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Corporate Governance and Firm Performance: Empirical Evidence from Pakistan Banking Sector

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Abstract: Corporate governance is important in developing a culture of integrity in an organization that enhances the performance of business resulting in sustainability in the business of the organization. The purpose of this study is to investigate the impact of corporate governance factors on bank performance in Pakistan. The data was collected from 15 banks from the period of 2010 to 2020. The data was sourced the financial reports of the banks. The technique was applied for this research included the Co-integration test, the Hausman test to determine Random or Fixed Effect, and the Panel Least Square Regression to check the relationship between variables The result found that board size has a significant effect on return on assets indicated that optimum board size in an organization increases the ROA. The results found board independence has a significant effect on return on assets indicating the independency of directors is involved in creating greater value for shareholders. The results found that CEO/Chairman duality has an insignificant impact on return on assets. The results found leverage has a significant impact on return on assets indicating that having high leverage earns more profit. The results found a positive impact of firm size on return on assets. Results can be concluded that improvement in corporate practices increases the firm performance shows the positive revenue generates by the company and the company used its assets through business. Good CG practices make firm-healthy.

Key words: Corporate Governance, Firm Performance, Firm Size, Leverage.

1. Introduction

Corporate governance is basically a system of practices, rules and process by which an organization is directed as well as controlled. It is involved in measuring the power as well as accountability of all the individuals working in the organization. Weil et al. (2004) defined corporate governance as a code of control for managerial conduct, organization, and corporate management. CG is important in developing the culture of integrity in an organization that enhance the performance of business result into sustainability in the business of organization. Brown et al. (2004) ensure that CG imparts a significant influence on the performance of firm. According to him, there are six main pillars of corporate governance (CG) i.e, rules of law, effectiveness and efficiency, moral integrity, responsibility and accountability, transparency, and participation. All these pillars of corporate governance impart a significant effect in enhancing the firm performance FP.

Fooladi et al. (2013) explained that corporate governance is important in reducing the agency conflicts between both parties in a firm. This study explained that CG helped in aligning the goals of organization considering all stakeholders of firms to enhance its performance. This study explained that CEO/Chairman duality don't impart significant influence on the performance of organization.

Mashayekhi et al. (2008) explained that CG impart a significant effect on the performance of an organization. All the factors of corporate governance board size, institutional investors, board independence, and board leadership impart a significant effect on all profitability indicators: ROA, ROE, and EPS of organization.

There are multiple factors of corporate governance impart its effect in performance of a firm, it has been noted that factors of corporate governance: size of firm, size of board, leverage of firm, duality of Chairman/CEO and independence of board impart its influence on FP. This study is done to measure the effect of CG on the performance of firm in the banking sector of Pakistan. The study of Ajanthan et al. (2013) explained that four aspects of CG: board meeting frequency, size of board, percentage of outside directors, and diversity of board significantly influence performance of banks.

The concept of CG has been studied in multiple studies i.e. Inam et al. (2014), Alodat et al. (2021), Brown et al. (2004), and Fooladi et al. (2011). Most of these studies have suggested that CG mechanism positively influence on the FP. However in studies of Ajanthan et al. (2013) and Ramiz ur Rehman et al. (2012) explained that corporate governance practices don't impart significant effect on the performance of banks in Pakistan. This research identified some gaps present in literature which indicate that performance of banks in Pakistan has enhanced due to presence of proper corporate governance. However the appropriate implications of all factors involved in corporate governance mechanism to enhance the banking performance don't discussed in literature in detail. Thus, this research has been done to overcome the identified research gap. The study's basic purpose is to measure the impact of CG on the FP. Current paper includes literature review, methodology, data analysis and conclusion.

2. Literature Review

2.1 Banking industry in Pakistan

The banking industry that involved in providing the financial services to the public. There are 31 banks present in banking industry of Pakistan from which five banks are public, four are foreign banks, and 22 are local private banks. The six banks of Pakistan are main competitors of Pakistan and hold almost 57% of deposits as well as 53% of advance in the economy of Pakistan. State Bank of Pakistan regulates the banking industry as it govern all local banks under its cost-effective regulations.

International Basel III Standards also implemented on all banks of Pakistan for proper regulation. The growth of banking industry of Pakistan is remarkable in some past years such as from 2009 to 2016 total assets of Pakistan has increased from 6,516 pkr billion to 15,134 Pkr billion, and deposit rate has increased from 4,786 OJR billion to 11,092 PKR billion. Therefore, it would be interesting to analyze the impact of CG on firm performance.

Theoretical background

The agency theory is relate with corporate governance. This theory was first introduced by (Jesen & Meckling, 1976). It explained to understand the connection between agents (Managers) and principals (Shareholder). The delegation to run a business is given to the director or managers who are the agent of the shareholders by principals (Clarke., 2004). Resource dependence theory introduced in 1970s by Jeffrey Pfeffer and Gerasld R. Salancik, focuses on the board of directors' role in providing the resources access that increases the firm's survival, performance and functions (Nizam et al., 2022).

CG and Firm performance

CG is combination of process and rules by which an organization controlled all its actions. It is stated that CG is basically implication of process to ensure the safety of all rights of shareholders of an organization. CG imparts a significant effect in enhancing the financial performance of an organization. Alodat et al. (2021) has done a study to measure the influence of CG on the financial performance. This study is done to measure the influence of attributes as well as ownership structure of director boards and the audit committee on the performance of an organization. There are multiple theories such as resource dependence as well as agency theory has explained the impact of CG on the performance of an organization. The study also outlined the provisions of the provision of ownership structures, particularly foreign ownership and institutional holdings, describing the part that reflects structural importance in explaining corporate performance.

Researcher of this study has implemented empirical approach for conduction of this study to measure the impact of CG on almost 81 non-financial organization over a period of 2014 to 2018. The findings of this study measured that board of directors as well as audit committee impart a positive remarkable effect on the performance of an organization. It is also assessed that both foreign as well as institutional ownership have positive remarkable effect on the ROE and performance of an organization. Whereas, Tobin's Q led impart negative effect on the ownership as well as performance measures of an organization.

Brown et al. (2004) has done a study to measure the relationship present between the CG and the financial performance of organization. The findings of this study explained that the better governing of organization enhance the pay out, profitability, as well as value of organization towards their shareholder. This study measured that which category from these eight category majorly involved in enhancing the performance of organization. The findings of this study explained that good governance of an organization regarding the compensation of directors and executive are highly related to the effective performance of an organization.

Fooladi et al. (2011) has done a study to determine the impact of CG on the financial performance of an organization. The regression analysis on data set of this study explained that CEO duality has a significant influence on the performance of organization whereas ownership structure, board independency, and board size don't have significant influence on the performance of organization.

Mashayekhi et al. (2008) has done a study to measure the influence of corporate governance on the performance of organization in Iran. The results ensure that board size impart negative effect on the performance of organization. It is concluded that institutional investors and board independence impart a positive significant effect on the performance of organization.

Board Size

Board size is defined as the number of directors present in the board of an organization involved in decision making process and other important process of organization. Board size impart a significant impact on the firm performance and optimum board size is 8-10 directors of an organization. It is stated that smaller board size impart significant effect on performance of organization that result in the increase of ROA of organization. Whereas larger board size decrease the performance of organization which result in the reduction of ROA of organization. Multiple scholars have done their study to measure the effect of board size on the performance and ROA of an organization.

Staikouras et al. (2007) has done a study to assess the effect of board size on the performance of banks of Europe. The results of this study explained that board size of directors impart a negative effect on the financial performance and profitability of organization. Whereas board compensation impart a negative effect on the performance of financial institution.

Shakir et al. (2008) has done a study to determine the impact of board size, board composition, as well as property on the performance of an organization. The conducted survey of this study explained that good CG impart a significant effect on the performance of an organization. Thus, it is concluded that board composition as well as board size impart a significant effect on the performance of an organization.

Board independence

Board independence is defined as the condition in which majority or all directors of a board don't have any relation with the organization. Board independence is very important for the performance of an organization as this independence is involved in creating the greater value for shareholders. The presence of board independence enhanced the reputation of organization and also increased the shareholders of organization that result into the increase in profitability of organization. Thus, board independence impart a significant effect on the profitability of an organization.

Syed Fuzi et al. (2016) has done a study to assess the influence of board independence on the performance of organization. The findings showed that independent managers and company performance had a mixed link. While the corporations were the most independent managers, it would not ensure improved performance in the company. Thus, it is concluded that monitoring of independent directors is important to enhance the positive values of shareholder of an organization.

Uribe-Bohorquez et al. (2018) has done a study to assess the relation of board independence on the performance of an organization. The findings of this study explained that board independence in an organization impart a positive influence on efficiency in the performance of an organization. The implementation of laws regarding board independence also enhance the performance of organization. Thus, it is concluded that the performance of board independence is increased in organization that ensure the implementation of laws or any legal body regarding board independence.

Chairman Duality

Chairman duality is defined as the situation in which CEO of an organization also hold the position of chairman of board. CEO/ chairman duality also affect the performance of an organization because in this way the control as well a monitoring on all tasks of organization has reduced that result into the poor performance of organization. Some theories explained that chairman duality is good for the organization as it enhance the performance of organization.

Arslan et al. (2014) has done a study to determine the effect of CEO duality as well as audit committee on the performance of oil and gas listed organization present in Pakistan. The findings of this study explained that audit committee has remarkable positive influence on the ROE of organization. Whereas, CEO duality don’t impart a significant effect on the ROE as well as profit margin of organization. The findings of this study also concluded the importance of both audit committee as well as CEO duality on the profitability of organization.

Shrivastav et al. (2016) has done a study to determine the relationship present between CEO duality and the performance of an organization by using pane regression approach. The findings of this study explained that CEO duality has negative influence on performance of organization when Tobin’s Q is taken as the measure of performance.

Firm Size

The size of a firm is defined as the Firm size impart a positive effect on the performance of an organization that is measured by ROA. The size of an organization basically explained the experiencing growth as well as overall growth of the organization so that it has positive place in the market.

Abbasi et al. (2015) has done a study to determine the moderating effect of firm size on the financial performance of an organization. The findings of regression analysis measured that alternate hypothesis of this study accepted whereas null hypothesis is rejected. Thus, it is concluded that firm size impart a significant moderating effect on the growth as well as performance of organization.

Azhar et al. (2019) has done a study to determine the relationship present between the firm size and profitability of organization present in Pakistan. The results of this study explained that there is no as such remarkable relationship present between the firm size and performance of organization in the textile industry of Pakistan

Firm Leverage

It is defined as the investment strategy of an organization to enhance its performance and profitability. The leverage of an organization is calculated by ratio of total company debts to shareholders equity. Firm leverage impart a significant effect on the performance of an organization.

Iqbal et al. (2018) has done a study to measure the influence of financial leverage on the performance of organization. The findings of this study explained that financial leverage impart significant negative effect on the ROE whereas positive effect on the ROA of organization. This study further indicate that interest rate result in the decrease of the value of equity and impart a negative effect on the financial performance of an organization. While, on the other hand, financial leverage impart highly positive effect on the performance of an organization.

Inam et al. (2014) has done a study to determine the effect of financial leverage on the performance of organization present in fuel and energy sector of Pakistan. The findings of this study ensure that firm leverage impart a positive significant effect on the financial performance of an organization. This study explained that all the energy and fuel organizations that have high profit also involved in improving the financial performance of these organization due to presence of liquidity conditions and firm leverage.

3. Methodology

This is a quantitative data and involved in hypothesis development and then analysis of this hypothesis is done for verification. This study based on the positivism as this is a quantitative study and positivism involved in quantitative methods such as official statistics, surveys, and questionnaires. Research was carried out this research by implementing quantitative research strategy. The secondary data was collected from 15 banks from the period of 2010 to 2020. The data was collected from the financial reports of the banks.

Model

ROA has used as the proxy of firm performance. Where; ROA is Firm Performance, α_{it} is constant, BS is Board Size, ID is Independent Director, CCD is CEO/Chairman Duality, FS is Firm Size, LEV=Leverage, ε denotes error, *i* is the firms and *t* is times

$$ROA_{it} = \alpha_{it} + \beta_1 BS_{1it} + \beta_2 ID_{2it} + \beta_3 CCD_{3it} + \beta_4 FS_{4it} + \beta_5 LEV_{5it} + \varepsilon$$

To analyze collected data following test were applied; Descriptive analysis, Panel Unit Root, Co-integration, and Hausman test. Panel Unit Root was run to found stationary/non-stationary data. Test of Co-integration was applied to check the relationship among variables. Fourth, Test of Hausman was applied to check the fixed/random effect between variables then fixed effect, Regression of Panel Least Square was performed to analyze the connection among governance of corporate and banks performance

4. Data Analysis

Table 1 shows that the mean of ROA was 0.012, BS was 8.75, ID was 0.33, CCD was 0.14, FS was 8.78 and LEV was 0.07. The standard deviation of ROA was 0.007, BS was 2.23, ID was 0.08, CCD was 0.34, FS was 0.40, and LEV standard deviation was 0.02. In contrast, BS standard deviation was optimal than other variable that demonstrated that BS was optimally volatile during the period of sample. ROA was low volatile during the sample period. The results summarize in Table 2 shows probability value of ROA was lees than 0.05 in LCC, and ADF test at level but above 5% in IPS, indicated ROA was non-stationary at level. It became stationary at first difference. While, probability value of LEV and BS were above 5% at level in LLC, IPS and ADF Test demonstrated non-stationary at level.

Table 1 Descriptive Statistics

Variables	Obs.	Mean	Median	Max	Min	St. Dev.
ROA	150	0.012666	0.011000	0.04170	-0.01360	0.007686
BS	150	8.753333	6.000000	15.0000	5.00000	2.231371
ID	150	0.332044	0.333333	0.60000	0.09090	0.089235
CCD	150	0.140000	0.000000	1.00000	0.00000	0.348149
FS	150	8.780028	8.811839	9.56154	7.68304	0.404859
LEV	150	0.072370	0.069450	0.14400	0.03580	0.025074

Note: ROA=Return on Asset; BS=Board Size; ID=Independent Director; CCD=CEO/Chairman Duality; FS=Firm Size; LEV=Leverage

LEV and BS were became stationary at 1st difference. ID and CCD values were below 5% percent at level, indicated the variables are stationary at level. On the other hand, the probability values of FS in LLC, IPS, ADF and PP test were above than 0.05, indicated that non-stationary at level but after 1st difference it became stationary. In conclusion, all the variables probability values were below 5% at first difference, which indicated at first difference data became stationary.

Table 2 Panel Unit Root Test

Method		**ROA**		**BS**			
		Level	**1st Difference**	**Level**	**1st Difference**		
LLC		0.03	0.00	0.06	0.00		
IPS		0.09	0.05	0.64	0.00		
ADF		0.05	0.03	0.63	0.00		
PP		0.07	0.00	0.00	0.00		
ID		**CCD**		**FS**		**LEV**	
Level	**1st Difference**	**Level**	**1st Difference**	**Level**	**1st Difference**	**Level**	**1st Difference**
0.00	0.00	0.00	0.00	0.19	0.01	0.26	0.01
0.07	0.01	0.00	0.00	0.99	0.01	0.95	0.01
0.02	0.00	0.00	0.00	0.98	0.00	0.98	0.00
0.00	0.00	0.01	0.00	0.60	0.00	0.05	0.00

Note: ROA=Return on Asset; BS=Board Size; ID=Independent Director; CCD=CEO/Chairman Duality; FS=Firm Size; LEV=Leverage

Pedroni (1999) methodology is used, to check the stability of long-term connection between variables. Table 4.3, the results show that the probability value of all estimation is less than 5%, suggest that alternative hypothesis is accepted as there is co-integration between variables. The results indicate that there is long-term connection among variables.

Table 4.3. *Co-integration Test*

Pedroni (Eagle Granger based) Panel Co-integration		
Estimates	Statistic	Prob.
Panel v-Statistic	-3.5092	0.0034
Panel rho-Statistic	-2.8469	0.0481
Panel PP-Statistic	-5.8738	0.0000
Panel ADF-Statistic	-5.2904	0.0000
Alternative hypothesis: individual AR coefficient		
Group rho-Statistic	-3.3911	0.0097
Group PP-Statistic	-4.8294	0.0000
Group ADF-Statistic	-7.6483	0.0000

First Hausman test was applied to check either random or fixed affect model is appropriate. The result shows in table 4.4. The value of probability is 0.06 that is above 0.05, which does not support the null hypothesis and indicated that model random effect is appropriate.

Table 4.4. *Hausman Test*

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.596105	5	0.060

Panel regression with random effect was performed to analyze the governances of corporate effect on ROA of banks. The results show by Table 4.5 that P-value of BS, ID, FS and LEV variables were less than 0.05, which indicated size of board, independent directors, size of firm and leverage significantly and positively effect on ROA. Hence, H 1, H2, H4 and H5 were supported by the findings. The results demonstrated that increases in size of board, leverage (capital ratio), number of independent directors and assets of firm significantly increases the performance of firs (profitability). Moreover, CCD (CEO/Chairman Duality) has insignificant influence on ROA.

The value of Adjusted R-Squared shows how much the change in DV (dependent) occurs due to the IVs (independent) variables. In this case, the Adjusted R-Squared is 0.84 or 81%, which shows that the change in ROA was 81% due to its IVs that is substantial value of R-Squared. The value of Durbin-Watson was 1.58, indicated issue of autocorrelation was not find in that data. VIF indicated the multicollinearity that represents correlation quantity among IVs. The result indictaed no multicollineratity issue was find among the variables because VIF is below 10.

Table 4.5. *Panel Least Square Regression with Random Effect*

Dependent: ROA					
Variable	Coefficient	Std. Error	t-Statistic	Prob.	VIF
BS	0.001796	0.000317	5.659415	0.0000	3.07
ID	0.027856	0.006329	4.401336	0.0000	3.88
CCD	0.000191	0.003530	0.054044	0.9570	1.88
FS	0.031168	0.008153	4.401336	0.0002	2.98
LEV	0.107151	0.028775	3.723798	0.0003	2.55
C	0.021780	0.003574	6.094360	0.0000	
R-squared		0.842586			
Adjusted R-squared		0.816578			
F-statistic		32.39776			
Prob(F-statistic)		0.000000			
Durbin-Watson stat		1.682834			

Note: ROA=Return on Asset; BS=Board Size; ID=Independent Director; CCD=CEO/Chairman Duality; FS=Firm Size; LEV=Leverage

4.1 Discussion

Board size has significantly positive effect on performance. Previously, researcher suggested that the (BOD) act as important role in the connection among strategy of CG and practices (Balsmeier et al., 2014). Barroso et al. (2011) the maximum size of board means high knowledge level, abilities and skills with combine effect significantly influence performance of firm. Hence, huge boards enhance the performance of company. Orozco et al (2018) board and firm size are the financial and reputational indicators. Staikouras et al. (2007) found that board size of directors impart a negative effect on the financial performance and profitability of organization. The reason behind that 8 to 10 directors recognized as optimum board size in an organization. It is stated that 8 to 10 BS significantly effect on performance of organization that result in the increase of ROA of organization. Shakir et al. (2008) argued that the existence of the BOD is very important for the monitoring as well as controlling of shareholders of an organization. Moreover, it is considered as an important factor in assessing the size and in controlling of the interest of shareholders of organization. The conducted survey of this study explained that good CG impact a significant effect on the performance of an organization. Thus, it is concluded that board composition as well as board size impart a significant effect on the performance of an organization.

Board independency is also important factors of good CG. It is mainly in the field of business, economic and financial management (Balsmeier et al., 2014). Uribe-Bohorquez et al. (2018) found that board independence in an organization effect positively on efficiency in the performance of an organization. It also enhance the performance of organization. Syed Fuzi et al. (2016) argued that Independent managers are responsible for representing shareholders and help to alleviate the problem of agencies. The result found significantly positive impact of ID on performance ROA Thus, it is concluded that monitoring of independent directors is important to enhance the positive values of shareholder of an organization. The reason behind that independency of directors is involved in creating the greater value for shareholders. The presence of board independence enhanced the reputation of organization and also increased the shareholders of organization that result into the increase in profitability of organization. Thus, It has a significant effect on the profitability of an organization. Alqatan et al. (2019) argued that the board practices have a great influence on performance of corporate. However, meetings for (CG) practices are important to set and complete the task, enhance task effectiveness and achieve the set goals. Moreover, if (BOD) specifically independent directors meet with the set schedule, it make possible to resolve the issue, problems, and management monitoring efficiently, thus (BOD) perform better duties regarding to manage interest of shareholders and coordination.

CCD (CEO/Chairman Duality) has insignificant influence on ROA. In previous study, the presence of CEO/ Chairman Duality in an organization reduces the firm performance such as monitoring on all tasks of organization has reduced that result into the poor performance of organization (Alodat et al., 2021). While several studies argued that Chairman/CEO duality is good for the organization as it enhance the performance of organization (Brown et al., 2004). In contrast, Arslan et al. (2014) found that CEO duality has insignificant effect on the ROA as well as performance of organization. The results supported H3. Shrivastav et al. (2016) found insignificantly affect of CCD on ROA. The strong reason behind that mostly banks (financial companies) of Pakistan do not have duality of CEO/Chairperson that is why it has insignificant impact on ROA

Abbasi et al. (2015) found that FS such as growth of the firm significantly effect profitability as well as performance of organization. Azhar et al. (2019) found that the profitability and performance of non-financial (textile) sectors were measured by ROA that significantly affected by size of the firm. The reason behind that increases in firm size increases the profitability and performance of the firm. Thus, it has supported H4 and previous studies results. According to Shahwan (2015) improvement in CG practices and FS increases the firm performance shows the positive revenue generate by company and company used its assets through business. Large FS make firm healthy. Tylecote and Visintin (2007) results reveal governance of corporate is the main determinant for change of technology and innovation. Wandari, S. (2021) argued that company growth increases if firm has large size. The reason behind that increases in total asset increases the sales and profit as well that enhance the performances of the firm also (ROA).

Bui, T. (2020) found that leverage has both negative and positive effect on firm more leverage increases the performance of firm (ROA) that leads to increases the risk also. The findings indicated risky investments can be made by companies with high operational and high advantage. Further, if a firm has high operating leverage it makes fewer sales but has higher profit margins or return. Iqbal et al. (2018) found that leverage significantly and negatively effect the ROE whereas positively effect ROA of organization. The results indicated high leverage increases the performance of the firm as well as risk, Thus supported H5 and previous studies results. Inam et al. (2014) found that leverage positively and significantly effect the financial performance of an organization. The reason behind that all organizations that have high leverage earn more profit also involved in improving the financial performance of these organization due to presence of liquidity conditions and firm leverage.

4.2 Hypotheses Summary

Hypothesis	Statement	Decision
H1:	BS significantly influence ROA	Supported
H2:	ID significantly influence ROA	Supported
H3:	CCD Significantly influence ROA	Not Supported
H4:	FS significantly effects ROA	Supported
H5:	LEV significantly effects ROA	Supported

5. Conclusion

This research aims to investigate the influence of governance of corporate factors on performance of banks (ROA). The independent variables include size of board, independence of board, CEO/Chairman duality, size of firm, leverage and dependent variable is return on assets. Secondary data was collected from 15 banks of Pakistan. The ten years data is collected over the period of 2010 to 2020. The data was collected from state bank of Pakistan. The total number of observations were 150. This study developed hypotheses from previous studies results as BS, ID, CCD, LEV, FS have positive impact on ROA. To test the hypotheses of this research, following test are performed, Descriptive analysis, Panel Unit Root, Co-integration, Hausman test, and Panel Least Square with random effect. The finding of this study was supported the by theories were applied on previous studies study include agency theory, stewardship theory.

Furthermore, the results were supported H1, H2, H4 and H5. The results show that the relations among CG factors and ROA are significant and positive. The results demonstrated that increases in size of board, leverage (capital ratio), number of independent directors and assets of firm significantly increases the performance of firs (profitability). Moreover, CCD (CEO/Chairman Duality) has insignificant influence on ROA. The value of Adjusted R-Squared was 0.84 or 81%, which shows that the change in ROA was 81% due to its IVs that is substantial value of R-Squared. The Durbin Watson value was 1.58, suggested that there was no issue of autocorrelation.

Moreover, Staikouras et al. (2007) found that board size of directors impart a negative effect on the financial performance and profitability of organization. The reason behind that 8 to 10 directors recognized as optimum board size in an organization. Uribe-Bohorquez et al. (2018) found that board independence in an organization effect positively on efficiency in the performance of an organization. The reason behind that independency of directors is involved in creating the greater value for shareholders that result into the increase in profitability of organization. Shrivastav et al. (2016) found insignificantly affect of CCD on ROA. The strong reason behind that mostly banks (financial companies) of Pakistan do not have duality of CEO/Chairperson that is why it has insignificant impact on ROA

Further, Abbasi et al. (2015) found that FS such as growth of the firm significantly effect profitability as well as performance of organization. Wandari, S. (2021) found that company profit increases if firm has large size. The reason behind that increases in total asset increases the sales and profit as well that enhance the performances of the firm also (ROA). Inam et al. (2014) found that leverage positively and significantly effect the financial performance of an organization. The reason behind that all organizations that have high leverage earn more profit also involved in improving the financial performance of these organization due to presence of liquidity conditions and firm leverage. Results can be concluded that improvement in corporate practices increases the firm performance shows the positive revenue generates by company and company used its assets through business. Good CG practices make firm healthy.

5.1 Managerial Implication

The managers will able to know about Agency theory challenge that successful corporate governance improve ability of company to face challenges and diminish the conflicts of agency. This research will provide the value to the firm's investors and other stakeholders. This study introduces the association among practices of governance of corporate and performance of banks. Furthermore, this study will be helpful for the managers to believe on good governance as balancing mechanisms for better stakeholder management. Managers will be able to understand the importance of CG practices that support benefits and purposes among the company managers and finance providers that's why past has a point of risk certainty to provide the funds for managers. The (BOD) have a link for owners and control of the daily operation of the firm, and it is stated as as the control decisions made by top body within (CG) (Adams et al., 2008).

5.2 Future Recommendation

This study has a quantity of executions for the firm's governance and performance. This study has only focused on internal control rather than external control system. Additionally, this research conducts in the context of financial companies (Banks) only. However, future research may conduct from non-financial companies of Pakistan such as textiles, automobile, fuel and energy, fashion industry etc. This research has focused on the financial companies of Pakistan. The study recommends that future research may conduct on different countries financial companies. Comparative research may conduct in future. This study has used proxy of performance that was ROA only. However, future research may use different proxies such as ROE or profit margin as financial performance.

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