International Journal of Economics and Financial Research
ISSN(e): 2411-9407, ISSN(p): 2413-8533
Vol. 4, Issue. 6, pp: 188-196, 2018
URL: http://arpgweb.com/?ic=journal&journal=5&info=aims

Academic Research Publishing Group

Original Research Open Access

Role of Corporate Governance in Firm "Performance and Ownership Structure": Evidence from Listed Food Companies in Pakistan

Tabinda Qureshi
Research Scholar at Institute of Business Management, Karachi, Pakistan

Waqas Mahmood*
Researcher, Karachi, Pakistan

Abstract

This study aims at examining the impact of the ownership structure on the overall performance of listed companies in Pakistan to specify how different ownership structures and corporate governance culture differ from each other and thus explores the effects of different ownership structures and corporate governance on the performance of companies' productivity. In order to compare Returns on Investment (ROI) and Returns on Equity (ROE) of the five (5) listed food companies in Pakistan were calculated using secondary data from the audited financial reports of such companies based on their annual reports between 2007 and 2016. During this research for the analysis of gathered data, regression model was used with the assistance of EViews in order to examine the relationship between the corporate governance mechanism including board is size, board composition, and audit committee and the performance variables including Net Profit Ratio (NPR) and Rate of Return (RoR). The findings of the our study are consistent with the reviewed literature, as the performance of firms (in terms of return on assent and net profit ratio) does not seem to be dependent on the board size, composition, and audit committee composition of firms.

Keywords: Firm performance; Board size; Corporate governance; PSX; Board composition; Audit committee; Net profit ratio; Rate of return.

1. Introduction

The significance is of Corporate Governance (CG) has increased both in the corporate sector and in the academia over the last few years. According to Pathak and Pradhan (2012), managements with dispersed ownership have to face scandals because of the lack of sufficient accountability and supervision. From this perspective, being considered as a corporate governance mechanism designed for the increased facilitation to enhance the firms' efficiency ownership structure is believed to influence the overall performance of firms. Chen (2012), for instance, explains that companies with private copartner are more efficient than that of the companies with joint stock. The reason for the increased efficiency of the companies with private copartner is the capability of directors, who are not able to watch over the 'money of other people' with the same anxious vigilance for 'their own'.

1.1. Background of the Study

According to previous researches, when profitability of a firm is measured and compared with ownership structure, ownership structure' endogeneity must be taken into account (Demsetz, 1983; Demsetz and Lehn, 1985). In the same way, study conducted by Demsetz and Villalonga (2001) demonstrates that ownership is structure and firm performance are not dependent on endogeneity factor only. From this perspective, other factors such as shares of different stakeholders and their interests are also important factors, which need consideration while measuring the performance of firms with respect to the ownership structure. It is also required to measure the shares of management shareholders and outside shareholders separately, as both these shareholders may carry different interests. Most commonly, the large shareholders have more control over assets and thus have maximization of profits.

1.2. Purpose Statement

This paper aims at examining the impact of the ownership is structure on the overall performance of listed companies in Pakistan. This paper will further specify that how different ownership structures and corporate governance culture differ from each other and thus explore the effects of different ownership structures and corporate governance on the performance of companies' productivity.

1.3. Hypotheses

Following is the list of research hypotheses,

H_1: Board size does not impact significantly on the performance of firms based on:
$H_{1.1}$: return on assets (ROA) and
$H_{1.2}$: Net Profit Ratio (NPR)

*Corresponding Author

H_2: Board composition does not impact significantly on the performance of firms based on return on assets (ROA) and Net Profit Ratio (NPR)
$H_{2.1}$: return on assets (ROA) and
$H_{2.2}$: Net Profit Ratio (NPR)
H_3: Audit committee composition does not impact significantly on the performance of firms based on Return on Assets (ROA) and Net Profit Ratio (NPR)
$H_{3.1}$: Return on Assets (ROA) and **$H_{3.2}$:** Net Profit Ratio (NPR)

2. Literature Review

Ownership Structures have a significant role to play in corporate sector by effecting firms performance and thus increasing their efficiency. From this perspective, the term "Ownership structures" is defined as the distribution of owners' equity in respect of their capital and votes (Zheka, 2005). Since the present study is to explore the impact of ownership structures within different types on the overall performance of firms, it reviews the empirical studies shedding light on the role of ownership structures with respect to the increasing or decreasing of the performance of firms.

2.1. Corporate Governance

The term "Corporate Governance" is used for the set of processes, policies, customs, institutions, and laws that affect the ways adopted by a company (or corporation) to be directed, controlled, and administered (Raut, 2011). Companies applying the principles associated with the corporate governance are more intended to enhance the level of reassurance and trust of shareholders with respect to their investments. This is particularly because the aim to develop such principles is to increase the awareness of the potential risk a company may face. The awareness is on the part of board of directors and executive management to be able to predict about the potential risk, which increase the ability of the company to manage such risk and put them on minimum level. Mahadumrongkul (2014) has pointed out a universal link between the corporate governance practices and the performance of firms based on the ownership structures.

2.2. Ownership Structure and Corporate Governance

Conducting study on the listed companies in the emerging equity market of Pakistan, Butt and Hasan (2009) attempts to explore the relationship between is the corporate is governance and the capital structure. Covering the period between 2002 and 2005, the results found of their study reveal that the managerial shareholding as well as the board size is negatively correlated along with the debt to equity ratio. From this perspective, the results of the study suggest that variables including ownership structure, managerial shareholding, and size play a significant role to determine the financial mix of a firm. On the other hand, Chen *et al.* (2011), while examining the influence of corporate ownership structure on board of directors engaged in the securities firms activated within the China region, found that firms owned privately have less efficiency. Therefore, security firms in the China regions based on three categories including state-owned enterprises, local government-owned enterprises, and privately owned enterprises are performing in an equal way. In this way, the first two types of enterprises are experiencing the managerial expropriation just because of the insider control. On the other hand, the third type of enterprises is more likely to suffer the block holder expropriation.

2.3. Firm Performance and Characteristics of Ownership Structure

Conducting study on the relationship "between different types of ownership structures, including managerial ownership, ownership concentration, institutional ownership, the government ownership and foreign is ownership, and the firm performance", Al-Matari *et al.* (2014) found the ownership structures as primary mechanisms among the corporate governance. In this study, the authors attempt to gather the evidence from both, the advanced and developed countries and the emerging and developing countries, by reviewing studies conducted on the relevant filed. From this perspective, Al-Matari *et al.* (2014) conclude in their study by figuring out the positive role and value is of the ownership structure on the overall performance of firms. They further point out that the tool of ownership is used to build the relationship between managers and owners and thus assists to reduce the level of agency cost that is meant for the improvement of the performance of the firms.

On the other hand, collecting evidence from the Dutch listed companies to explore the role of ownership structure on the firm performance, Scholten (2014) found that with the increased ownership concentration the performance of firms are to improve. Nevertheless, the performance of firms tends to decrease after some point approximately with the 48% of the total ownership concentration. Putting such results into simpler wordings, the study conducted by Scholten (2014) was aimed at the provision of empirical evidence if corporate ownership structure plays any role on the performance of Dutch listed firms. From this perspective, return on assets ratio and price-to-book were regressed to examine corporate firm performance, insider ownership concentration, and ownership concentration. Putting this study in this process, it was found, at the first step by measuring the firm performance, that with the increased insider ownership concentration R return on assets ratio also increases. Nevertheless, the performance of firm decreases after a certain point and, subsequently, increases again.

Conducting an empirical study on MENA countries (including Egypt, Qatar, Bahrain, Kuwait, UAE, Morocco, Tunisia, Oman and Jordan) to explore the "impact of ownership structure on the performance of firms", Ahmed and Hadi (2017) found the negative effect of insider ownership on the return on equity of firms, positive effect of block holder ownership on Tobin-Q of firms. At the final stage, the study found positive role of governmental ownership on the return on assets of firms in the mentioned countries. In this study, the "return on assets" "(ROA), return on is equity (ROE), and is Tobin-Q", the market value / book value are the performance indicators, while insider ownership, governmental, and block holders are the indicators of ownership structure. With the application of panel data on the data gathered from the nine MENA countries, as mentioned previously, the results of the study were found consistent in terms of positive influence of block holders on the ROE. One of the main reasons suggested by Ahmed and Hadi (2017) in the light of the conducted study is considerable large government ownership in such countries.

Examining firms listed on the stock exchanges of Vietnam in terms of their performance based on their ownership structure, Phung and Mishra (2016) found a non-linear relationship between the firm performance and the ownership structure. Furthermore, state ownership possesses a convex relationship with the overall performance of firms. From this perspective, the study concludes that firm execution increments past 28.67 is percent level of state possession. Outside proprietorship has an inward association with firm execution. We locate that firm execution increments with an expansion of outside proprietorship up to a level of 43 percent and afterward diminishes. Based on the findings, this study recommends the policy makers of the emerging markets such as Vietnam must pay more attention on corporate governance mechanisms. This is particularly because of their weak shareholder protection systems to protect the minority shareholders from that of the expropriation by highly concentrated foreign ownership or state ownership. Furthermore, the study also recommends that policy makers should also consider revising laws in order to prevent the harmful behaviors of foreign of state block holders in the firms. In order to reduce the continuous negative effect on the performance of firms emerged from the state ownership, there should be reform in the state-owned enterprises towards the privatization.

Shah and Hussain (2012) have found out, while conducting study on the listed companies at "Karachi Stock Exchange between the period of 2008 and 2010 to analyze the relationship between Ownership Structure and Firm Performance within the non-financial companies". That firm performance basically relies upon managerial is ownership. Organization issues emerge because of ownership structure like concentrated ownership structure in Pakistani listed firms, which at also effects the firm performance. On the other hand, the study conducted by Kapopoulos and Lazaretou (2007) suggests that the concentrated ownership structure relates to the higher profitability of a firm in a positive way. This study gathered data from 175 listed firms in Greek to investigate if evidences support the concept is that variation within the "observed ownership is structures consequences to the systematic variations within the observed firm g performance. From this perspective, the study found two significant results. The first finding includes the positive influence of concentrated ownership structure" on the higher profitability of firm, while the second finding includes the notion of less diffused ownership in order to produce higher profitability of firm.

Putting focus on the non-financial listed companies in the Scandinavian region, Chen (2012) investigated the "effect of ownership structure on the performance of firms". In this study Chen (2012) chooses to answer three questions including how firm performance is affected by the ownership concentration, control divergence, and owner identity. From this perspective, a positive effect on growth and profitability was found which is associated with the ownership concentration. On the other hand, it holds the negative effect on the risk and valuation of firms. It would not be wrong to state that the negative effect is seconded by block holder argument presented by Ahmed and Hadi (2017). Chen (2012) concludes that this contention expresses that the piece holder has expanded capacity to screen the operator and that benefit is expanded (and hazard diminished) alongside expanded proprietorship fixation. It is likewise discovered that possession focus has a noteworthy negative impact on valuation.

Zakaria *et al.* (2014) attempt to is investigate the listed services and trading is firms in Malaysia to examine the influence of ownership structures including concentrated, government, foreign, and managerial on the performance of firms. In this study, the investigators gathered data of six years between 2005 and 2010 from the mentioned Malaysian companies. In this context, the study found that firms possessing managerial or concentrated ownership are more likely to enhance their performance, while firms possessing government ownership are less likely to enhance their performance. The Trading is and is Services is "firms are not influenced by proprietorship structure under pre emergency period. The huge impact just can be is seen in concentrated firm is under amid emergency and post emergency periods and for remote possession firms in post emergency period" (Zakaria *et al.*, 2014).

On the other hand, Abosede and Kajola (2011), while collecting evidence from the listed companies in Nigeria, found is negative and significant relationship between the financial performance of firms and ownership is structure, which is director shareholding. The findings of the study conducted by Haldar (2011) presents positive, negative, and both negative and positive relationship between the firm performance and the ownership structure based on the different levels of equity holdings by managers. This can be understood from the study conducted by Haldar (2011) figuring out that greater part discoveries contended about proprietor controlled company's execution being superior to anything chief controlled ones, yet missing measurable declaration for the same.

At the point when proprietorship is differentiated, there is an unfriendly impact on corporate execution, though investors having personal stake as speculators, give a viable checking of administration. The proprietor chief's advantage may veer from that of outside financial specialists. The block holder possession builds proficiency as holders of vast pieces have more motivating force to adequately screen administrators. Late investigations however contended that huge piece holders might contrarily influence the incentive by manhandling their predominant control position at the cost of minority investors. It calls attention to the essential issue of the organization hypothesis, i.e., irreconcilable situation between outside speculators and controlling investors having full control over chiefs (Pathak and Pradhan, 2012).

2.4. CG Ownership Structure of Listed Food Companies

Investigating the association between the financial performance and the ownership structure of the listed food companies, Balagobei and Velnampy (2017) reviewed the relevant literature revealing the positive influence of its ownership is structure is on the financial performance g of companies. From this perspective, it can be stated that one of the significant mechanisms of the corporate governance is the ownership is structure that positively influences on the financial performance of a company. Examining 10 listed food companies in Sri Lanka, Balagobei and Velnampy (2017) found that foreign ownership and ownership concentration are correlated positively with the financial performance of such companies. Nevertheless, their study could not find significant correlation between the institutional ownership structure and the financial performance. On the other hand, the results of the study also revealed a significant impact of the foreign ownership structure on the financial performance. Therefore, it is concluded that the financial performance of a company will be higher if the ownership structure, particularly foreign, is high in the food companies (Balagobei and Velnampy, 2017).

Mahmood and Bashir (2017), discussed that energy crisis has impacted Pakistani listed firms performance, however China Pakistan economic corridor (CPEC) is expected to resolve energy crisis. Listed Food Companies could have increased capacity for production. Production and firm performance can also be impacted by Digital disruption, fintech and other emerging technologies like block chain. (Mahmood and Ahmad, 2017) had examined impact of CPEC on volatility of PSX and shanghai stock exchnage stocks. There results show that CPEC is in initial stages and no significant impact currctly exits on listed companies including listed food companies.

Azhar and Mahmood (2018), while investigating the relationship between firm performances and corporate governance based on top 10 listed companies in Pakistan, did not find a direct association between the three corporate governance structures including audit committee composition, board composition, and board size based on the two performance variables including net profit ratio and return on assets. Mapitiya *et al.* (2016) find the ownership concentration as having a significant negative association with the compliance of corporate governance practices. The study was aimed at examining the association between the degree of compliance and ownership concentration based on the best practices of the listed companies in Sri Lanka. Investigating the listed companies in Palestine, Abdelkarim and Alawneh (2009) found a good explanatory power in terms of market value change. Following terms used in research are explained as:

a. Board Size

The ideal size of board consists board members between seven (7) to ten (10). (Ning and Wang, 2015).

b. Board Composition

The presence of independent directors in the board and the composition of the board is known as board composition. (Azhar and Mahmood, 2018).

c. Composition of Audit Committee

The presence of independent directors in the audit committee is known as board composition. (Azhar and Mahmood, 2018)

3. Methodology

In order to compare Returns on Investment (ROI) and Returns on Equity (ROE) of five listed food companies in Pakistan will be calculated.

Pakistan Stock Exchange (PSX) has as of 30th April 2018, seventeen (17) listed food companies . We have selected five companies, based on the availability of consistent last ten years data. From this perspective, secondary data was gathered from the audited financial reports and annual reports of five companies which had been listed for consistently for last ten years at PSX. These five companies are : Mitchell's Fruit Farms Pakistan, Murree Brewery Company Pakistan, Nestle Pakistan, National Foods limited Pakistan, and Clover Pakistan. The selection of the mentioned companies was based on the review of annual reports and availability of consistent data for last ten years. For the analysis of gathered data, regression model was used with the assistance of EViews in order to examine the relationship between the corporate governance mechanism including board is size, board composition, and audit committee and the performance variables including Net Profit Ratio and Rate of Return. For the present study, the secondary data was gathered from the audited financial statement based on the companies' annual statement between 2007 and 2016.

3.1. Model Specification

Following is the model that will be used for the present study:

"Y is g = g β_0 + β (ROI and ROE) + e"

Where,

"Y is the dependent variable such as firm performance Firm Performance β_0 constant

e is the error term"

"If we expand the model with relevance to our study, we will get:

Firm performance = $\beta_0 + \beta_1$ ROI + $\beta 2$ ROE + e"

3.2. Variables Description

Variables used in our research are discussed in following sections

3.2.1. Independent Variables

In order to measure performance in terms of efficiency evaluation for the investment, “Return on Investment” (ROI) is used. Furthermore, ROI is also used for the comparison of the different investments in terms of their efficiency. This study uses ROI as an Independent Variable to calculate the return amount on the invested amount, which is related to the cost of investment. For this purpose, the benefit (also known as return) of the invested amount is distributed by the invested cost in order to calculate the ROI. The expressed result is then ratio or percentage. For ROI, the present study uses the following formula: “ROI = (Gain from Investment - Cost of Investment)/Cost of Investment.”

On the other hand, this study uses “Return on Equity” (ROE) as a second Independent Variable. ROE is considered as one of the significant profitability metrics, which reveals the profit earned by a firm after the overall taxes. It is believed that any company having higher ROE is more likely to be capable to generate cash internally. In other words, a company having higher ROE comparing to its relevant industry performs well than the others. For ROI, the present study uses the following formula: “ROE = Net Income/Shareholders' Equity.”

3.2.2. Dependent Variable

This study uses “Firm Performance” as dependent variable, which depends on efficiency and market where a company operates. Measuring “firm performance” is known as financial health or financial stability that can be measured via various financial measures in order to evaluate firm’s performance.

4. Results and Findings

In the following section results and findings of our research are discussed, results were obatained using Eviews.

4.1. Descriptive Statistics

Table 1 displays the average value of board size (BS), board of composition (BC) i.e. the number of Exective and Independent directors in the board, and Composition of Audit Committee (ACC). From this perspective, the mean value of BS is 7.4 with 0.80 as standard deviation, BC is 4.6 with 1.03 as standard deviation, and ACC is 2.8 with 10.74 as standard deviation. This table reveals that the average number of the board composition of listed food companies in Pakistan is 4.6. These members are either independent directors or non-executive directors. Furthermore, the mean values of ROA and NPR are 11.72 and 64.10 with 10.74 and 360.27 as standard deviation respectively.

Table-1. Descriptive Statistics

	Board Size	Board Composition	Audit Committee Composition	Return on Assets	Net Profit Ratio
Mean	7.4	4.6	2.8	11.72844	64.10512
Median	7	5	3	10.91	6.29
Maximum	9	6	3	57.96	2547.82
Minimum	7	3	2	-1.8	-67.35
Std. Dev.	0.808122	1.030158	0.404061	10.74028	360.2769
Skewness	1.5	-0.271545	-1.5	1.64312	6.7513
Kurtosis	3.25	1.955621	3.25	7.849814	47.03869
Jarque-Bera	18.88021	2.886822	18.88021	71.50015	4420.264
Probability	0.000079	0.236121	0.000079	0	0
Sum	370	230	140	586.422	3205.256
Sum Sq. Dev.	32	52	8	5652.329	6360172
Observations	50	50	50	50	50

4.2. Regression and Correlations

Table 2 displays correlation of the performance of firms (including Return on Assets and Net Profit Ratio) with the board sizes, board compositions, and audit committee compositions of the selected listed food companies operating in Pakistan. From this perspective, neither Return on Assets nor Net Profit Ratio demonstrate strong correlation with the board sizes, board compositions, and audit committee compositions of the selected food companies.

Table-2. Correlations

	BS	BC	ACC	ROA	NPR
BS	1.000				
BC	0.686	1.000			
ACC	0.250	0.294	1.000		
ROA	0.259	0.097	0.175	1.000	
NPR	-0.080	-0.091	-0.314	0.621	1.000

Regression of the model is being explained in Table 3 after the application of model for the indicator ROA, which reveals the firm performance indicator. Therefore, R (Standardized coefficient of correlation), which is -24.44 explains the correlation of ROA explained as combined variables and their relationship. On the other hand, R2 (Coefficient of determination) explains that there is 0.09 or 09% variance in the ROA along with the change occurred in the combined independent variables. Nevertheless, the overall model cannot be stated as significant (F = 1.66, Sig = 0.19). The relationship between the two variables i.e. ROA and board size is not significant as t = 1.82 and Sig = 0.08, between the ROA and board composition is not significant as t = -0.95 and Sig = 0.35, and between the ROA and audit committee composition is also not significant as t = -0.96 and Sig = 0.34.

Table-3. Regression

Regression (Return on Assets)

Dependent Variable: Return on Assets
Method: Panel Least Squares
Date: 04/12/18 Time: 17:11
Sample: 2007 2016
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-24.44704	16.42835	-1.4881	0.1435
BS	4.662512	2.565677	1.817264	0.0757
BC	-1.940075	2.038994	-0.951487	0.3463
ACC	3.784725	3.904376	0.969355	0.3374

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.097742	Mean dependent var	11.72844
Adjusted R-squared	0.038899	S.D. dependent var	10.74028
S.E. of regression	10.52932	Akaike info criterion	7.622823
Sum squared residual	5099.861	Schwarz criterion	7.775784
Log likelihood	-186.5706	Hannan-Quinn criter.	7.681071
F-statistic	1.661061	Durbin-Watson stat	1.706227
Prob (F-statistic)	0.188488		

In Table-4 R-squared (coefficient of determination) explains that there is 0.09 or 09% variance in the NPR along with the change occurred in the combined independent variables.Nevertheless, the overall model cannot be stated as significant (F = 1.68, Sig = 0.18). The relationship between the two variables i.e. NPR and board size is not significant as t = 0.024 and Sig = 0.98, between the NPR and board composition is not significant as t = -0.023 and Sig = 0.98, and between the NPR and audit committee composition is significant as t = -2.14 and Sig = 0.04.

Table-4. Regression

Regression (Net Profit Ratio)

Dependent Variable: Net Profit Ratio
Method: Panel Least Squares
Date: 04/12/18 Time: 17:13
Sample: 2007 2016
Periods included: 10
Cross-sections included: 5
Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	856.9319	550.7514	1.555932	0.1266
BC	1.69	68.35614	0.024723	0.9804
BS	-2.04955	86.01293	-0.02383	0.9811
ACC	-280.512	130.892	-2.14308	0.0374

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.098817	Mean dependent var	64.10512
Adjusted R-squared	0.040045	S.D. dependent var	360.2769
S.E. of regression	352.9896	Akaike info criterion	14.64737
Sum squared residual	5731676	Schwarz criterion	14.80033
Log likelihood	-362.184	Hannan-Quinn criter.	14.70562
F-statistic	1.681348	Durbin-Watson stat	2.329052
Prob (F-statistic)	0.184107		

5. Discussion and Findings

The findings of the present study are consistent with the reviewed literature, as the performance of firms (in terms of return on assent and net profit ratio) does not seem to be dependent on the board size, composition, and audit committee composition of firms. For instance, Azhar and Mahmood (2018), while investigating the relationship between firm performances and corporate governance based on top 10 listed companies in Pakistan, did not find a direct association between the three corporate governance structures including audit committee composition, board composition, and board size based on the two performance variables including net profit ratio and return on assets. Nevertheless, the findings are not consistent with some of the other studies. For example, Al-Matari *et al.* (2014) in Malaysia found the ownership structures as primary mechanisms among the corporate governance. In this study, the authors attempted to gather the evidence from both, the advanced and developed countries and the emerging and developing countries, by reviewing studies conducted on the relevant filed. Similarly, investigating the association between the financial performance and the ownership structure of the listed food companies, Balagobei and Velnampy (2017) reviewed the relevant literature revealing the positive influence of is ownership is structure is on the financial performance of companies. From this perspective, it can be stated that one of the significant mechanisms of the corporate governance is the ownership is structure that positively influences on the financial performance of a company. On the other hand, the results for the net profit ratio of firms seem to affect based on the audit committee composition of the firms. This finding of the present study can be stated as consistent with the reviewed literature. For example, Balagobei and Velnampy (2017) found that foreign ownership and ownership concentration are correlated positively with the financial performance of such companies. Therefore, the following are the major findings of the present study:

Table-5. Summary of Hypotheses

No.	Hypotheses	Sig	Status
H1	Board size does not impact significantly on the performance of firms based on:		
H1.1	Return on assets (ROA) and	0.0757	Fail to Reject
H1.2	Net Profit Ratio (NPR)	0.9804	Fail to Reject
H2	Board composition does not impact significantly on the performance of firms based on		
H2.1	return on assets (ROA) and	0.3463	Fail to Reject
H2.2	Net Profit Ratio (NPR)	0.9811	Fail to Reject
H3	Audit committee composition does not impact significantly on the performance of firms based on		
H3.1	Return on assets (ROA) and	0.3374	Fail to Reject
H3.2	Net Profit Ratio (NPR)	0.0374	**Rejected**

6. Conclusion

The increased importance of corporate governance cannot be denied; however, results from different studies conducted in different settings reveal different results. Some of the studies reveal significant positive relationship between the corporate governance and their performance and other studies indicate the insignificant positive relationship. Our results are consistant with earlier research studies.Nevertheless, our study suggests that in the food sector of Pakistan, corporate governance measures do not impact significantly on the firm performance. Since during this study this research tere were few listed companies in food sector, it is recommended, for the future study, may choose regional south asain sample size or MENA region to gain regional conclusive findings. Furthermore, some of the other variables, apart from ROA and NPR, can be included to measure the performance of firms.

References

Abdelkarim, N. and Alawneh, S. (2009). The relationship between corporate governance and performance of palestinian firms: An empirical study. *The International Journal of Business and Finance Research*, 3(2): 105-20.

Abosede, A. J. and Kajola, S. O. (2011). Ownership structure and firm performance: evidence from Nigerian listed companies. *Corporate Ownership & Control*, 8(4): 391-400.

Ahmed, N. and Hadi, O. A. (2017). Impact of ownership structure on firm performance in the MENA Region: An empirical study. *Accounting and Finance Research*, 6(3): 105.

Al-Matari, E. M., Al-Swidi, A. K. and Fadzil, F. H. (2014). Ownership structure characteristics and firm performance: a conceptual study. *Journal of Sociological Research,* 4(2): 464-93.

Azhar, K. and Mahmood, W. (2018). Relationship of corporate governance and firm performance: Investigation from textile sector of Pakistan. 31st IBIMA Conference: 25-26 April 2018, Milan, Italy.

Balagobei, S. and Velnampy, T. (2017). A study on ownership structure and financial performance of listed beverage food and tobacco companies in Sri Lanka. *International Journal of Accounting and Financial Reporting,* 7(2): 36-47.

Butt, S. and Hasan, A. (2009). Impact of ownership structure and corporate governance on capital structure of Pakistani listed companies. *International Journal of Business & Management,* 4(2): 50-57.

Chen (2012). The effect of ownership structure on firm performance: Evidence from non-financial listed companies in Scandinavia. *Finance & International Business,* 4(11): 112-29.

Chen, Qi, C. Z. and Lin, T. W. (2011). Ownership structure and corporate governance among chinese securities firms. *International Journal of Management*, 28(3): 789.

Demsetz, H. (1983). The structure of ownership and the theory of the firm. *The Journal of Law and Economics,* 26(2): 375-90.

Demsetz, H. and Lehn, K. (1985). The structure of corporate ownership: Causes and consequences. *Journal of political economy,* 93(6): 1155-77.

Demsetz, H. and Villalonga, B. (2001). Ownership structure and corporate performance. *Journal of corporate finance,* 7(3): 209-33.

Haldar, A. R., S. N. (2011). Empirical study on ownership structure and firm performance. *Indian Journal of Corporate Governance*, 4(2): 27-34.

Kapopoulos, P. and Lazaretou, S. (2007). Corporate ownership structure and firm performance: evidence from Greek firms. *Corporate Governance: An International Review,* 15(2): 144-58.

Mahadumrongkul, S. (2014). *The relationship between the ownership structure and the role of news reporting in Thailand during the political crisis (2013-2014). Faculty of journalism and mass communication.* Thammasat University.

Mahmood, W. and Bashir, A. (2017).'Energy management modernization and economic growth: An analysis of CPEC based energy projects and energy crisis in Pakistan. 10th National conference on management sciences, Karachi, Pakistan'. Conference Location.

Mahmood, W. and Ahmad, N. (2017). Impact of CPEC on PSX and Shanghai Stock Exchange market volatility Using GARCH Method. 29th International Business Information Management Association Conference, Vienna, Austria.

Mapitiya, G. S., Ajward, A. R. and Senaratne, S. (2016). Ownership concentration and degree of compliance with corporate governance best practices of public listed companies in Sri Lanka. *NSBM Journal of Management,* 1(1):

Ning, Y. D., W. N. and Wang, J. (2015). *Does optimal corporate board size exist? An empirical analysis (SSRN Scholarly Paper No. ID 2693077).* Social Science Research Network: Rochester, NY.

Pathak, R. and Pradhan, S. (2012). The role of ownership structure in firm performance: A study of Indian manufacturing firms. *IUP Journal of Corporate Governance,* 11(3): 36.

Phung, D. N. and Mishra, A. V. (2016). Ownership structure and firm performance: evidence from Vietnamese listed firms. *Australian Economic Papers,* 55(1): 63-98.

Raut, S. (2011). Corporate governance–concepts and issues. Research scholar with institute of directors, India.

Scholten, M. H. M. (2014). Ownership structure and firm performance: Evidence from the Netherlands (Bachelor's thesis, University of Twente).

Shah, S. Z. A. and Hussain, Z. (2012). Impact of ownership structure on firm performance evidence from non-financial listed companies at Karachi Stock Exchange. *International Research Journal of Finance and Economics*, 84: 6-13.

Zakaria, Z., Purhanudin, N. and Palanimally, Y. R. (2014). Ownership structure and firm performance: Evidence from Malaysian trading and services sector. *European Journal of Business and Social Sciences*, 3(2): 32-43.

Zheka, V. (2005). Corporate governance, ownership structure and corporate efficiency: the case of Ukraine. *Managerial and Decision Economics*, 26(7): 451-60.