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Corporate governance and shareholders' confidence: A pre-post analysis of corporate governance code 2017 in Pakistan

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ABSTRACT

This study aims to examine the impact of the recently introduced Corporate Governance Code (CGC) of the Security Exchange Commission of Pakistan (SECP) on shareholders' confidence. The four recommendations of the CGC 2017 included in the study are female directors, independent directors, independent chairman of the audit committee, and board size. The study uses a purposive sample of the top 100 companies listed Security Exchange Commission of Pakistan with a plea for better compliance. By employing Ordinary Least Squares with Panel Corrected Standard Errors (OLS-PCSE) to a data collected from annual reports of the sample firms from 2015 to 2019. The SECP code 2017 anticipated that CG dimensions will improve firm performance and shareholders' confidence. The findings are fairly consistent and robust across two time periods (pre and post), whereas the results show that board diversity increases firm performance in both eras. Besides, the multiple regression results indicate that firm performance is negatively and significantly linked with independent directors. Nevertheless, the results show that board size and independent chairperson of the audit committee do not have a significant impact on firm performance. As these anticipations yet lack empirical support.

Keywords

Board size, Female directors, independent directors, Independent chairperson of the audit committee, SECP 2017, Pre-Post analysis, Shareholders confidence, Pakistan

JEL Classification

G30, G39

The findings of this study provide important insights for the regulatory bodies, policymakers, and all other key stakeholders of the public listed companies of Pakistan. The study empirically investigates the recommendations of the CGC 2017 and has originality or value, particularly for the developing countries.

1. Introduction

Over the last few years, Corporate Governance (CG), in general, has gained considerable public attention because of its role in corporate sustainability and development. Broadly, CG aims to discipline corporations for increasing shareholders' confidence (Nikhil & Shil, 2017). CG is a structure that regulates and controls business entities (Nodir & Amonboyev, 2016). Effective governance firms' overall conduct as per the relevant regulations and regulations. It is believed that efficient use of corporate governance increases the value of a firm (Nazir & Afza, 2018) A good and effective corporate governance system is measured as an internal device for administration governor and monitoring. It is an active means for receiving the best financial performance of the firms and shareholders' confidence (Richard & David Gwilliam, 2019). Therefore, a good and sound corporate governance structure will care for the right of shareholders, increase and built company transparency, and create a superior system of the closure of financial and non-financial information (Bernard & Woochan, 2015). Thus a good corporate governance structure should guarantee that the board of directors is not only responsible for different stakeholders' communities but also encourage transparency over accurate disclosure and sharing of information among different investors communities. So if shareholders are not happy with the corporate governance internal system, level of disclosure, then they will have to compile out its management, and finally, this could compile the investors for capital flight. Thus a good and sound corporate governance system has the power to impact the future position of a corporation and also plays an important role in financial market strength and stability (Mugarura, 2016). Corporate governance consists of internal and external mechanisms designed to minimize agency charges. The internal mechanisms of corporate governance mostly focused on the association between different contributors in an organization and their association with the board of directors. Similarly, on the other side, the external mechanisms manage the association between internal and external such as shareholders, suppliers, creditors, and society for the smooth operation of an organization. (Nikhil & Netai, 2017). Accordingly, it is expected that well-built corporation governance roles and their proper execution make

the sure proper and charming running of companies and their effect on the cash flow of a government and investors (Haseeb & Ibrahim, 2015).

Great corporate scandals and frauds such as World Com, Enron, and Tyco, etc. in developed and industrialized countries and other cases of the East and Asia economic crises raise deep blemish and questions on the efficiency and effectiveness of corporate governance mechanisms in these organizations. (Bhagat & Bolton, 2019). The scandals which occur due to a weak corporate governance structure, compelled regularity bodies to make rules, against protests of corruption, frauds, duplicity, and insider trading. Hence these scandals and conflicts among management and owners were the key causes of the creation of codes and sound corporate governance systems all over the world (Kursat, 2019).

In Pakistan, from the last few years' corporate governance codes repeats itself over and over to improve its structure and efficiency according to the needs, but there was still a gap as the recommendations regarding the subject to the code has not been properly implemented, as many companies are fulfilling formalities and merely making paper arrangements instead of practical implementation (Fazli Azim & Mustapa, 2018). There is a limited literature study on pre and post contents in Pakistan and around the world due to the contemporary data, so this study evaluates the pre and posts effect of the execution of the new corporate governance code 2017 on shareholders' confidence (Rashid Zama & Ayub, 2015). The main objective of the code of corporate governance and its revision from time to time is to make the governance structure in line with updated requirements as well provide enough security to the shareholders of the company. The developing economy like Pakistan also restructured the code from time to time after its inception in 2002. The current study also highlighted this issue and analyzed the situation before and after the latest code of 2017.

The remainder of this paper deals with the literature review and hypotheses development followed by research methods, results, and discussion. The last section reports the conclusion and recommendations of the study.

2. Literature Review

2.1 Theoretical Framework

The theoretical framework of the study discusses as follows.

2.1.1. Agency Theory

Agency and stakeholders' perceptions remain the most broadly used theories in the literature in this area, explaining the need for proper monitoring services. Sound corporate

governance can decrease the possibility of earning management by managers and subsequently increase the superiority of the accounting material communicated to the stakeholders (Riadh & Najoua, 2020). Therefore to diminish this problem and to boost the interests of owners, the company used extra costs for observing management actions (Herlambang & Murhadi, 2020). So from an agency theory perspective, embracing the corporate governance codes enable firms to monitor administrative actions which reduce the chances of the principal-agent problem and increase the shareholders' confidence (Junaid & Muzzammil, 2020).

2.1.2. Shareholder primacy theory

Milton Friedman in 1970 marked his view about shareholder dominance; he wrote that "a business administrative is a worker of the owners of the corporation. The worker is directly accountable for his/ her activities toward his owners. That responsibility includes that the management operates the business according to their mind and wishes, for the purpose to increase shareholders' confidence and business performance (Lenore, 2019). Thus Shareholder primacy theory proposes that the main purpose of corporations is to maximize owners' profit and interests. However, managers want to increase and protect their objectives rather than investors. Hence, this is the responsibility of the corporate governance to monitor the managers, but this act can be only efficiently executed if the board is independent (Haseeb & Ibrahim, 2015).

2.2 The context of Pakistan

After the scandals of Wells Fargo and Equifax are just the most recent in the long line of scandals involving large well-known public U.S. corporations. Further back in time, at the turn of the new millennium, the scandals in Enron, WorldCom, Tyco, and Qwest headed to their destroying increased the importance of corporate governance (Bhagat & Bolton, 2019). After each set of these scandals, policymakers raised questions about the effectiveness of corporate governance mechanisms in these companies. This led to the predictable call for more regulation and laws to oblige and regulate corporate behavior, to wit, the Sarbanes Oxley Act of 2002 and the Dodd-Frank Act of 2010, for diminishing conflict of interests between investors and management of various organizations (Jamshaid & Khalid, 2018).

In Pakistan, the concept of corporate governance was presented by the Security Exchange Commission of Pakistan (SECP) in 2002 and later revised again and again according to the changing circumstances to increase shareholders' confidence. Corporate governance systems and shareholders' confidence have always been an area of debate but

still, there is very narrow literature support in governance mechanisms (Waqar & Subhan, 2019). So the current study identifies the pre and post-analysis of corporate governance code 2017 and its effect on shareholders' confidence in Pakistan.

The development of corporate governance in Pakistan took place in many phases. In Pakistan before 1997, the responsible bodies were the Ministry of Finance, Corporate Law Authority, and the State Bank of Pakistan for regulating and imposing corporate governance laws. After that during the era of 1999-2002, which was a structural formation stage, the Security Exchange Commission of Pakistan (SECP) came into existence by replacing the Corporate Law Authority (Emerald, 2018). Likewise to enhance confidence and create awareness among the business community about the benefits of good governance the Pakistan Institute of Corporate Governance (PICG) was established in 2004 with the collaboration of the International Finance Corporation (Arslan & Ahmad, 2020). In early 2002 the Security Exchange Commission of Pakistan Presented the code of corporate governance as the key step in corporate governance modifications in Pakistan. The major areas of implementation exclude reforms of the board of executives to make it responsive to all investors (Qaiser & Harry, 2011). Although the code of corporate governance 2002, is based on Corporate Ordinance 1984, however, the code's limited necessities on the director's independence remain intentional and deliver no direction on internal controls and board reimbursement strategies (Javid & Iqbal, 2010). Thus the Securities and Exchange Commission of Pakistan (SECP), after gaining new experiences at national and international levels reviewed and revised 2012 the corporate governance parameter of the state (Zahid & Haseeb Ur Rahman, 2019). Furthermore to meet international standards, ratified the improved and updated version of corporate law in the shape of companies' code 2017, with technical and financial support provided by international organizations for the purpose to regulate and execute corporate code for getting standard passion and shareholders' confidence at a foreign and local level (Atta & Haider, 2020).

The current study model includes the following independent variables.

2.3 Board Sizes and Firm Performance

The total number of directors is recognized as the size of the board. It plays a significant role in the effectiveness of the board and also has a great impact on the quality of governance (Sheikh & Shah, 2018). Different countries have diverse board sizes as every country has its own cultures and procedure about business (Jason & Michael, 2017) Therefore several studies argue that a rising in board size may clue to greater coordination problems which become more difficult for board members to reach an agreement on

crucial corporate decisions which decrease the effectiveness of the firm and shareholders' confidence. Furthermore, board larger size is also less effective in observing management and, thereby, the CEO influencing increased in decisions making (Aswathy & Chandramohan, 2018). However, some of these studies support the opposite view that a board's capacity to conduct monitoring increases with size. Larger boards deliver an increased group of expert members with having a greater variety of skills and experience which, in reply, leads to enhanced firm performance due to upright business communication, decision making, and controlling (Kamran & Mehmet, 2021). As firms in Belgium, France, Spain, and Germany tend to have a large board size (Thirteen to nineteen members) therefore Epstein claimed that an average of sixteen directors may be considered optimal for large companies. But on the other hand United Kingdom, Switzerland and Holland tend to have a small board size, so Lipton claimed that the board members on board should be between eight and nine while Leblanc preferred eight to eleven persons on board (Shafie & Kamilah, 2016). However, the Security Exchange Commission of Pakistan code 2017 claimed that seven to fifteen members are an optimal board size for all listed companies. The board of directors shall act as a possessor of a business on behalf of owners to take any action and decisions regarding the best interests of the shareholders. Therefore the board size plays an important role in increasing the shareholders' confidence and company efficiency (Wahid & Kauser, 2020).

H1 (a): There will be a significant impact of board size on shareholders' confidence.

H1 (b): The relationship between board size and shareholders' confidence will be improved after the promulgation of the corporate governance code 2017.

2.4 Board Female Director and Firm Performance

Gender diversity of the board has an optimistic influence on the outcome and efficiency of the companies (Al-rahahleh & Ayat, 2017). The gender diversity matter has gained more importance in current years, because female directors may improve boards' negotiations by carrying various perspectives and ideas which enhance the efficiency of boards for the decisions making. Female directors may also enhance board independence, by asking different questions from their male colleagues which decreases materialistic behavior, this, in turn, motivates companies to consider stakeholders' confidence and demands (Shahbaz & Merve, 2020). The previous studies stated that lack of diversity in a board of directors leads to follow similar ways of solving company problems that can develop group think issues, ineffective boards, poor governance, and as well as hurdles in the attainment objectives of the firms' which affect investors' confidence (Srinidhi &

Shiqiang, 2020).

H2 (a): There will be a significant impact on female directors' shareholder confidence.

H2 (b): The relationship between female directors and shareholders' confidence will be improved after the promulgation of the corporate governance code 2017.

2.5 Board Independent Directors and Firm Performance

Independent directors of the boards represent the ratio of the outside directors of the board who does not have a financial relationship with the business (Akshita & Chandan, 2016). Thus it recommends that external directors have more talents and knowledge about the market, so independent directors on a board offer a brilliant opportunity to monitor the firm's performance and shareholders' confidence (Junaid & Muzzammil, 2020). The independent directors play a vital part in speaking out in support of strict tractability with the law and protection of minority stakeholders' benefits. Moreover, independent directors show more compliance in the observance of the regulations and are more concerned about corporate performance and shareholders' confidence (Valeria, 2019). Therefore several studies claim a positive association, such as Panasian (2003), which stated that if the ratio of independent directors on board increases then it will be useful for the firm performance and shareholders' confidence. While on the other hand Baghat and black (2002) say that independent directors have an inverse influence on firm efficiency and shareholders' confidence, whereas Postma (2002) found no relation between independent directors and the financial output of the firms (Yussoff & Anees, 2016). However, the Security Exchange Commission of Pakistan code 2017 makes mandatory the availability of a two-thirds ratio of independent directors on the board for all listed companies.

H3 (a): There will be a significant impact of independent directors on shareholders' confidence.

H3 (b): The relationship between independent directors and shareholders' confidence will be improved after the promulgation of the corporate governance code 2017.

2.6 Independence Chairperson of Audit Committee and Firm Performance

The independence of the audit committee plays a vital role in increasing shareholders' confidence by having accounting information and financial matters at hand (Wahid & Kauser, 2020). For the audit committee's effectiveness, the members and the chairperson of the audit committee must be free from the effect and stresses of management and the board of directors (Mohammad Rateb, 2018). As to increase the investors' confidence the accurate and true financial information of an organization is needed because based on this information the investment decisions are made by the investors. But, some organizations do not represent a real image of the fiscal position of a company. Hence, in such a situation

a neutral body like the independent chairperson of the audit committee is needed to monitor and control such illegal events and actions of the corporation (Nidhi & Anil, 2016). As the conclusions of earlier studies on this relationship are questionable, an autonomous committee of audit does work more efficient as compared with a less independent committee, since the earlier is more expected to provide the best result and observing through its capacity and experience to resist tension from top management (Kallamu & Mohd Saat, 2015). Further when independent directors presided over the audit committee then there is a significant influence of the committee on monetary reporting and a lower existence of fake reporting (Nekbetweenli, 2017).

H4 (a): There will be a significant impact of the independent chairperson of the audit committee on shareholder confidence.

H4 (b): The relationship between the independent chairperson of the audit committee and shareholders' confidence will be improved after the promulgation of the corporate governance code 2017.

2.7 Control Variables

Besides the use of explanatory variables the model also includes a set of control variables as the second group of independent variables in this study. Firm size is measured as the natural log of firm total assets. There is no bond between the researchers on the connection between the business size and its financial performance as Adams and Ferreira (2009) and Krishnan and Park (2005) specify that firm size is directly related to firm performance, while Carter et al. (2003) fail to do so, as the firm size changed for every firm it depends on the nature of the business (Chancharat, 2019). Firm age refers to the period that elapsed since the company's incorporation. So there is a vague association between business age and firm performance. Mature businesses have better efficiency than newly established businesses due to experience, skill, and quality services, that they have developed over time in the market (Jacob & Safdar, 2020). Leverage is defined as the ratio of the book value of debt to total assets. Likewise, firm leverage is also opposed on account of the increasing firm performance and investors' confidence. The higher value of leverage means that the firm financial performance is not in good condition (Hexana, 2020).

3. Research Methodology

The present study employed a positivist approach to testing the aforementioned hypotheses. Positivism mechanisms always think positively and encourage exploring happenings and events. So in the positivist approach, the researcher collects the data from

various resources and then interprets that data in an impartial, proper, and objective way (Andriukaitiene, 2013).

3.1 Sample and Sampling Techniques

This study examines the Pre and post analyses of corporate governance code (SECP, 2017) and its effect on shareholder confidence. Therefore, the population of the current study is the public listed companies in Pakistan. As the total number of listed companies was 559, but the study bound our sample size, so it should consist only of the top hundreds (100) listed companies of the security exchange commission of Pakistan (SECP). The KSE-100 index companies are designed for the measurement of the performance of 100 companies which consists of the major market capitalization. To measure the KSE-100 index the aggregate market value is divided by the base value and multiplied by 1000 to get the current index number. The study used the sources of the internet and downloaded the annual report of the target firms from the website of SECP, from 2015 to 2019 (Nazir & Afza, 2018). The main reasons for the selection of these companies are that these are registered with SECP, and quickly adopt any reform of the regulators (Agyemang, 2017).

3.2 Share Price

The current study adopted the share price for measuring shareholders' confidence. A share price is the price of a single share of several commercial stocks of a firm, derivative, or other financial assets. The share price is not stable but fluctuates according to market situations (Joseph, 2018).

3.3 Economic Model

Following is the model developed for investigation.

$$SCit(SP) = \beta_0 + \beta_1 INDBit + \beta_2 FDBit + \beta_3 BSIZit + \beta_4 INDACit + \beta_5 FAGEit + \beta_6 FLEVit + \beta_7 FSIZEit + \beta_8 IDit + \beta_9 YDit \dots \dots \dots \text{Model 1.}$$

3.4 Measurement of Variables

Table 1 offers the operationalization of model variables along with the support of former literature.

Table 1: Variable Measurements

| S No | Parameters | Explanation | References |
|------|-------------------------|---|------------------------------|
| 1 | Shareholders Confidence | Measured by earnings per share: Net profit - dividends paid/ Shares | (Mustaruddin & Rusnah, 2011) |
| 2 | Independence Directors | The proportion of independent directors on | (Bhagat & Bolton, 2019) |

| | | | |
|---|---|---|-------------------------------------|
| 3 | Board Size | the board Total number of directors having board membership | (Bakhsh & Zeeshan, 2019) |
| 4 | Women Directors | The proportion of women directors on the board | (Charumathi & Rahman, 2019) |
| 5 | Independence Chairperson of Audit Committee | The proportion of independent directors on the board | (Nidhi & Anil, 2016) |
| 6 | Firm Age | Present year – Incorporation year | (Bakhsh & Zeeshan, 2019) |
| 7 | Firm leverage | Total debt ÷ Total assets | (Zahid & Haseeb Ur Rahman, 2019) |

4. Results and Discussion

4.1 Analysis of Descriptive Model

The kurtosis and skewness are used in Table 2 for checking normality between independent variables. The result identified that the minimum value of the variable board size is 3 and the maximum value is 17, with a standard deviation of 1.942, the mean value of the board size is 8.75. Similarly, the variable of female director minimum value is 0, the maximum value is 3 with a standard deviation of 0.681 and the mean value is 0.56. Moreover, the lowest value of independent directors is 0 maximum value is 9 and the mean value is 2.11 and possesses a 1.416 value for standard deviation. The independent chairperson of the audit committee keeps the minimum value 0, maximum value 4, the average is 1.40 and the standard deviation rate is 0.788. Similarly, firm age is the control variable its lowest price is 7, the highest rate is 106 and the standard deviation value is 20.294 and the mean is 41.22. Firm size possesses a minimum value of 2 million, a maximum value of 74,517 million, and a mean value of 3,437 million. Likewise, the firm leverage keeps a minimum value of 67 thousand, a maximum of 57,896 million, and an average score of 2032 million.

Table 2: Descriptive Statistics

| | Min | Max | Mean | S.D | Skewness | Kurtosis | | |
|-------------|-----------|-----------|-----------|-----------|-----------|----------|-----------|-------|
| | Statistic | Statistic | Statistic | Statistic | Statistic | S.E | Statistic | S.E |
| Share Price | -2.807 | 2.674 | -0.005 | 0.973 | -0.026 | 0.122 | -0.036 | 0.243 |
| B Size | 3 | 17 | 8.753 | 1.942 | 1.124 | 0.122 | 1.365 | 0.243 |
| F Director | 0 | 3 | 0.567 | 0.681 | 0.975 | 0.122 | 0.320 | 0.243 |

| | | | | | | | | |
|------------------|------|----------|---------|----------|-------|-------|--------|-------|
| Ind. Director | 0 | 9 | 2.115 | 1.416 | 1.427 | 0.122 | 2.674 | 0.243 |
| Ind. Chairperson | 0 | 4 | 1.406 | 0.788 | 1.422 | 0.122 | 2.351 | 0.243 |
| Firm Age | 7 | 106 | 41.227 | 20.294 | 0.541 | 0.122 | -0.390 | 0.243 |
| Firm Size | 2 m | 74,517 m | 3,437 m | 10,251 m | 0.000 | 0.122 | -0.159 | 0.243 |
| Leverage | 67 k | 57,896 m | 2032 m | 6,902 m | 0.000 | 0.122 | -0.159 | 0.243 |

4.2 Pearson’s Correlation Matrix

The study employed Pearson's correlation matrix to check multicollinearity among the variables in the model. It is stated that correlation between variables exists but if the association between two elements is greater than 0.900, it signs that a multicollinearity problem exists between two factors. The statistics reported in table 2 stated that the maximum correlations among various elements are equal to or lower than 0.900, thus no signs of multicollinearity problem are found (Rahman & Zahid, 2019).

Table 3: Pearson’s Correlation

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
|------------------------|----------|---------|---------|---------|---------|--------|---------|-----|
| S Price (1) | 1 | | | | | | | |
| B Size (2) | -0.161** | 1 | | | | | | |
| F Director (3) | 0.068 | 0.006 | 1 | | | | | |
| Ind. Director (4) | -0.211** | 0.399** | 0.080 | 1 | | | | |
| IC Audit Committee (5) | -0.114* | 0.220** | -0.025 | 0.785** | 1 | | | |
| F Age (6) | 0.049 | 0.097 | 0.038 | 0.003 | 0.010 | 1 | | |
| F Size (7) | -0.140** | 0.059 | 0.128* | 0.185** | 0.158** | -0.013 | 1 | |
| F Leverage (8) | -0.186** | 0.124* | 0.143** | 0.228** | 0.173** | 0.024 | 0.900** | 1 |

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Pearson’s correlation matrix represented in Table 3 is utilized in the study for exploring the nature of relationships among the different variables. As in the table, board size has a negative correlation with the share price, so there is a statistically negative link of shareholder confidence with board size. Independent directors and independent chairpersons of the audit committee are also negatively correlated with the share price. Moreover, firm size and firm leverage are control variables that possess a negative association with a share price. According to the correlation matrix, some of the variables in the Table have a positive correlation with the share price. The board diversity variable like the presence of female board directors and firm age is positively correlated with shareholders' confidence. The correlation value of all the variables is less than the standard value of multicollinearity 0.900, which indicates a weak correlation.

Table 4: Regression Analysis

| | Pre- PCGC | | Post-PCGC | | Combined | |
|-----------------------------|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | OLS | PCSE | OLS | PCSE | OLS | PCSE |
| Board Size | -0.004 (0.040) | -0.004 (0.004) | 0.012 (0.037) | 0.012 (0.016) | 0.002 (0.027) | 0.002 (0.018) |
| Female Director | 0.223** (0.109) | 0.223*** (0.049) | 0.244** (0.099) | 0.244** (0.051) | 0.238*** (0.072) | 0.238*** (0.058) |
| Independent Director | -0.086 (0.086) | -0.086*** (0.032) | -0.280*** (0.081) | -0.280*** (0.089) | -0.188*** (0.059) | -0.188*** (0.067) |
| Independent Audit Committee | -0.007 (0.148) | -0.007 (0.038) | 0.363*** (0.132) | 0.363*** (0.135) | 0.195** (0.098) | 0.195 (0.126) |
| Firm Age | 0.145** (0.069) | 0.145*** (0.049) | 0.076 (0.068) | 0.076*** (0.009) | 0.109** (0.048) | 0.109*** (0.019) |
| Firm Size | -0.000 (0.132) | -0.000 (0.066) | 0.245 (0.211) | 0.245 (0.200) | 0.062 (0.110) | 0.062 (0.092) |
| Firm Leverage | -0.259* (0.134) | -0.259*** (0.044) | -0.548** (0.215) | -0.548*** (0.165) | -0.342*** (0.111) | -0.342*** (0.102) |
| Lag of Share Price | -0.058 (0.067) | -0.058 (0.035) | 0.018 (0.067) | 0.018 (0.027) | -0.025 (0.047) | -0.025 (0.016) |
| Constant | -1.649 (1.009) | -1.649* (0.938) | 0.634 (0.933) | 0.634 (0.683) | -0.498 (0.684) | -0.498 (0.734) |
| Obs. | 199 | 199 | 200 | 200 | 399 | 399 |
| R-squared | 0.162 | 0.162 | 0.197 | 0.197 | 0.165 | 0.165 |
| Years Dummy | Yes | Yes | Yes | Yes | Yes | Yes |

Standard errors are in parenthesis

*** p<0.01, ** p<0.05, * p<0.1

4.3 Results and Discussion

The research failed to find any significant relation between board size and shareholders' confidence. As our results consist of pre and post scenario, so in the pre scenario board size value is negative, but in post-analysis the value of board size is positive, so the results of post-analysis are better than pre, but overall board size has no effect on shareholders' confidence therefore both the hypotheses H1 (a), H1 (b) of the study, are rejected. This finding does not support the results of a bunch of studies e.g., Adams & Ferreira, 2007; Kiel & Nicholson, 2003; Singh et al., 2018, which investigated that board size has a positive effect on shareholders' confidence. As board size has the talent to create an extensive pool of expertise and more skills for the firm (Kamran & Mehmet, 2021).

The current study result exposes that independent directors of the board are negatively associated with shareholders' confidence, which is not supported by hypotheses, H3(a) and H3(b) as in both pre and post scenarios the value is negative. This study results

support the earlier studies, such as Reinstein and Weirich (1996) argue that audit committees do not have the expertise and power to oppose management in listed firms of Pakistan and also do not play a vital role in improving the value of financial reports. As they work according to the wishes and desires of management because they are hired by them. So the audit committee must have relevant experience and literacy as made mandatory in the code for all listed firms (Arslan & Alqatan, 2020). The statistics result in Table 4 show a significant positive influence of female directors on shareholders' confidence. As in pre and post scenario, the results are significant and positive, however, the post result is better than the pre-analysis, which indicates that corporate code 2017 play important role in increasing shareholder confidence, therefore the study accepted the H2(a) and H2(b) hypotheses. These findings are also supported by the earlier literature as Miller and del Carmen Triana (2009) discussed that existence of female directors may help in improving the skills of the firm to yield profits by using its resources and income. Besides, female directors also influence the decision-making capability of the firm when it comes to improving business and investors' confidence. Simply the finding recommends that women are more conscious about shareholders' profit than male directors (Subba & Sujana, 2021).

The result indicates that the audit committee is negatively associated with shareholders' confidence. Although in the pre scenario its value is negative, in the post-analysis the value is positive, so this is a change but statistically, they have no relation with the share price, so our results reject the (H4 (a) and H4 (b) hypotheses. Previous studies also argue that the financial scandals that occurred at the start of the 2000s (Enron, WorldCom) confirm to influences done by some managers and showed the weakness of this governance instrument. Development of audit value is therefore needed to support the audit to play its role as a governance mechanism. An upper audit dominance increases the value of financial information and stimulates good control by managers and good decision-making by shareholders (Riadh & Najoua, 2020). Further noted that the effects of the control variables on the dependent variables as follows. The firms' age (business age), has positively associated while the size of the firm, does not affect, and the firm's level of debt hurts firm performance and shareholders' confidence. Finally, R-square values in the table present the proportion of the variation in shareholders' confidence that is due to the changes in the independents' variables.

5. Conclusion and Future Directions

This study examines the impact of corporate governance mechanisms on shareholders' confidence, using a proxy (SP) and four corporate governance mechanisms

(board size, independent female directors, independent directors, and independent chairperson of the audit committee). A sample size of the top 100 firms listed on the Security Exchange Commission of Pakistan between 2015 and 2019 is used. From the observing phase, our results confirm the assumption that the board size has no significant impact on shareholders' confidence. Furthermore, the results of our research confirm the positive and significant effect of independent female directors on our dependent variable. There is also a negative relationship between SP and independent directors. Moreover, in pre-age, there is no impact of the independent chairperson of the audit committee on shareholders' confidence but in the post-period, there exists a positive and significant relationship between them. Our findings have important implications for policymakers, regulators, shareholders, companies, governments, and other countries. Firstly, it contributes to the existing literature by contributing new empirical evidence on obedience and execution of the 2017 corporate governance code in Pakistan. Secondly, it offers suitable proof by observing whether the mentioned corporate mechanisms may affect firm shareholders' confidence using a sample of top 100 listed firms on SECP following a variation in a regulatory environment. The third contribution is that, the study split our sample period into two sub-samples pre and post to examine whether the revised CG code has any impact on the shareholders' confidence during different sample eras. Finally, the results show that the firms' confidence and corporate governance characteristics are not toughly linked and this may be due to the causes that organizations in Pakistan did not follow the recommendations of the CG code in the earlier stage.

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