



---

## **Corporate Governance and Corporate Financing Decisions Impact on Firm Performance a Cement Industry Perspective of Pakistan**

Muhammad Ashraf<sup>a\*</sup>, Tayyeba Iqbal<sup>b</sup>, Sidra Tariq<sup>c</sup>

<sup>a</sup>Lecturer Department of Management Sciences, University of Gujrat, Sub-campus Narowal

<sup>b,c</sup>Department of Management Sciences, University of Gujrat, Sub-campus Narowal

<sup>b</sup>Email: [Tayyabaiqbal206@gmail.com](mailto:Tayyabaiqbal206@gmail.com)

<sup>c</sup>Email: [sidratariq106@gmail.com](mailto:sidratariq106@gmail.com)

### **Abstract**

This paper empirically examines the impact of corporate governance and corporate financing decisions on the performance of cement industry of Pakistan. Multiple regression analysis is used in estimating the impact of corporate governance and corporate financing decisions on firm performance measures such as return on assets (ROA), return on equity (ROE), earning per share (EPS) and net profit margin (NPM) by using sample of 19 cement industry listed in Karachi Stock Exchange (KSE) for the period 2006-2016 and E-views technique used to apply the correlation and regression analysis. The data are collected from annual reports of cement industry of Pakistan. The results of this study indicate that firm with larger board size (BS) and managerial ownership (MO) leads higher return on assets (ROA). CEO duality (CD), firm size (FS), short term debt ratio (STDR) and debt equity ratio (DER) negatively influence the return on equity (ROE). Larger firm size, long term debt (LTD), dividend policy (DP) positively influence the earning per share (EPS) and net profit margin (NPM). In short these results indicate that corporate governance and corporate financing decision impact the performance of cement industry of Pakistan.

---

\* Corresponding author.

The result of this study may be helpful for investors, financial management consultants, financial managers and overall management of the company to understand the effect of board size, CEO duality, managerial ownership, board meeting, firm size, capital structure, debt maturity structure and dividend policy on the performance of firms. This study add value to the literature by exploring the impact of corporate governance and corporate financing decisions and on the factors that have impact on firm performance.

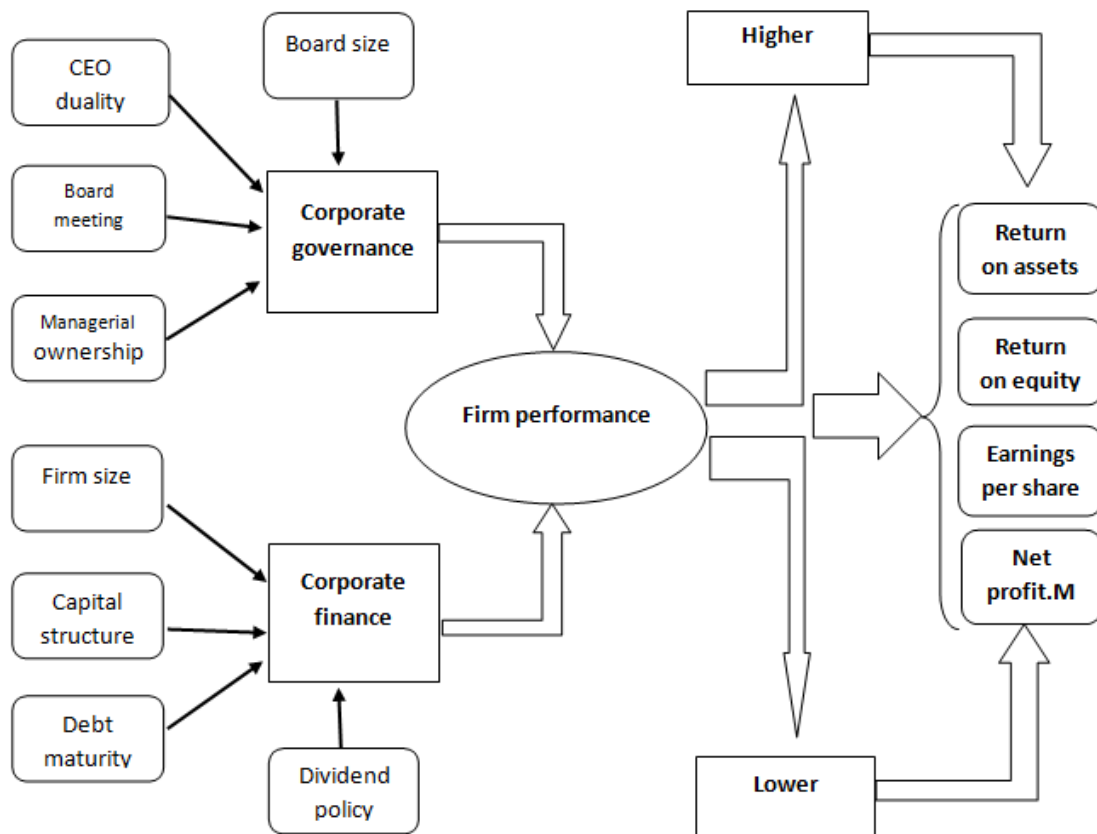
**Keywords:** Corporate Governance; Corporate Financing Decisions; Firm Performance; Karachi Stock Exchange; Pakistan.

**Paper type:** Research paper.

## **1. Introduction**

In the business research the main aim of the researcher is to scrutinize the components that can positively or adversely influence the firm's performance. Corporate governance is desperately a growing field. The expansion of corporate governance has been determined by the intended to rebuild investor's confidence in capital markets. Basically, corporate governance states in what manner companies have to be directed controlled and moves towards growth and profit. Specially, corporate governance deals with the manner wherein providers of finance to businesses ensure themselves for acquiring a gain on their investment Shleifer and Vishny, (1997).The basic purpose of corporate governance takes right decision for business. Likewise, corporate financing decisions are major concern of corporations for the growth and sustainability of business. Therefore study on internal attributes of corporate governance and corporate financing decisions impact on performance is an essential part of research in Pakistan. Cheema and his colleagues (2003) suggested that corporate governance play very important role in performance of firms in Pakistan. Efficient corporate governance leads to efficient corporate performance by preventing the shareholder rights and ensured suitable decision making for business. Corporate governance managing the business operations and improving business success and the vital objective of corporate governance improve shareholder's wealth Shaheen and Nishat [1]. Corporate governance has internal and external mechanism. Internal mechanism of corporate governance focus on shareholder interest, board of directors and check the top management commitment which, external mechanism focus on rules and regulations and forces in which external stakeholders involves like suppliers, customers, lawyers etc. while corporate financing decisions includes all financial activities of business . The concern of corporate financing decisions is to implement those strategies which maximize the shareholder wealth. The managers take corporate financing decision related to long term and short term investment (debt and equity), current assets and current liabilities, inventory control and other short term financial issues. The study further investigate whether corporate governance internal attributes such as board size (BS), CEO duality (CD),managerial ownership (MO),board meeting (BM),and corporate financing decisions such as firm size (FS), capital structure (CS), debt maturity structure (DMS) and dividend policy (DP) effect the performance of cement industry of Pakistan. . Different parameters used to measure the performance of firms which includes return on assets (ROA) return on equity (ROE), earning per shares (EPS) and net profit margin (NPM) in (Figure1). Additionally, to determine the impact of internal attributes of corporate governance and corporate financing decisions on firm performance. The secondary data obtained from annual reports of respective industry listed in Karachi Stock exchange

(KSE). This paper defines the impact of corporate governance and corporate financing decisions on financial performance of the cement industry of Pakistan. We found significant relationships between internal attributes of corporate governance and corporate financing decisions on firm performance. Corporate governance, corporate financing decisions, and firm performance have been broadly discussed and well-researched topics in developed countries, but a limited study on firms in developing countries and ambivalent results are a few motives that have aroused the need for this research. Previous studies have mainly focused on developed countries and there is less work done in developing countries like Pakistan to measure the impact of corporate governance and corporate financing decisions on firm performance. In Pakistan, most of the firms do not provide proper attention to the importance of corporate governance and corporate financing decisions on firm performance. Now a day firms having much knowledge about corporate governance and apply these practices on cement industry. So it is very important to make a discussion on corporate governance and corporate financing decisions' impact on firm performance of the cement industry in Pakistan. This paper is designed to explore the value of corporate governance and corporate financing decisions on firm performance for the period of 2006 to 2016. This paper is arranged as follows: in section 2, about the previous studies of corporate governance and corporate financing decisions' impact on firm performance. In section 3, the data and methodology and the section 4, illustrates the empirical results and conclusion is presented in the last section.



**Figure 1:** Graphical Model

## **2. Review of previous studies**

While plenty of literature explains distinctly the corporate governance, corporate financing decisions and their impact on firm's performance, empirical indication produces contrary and random consequences. Controversies and empirical results have gone both sides. Some researchers contend that corporate governance internal attributes such as board size, CEO duality, managerial ownership, board meeting and corporate financing decisions such as firm size, capital structure, debt maturity structure and dividend policy have a positive impact on the performance of firm, while other research counter such claim by contending that corporate governance attributes and corporate financing decisions have a negative impact on firm performance. The main purpose of this literature review to check the importance of corporate governance and corporate financing decisions on firm performance. In this study we review different paper of different countries like Vietnam, Egypt, America, India, Kuwait, Muscat, china and Pakistan. For instance

The studies used in this literature purpose to check the impact of corporate governance and corporate financing decisions on firm performance includes Vietnam Vo and Phan [2],Egypt Shahwan [3],America Obradovich and Reference [4],India Kandukuri and his colleagues [5], Arora and his colleagues [6], Pakistan Yermack (1996),Kuwait Hasan and his colleagues [7], Muscat Rao and his colleagues [8], China Chen [9]. Ghana Amidu [10], Abor [11].

Reference [2] found the result by analyzing of 77 veitnami firms from 2006 to 2011 through flexible generalizing least square (FGLS) technique that diversity of board members, duality of CEO and experience of board members have positive link with firm's performance. This study also reveals that size of board inversely relate to performance of firms, there is nonlinear relationship between ownership of board and corporate governance and have no relation of independent directors on firm's performance.

In Egypt a study conducted by Shahwan [3] on corporate governance and financial distress. The researcher concluded from their selected sample the excellence of corporate governance is very low in Egyptian firms. Researcher also concluded that is not progressive relationship between corporate governance practice and firm profitability. The overall finding of this study is that there is insignificant inverse relation between corporate governance and financial distress.

Obradovich and Gill [4] conducted study in America and take sample of 33 listed companies in New York Stock Exchange (NYSE) and concluded that larger board size has inversely influence the firm performance. CEO duality, financial leverage, audit committee, firm size and return on assets significantly influence the performance of firm in America.

A study conducted by Kandukuri and his colleagues [5] on corporate governance and firm performance and selected 94 Indian listed firms to check the impact of corporate governance on firm performance. The researcher concluded that firm's corporate governance positively influence the firm performance. Yermack (1996) examined the relationship among performance of firms and CEO duality and found that the performance of firm improve when CEO is different from chairman.

In India study conducted by Arora and his colleagues [6] purpose to find the relationship between corporate governance and firm performance. Results of this study conclude that there is not very energetic relation between corporate governance and firm performance in India. Researchers also conclude that board size positively influence the process of decision making and firm financial performance. Return on equity and firm financial performance is irrelative corporate governance symbols and also CEO duality is unconnected to firm performance.

Hasan and his colleagues [7] conducted research to combinely explain the relationship of corporate decisions related to finance with overall firm's financial performance in context to Kuwait stock market by data of 14 sectors sample of 80 listed companies from 2000 -2008 collected from KSE, EMIS, and accounting and financial variables calculated from annual financial statements, and concluded that capital structure has negative relation with market and accounting measures due to no corporate and individual tax impose on dividend in Kuwait STDTA has negative and LTDTA has no impact on performance and dividend policy ,capital budgeting techniques and risk have significant relation with performance and found that corporate governance is very necessary because its effect on firm performance.

Rao and his colleagues [8] took a study on 144 listed companies in Muscat securities Market and found an inverse relationship between leverage and financial performance of listed Omani companies because of tax saving is very low as compared to cost of debt. Mean standard deviation and regression ensure the negative relation and suggest age liquidity and capital intensity also influence on performance. Zeitun and Tian [12] focused on the capital structure choices impact on corporate performance and found that a negative or insignificant effect has been caused to the firm's capital structure policy and its performance. Amidu [10] indicated that payout ratio play a crucial role in dividend policy and due to payout ratio of a firm change over life create difficulty for dividend policy. The result of this reveals that dividend payout ratio and dividend policy have significant effect on firm's performance in Ghana.

Reference [11] apply regression model and found that there is negative impact of LDA and positive impact of SDA on performance of listed firms in Ghana Stock exchange from 1998-2002. The result also reveals that due to total debt and return rate relationship there is positive link between total debts to performance ratios. The result suggest that profitable companies use short term debt to finance firm's operations. Reference [13] stated that according to neoclassical theory corporate executives can affect the financing decisions of firms and overall system rely on effectiveness of board of directors they may be destroy the cumulative benefit of firm or add value to firm and to involvement of transaction cost in organizational structure enforcement create a link between corporate finance and governance and their impact on stakeholder and overall firm performance.

Reference [9] found that Chinese firms prefer short -term debt and have lower amounts of long term debt this study conducted in area of Chinese firms and true for companies those are in developing stage like Kuwait financial market. Nishat and Irfan [14] concluded that dividend policy and dividend payout ratio both effect the market value of firm and also have effect on volatility of share price, so dividend policy important factor of corporate finance and effect on overall firm performance.

### 3. Data and methodology

The purpose of this study is to examine the impact of corporate governance and corporate financing decisions on the performance of cement industry listed in Karachi Stock Exchange (KSE). Data related to corporate governance attributes board size (BS), CEO duality (CD), managerial ownership (MO), board meeting (BM) and corporate financing decisions firm size (FS), capital structure (CS), debt maturity structure (DMS), dividend policy (DP) and performance measures return on assets (ROA), return on equity (ROE), earnings per share (EPS) and net profit margin (NPM) collected from different resources including annual reports of 19 cement industry firms Pakistan for the period of 2006 to 2016 and based on existing data.

#### 3.1 Variables

According to study objectives, dependent and independent variables applied in this research and definitions of these variables are mostly accepted from prevailing literature. Particularly, return on assets (ROA), return on equity (ROE), earnings per share (EPS) and net profit margin (NPM) expressed the performance of firm and treated as dependent variables. Vital independent variables contain board size (BS), CEO duality (CD), board meeting (BM) managerial ownership (MO), firm size (FS), capital structure (CS), debt maturity structure (DMS) and dividend policy (DP).

**Table 1:** Description of Variables used in the study

Determinants	Variables	Measures	Notations
<b>Firm performance</b>	Return on Asset	Net profit before tax/Total assets	ROA
	Return on equity	Profit Before Tax/(Paid-up Equity capital+Reserve and funds	ROE
	Earnings Per Share	Net Profit/Outstanding Common Shares	EPS
	Net profit margin	Net Profit/Net Sales	NPM
<b>Corporate governance</b>	Board Size	Total number of directors on board	BS
	Chief Executive Officer duality	Dummy variable 1 if CEO is chairman of board, 0 otherwise	CD
	Board meetings	Number of meetings held in the year	BM
	Managerial Ownership	Ratio of shares held by directors, CEO and their immediate family members	MO
	Firm Size	Log of total assets	FS
	Capital Structure	Ratio of total debt to total assets, short term debt ratio, long term debt ratio, debt equity ratio	CS
<b>Corporate financing decisions</b>	Debt Maturity Structure	Short term debt, long term debt	DMS
	Dividend Policy	Represent by dividend cover ratio	DP

## **Dependent variables**

**Return on assets (ROA):** Return on assets used to evaluate and analysis the performance of firm. Return on assets show as profit before tax to total assets. Return on assets shows ability of generating profit from assets of firm (Masood, and Ashraf. 2012) [15].

**Return on equity (ROE):** Return on equity used to measure the performance of firm ROE show that those source of funding used for generating profit.(Masood, and Ashraf. 2012)

**Earning per share (EPS):** Earning per share show that profit of the company increase due to the large no of shareholders and how much company earn from their shareholders.( yusniliyana and suhaiza 2016)

**Net profit margin (NPM):** Net profit margin used to analysis the performance of firm NPM show as net profit to total sale it show how much earn from sale of goods or services.

## **Independent Variables of Corporate Governance:**

**Board Size:** Board size member which performing as manager. Normally the normal practices are to include seven member in board[16].

**CEO Duality:** Duality means one individual who will be CEO while some organizations add president post also in their pecking order[17].

**Board Meeting:** Board meetings means how many time all the members of your organization's board sit together for strategic level decisions [18].

**Managerial ownership:** managerial ownership represent the Ratio of shares held by directors, CEO and their immediate family members.(Ahmed Sheikh and Wang 2013)

## **Independent variable of corporate finance:**

**Firm size:**firm size represent the log of total assets of firm.The firm size affects the firm performance and normally it is positive [19].

**Capital structure:** Ratio of total debt to total assets, short term debt ratio, long term debt ratio, debt equity ratio represent the capital structure .Amounts related to debt and equity used in capital structure. The debt and equity is an important value added factor of firm [20].

**Debt maturity structure:** DMS represent the short term debt, long term debt. Firm should regard the debt maturity in capital structure for corporate financing decisions [20].

**Dividend policy:** dividend policy is an important investment factor of financing decision. Dividend policy directly related to the corporate financing decision [21].

## Methodology

The sample confined data about firms and over time so we applied panel data methodology Furthermore, panel data sets are much better to recognize and evaluation effects that basically not measureable in pure cross-sectional or pure time-series data. Multiple regression analysis applied in this study for estimating the impact of corporate governance and corporate financing decisions on the firm performance. Simple regression equation used to measure the performance of firm.

$$y = \alpha + \beta x + \epsilon \dots (1)$$

In this equation  $y$  is dependent variable whereas  $\alpha + \beta x + \epsilon$  is independent variable. In this model return on assets(ROA), return on equity(ROE), earnings per shares (EPS) and net profit margin(NPM) represent the the firm performance whereas board size (BS), CEO duality(CD), board meeting (BM), managerial ownership(MO), firm size(FS), capital structure (CS), debt maturity structure(DMS) and dividend policy(DP) represent the internal attributes of corporate governance and corporate financing decisions. So we developed four regression equations for measuring the performance of cement industry Pakistan.

## Econometric model

$$ROA = \alpha + \beta_1 BS + \beta_2 CD + \beta_3 BM + \beta_4 MO + \beta_5 FS + \beta_6 CS + \beta_7 DMS + \beta_8 DP + \epsilon \dots (2)$$

$$ROE = \alpha + \beta_1 BS + \beta_2 CD + \beta_3 BM + \beta_4 MO + \beta_5 FS + \beta_6 CS + \beta_7 DMS + \beta_8 DP + \epsilon \dots (3)$$

$$EPS = \alpha + \beta_1 BS + \beta_2 CD + \beta_3 BM + \beta_4 MO + \beta_5 FS + \beta_6 CS + \beta_7 DMS + \beta_8 DP + \epsilon \dots (4)$$

$$NPM = \alpha + \beta_1 BS + \beta_2 CD + \beta_3 BM + \beta_4 MO + \beta_5 FS + \beta_6 CS + \beta_7 DMS + \beta_8 DP + \epsilon \dots (5)$$

## 4. Empirical results

### 4.1 Descriptive statistic

In this study Table-I, of Descriptive statistics of model variables explains the mean, lower and higher and standard deviation values. The results of descriptive statistics shows that return on assets (ROA) mean is 6.95 percent and minvalue of variable negatively 20.53 percent while maximum value is 43.9 percent. The standard deviation of return on assets (ROA) is 12.6 percents which shows the deviation of value from mean.

Average return on equity (ROE) is 12.3 percent and the standard deviation of return on equity (ROE) is 25.8 percent. Additionally, average earning per share (EPS) and net profit margin (NPM) is Rs 6.2 and 9.1 respectively. The average of board size (BS) is 7.6 while, mean of CEO duality (CD) demonstrate that in 0.13 percent of the cases the CEO serves as the chairman of the board. The average of board meeting (BM) is 5.8 percent and the standard deviation of board meeting (BM) is 3.9 percent. The mean of managerial ownership (MO) is 22.4 which shows the proportion of shares held by CEOs, directors and their immediate family



members. The mean log of firm size (FS) is 339.1 percent represent the total assets and min value of firm. The mean of debt equity ratio (DER) is 4.15 which demonstrate the proportion of debt and equity and standard deviation of DER is 11.23 percent. The average mean of short term and long term debt is 68.09 and 42.7 percent respectively.

The mean of dividend policy (DP) is 1.7 which indicates dividend cover ratio .The mean of short term debt ratio (STDR) is 27.9 percent which shows that proportion of total assets financed by current liabilities (short term debt).

The average of long term debt ratio (LTDR) 23.97 percent shows that proportion of total assets financed by non-current liabilities (long term debt) and the average value of debt ratio is 51.6 percent.

**Table I:** Descriptive Statistic

<b>Variables</b>	<b>Mean</b>	<b>Min</b>	<b>Max</b>	<b>Standard deviation</b>
<b>ROA</b>	6.9555	-20.5300	43.9700	12.6417
<b>ROE</b>	12.3422	-90.1400	76.9500	25.8315
<b>EPS</b>	6.2057	-9.1400	40.0300	10.1211
<b>NPM</b>	-10.8133	-719.7400	40.6800	88.9590
<b>BS</b>	7.6896	7.0000	10.0000	0.8689
<b>CD</b>	0.1379	0.0000	1.0000	0.3463
<b>BM</b>	5.8189	3.0000	30.0000	3.9641
<b>MO</b>	22.4215	0.0000	86.7800	26.8032
<b>FS</b>	339.1075	1.4376	19345.14	2382.008
<b>DER</b>	4.1560	-13.1800	69.1600	11.2378
<b>STD</b>	68.0943	0.3330	4122.870	485.4692
<b>LTD</b>	42.7942	0.0463	2313.269	290.8540
<b>DP</b>	1.7357	0.0000	10.2800	2.5278
<b>STDR</b>	27.9233	1.9357	129.7720	20.5602
<b>LTDR</b>	23.9751	0.1220	54.6199	14.3885
<b>DR</b>	51.6425	3.4148	177.5794	28.0102

**4.2 Correlation between variables**

Table II shows the correlation among explanatory and dependent variables (potency of one variable to affect the other variable).As Table II presents that correlation between variables is very small. The low correlation coefficient illuminate that no problem of multi collinearly between dependent and independent variables.

**4.3 Regression results**

In the regression analysis, four equations were used in order enlighten the significant relationship between the internal attributes of governance and financing decisions and their impact on firm performance.

**Table III:** Determinants of Return on Assets (ROA)

<b>Variable</b>	<b>Coefficient</b>	<b>Std. Error</b>	<b>t-Statistic</b>	<b>Prob.</b>
<b>C</b>	-8.2069	5.5777	-1.4713	0.1429
<b>ROE</b>	0.0308	0.0130	2.3684	0.0189
<b>EPS</b>	0.5141	0.0956	5.3750	0.0000
<b>NPM</b>	0.0095	0.0037	2.5438	0.0118
<b>AS</b>	-0.0006	0.0007	-0.7110	0.4779
<b>DER</b>	-0.0155	0.0423	-0.3655	0.7151
<b>STD</b>	0.0025	0.0056	0.4441	0.6574
<b>LTD</b>	0.0031	0.0112	0.2744	0.7841
<b>DP</b>	1.3208	0.3160	4.1793	0.0000
<b>BS</b>	2.0116	0.6282	3.2020	0.0016
<b>CD</b>	-3.4669	2.2152	-1.5649	0.1193
<b>BM</b>	-0.1606	0.1697	-0.9460	0.3453
<b>MO</b>	0.0488	0.0233	2.0884	0.0381
<b>STDR</b>	-0.2387	0.1130	-2.1120	0.0360
<b>LTDR</b>	0.0208	0.1278	0.1624	0.8711
<b>DR</b>	0.0262	0.1133	0.2311	0.8174
<b>R-squared</b>	0.6343			6.2541
<b>F-statistic</b>	21.8567			
<b>Prob</b>	0.0000			

**Determinants of return on Assets (ROA):**

Regression results showed in Table III indicate that board size (BS) managerial ownership (MO) and dividend policy (DP) positively and significantly related to the return on assets (ROA). CEO duality (CD) and short term debt ratio (STDR) significantly but negatively related to return on assets (ROA). Board meeting (BM), firm size (FS) and debt equity ratio (DER) negatively related to return on assets (ROA) but relationship is insignificant. Short term debt (STD), long term debt (LTD), debt ratio and long term debt ratio (LTDR) positively related to return on assets (ROA) but relationship is insignificant. Return on equity (ROE), earning per share (EPS) and net profit margin (NPM) positively and significantly related to return on asset (ROA).

**Determinants of return on Equity (ROE):**

Result presented in Table IV indicate that Board size (BS), dividend policy (DP) and long term debt ratio

(LTDR) positively but insignificantly related to return on equity (ROE). CEO duality (CD), firm size (FS), debt equity ratio (DER), short term debt ratio (STDR) statically significant and negatively related to return on equity whereas board meeting (BM), managerial ownership (MO), long term debt (LTD) negatively related to return on equity (ROE) but relation is insignificant. Short term debt (STD) and debt ratio (DR) positively and significantly related to return on equity (ROE).

**Table V:** Determinants of Return on Equity (ROE)

<b>Variable</b>	<b>Coefficient</b>	<b>Std. Error</b>	<b>t-Statistic</b>	<b>Prob.</b>
<b>C</b>	-5.8826	4.2014	-1.4001	0.1631
<b>ROA</b>	1.3284	0.0820	16.196	0.0000
<b>EPS</b>	0.3847	0.1004	3.8307	0.0001
<b>NPM</b>	0.0115	0.0041	2.7876	0.0058
<b>AS</b>	-0.0015	0.0004	-3.2210	0.0015
<b>DER</b>	-0.2945	0.1062	-2.7716	0.0061
<b>STD</b>	0.0100	0.0016	6.1758	0.0000
<b>LTD</b>	-0.0045	0.0032	-1.3660	0.1735
<b>DP</b>	0.0757	0.1775	0.4261	0.6704
<b>BS</b>	0.3149	0.3223	0.9768	0.3299
<b>CD</b>	-1.8725	0.7403	-2.529	0.0122
<b>BM</b>	-0.0529	0.1167	-0.4533	0.6508
<b>MO</b>	-0.0008	0.0190	-0.0400	0.9681
<b>STDR</b>	-0.0962	0.0465	-2.0667	0.0401
<b>LTDR</b>	0.0631	0.0506	1.2472	0.2138
<b>DR</b>	0.1178	0.0651	1.8092	0.0720
<b>R-squared</b>	0.8353			
<b>F-statistic</b>	63.9226			
<b>Prob</b>	0.0000			

**Determinants of Earning per Shares (EPS):**

Empirical findings in Table V presented that board size (BS), CEO duality (CD), and managerial ownership (MO), long term debt ratio (LTDR) and short term debt (STD) statistically significant and negatively related to the earning per share (EPS). Board meeting (BM), debt equity ratio (DER) and debt ratio (DR) positively related to earning per share (EPS) but relationship is insignificant. Firm size (FS), long term debt (LTD), dividend policy (DP) positively and significantly related to the earning per share (EPS). Short term debt (STD) ratio negatively and insignificantly related to earning per share (EPS).



**Determinants of Net Profit Margin (NPM):**

Regression result in Table VI reported that board size (BS), short term debt (STD), short term debt ratio (STDR) positively whereas CEO duality (CD), board meeting (BM) negatively related to the net profit margin (NPM) but relationship is insignificant. Managerial ownership (MO), long term debt (LTD), dividend policy (DP) negatively while firm size (FS), debt equity ratio (DER), long term debt ratio (LTDR) and debt ratio (DR) positively related to the net profit margin (NPM) but relationship is significant.

**Table VI:** Determinant of Net Profit Margin (NPM)

<b>Variable</b>	<b>Coefficient</b>	<b>Std. Error</b>	<b>t-Statistic</b>	<b>Prob.</b>
<b>C</b>	-198899	56201.58	-3.53903	0.000517
<b>ROA</b>	1598.483	1172.129	1.363743	0.174441
<b>ROE</b>	297.4034	215.5574	1.379694	0.169482
<b>EPS</b>	1412.926	1426.973	0.990156	0.323497
<b>AS</b>	11.548	5.602129	2.061359	0.040782
<b>DER</b>	1038.026	680.0462	1.526405	0.128756
<b>STD</b>	4.276799	18.75926	0.227983	0.819932
<b>LTD</b>	-125.386	54.58555	-2.29705	0.022828
<b>DP</b>	-5146.65	3095.432	-1.66266	0.098213
<b>BS</b>	7963.428	6740.54	1.181423	0.239075
<b>CD</b>	-7533.7	23263.37	-0.32384	0.746452
<b>BM</b>	-2197.54	1636.395	-1.34291	0.18108
<b>MO</b>	-1032.58	437.3463	-2.36102	0.019351
<b>STDR</b>	646.7056	470.4267	1.374721	0.171017
<b>LTDR</b>	4166.001	2531.008	1.645985	0.101604
<b>DR</b>	1254.713	622.9602	2.014114	0.045565
<b>R-squared</b>	0.419095			
<b>F-statistic</b>	3.738434			
<b>Prob</b>	8.71E-09			

**5. Conclusion**

This paper examines whether corporate governance attributes such as board size (BS), CEO duality (CD), board meeting (BM), managerial ownership (MO) and corporate financing decisions such as firm size (FS), capital structure (CS), debt maturity structure (DMS) and dividend policy (DP) affected the performance of cement industry listed in the Karachi Stock Exchange (KSE) during 2006-2016. The findings of this research can be summarize as follows. Descriptive statistics evidently describe mean and standard deviation of dependent and independent variables that specify average of the value and deviation of value from mean. The results of

correlation analysis indicate that correlation between variables is very small. The low correlation coefficient illuminate that no problem of multicollinearity between dependent and independent variables.

Empirical findings reveal significant and positive relationship between several dependent and explanatory variables. In summary, empirical findings reveal that corporate governance internal attributes and corporate financing decisions have impact on firm performance. Additionally, result in some way support to illuminate the relationship between internal attributes of corporate governance and corporate financing decision and their impact on firm performance. The positive and significant impact is very helpful for cement industry because use of corporate governance and corporate financing decisions increasing the firm's performance. The findings of this paper also support the use of corporate governance and corporate financing decisions in firms. Corporate governance and corporate financing decisions is not only a system while the better use of this system increasing the goodwill and performance of cement industry. Remarkably, this research has placed some foundation by exploring combine effect of corporate governance and financing decisions for firm performance upon which further research of Pakistani firms can be based.

## **References**

- [1] R. Shaheen and M. Nishat, "Corporate Governance and firm performance-An exploratory Analysis," *The Journal of Corporate Ownership & Control*, vol. 5, 2005.
- [2] D. Vo and T. Phan, "Corporate governance and firm performance: empirical evidence from Vietnam," *Journal of Economic Development*, pp. 62-78, 2013.
- [3] T. M. Shahwan, "The effects of corporate governance on financial performance and financial distress: evidence from Egypt," *Corporate Governance*, vol. 15, pp. 641-662, 2015.
- [4] J. Obradovich and A. Gill, "The impact of corporate governance and financial leverage on the value of American firms," 2013.
- [5] R. L. Kandukuri, L. Memdani, and P. Raja Babu, "Effect of Corporate Governance on Firm Performance—A Study of Selected Indian Listed Companies," in *Overlaps of Private Sector with Public Sector around the Globe*, ed: Emerald Group Publishing Limited, 2015, pp. 47-64.
- [6] A. Arora, A. Arora, C. Sharma, and C. Sharma, "Corporate governance and firm performance in developing countries: evidence from India," *Corporate Governance*, vol. 16, pp. 420-436, 2016.
- [7] H. M. Hasan, M. Al Mutairi, and E. A. Risik, "The Impact of Corporate Financing Decision on Corporate Performance in the Absence of Taxes: Panel Data from Kuwait Stock Market," 2011.
- [8] N. V. Rao, K. H. M. Al-Yahyaee, and L. A. Syed, "Capital structure and financial performance: evidence from Oman," *Indian Journal of Economics and Business*, vol. 6, p. 1, 2007.

- [9] J. J. Chen, "Determinants of capital structure of Chinese-listed companies," *Journal of Business research*, vol. 57, pp. 1341-1351, 2004.
- [10] M. Amidu, "How does dividend policy affect performance of the firm on Ghana Stock Exchange?," *Investment Management & Financial Innovations*, vol. 4, p. 103, 2007.
- [11] J. Abor, "The effect of capital structure on profitability: an empirical analysis of listed firms in Ghana," *The journal of risk finance*, vol. 6, pp. 438-445, 2005.
- [12] R. Zeitun and G. G. Tian, "Capital structure and corporate performance: evidence from Jordan," 2014.
- [13] C. Malek Lashgari, "Corporate Governance: Theory and Practice."
- [14] M. Nishat and C. M. Irfan, "Dividend policy and stock price volatility in Pakistan," in *PIDE-19th Annual General Meeting and Conference*, 2004, pp. 13-15.
- [15] N. Ahmed Sheikh, Z. Wang, and S. Khan, "The impact of internal attributes of corporate governance on firm performance: evidence from Pakistan," *International Journal of Commerce and Management*, vol. 23, pp. 38-55, 2013.
- [16] P. C. Andreou, C. Louca, and P. M. Panayides, "Corporate governance, financial management decisions and firm performance: Evidence from the maritime industry," *Transportation Research Part E: Logistics and Transportation Review*, vol. 63, pp. 59-78, 2014.
- [17] B. Latif, M. N. Shahid, M. Haq, H. M. Waqas, and A. Arshad, "Impact of Corporate Governance on Firm Performance: Evidence from Sugar Mills of Pakistan," *European Journal of Business and Management*, vol. 5, pp. 51-59, 2013.
- [18] Q. R. Yasser, "Corporate governance and performance: An Analysis of Pakistani listed firms," *Global Journal of Management and Business Research*, vol. 11, 2011.
- [19] M. Smirlock, "Evidence on the (non) relationship between concentration and profitability in banking," *Journal of money, credit and Banking*, vol. 17, pp. 69-83, 1985.
- [20] N. Ahmed Sheikh and Z. Wang, "The impact of capital structure on performance: An empirical study of non-financial listed firms in Pakistan," *International Journal of commerce and Management*, vol. 23, pp. 354-368, 2013.
- [21] Y. Yusof and S. Ismail, "Determinants of dividend policy of public listed companies in Malaysia," *Review of International Business and Strategy*, vol. 26, pp. 88-99, 2016.

## **Appendix**

### **About the authors:**

Mian Muhammad Ashraf is lecturer at department of management sciences, university of Gujarat sub campus Narowal. Miss Tayyeba Iqbal and Sidra Tariq are students at department of Management Sciences, university of Gujarat sub campus, Narowal.

### **LIST OF SALECTED CEMENT SECTOR FIRMS of Pakistan:**

**Table VII**

<b>Sr.No</b>	<b>Cement Sector</b>	<b>Abbreviation</b>
1	Attock Cement pak	ACPL
2	Best way Cement Ltd	BWCL
3	Dadabhay cement	DBCI
4	Chart cement	CHOC
5	D.G Khan Cement	DGKC
6	Dandot Cement	DNCC
7	Dewan Cement Ltd.	DCL
8	Fauji Cement Ltd	FCCL
9	Fecto Cement Ltd.	FECTC
10	Flying Cement Ltd	FLING
11	Gharibwal Cement Ltd	GWLC
12	Kohat Cement CO. Ltd.	KOHC
13	Lafarge Pak. Cement Ltd	LPCL
14	Lcky Cement Ltd.	LUCK
15	Maple Leaf Cement Factory Ltd	MLCF
16	Mustehkam Cement Ltd	MCL
17	Pioneer Cement Ltd.	PLOC
18	Thatta Cement Ltd.	THCCL
19	Zeal Pak Cement Ltd.	ZELP