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A comparative Research on the Effect of Executive Ownership and the Characteristics of Boards on the Financial Results of companies.

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ABSTRACT

Purpose- This study aims to examine the impact of executive ownership and board characteristics—including size, independence, audit committee structure, and CEO family affiliation—on the financial performance (ROA/ROE) of companies listed on the Pakistan Stock Exchange (PSX). It also seeks to explore how these governance factors influence the financial results of both financial and non-financial companies.

Study Design/Methodology/Approach - The study employs panel data, which includes both cross-sectional and time-series features, drawn from 30 financial companies over the period from 2010 to 2023, as well as the annual reports of 266 out of 375 listed companies. Data analysis is conducted using multiple regression and fixed effects techniques for both types of companies. Control variables include leverage and cash ratio for non-financial companies and firm size for financial companies, chosen due to their potential impact on financial performance.

Findings- The research findings reveal that executive ownership and board characteristics have a significant impact on the performance of non-financial companies. Additionally, the study indicates that the influence of executive ownership and board characteristics on financial performance varies across different types of companies, with financial companies showing minimal variation due to corporate governance practices.

Research Implications- The findings suggest that non-financial companies should place a greater emphasis on corporate governance practices to enhance their financial performance. This has implications for policymakers, regulators, and company management, emphasizing the need for robust governance frameworks to improve company outcomes.

Originality/Novelty- This study contributes to the literature by providing insights into the relationship between executive ownership, board characteristics, and financial performance in the context of the Pakistan Stock Exchange. It offers a comparative analysis of the effects on financial and non-financial companies, filling a gap in understanding how corporate governance impacts different types of firms.

Keywords: Corporate Governance, Characteristics of Board, company performance, executive ownership.

1 | INTRODUCTION

Pakistan, like many other developing nations, is distinguished by comparatively weak enforcement of companies' laws and investor protection. The market in Pakistan is further distinguished by the ownership concentration, pyramid structure, cross-holding, and dominance of family businesses. Therefore, businesses must offer sufficient security to their investors to promote FDI, mobilize higher savings, and raise external equity. When businesses have an efficient and effective corporate governance framework, investors will feel safeguarded and drawn in, which in turn enables the businesses to obtain money at a reduced cost. Sound corporate governance has many clear benefits, but implementing these policies is always difficult. These challenges include things like ownership concentration, conflicts of interest, and the challenge of evaluating and monitoring governance procedures, according to (Hunjra et al., 2021).

Numerous researches, such as studies conducted by (Shaheen & Nishat, 2005; ur Rehmans & Mangla, 2010) have examined the link between various corporate forms of governance and companies' performance in the setting of Pakistan. Furthermore, aiming to ascertain the impact of various corporate governance procedures on the financial results of organizations, studies (Akbar, 2014; Khan & Awan, 2012; Rehman & Shah, 2013) have also been conducted on the financial and non-financial sectors in Pakistan. Evidence from a recent study reveals that by synchronizing managers' and shareholders' incentives and providing accurate and transparent financial reporting, businesses can reduce risk and enhance financial results (Farooq et al., 2022). However, implementing good governance practices is still challenging, and ongoing efforts are needed to ensure that companies are operating as effectively and efficiently as possible.

Essentially, less research, however, has been done to compare the effects of within-company mechanisms (executive ownership and characteristics of board) on financial results between the companies both financial and other financial. Additionally, the results of earlier studies are inconsistent because the sample sizes were small and some of the findings did not match. Despite the need for efficient corporate governance, fewer companies in Pakistan have outsiders (non-executive directors) on their boards reported by the survey (International Finance Corporation, 2007) performed by the International Finance Corporation and SECP.

Previous research suggests that while companies have generally improved their adherence to corporate governance (CG) practices, the impact of CG practices on firms' financial results has yielded a variety of outcomes in developed countries, with some studies reporting positive, negative, mixed, or inconclusive results (Ali & Frynas, 2021; Ghulam et al., 2021; Rinaldi & Viganò, 2021). Furthermore, when these studies were applied to emerging markets, the findings were inconsistent. This research will close a gap in the literature by investigating the effects of board characteristics and executive ownership on the financial results of companies that are listed on the Stock Exchange of Pakistan Additionally, a comparison between financial and other financial companies is made to demonstrate how the effects of board characteristics and executive ownership on a company's financial results differ between both the companies. The focus of this study is to ascertain how characteristics of the board including size, independence, audit committee structure, and family affiliation of the CEO on the financial results and executive ownership on the financial results of the companies that are listed on the Stock Exchange of Pakistan.

2 | LITERATURE REVIEW

2.1 | Corporate Governance

Mallin (2019) defined corporate governance as the structures, regulations, and procedures that govern how businesses are run are referred to as corporate governance. To guarantee accountability, equity, and openness in the business's operations and decision-making procedures, it encompasses the interactions among the board of directors, shareholders, management, and other stakeholders. Aligning the interests of different stakeholders, reducing risks, and advancing the company's long-term viability are the goals of effective corporate governance. In other words, corporate governance is the process by which providers ensure they are getting paid for their investments (Shleifer & Vishny, 1997). A portion of corporate governance mechanisms are selected to determine how they will affect the financial results of the companies. These mechanisms include the size and independence of the board, the directors' family affiliation, the size of the audit committee, and executive ownership is the last one.

2.2 | Board Characteristics

2.2.1. Board Independence

An independent board is mostly made up of people who are neither employees of the company nor stockholders or owners of the company, nor are they related in any way (Gallo, 2005). The idea of resource dependence put out by Hillman et al. (2000) focuses on the role that business directors play in supplying or protecting vital resources for the organization by their outsider status and ties to the outside world. Another theory, known as agency theory, holds that when there is a conflict of interest, an agent will act in their own best interests (Fama, 1980; Ross, 1973). If the corporation has an independent board, the board will act to reduce the amount of money that managers and controlling shareholders embezzle from the company. If the board has more Board Independence this will enable the firm for better corporate governance which leads to maximization of shareholders' wealth (Alodat et al., 2022).

H_1: *Board independence has a positive effect on the financial results of Pakistani-listed companies.*

2.2.2. Board Size

Numerous studies have examined the effect of board size on corporate financial success; however, the findings are divided as to whether board size has a major, negative, or neutral impact on a company's financial results. According to a recent study by Johl et al. (2015) in a Malaysian context, board size and company results are positively correlated. This finding is in line with the resource dependency theory, which holds that directors have more connections and access to resources the more they serve the board.

H_2: *Board size has a positive effect on the financial results of Pakistani listed companies.*

2.3 | Corporate Governance Size of Audit Committee and Financial Results of the Company

The duties of the audit committee include making sure that the books of accounts are properly examined, which is why the audit committee participates in the process of choosing, dismissing, and compensating auditors. It also decides what constitutes audit work, the auditor's independence, and how any disagreements

between the auditor and executive management will be resolved. Finally, the audit committee approves accounting policies and has an impact on how corporations report their financial information, how transparent they are, and how closely they adhere to standard practices (Amer et al., 2014). The size of the audit committee is one of its characteristics. Numerous studies have been done to support the idea that an audit committee's size has a positive impact on the company's financial results. They contend that as audit committee size increases, the likelihood of financial reporting errors will decrease, which in turn improves the company's results (Al-Matari et al., 2012).

H_3: *Audit committee size has a positive effect on the financial results of Pakistani listed companies.*

2.4 | Family-affiliated CEO and Company's Financial Results

The term "family affiliation of CEO" refers to the CEO's kinship with the business's owners. A CEO's association with the founding or controlling family of a company is referred to as their "family affiliation." It draws attention to how family relationships affect governance procedures, leadership choices, and the company's overall strategy. There are conflicting results regarding the topic of family connection of CEOs. For instance, some research indicates that a family-affiliated CEO has a favorable influence on the success of the business (Anderson & Reeb, 2003; Ang et al., 2000; Daily & Dollinger, 1992). However, some research shows that a CEO with a familial connection has a detrimental impact on the success of the company (Lauterbach & Vaninsky, 1999). They said that CEOs with family ties are incompetent in their field and that they are hesitant to alter the company's values or practices, even if doing so might occasionally be crucial to the enterprise's survival (Davis et al., 1997). The idea that family-affiliated CEOs have a detrimental impact on a company's financial success is supported by Lee et al. (2003), which claims that outside CEOs and non-family-affiliated CEOs possess the necessary skills and expertise to carry out their jobs well. The following hypothesis is put forth based on the arguments presented by (Lauterbach & Vaninsky, 1999; Lee et al., 2003).

H_4: *Family-affiliated CEO has a negative effect on the financial results of Pakistani listed companies.*

2.5 | Executive Ownership and Company's Financial Results

The percentage of a company's equity held by its executives—usually the CEO, other senior leaders, or top management—is referred to as executive ownership (Bena & Li, 2023). is the proportion of the company's shares that are held by the directors and management. Researchers claim that in developing or emerging economies, the agency problem is more acute (Porta et al., 1998; Wei et al., 2005). Offering managers' shares is one of the techniques that allow for agency-issue solutions and protect shareholder interests. Executives are those who indulge the company in transactions that fit their interests, according to the transaction cost hypothesis (Williamson, 1979). According to the management entrenchment hypothesis, managers who are granted authority will utilize the company's resources to their advantage; nonetheless, even this kind of use of the resources does not raise the organization's value (Shleifer & Vishny, 1997). If they are granted ownership of the company in this scenario, they would abuse it since it is predicted that management ownership will have a negative influence.

H_5: *Executive ownership has a negative effect on the financial results of Pakistani listed companies.*

2.6 | Corporate Governance and Financial Companies

Research done in Pakistan, (Sheikh & Kareem, 2015) discovered that the size and board independence have a beneficial impact on the financial results of commercial. The size of the audit committee and the performance of insurance businesses are favorably correlated, according to (Tornyeva & Wereko, 2012). Comparable findings can be seen in the research on Jordanian banks by Mohammed (2018), which lends credence to the idea that enlarging the audit committee will boost the financial results of the companies. The results of a study Surifah (2013) on the banks of Indonesia, which used data spanning three years, show that banks under family control or owned by private institutions are less likely to perform well, indicating that the entrenchment effect is prevalent in this research. It is also reported that when banks perform poorly, the involvement of the family or owner on the board or in management has a negative impact. Therefore, it is anticipated that the CEO's family ties would have a detrimental impact on the company's financial results. Based on these findings, it is thought that CEOs with family ties have a detrimental effect on the financial success of financial organizations. To minimize risk, executive equity ownership can be utilized as a risk-reduction strategy since it has a negative effect on the bank's risk exposure, according to research that looked at the relationship between management ownership and risk-taking by banks (Bouwens & Verriest, 2014). It makes sense for managers to avoid taking risks to some extent, but if the opportunity is good and involves risk, they should avoid it even more because they have less opportunity to diversify the risk than an outside owner does. For this reason, it is expected that there will be a negative correlation between executive ownership and the financial results of the banking sector.

H_6: *Executive ownership and characteristics of the board have no different effect on all Pakistani listed companies' financial results.*

3 | METHODOLOGY & DESIGN

3.1 | Population and Sample Description

The population is made up of all PSX-listed companies. There are 375 listed companies overall on PSX, representing 35 different industries. Businesses from every significant economic sector were chosen. These industries include the following: textile, cement, sugar and related goods, tobacco, engineering, automobiles, transportation, refineries, electricity production and distribution, refineries, technology and communications, foods and individual care items, and fertilizer. 266 companies that are drawn from the other than financial sector make up the sample. 29 businesses from the financial sector are chosen at random for the comparison study. The 266 non-financial companies selected for this study were chosen from the total pool of 375 companies listed on the Pakistan Stock Exchange (PSX). The focus was on non-financial companies to analyze the impact of corporate governance practices in sectors that are not subject to the same regulations or market influences as financial institutions. The sample size of 266 was determined based on factors such as data availability, the completeness of annual reports, and the need for a sufficiently large sample to ensure

meaningful statistical analysis. This selection represents about 71% of the listed companies, providing a substantial sample for drawing reliable conclusions in corporate governance research. The data used in the study is panel data, meaning it incorporates both cross-sectional and time-series elements. The data spans from 2010 to 2023, enabling an examination of trends and changes in corporate governance and financial performance over time. This panel data structure allows for a more comprehensive understanding of the effects of governance practices, considering both individual company characteristics and temporal changes.

Table 1

Description of the Variables

Variable	Nature of Variable	Symbol	Measurement
Board Independence	Independent	$BOID_{it}$	$BOID_{it} = \frac{independentDirectors_{it}}{totaldirectors_{it}}$
Board Size	Independent	$BOADSIZE_{it}$	$BOADSIZE_{it} = totalnumberofdirectors_{it}$
Audit Committee Size	Independent	$AUDITSIZ_{it}$	$AUDITSIZ_{it} = totaldirectorsonauditcommittee_{it}$
Family affiliated CEO	Independent	$FAMAFF$	Dummy variable with a value of 1 if the CEO is a family member and 0 otherwise.
Executive Ownership	Independent	$EXOWN_{i,t}$	$EXOWN_{i,t} = \frac{numberofshareswithexecutivesanddirectors_{i,t}}{totalnumberofshares_{i,t}}$
Return on Assets	Dependent	ROA_{it}	$ROA_{it} = \frac{pretaxincome_{it}}{TotalAsset_{it}}$
Return on Equity	Dependent	ROE_{it}	$ROE_{it} = \frac{pretaxincome_{it}}{TotalEquity_{it}}$
Firm Size	Control	$FirmSize_{it}$	$FirmSize_{it} = ln(BookValueofAssets_{it})$
Leverage	Control	$Leverage_{it}$	$Leverage_{it} = \frac{TotalDebts_{it}}{TotalAssets_{it}}$
Cash Ratio	Control	$CashRatio_{it}$	$CashRatio_{it} = \frac{cashandcashequivalent_{it}}{CurrentLaibilities_{it}}$

3.2 | Model Used Specification

This study will employ the Al-Matari et al. (2012) model, and the regression equation is expanded as follows.

$$FIRMPFR_{it} = \beta_0 + \beta_1^* BOID_{it} + \beta_3^* BOADSIZE_{it} + \beta_5^* AUDITSIZ_{it} + \beta_4^* FAMAFF_{it} + \beta_2^* EXOWN_{it} + \beta_6^* CR_{it} + \beta_7^* LEVERAGE_{it} + \varepsilon_{it}$$

For companies from the financial sector Sheikh and Kareem (2015) model is expanded as follows.

$$FIRMPFR_{it} = \beta_0 + \beta_1^* BOID_{it} + \beta_3^* BOADSIZE_{it} + \beta_5^* AUDITSIZ_{it} + \beta_4^* FAMAFF_{it} + \beta_2^* FIRMSIZE_{it} + F_{it} + \varepsilon_{it}$$

The study selected the model by Al-Matari et al. (2012) for non-financial companies and the model by Sheikh and Kareem (2015) for financial companies due to their relevance to each sector. The Al-Matari et al. (2012) model is suited for non-financial firms as it examines the impact of corporate governance on performance in industries without the unique regulatory constraints faced by financial institutions. In contrast, the Sheikh & Kareem model is specifically designed for financial companies, accounting for their distinct regulatory environment and governance structure. This choice ensures the analysis is tailored to the characteristics of each sector.

4 | RESULTS AND ANALYSIS

4.1 | An Empirical Analysis of Other Than Financial Companies

Table 2 presents the findings of equation (1), which looks at metrics related to executive ownership, characteristics of the board, and the company's financial results (ROA in the case study). The table indicates that cash ratio and leverage, control factors that have a positive and negative impact on return on assets (ROA), respectively, have an impact on the financial results. These control variable findings indicate that these factors play a significant role in determining the financial success of the organization.

Although positive (0.00296), the coefficient of regression for the independence of the board with ROA is not statistically significant. Moreover, there is a statistically significant positive regression coefficient (0.005156) for board size with ROA. The CEO's family connection and the size of the audit committee are the other two measures of board characteristics. Their regression coefficients are (-0.0083) and (-0.0206), respectively, and their negative effects on ROA are statistically significant. The influence of executive ownership on ROA is statistically negligible, as indicated by the negative regression coefficient of -0.0043.

To account for macroeconomic issues, time dummies, and industry dummies are also incorporated into the model in this study. The table indicates that while industry dummies mostly have a positive and substantial influence on the financial success of the business as measured by ROA in Table 2, several of the times dummies' coefficients have a negative impact on ROA, although that is statistically insignificant.

Table 2

Regression analysis showing the company's financial results, executive ownership, and characteristics of the board.

ROA (Dependent Variable)

Return on Assets	R	SEE (Stand Error)	t-values	Significance
Executive ownership	-.0043	.012670	-.340	.7340
Size of Audit Committee	-.0083	.003882	-2.140	.0320
Independence in Board	.00296	.0068	.440	.6620
Cash Ratio	.145556	.023990	6.070	.0000
Leverage Ratio	-.1582	.010718	-14.760	.0000
Affiliated CEO	-.0206	.004761	-4.320	.0000
Size of Board	.00516	.001699	3.030	.0020
First Year	0	(omitted)		
2nd Year	-.0116	.01394	-.840	.4030
3rd Year	-.0076	.012323	-.620	.5370
4th Year	-.0010	.012371	-.080	.9330
5th Year	-.0076	.013943	-.540	.5870
6th Year	.00520	.011722	.440	.6580
7th Year	-.0216	.011781	-1.840	.0660
8th Year	-.0121	.011442	-1.060	.2880
9th Year	-.0168	.01127	-1.490	.1350
10th Year	-.0057	.011689	-.490	.6250
11th Year	-.00096	.011821	-.080	.9350
12th Year	-.0106	.011338	-.930	.3510
13th Year	-.0002	.011545	-.020	.9850
14th Year	-.0238	.011689	-2.030	.0420
1st Industry	0	(omitted)		
2nd Industry	.13526	.022855	5.920	.0000
3rd Industry	.09957	.024514	4.060	.0000
4th Industry	.08694	.044094	1.970	.0490
5th Industry	.1181	.024636	4.790	.0000
6th Industry	.26001	.032447	8.010	.0000
Constants	.01449	.029491	.490	0.6230

Table 3 presents the findings of equation (1), which looks at metrics related to executive ownership, characteristics of the board, and the company's financial results (ROE in the case study in Table 3). The table indicates that the impact of control variables, namely leverage and cash ratio, on the financial results of enterprises is statistically significant and insignificant, respectively. Leverage is found to have a negative and negligible influence on ROE, whereas the cash ratio has a positive and large impact. According to Table 2, it is discovered that the control variables have a significant role in determining the financial results of organizations.

The independence of boards has a negative regression coefficient (-0.0092) and has no statistically significant effect on ROE. It has been discovered that board size has a positive (0.02642) significant regression

coefficient effect on ROE. The magnitude of the audit committee's regression coefficient was determined to be significant and negative (-0.0240), which is consistent with the findings in Table 2. Executive ownership has a negative regression coefficient (-0.0052) and a negligible relationship with business performance.

The ROE is not significantly impacted by the industry or time dummies. The table indicates that while industry dummies mostly have a negligible and favorable influence on the financial success of the company as measured by ROE in Table 3, several of the times dummies' coefficients have a negative impact on ROA that is statistically insignificant.

Table 3

Regression analysis showing the company's financial results, executive ownership, and characteristics of the board.

ROE (Dependent Variable)

Return on Equity	R	SEE (Stand Error)	t-values	Significance
Executive ownership	-.005	.013	-.393	.730
Size of Audit Committee	-.024	.006	-3.712	0
Independence in Board	-.009	.044	-.210	.830
Cash Ratio	.584	.088	6.660	0
Leverage Ratio	-.053	.072	-.740	.460
Affiliated CEO	-.027	.012	-2.243	.001
Size of Board	.026	.010	2.600	.0090
First Year	-.043	.098	-.440	.6610
2nd Year	0	(omitted)		
3rd Year	-.160	.100	-1.610	.1080
4th Year	-.036	.096	-.370	.710
5th Year	-.106	.090	-1.180	.2380
6th Year	-.160	.105	-1.520	.1290
7th Year	-.154	.089	-1.720	.0860
8th Year	-.168	.097	-1.730	.0840
9th Year	-.125	.100	-1.260	.2090
10th Year	-.053	.105	-.510	.610
11th Year	-.108	.099	-1.090	.2780
12th Year	-.127	.093	-1.380	.1690
13th Year	-.050	.091	-.550	.5810
14th Year	-.166	.090	-1.840	.0650
1st Industry	0	(omitted)		
2nd Industry	.756	.536	1.410	.1580
3rd Industry	.758	.537	1.410	.1580
4th Industry	.575	.556	1.030	.3010
5th Industry	.776	.535	1.450	.1470
6th Industry	.785	.537	1.460	.1440
Constants	-.646	.543	-1.190	.2340

In results, there are some variances but overall, the empirical results of Tables 2 and Table 3 where ROA and ROE are dependent variables respectively, are comparable in terms of their statistical significance. Leverage and the cash ratio, two control factors, have a major influence on the company's financial success as indicated by ROA and ROE. Board independence, a metric of board characteristics, has little effect on the

company's financial results. It leads to the first hypothesis—that the financial performance of enterprises is positively impacted by the independence of the board—being rejected.

The study's second hypothesis is likely to be accepted as it reveals a positive and substantial impact of the size of the board on the company's financial results. The size of the audit committee, a measure of board characteristics, has been demonstrated to have a negative effect on the financial results of businesses. As a consequence, the premise that the size of the audit committee has a favorable impact on the financial performance of enterprises is refuted. The family-affiliated CEO, the last board characteristic metric, has been shown to have a negative effect on the company's financial results. This suggests that the financial results of the business and the family CEO are inversely correlated. Finally, it is determined that the influence of executive ownership on financial results is inversely insignificant.

4.2 | An Empirical analysis of financial Companies

Fixed effects regression is used for financial companies, which include insurance companies, banks, and other businesses. Tables 4 and 5 present the findings. Results of fixed effects regression when ROA is the dependent variable are shown in Table 4. Executive ownership is the only metric in this table with a statistically significant effect on the company's financial results.

Results are shown in Table 5 where ROE is the dependent variable. Two statistically significant metrics of corporate governance are shown by the fixed effect regression model. The family CEO coefficient is the first one. This coefficient is statistically significant and positive (0.4362). This demonstrates that when the CEO of a financial corporation comes from a family that controls the business group, the performance of the company increases. This finding is in line with a theory that suggests the financial performance of family-controlled business groups is superior to that of standalone companies because the group's support helps these group-affiliated companies overcome obstacles and enhance their financial performance because they operate in a variety of industries. Managerial ownership is the second statistically significant coefficient. Executive ownership has a negative coefficient, much like Table 4, where ROE is the dependent variable.

The combined results of Tables 4 and 5 indicate that the financial performance of banks and insurance companies may not be significantly impacted by the metrics employed. This would make sense given that all banks must adhere to the stringent State Bank of Pakistan rules and regulations, which makes it difficult for businesses to innovate in their corporate governance practices. Corporate governance procedures have less of a place and function in the financial performance of banks since market factors including the macroeconomic environment, the supply and demand for credit, and interest rates largely determine these factors. Examples of these factors include profitability and return on investment. The study's premise, according that there is no distinction between the impact of management ownership and board characteristics on the financial performance of the financial and other financial companies.

Table 4

Financial Company's financial results, executive ownership, and characteristics of the board.

ROA (Dependent Variable)

Return on Assets	R	SEE (Std. Err)	t values	Significance
Family affiliated CEO	-.0096	.063	-.150	.879
Size of Board	.0015	.013	.120	.908
Audit Committee Size	-.0049	.017	-.280	.777
Size of the Firms	-.004	.014	-.260	.794
Executive Ownership	-1.656	.518	-3.20	.002
Independence of Board	-.0384	.081	-.470	.636
Constants	.145	.174	.830	.407

Table 5

Financial Company's financial results, executive ownership, and characteristics of the board.

Return on Equity	R	SEE (Std. Err)	t values	Significance
Family affiliated CEO	.436	.211	2.070	.041
Size of Board	.031	.042	.740	.458
Audit Committee Size	-.075	.058	-1.290	.198
Size of the Firms	.0068	.045	.150	.882
Executive Ownership	-3.725	1.763	-2.110	.037
Independence of Board	-.053	.270	-.200	.844
Constants	.110	.582	.190	.850

5 | DISCUSSION

This study examined the impact of executive ownership and board characteristics (size, independence, audit committee structure, CEO family affiliation) on the financial performance (ROA/ROE) of companies listed on the Pakistan Stock Exchange (PSX), with separate analyses for financial and non-financial companies. The results show that for non-financial companies, governance factors significantly affect performance, with executive ownership and strong board characteristics driving better financial results. However, financial companies showed minimal performance variation due to governance practices, likely because of strict external regulatory oversight. Control variables such as leverage, cash ratio, and firm size also influenced financial performance. The study recommends that non-financial companies strengthen their corporate governance structures to improve performance. The findings contribute to the understanding of corporate governance's varying impact on different sectors and highlight the need for further research on the role of external factors in emerging markets like Pakistan.

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6 | CONCLUSION

The financial results of other than financial companies are greatly influenced by corporate governance mechanisms, except board independence and executive ownership, which have negligible effects. This backs up the stewardship theory, which holds that managers are people who work for the firm in a way that will benefit it and that adding outsiders to the board or granting managers stock ownership won't alter anything. It has been discovered that board size has a positive effect on businesses' financial success, which is compatible with the resource dependency theory. The notion that a CEO of other than a financial company who has family ties will be less capable of carrying out their duties effectively due to a lack of professional competence and that an audit committee that is too big will negatively impact the firm's financial performance is supported by the negative effects of both family affiliation and audit committee size on financial performance. The influence of these processes on the financial performance of businesses is seen to be negligible. A few exceptions include the impact of CEO affiliation, which is found to be positively significant and does not align with the findings of other than financial companies, and the effect of executive ownership, which is found to be negatively significant and indicates that giving managers equity ownership will allow them to use the resource for their gain, thereby creating an agency problem.

Given that financial institutions, including banks, are subject to stringent rules and compliance requirements from the State Bank of Pakistan, it makes sense that the influence of corporate governance processes is mostly minimal. This offers little opportunity for innovation in a firm's corporate governance practices. Corporate governance processes have a secondary role in a bank's financial success since it is primarily determined by market factors such as interest rates, supply and demand for credit, and general macroeconomic conditions. These results lead to the conclusion that other than financial companies should give corporate governance procedures enough consideration if they hope to draw in investors and get funding at cheaper costs. Since the study's procedures significantly affect the performance of non-financial enterprises, the situation for financial companies is different. The purpose of this study is to support and furnish listed PSX companies with useful information that will aid them in making decisions on the makeup of their boards and the ownership of managers. Both local and overseas investors will find information in this research to help them make informed judgments about investing in these listed firms after reviewing the companies' standing regarding the aforementioned corporate governance processes. Finally, but just as importantly, this research will add to the body of knowledge on corporate governance from the viewpoint of developing nations.

6.1 | Contribution of the Study

The study's contribution is to assist and furnish useful data to listed KSE companies, assisting them in making decisions about managerial ownership and board composition. Additionally, this study will give both local and foreign investors the knowledge they need to make informed judgments about investing in these listed firms after observing the state of the companies' corporate governance procedures. Finally, this study will contribute to the body of knowledge on corporate governance from a developing country's point of view.

6.2 | Limitations and Future Recommendations

This study has certain limitations as well, such as the use of a small number of corporate governance methods and the omission of additional variables that could affect the financial success of the companies. Other aspects of ownership structure are disregarded in favor of the sole metric considered in this study,

executive ownership, which falls under the category of ownership composition. Although the sample size and data duration are sufficient, the main issue is that certain companies' full annual reports are not readily available. Finally, because of time constraints, 29 financial firms are chosen at random for comparison. Under the heading of ownership structure, additional metrics like the impact of institutional ownership on financial performance should be investigated, as well as other board structure metrics like diversity, professional competencies, and participation, which are gauged by members' attendance at board meetings. Similar to this study, which looks at how managerial ownership and board composition affect the company's financial performance, future research will investigate the opposite link, namely how the company's financial performance affects the corporate governance systems of the next year.

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