacts on firm value were identified. The results have shown that board size had a negative but significant impact on value of the firm. The average board size of the sampled firms was 8, with the minimum members of 6 and the maximum members of 14. The other variable of corporate governance used in the study was existence of non-executive directors in the board, which was brought under discussion to gauge the independence of a board in their decisions. The results have shown that non-executive directors had significant and positive impacts on firm value. On average there were 5-6 independent directors in firms, which is on higher side especially by considering the average board size of 8 members. Audit committee plays an important role to implement corporate governance practices and to increase the value of the firm. The results of the study have shown that audit committee had a positive and significant relationship with firm value. The average size of audit committee in KSE listed firms was 3 with the minimum of 2 and the maximum of 6 members. The CEO duality had insignificant and negative impact on firm value. In 74% firms, the CEO and chairmen positions were held by different people and only in 26% of the firms the position of CEO and Chairman was held by the same person. The position of CEO and Chairman should be separated as it would result in conflicts of interest and also may increase in agency cost.

This study is just a beginning of a long journey. For future research on subject area more corporate governance variables like family ownership structure, board size characteristics, women role in the board and impact of firm value can be taken in to consideration

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