CAPITAL UNIVERSITY OF SCIENCE AND TECHNOLOGY, ISLAMABAD

Impact of Independent Directors and Board Size on Corporate Investment Policy

by

Sahar Aslam

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I want to dedicate this work to my beloved parents, siblings, maternal uncle, teacher and friends

CERTIFICATE OF APPROVAL

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by

(Sahar Aslam)

Registration No: MMS181026

THESIS EXAMINING COMMITTEE

S. No.	Examiner	Name	Organization
(a)	External Examiner	Dr. Sumayya Chughtai	IIU, Islamabad
(b)	Internal Examiner	Dr. Arshad Hassan	CUST, Islamabad
(c)	Supervisor	Dr. Jaleel Ahmed Malik	CUST, Islamabad

Dr. Jaleel Ahmed Malik
Thesis Supervisor
December, 2020

Dr. Mueen Aizaz Zafar
Head
Dept. of Management Sciences
December, 2020

Dr. Arshad Hassan
Dean
Faculty of Management & Social Sciences
December, 2020

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Abstract

This study investigates to find out independent directors and board size impact on corporate investment policy of non financial sectors in Pakistan. A deeply investigation made by including whether independent directors and board size reduce corporate over-investment and improve investment efficiency in Pakistani Market. The data is collected from non financial firms listed on Pakistan stock exchange and the time frame is 2008 to 2016. Panel regression technique is used in this study. The results of panel regression analysis show that: independent directors have negative and significant impact on corporate investment policy and board size has positive and significant impact on corporate investment policy Cash holdings has positive and insignificant impact and profitability has negative and insignificant impact on corporate investment policy whether firm size has negative and significant impact on corporate investment policy. Independent directors, Board size, Cash Holdings, Profitability and firm size have significant relationship with Corporate Investment Policy.

Keywords: Corporate Governance, Independent Directors, Board Size and Corporate Investment Policy.

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Abbreviations

BS	Board Size
CAS	Cash Holdings
CEO	Chief Executive Officer
CG	Corporate Governance
CSR	Corporate Social Responsibility
ID	Independent Director
INV	Corporate Investment
Prof	Firm Profitability
ROA	Return on Assets
ROE	Return on Equity
SIZ	Firm Size

Chapter 1

Introduction

1.1 Background

In recent time impact of independent directors and board size on corporate investment policy. In the first decade, corporate governance shown as a trending area of study in 1970s in the United States. During the previous era to onwards corporate governance has been examined as hot topic on the debating concern in the mind of global scholars, academics, practioners and investors. The present study points out the improvements executing between the mid of 1970 to the ending of 1990s, in which corporate governance was mostly discussed in many conferences and well explored as academic and smart level of regulatory bodies.

The present investigation includes by investigating briefly new improvements and by maintaining that analytical consequences of internal relationships between board members, top executive bodies and shareholders of public level trading companies are mostly conducted via the conceptual presence of corporation governing sector for the bright future horizon.

In the whole world corporate governance becoming a major issue and specially in the consequences of any global economic crisis that teetered various economic system about the recission process. Various studies conducted recently, all the outcomes have taken on central point of corporate governance determinants revolve around the safety of shareholder wealth and its legal rights.

In the recent decades, most discussing and important challenge is public policy debate in the emerging economies like Pakistan because of latest trending discussion within numerous managing organization of regulations to apply the fresh companies act. Effectiveness of the valid corporate governance determinants in developing nations and this regulation don't over focused, everyone tries to understand the reality of investors and shareholder wealth losses almost $2.8 million from the Indian economy in which largest gossips at system computers ltd (Tellis, 2009).

Additionally, the external governing determinants and marketing factors are so poor in emerging countries capital markets. Moreover, this is important to impose well managed corporate governance system with practical laws. Top management of outside directors evaluates the managing staff on the promise of investors (Fama & Jensen, 1983). According to the setting of agency level in emerging economic systems in which ownership concentration is the major norm linked with the poor safety of shareholders rights, composition of board with external directory cabinet of members shows a significant challenge.

In this setup mostly concerned of the outside directors for the improvement in supervision about the top management. In depth the board members perform a multifaceted duty (Ruigrok, Peck, Tacheva, Greve, & Hu, 2006) and directly influenced the performance of the firm. However, the pertinent challenges worthy of consideration is top management contribution with outside the board of directors in the provision of concentrate level ownerships, optimal level of perspective maximization of shareholders wealth.

Corporate governance is most fabulous area in corporate financing. Due to asymmetry information, company managers lead to the taking of benefits of corporate reserves in order to assist their own focus either the managing to shareholders advantages. Particularly, company management conducted the over invested in the non-profitability trading projects that raises the capital worth and donate company owners interest (Jensen & Meckling, 1976). Appreciating the agency issues, investors uses the various determinants to leading and manage their administration make their attitudes and firm advantages alignment. In recent time independency of directors have making general techniques of corporate governance after the world economic crisis, which ensure the severe poor system of governing management systems all over the world. The existing literature examines the independent directors positively affect the company decisions (Weisbach, 1988) and financing profitability (Chou, Hume, Koelemeij, Wineland, & Rosenband, 2010; Dahya & McConnell, 2007; Ezzamel & Watson, 1993; Liu et al., 2015). Therefore, no particular investigations on how in depending directors influence corporate investment. In this we determine maybe independent directors minimizing the corporate governance and their influence on the company in diverse organizational settings.

The basic aim of investigation is to determine the settlement of external directors influences the corporate profitability in the Indian firms. The second purpose to execute the validation and numerous theory base hypothetical with the moderation role as influence of internal level ownership and management on external director profitability. The practical consequences of the investigation support to examine the efficiency of external directors in the presence of the vital role of shareholders. It guides the regulators and policy making authorities to examine the board member composition.

Therefore, various investigations in the area of corporate governance turn related to the agency challenges, among the investors and agents, which is exclusively based on agency theoretical concepts. In the previous model conducting the shareholders maybe don't have excessive capability to run the firm in a professional method.

In the perspective of the single hand in which requirement of outsider agents for the administration of the firm, on the other word they were started the management to all in order to ensure that whether external agent works for the advantage of the firm (Coyle, 2005). These links among the shareholders and outsider agents are the recognized as the most significant issue of the Anglo research model which is explained as the owner agent problems or the agency problems in the empirical findings. As examination in the previous studies, investors always playing a basic role in this research model scenario and they have few certain duties in the firm.

Therefore, general delegation of the directors in order to be continue the firm operations, moreover, even if the investors entitle a director, they also keep managing the directors whose control to the agency cost of assets in the firm (Coyle, 2005).

In the other side top management has a significant influence in the firm, therefore, due to the variation between the corporate governance structures there are various divers' issues in corporate level of governing systems. Separation of proprietorship and management, conflict of interest among the investors and stakeholders' directors' accommodations, risk managing techniques or honesty of directors for example has produced some challenges while the previous decade in the firms (Coyle, 2005).

In the previous, as the basic issues in corporate governance the agency theory examined the potential solved evaluations as new inclusion of analysis in the vital role of independent directors, total member of the board and CEO duality on corporate investment regulations. The investigation explores the independent board directors positively influence the corporate level investing policies in emerging nations of Pakistan where governance is voluntary and the context is modern position.

According to agency level theoretical concept ownership and managerial ownership is the cause of agency challenges and the updated knowledge go wrong between investors (Jensen & Meckling, 1976). Governance determinants minimizing the agency cost with higher quality of governance system as outcome in the better checking and well-balanced attitude. Therefore, the pertinent challenges worthy of consideration is top management contribution with outside the board of directors in the provision of concentrate level ownerships, optimal level of perspective maximization of shareholders wealth.

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(Shleifer & Vishny, 1997). Internal and outsider governing system determinants influence financial reporting quality during the effectiveness of company governance is linked to the greater level of these inside and outside central determinants. These determinants inclusion of board independency, total member of the board, firm size, institutional investors ownership and financial leverage.
Various determinants of business currently different efficiency of governmental level factors (La Porta, Lopez-de-Silanes, & Shleifer, 1999). In such type of firms, there is main concern about the managing of investors policy usage of vote power maybe reduction of board independency or to employ independency of directors as managing the determinants to safe the own serving activities (Liu et al., 2015).

Agents or the management may be don't always act in the best interest of investors when the controlling system of firm is separate from its ownership. However, (Baysinger and Hoskisson (1990); Simon (1959)) explored that management maybe evaluators rather than maximization in which lead to play it safe and seek an acceptable level of expansion they are more associated with continuing their own interference then with maximization of the share value in any company to the company investors.

But investors delegate decision related authority to the agents of the company with the perception of the agents will act about the better interest. A comprehensive theory of the company under the agency settlement was established by (Jensen & Meckling, 1976), whose examines the principals of the owners can declare themselves in which the agents will creates the optimal decisions only if applicable incentives are given and only if the agency is executed.
Therefore, incentives involve such kind of items in which stock options, rewards and requisites finance level audits and engaging particular limits on administrative

decisions. The inclusion of cost these are a certain outcome of the separation of corporate ownership and control. Such costs are not necessarily poor for investors, but the monitoring activity they cover requirements to be efficient.

However, and Fama and Jensen (1983) recommend that the initial controlling of management comes not from the investors but from the management labour marketing. It is suggestion that management controlling of a higher company are finally separate from its security ownership. Efficient capital markets provide symptoms about the values of a firm's securities and hence about the profitability of its management. If the market zone of labour management markets is competitive both within and external level of the company this will manage to the discipline the management. However, the signs define by the alternatives in the total market strength of the company's securities become very crucial.

1.2 Gap Analysis

Corporate governing system is one of the dominant topics in research. The solid reason about the control over firm manger use corporate resources for their own personal interest. Sometimes firm investors invest in unprofitable projects for personal attention (Jensen & Meckling, 1976).

Kaplan and Reishus (1990), explored the empirical findings consistent with this argument who moreover maybe assumed have a finalizing of weak job overseeing administration are less likely to making a director in the companies. On the other side of firm image concerns do not right various agency issues and can be in reality make a new one. Either the capital marketing is less than the perfect competitive and that the management do have internal information about the company returns, market value maximization seems a rational fundamental purpose of the company and that whose mostly depend on theoretical corporate level investing measures and policies basically. In this study we imagine the market having an access to the same knowledge about future cash inputs as the management so that in assessing markets values by the top managers always using the warranted perceptions about the future cash flows.

1.3 Problem Statement

To reduce agency theory related issues in which firm owners used different methods to control and monitor the activities of mangers to align goals of corporate. After world crises, currently interdependent directors become efficient approach to control the weak corporate system. Much literature focus on positively impact of firm independent directors on company decisions (Weisbach, 1988) and financial profitability (Joh & Jung, 2012; Liu et al., 2015).
Therefore, no particular investigations on how in depending directors influence corporate level investment. This study determines whether independency of directors minimize the corporate over the investment and also updating the investing efficiency in an emerging market. In this study empirical outputs examines the independency of directors; board size and CEO duality are an operative determinant to minimize the agency issues in company decisions and operating profitability. Therefore, small level research has been presented on vital role of independent directors, total member of the board and CEO duality on the performance of investing procedures.

1.4 Supporting Theories

Agency theory is a basic function that is taken as to describe and resolve the problems in the association among trading principals and their agents. Various systems generally the association is the one among investors as main role and firm top bodies working as agents (Carol M. Kopp, 2019).

Agency problem consistently linked with firm performance and other indicators like corporate investment pattern because its directly influence the shareholders and their lower level managers.

- Agency theory describes and solves the conflicts over the specific priorities among the principals and their agent works.
- The solution of clashes in expectations is knows as minimizing the agency loss.

- Performance based relaxation is one source in which the firms acquire a balance among principal and agent.

An agency in the wide conditions in which association among two party system and the agent shows the other principal in every day transactions. The owner having some agents for performing a service on their sake of interest. The owners delegate important decisions regulatory bodies with the agent relationships. However, various decisions mostly influence the owners financing structure whose created by the agents, changes in opinion and even innovations in priority and sake of interest maybe rise. This is anytime referred to as the principal agent issues. By explanation an agent is taking the resources of owner or principal. The owner of the firm has interested the money but having a small or not concern in any one-day inputs. The agent is the main person who takes the decision making but some things like incurring small or no risk because loss maybe created by the owners. Agency theoretical concept shows that the major interest of a principal and an agent are not always in alignment.

1.5 Research Questions

Question: 1

What is the impact of the independent directors on corporate investment policy?

Question: 2

What is the impact of board size on corporate investment policy?

1.6 Objectives

Objective: 1

To determine the impact of independent directors on corporate investment policy.

Objective: 2

To determine the impact of board size on corporate investment policy.

1.7 Significance of the Study

These results show that company's high level of investment opportunities lead to having an additional investment feature. However, there is an inverse association between the framework of independent directors and company investing activities at the significance level of 5 percent level of threshold. These implications of the independent directors suggest that companies mitigate the agency related issues. When the management of the firm are strictly controlled through the independent directors their strategy of high-level investing decisions and un profit investment projects those are limited.

Consequently, the relation among the board members independency and Tobins Q is mostly positive link with the corporate level investing decisions. The description of the independent directors maybe working as a regulator to control the management attitude and expert clients to improvement of the firms investing activities and efficient planning (Kim, Kim, Lee, Kim, & Kim, 2014; Zhu, Krähenbühl, Shechtman, & Efros, 2016). Mostly companies having a high range of independent directors are mostly expert in their investing level strategies. These investigations are consistent explored by Liu et al. (2015), Zhu et al. (2016).

This investigation builds a role to increase the finance empirical results about corporate governance and corporate investment policy. Unlike the past researches which conducted on highly 5 developed markets (countries) like USA, UK, Japan etc, this study implies on emerging country. Pakistan has poor account regulations, poor transparency and poor governance practices. In the previous investigations mostly concerned in audit level regulations environment but this study endeavour to investigate the impact from a holistic point of view as we have focused on corporate investment policy of CG.

1.8 Plan of Study

First section concludes the introduction in which background of research, objective and significance has been explained. Second chapter is about Literature Review, in which the current investigation determines about the studying previous investigations. Third chapter is research methodology, such as all the variable factors, data collecting methods and methodology contains. The number 4 chapter is on findings included study findings and analysis. Fifth and last chapter of the research is conclusion in which the final remarks are determined by studying the results, recommendation and future direction and at the end there is Appendix A where all company's names are written.

Chapter 2

Literature Review

Investment is the worth of capital cost in the current environment, to get additional profit in future. Individual investment pattern as well as institutional shareholding and government are always nervous about whether to take share or not, and how to choose better investment choice from the availing opportunity. According to Nwibo and Alimba (2013) an a proprietorship owner will finalize whether to buy a share or investment in firm, undertake a course of exercise, plantation seeds etc. Correspondingly, a firm will decide to purchase a new machinery or construct any new building, among government will finalize whether or not to maintaining the awareness about their product. Macro and Paolo (2010) recommends that distribution of finance depending upon the knowledge taken from past investment and before selecting the portfolio choices in non-financial sector.

According to Egbunike and Odum (2018), one major concern and challenges influencing the earning level of high quality in the shape of extent in which management incorporate income to misinform stakeholder related to the underlying economical profitability of the firm or to affect the contractual consequence's that depending on the highly reportable accounting related measures. The present investigation creates the whole study and determines fundamentally the association among the board member leaders' settings and earning quality of the production level companies in Nigeria.

The basic objective of the study is to particularly concern on some specific board member determinants. The total board members, comparison, strength of non-executive members and CEO double role. The study managed the Pooled OLS analytical approach to determine the influence of the board member setup on income level of managers for sample size of 45 non financing firm which are registered on Nigerian Stock for the years of 2011-16. The investigation on the basis of analytical measures, total member in the board and other directors' compositions were significantly and positively influence the firm performance indicators. Therefore, total ratio of the non-executive board members of top management were negatively and significantly creating an outcome and CEO duality was making a positive and significantly linked with performance.

The initial purpose is to explore the important vital part of independent board member director efforts in sustaining the earnings management techniques in the firms of Indian framework. It shows a panel data finding to analyse the linkage of earnings management with the efforts of independent board members. The consequence's recommendation the efforts of independent board member relations has been significant influence on earning management. The analytical support creates the agency level cost and provide empirical specific role earned by the director's procedures in strict income management. The present study investigations playing the significant inclusion of decision makers whose point out the significance of independent directors efforts in making the high level financial reporting, hence making the real economic position of firms (Kapoor & Goel, 2019).

The overall purpose of the investigation is to show the research of empirical literature on two major areas of the investigations in which corporate governing bodies and innovations, describing how divers inside corporate governance determinants maybe factors of business innovation. It examines the theory base knowledge and the authentic proof relating to the effect of both ownerships of structure and the board members on firm development. Moreover, the findings are conducted and possible future investigation ways of different presentations.

No conflict was prescribed regarding to the association among corporate governing level and some other innovations, with both positively and negatively comments being gathered and with empirically source not always highlighting the straight direction. Therefore, initial investigations always trying to clarify this association are required in study conclusion of (Asensio Lopez, Cabeza Garcia, & Gonzalez Alvarez, 2019).

However, the major role of the study is to explain public project governing models in numerous regulators and agencies in European nations, some other findings of the same model in which carries to the very large level projects. The investigation is to find out the methods of highly designed as compare to qualitative workings of project governance model that apply to country funded investing projects in the highly chosen area, based on data collected via document findings and interviews.

The investigation found that mostly agency level work having a planned their own project governing research model, those are fundamentally clear with the suggestion from the project managing literature and with the team of all requirement in Norway country. By the study of comparison even one ministry has got a formalized role as a project ownership. Many governing objectives hence seems to be highly explained to the subtype's agencies. The present study contains the planned tasks like projects selection and portfolio managing activities, and implication of risk management that publicly governing has a narrow and inside concern (Bjørn-Andersen & Clemmensen, 2017).

In the present study vital role of investigation is to provide asymmetric change on cash management in Pakistan companies for the above mentioned and below target companies. There are a great number of previous investigations about huge companies cash management procedures and these investigations recommend the companies normal accumulated high level of amount in cash payment for the defensive measures found in the study of (Mikkelson & Partch, 2003; Opler, 1999) for fast tracing management dealings (Mulligan, 1997).

According to the financing strategies (Myers, 1984), there is no single goal position of cash holding and likewise there is no depth level of loan financing. But Martínez-Sola, García-Teruel, and Martínez-Solano (2013) and Jarrow, Patie, Srapionyan, and Zhao (2018), explained that existence of high-level cash managing and increases the value of a company and any other excellent activity from the deepest level of reduction firm value.

In trade off theoretical concepts maintain positively link among the cash level and investing related activities form the capital expenditure during financial strategical grip on the opposite linkage among the two variables (Dittmar, Mahrt-Smith, & Servaes, 2003).

However, the aim of study in previous section is to explore the similar association among the ownership concentrate, updating a company profitability of the small medium enterpriser worth enterprising in which firms of Vietnam while of the duration of 2011-15. In the implication of conditional mixer procedure of this research model, the conclusions express that no influence of ownership concentrate on updated technology, but this has been a positively linkage with sales growth, innovative positive influences of company profitability, and valid existence of positive diverse causality from sale volume expansion to the innovations. By the application of conditional model procedure technique this investigation determines the similar association between ownerships of concentrating, innovation and company profitability of the small medium enterprisers in Vietnam industry during 2011-15.

The analysis of previous research shows that there is no influence of ownership concentrating on changes, but this maybe created positively influence on sale growth innovation positive effect company profitability and their existence of positive diverse causal link from the sale of grow in the innovative segment. The conclusion examines the no influence of ownership concentrate on innovative outcome but it has a positively effect on sale growing level, innovation in which positive influence of any company profitability and existence of diverse positive causal link with sale growing level with the innovation.

The strategical implication always suggest the insist on facilitation of small medium enterpriser with very easy access to the capital verses advance borrowing facility with preferred interest or trusted loans without any collateral damage, training and developing schemes for the labour force and SME investors and minimization of non-important management process (Chikata et al., 2018).

The present work explores the linkage among microfinance institutions governing system and banks profitability. The analysis of the previous studies proves that other side of the firm in which CEO have a power, maximum number of board members and individual investment bring improvement in the MFI fiscal profitability and on alternate side, bank policies and services in the citizen marketplace has a significantly linked with the financial institutions of social performing.

Moreover, analytical support of scholars also tests the association in previous findings of crisis present and after era of 2007. During crisis timeframe financial institutions individual investor or lender minimizes the operative charge and bank regulating process raising the normal credit volume in the South Asia institutions. Various studies are conducted in the context of literature point of view including in the consequences of world level such as European, East Africa and with other particular countries data set. However, in the previous investigations no such type of study has been conducted in literature on South Asia market such this type of sample size and all the countries exactly facing the issues of unemployment (Asif Saeed, 2017).

Managerial financial institutions take at the initial stage from the international donors or finance level regulatory bodies found a consistent result (Germidis, KESSLER, & MEGHIR, 1991). Subsequently, South Asian MFIs track the similar study structure in which usage of financial institution of Bangladesh (Hossain, 1988; Yunus & Jolis, 1999).

The financial Institution of German was developed in the era of 1970 and it starts the operations in the same as commercial banking setup and avail the loans to the individuals who vary in poor growth line. Grameen bank take a well-managed self-efficiency at 20% rate of return. Microcredit Summit campaign shows the state of thinking in 2002 whose are 67 to 59 million almost in Asian customers 13 million were from the Bangladeshi nationality holders.

Ahmed (2009) found that financial institutions have a high influence on the establishment of Bangladeshi market, in which higher number of individuals living below the unemployment or poor condition line and they were serving a like governor of Bangladesh banking system at that time period. The high raising awareness and recognition of the significant of corporate governing level its techniques and determinants along with their influence on profitability and major corporations these techniques and determinants along with their influence on banking sector profitability and mostly firms behave have become a most liking interest area of scholars. The purpose of the research to determine the linkage among the company governing sector with clear concern on the board of member size as director and auditing committee is consider as well discipline corporate social responsibility technique among the heath in community and environmental conditions.

In the previous findings mostly results shows that audit committee determinant mostly significantly/positively effect on CSR dimension techniques among the well managed health and community level environment. Additionally family members inclusion in the board of company directorship and decision making always play an interaction role with association among the audit committee members and CSR techniques toward health, community and environmental conditions as well as the linkage with top management board members and CSR rewards and environment settings (El-Kassar, 2017).

The investigation conducted by Harjoto and Jo (2011), examines the probability of selection to manage the CSR concepts are more positive links with the governing attributes such as top managing leadership, independent board size, strategical ownership and audit controlling system. According to Salloum, Elfardy, Alamir-Salloum, Habash, and Diab (2014), the most recent family owned business units in the Lebanon trading market are the lack of independent directors whose required of the controlling the company operations it believed that in Lebanon and the Arab global family businesses except the being activity of markets created portfolio are shows the increasing family social structure (Kaslow, 2006).

Corporate social structure in the market of Lebanese corporations are a direct view on the investor stock values and they playing a vital role for examining the nature and concern of CSR in their respective enterprising. According to the study of Jamali et al. (2015), social responsibility does exist the Lebanese framework. Therefore, family base business is mostly trusted on the philanthropic in natural way, training as expert CSR everyone in this time and therefore following a strategic CSR purpose cohesive in the organization vision and the goal of the firm. According to the research work of (Charbaji, 2009), valuable corporation governing could be planned in Lebanon and other emerging economies via the primary offering of the corporate characteristics inside the organization and welfare the association between environment condition and social economic regulation.

The current study explores the effect of gender diversity on the linkage among corporate image like CSR, governance system and economic and financial profitability of the Brazil governmental trading firms. The sample range of data set almost 68 non-financial publicly owned firms evaluating the IBX100 index. In this study researcher was taken the panel data approach for correlations and rating through the methods.

The consequences recommend that significant linkage among the corporate governing system and economical finance level profitability when mediated by gender diversity. These study shows that there is no any relation exist among the CSR and economical finance level outcome. Hence it could be included as the diversified member in the company board directory, in terms of gender differentiation a good controlling system of management could be existed due to the expansion in their independent decision-making compare to other side increasing performance.

These results deviate from the existing study on the impact of women's involvement in corporate boards in CSR. It is perceived that this consequence is because of the fact that the involvement of females is earlier in Brazil. In general, this investigation contributes to the current literature, particularly in Brazil, proving that the mediating variable gender discrimination creates the association between CG and performance more significant (Dani & Beuren, 2018).

According to Barragato (2019) Charles to study the conditions that non-profit making organizations agreed to non-conditional contracts to provide as investment and returns in the period contracts are obtained as directed by Report of Financial Accounting Standards. Utilizing the acceptance of SFAS No. 116 and fiscal instruction stated on inflow cash service Form 990, the study inspects the necessities that non-financial firms agrees unrestricted agreements to provide as resources and returns in the year contracts are acquiring.

Joint understandings obtained from the model created by (Dechow, Kothari, & Watts, 1998) along the reasoning used by the Financial Accounting Standards Board (FASB) in requiring realization action, it adopts the opinion that instruction regarding contract to provide is related if it beneficial in evaluating possible future money inflow. The research also applies appropriate tests of analytical capability to evaluate competitive patterns. The investigation obtains that recognizing absolute contracts to give as assets and as revenues in the year obtained develop forecasts of upcoming period's cash arrivals.

It also investigates that accumulate-based participation return constantly deliver instructions satisfy that is moderated to monetary-based participation in return. The research participates to current knowledge by exploring, in a non-generating making arrangements, a framework that explain the connection between returns, accruals and cash flows. It contributes to the gap in the financial expension investigation about the relative of non-revenue income expension. The research is the for most to utilize the related knowledge martial approach to evaluate non-income standards, which delivers valuable insight to strategy makers and customer.

It declares that many of the key settlements and essentials personified in the FASB context statement apply to non-profit making along with, which therefore has not been investigated widely. The outcomes are also reliable with Accounting Standards Update 958, Not-for-Profit Entities, which needs that non-revenue deliver users with instructions about liquidity, incurring how they arrange assets easily convertible in cash needed to meet cash necessities for overall expenses in the year of the date of the report of monetary condition.

The board of directors is a panel of persons that are elected as, or elected to act as, spokespersons of the shareholders to initiate corporate management associated plans and to make verdicts on main company matters. Every govt company must have a panel of managers. Here board sizes mean the total meal members or board of directors, (Bulan, Mayer, & Somerville, 2009). The ideal magnitude of board of executive is hard to find. From the agency theory's viewpoint, bigger panel can make direction and conclusion taking more complex and difficult and decrease the competence and performance, because there is a bigger trouble in gaining agreement toward decisions. So, the slight boards are well (Chiang, 2005; Fama & Jensen, 1983).

In alternatively, the decline dependence theory justifies that the big board's drive to improve the organization's proficiency, because the bigger boards carry much specialised persons along diverse backgrounds (Dharmadasa, Gamage, & Herath, 2014; Guest, 2009). The results of prior investigation are compiled (Yermark, 1996)initiate bigger organization's value for minor larger sizes because the big boards can't manage or control the agency issues as well as shorter boards (Lasfer, 2006) find that board scope has a negative significant association with firm's efficiency, so the minor size is well because the large size needs high cost of management and expenditure such as parks and allowances.

Cheng (2008), claims that minor boards are more competent and quicker in decision-making because it is much hard for the organization to organise board meetings and for the board to develop a consensus. He asserts that when board size is larger it will be comfort for the owner to be central on the board and surge the CEO control in decision-creation (Sanda, Garba, & Mikailu, 2011) find that company proficiency is positively associated with small boards as contrast to bigger boards. Rapid communication space between members helps to raise the productivity of the board's decision making, and so, small boards have confident relationship with firm efficiency (Guest, 2009).

CEO duality states of the condition when the CEO keeps the place of the executive director of the board of governance. The panel of executives is setup to control administrators like as the CEO on the place of the stockholders. If the chairman and president is chief executive officer than we deemed the "1" otherwise we consider "0" (Bulan et al., 2009).

There is opinion that higher boards are finer for corporate output because they have a variety of proficiency to help make well decisions, and are difficult for a strong CEO to control. Though, earlier thinking has supported about minor boards.

Jensen (1993) and Lipton and Lorsch (1992) suggested that higher panels are less influential and are possible for the CEO to control. When a panel becomes too larger, it makes tough to collaborate and procedure issues. Little boards also decrease the chance of free riding by, and expand the answerability of, separate directors. Experiential study supports this. For example, Yermack (1996) documents that for bigger U.S. industrial firms, the market standards organisations with shorter boards more highly.

According to Nair, Gopikumar, Viswanathan, Gopakumar, and Gil (2020) We examine the governance sympathy of overseas organizational stockholders' (FII) proprietorship in a huge developing market situation of India, categorised by extremely focussed inner proprietorship. More precisely, we emphasis on the moderating role of firm volume and price to book value (PB) in defining the association between FII proprietorship and board features, such as board size, external director percentage, CEO dyad, and board meeting presence. Our methodology focuses the significance of conceptual investigation in research linking to official investors' priorities. We realize that FIIs favour higher panels and larger board freedom in larger and growing firms (higher PB). Additional, FIIs favour organisations that have individual CEO and Chairman of the board place in growing firms.

According to Mohammad Tayseer Alshaboul, Mohammad Ahmad Abu Zraiq (2020) This research present clear information on the connection of the board of directors and the higher financial performance. The present study explores the connection between panel of executives' mechanism namely (board size, board independence, board meeting occurrence, and CEO duality) and wider monetary performance between communal Jordanian listed companies on Amman stock exchange (ASE) for the period 2016-2017.

Corporate financial performance is evaluating by Return on Asset (ROA) and Return on Equity (ROE). This study participates to the current literature by contributing extensive understanding of the role of the panel of executive and business economic performance. The multiple regression analysis used to test the 4 hypotheses. Corporations enlisted in ASE are the subjects of this investigation of the years 2016 and 2017. The finding of the independent variable namely board size, board independence, board meeting frequency, and CEO dual influence the Return on Asset (ROA) significantly.

Therefore, here is only one independent variable namely CEO duality that is insignificantly related to Return on Asset (ROA). Moreover, the outcome of multiple regression analysis shows that there is a significant association between extremely related to board size, board freedom, and board meeting pattern and Return on Equity (ROE). On the contrast, the regression analysis expresses the CEO dual to be insignificantly related to Return on Equity (ROE).

This further evaluation is imperative because whereas most of the studies emphases on the percentage of independent executive, many of the suggestion or commands issued by governments and/or stock exchanges around the world propose a lowest number of external directors. The first and for most broadly recognized illustration is the Code of Best Practice issued by the Cadbury Committee in 1992, which recommends that U.K. listed firms should have at least three outside directors.

Dahya and McConnell (2005) and Dahya and McConnell (2007) document that since 1992, at least 15 other states have utilized either willingness or communal level for a least number of external directors on corporate boards. In most situations, the agreed least number of external executives is either two or three. We observe this search as pragmatic as there is very small theoretical direction in the literature as to what an —ideal number of independent variables would be.

This also examines the impact of board independence on firm's investment behaviour. previous studies suggest that agency problems are some of the major factors exploring why firm financing may diverge from its ideal level (Jiang, Kim, & Pang, 2011). Thus, if supervising by neutral executives decreases agency conflicts, we should imagine the sensitivity of investment expenditures to investment chances to be bigger in firms with more independent boards.

Moreover, as confirmed by (Chen, Sun, Tang, & Wu, 2011), government interference in firms with mainstream state heads also leads to investing inadequacy, as those firms are being stressed to follow politically beneficial projects, rather than value-exploiting ones. If the selection of independent directors decreases the likelihood of government intervention in company matters, then we should presume to notice an optimistic association between board independence and investment ability in government- regulated firms.

According to Abor (2007), The pragmatic results show statistically significant and positive relations between capital structure and board size, board structure, and CEO duality. The findings normally indicate that Ghanaian listed firms follow high debt strategy with larger board size, greater proportion of non-executive directors, and CEO duality. The results also present a negative (though statistically insignificant) association among the duration of the CEO and capital structure, recommending that, seated CEOs employ lesser debt in order to decrease the proficiency stressed related with higher debt capital.

According to Bawaneh (2020) The influence and application of Corporate Governance (CG) has been a matter of attention for various firms, as it extensively influences the financial constancy of organizations. This research examines the effect of Corporate Governance (CG) aspects that comprise board alignment on the monetary capability of the financial organization recorded on Jordan s Amman Stock Exchange (ASE). The investigation population involved 40 Jordanian financial institutes belonging to both commercial banks and financial companies listed on the Amman Stock exchange (ASE). Spearman correlation was used to identify the relationship between corporate governance and financial performance of institutions. It showed an insignificant correlation between board composition in general and companies monetary proficiency.

In study of Pradita and Utama (2020), companies focused on the firm percentage of shareholder as ownerships and commonly found these types of companies in Asian countries. In the business setting of the Indonesia context highest monitoring of the company come from the family owned businesses. Concentrated type ownership could be control and manage with the agency issues and challenges among the control level of shareholding parties and non-monitoring shareholding partners mostly managed this with cooperation with management incentives in which they can make the decision whose brings the individual advantages at the expense of non-control able investors perspective for instance by lending on the different projects with negative present value or called as the higher investment ratio.

The present study describes the influence of the presentence of the board of director and independent top-level management on association among family owned business and high-level investment. However, the maximum use of any company on association with the family owned business and other investment areas where high chance of investment available. Indonesian firm conducted the study on independency of directors while the duration of 2011-17 in which they found that board directory cabinet any firm negatively linked with the high-level investment.

In the sense of regression findings scenario just independent director are explores the moderation affect in poor condition of positive association of family owned trading with corresponding to the high-level investment. The influence of maximum businesses of family owned in any firm are very lower side. Therefore, big reason is that family owned businesses in the firm always chosen the low processing system in the board of directors could be more purposive because the chances of a maximum numbers of independent board of directors managing in the board meetings is higher. Hence the influence of interaction variable independency of directors is high level of firms with low position of ownership.

Moreover, no any profitable outcome comes from the corporate governance system of a company has crucial influence on the response level capability of a company to the outsider determinants in which mostly firm profitability and well discipline companies having the noted greater firm profitability.

Therefore, corporation level governance is sub division of investigation determined the influence of board member strength, composing and CEO dualling on profitability evaluates the such as ROA. Tobin'n model and growth level of sale of non-financing registered companies on the Ghana Exchange market. Annually management of data 1990-2001 was used and the analytical support of research model like panel data approaches methods. Hence the consequently incorporating the outcome on the profitability evaluates were gathered, companies in Ghana are influence to manage the minimum board members and adopting the two level of board system for affected profitability. COLEMAN and BIEKPE (2008) corporate governing is measured to includes in the setting of complexity of indications which faces the substantial measurement issues with high reason of complexity natural consequences of moderation among the governing variables and profitability indications in which organization objective in this research is to determine the main effect of valid corporate governing variable such as board member strength, board composing, and CEO doble role have significant effect on the profitability in the results of Tobin Q analysis with return on asset and equity value, these values shows that existence of some managing variable like board size firm size and the asset pricing system, the age section of the directors in the company and the debt financing.

The most expert research always carefully selects the data setting regarding to the availability and evaluation. Love and Klapper (2002) determines the corporate governing system and profitability in a sampling figure of 14 companies in the various countries in which emerging economic setup. They found that excellent corporate level governing system always linked with better profitability in the kind of Tobin Q and return on asset value and other excellent level of governance same as matter of additional with the regulating environment of any nation economy avail the investment with poor safety measures.

Top management any interest area of shareholding is imagined with specific inclusion of controlling the top manager policies and protecting their duties (Jensen & Meckling, 1976). The managing system of top-level company board is always showing the significant due to the higher potential charges are created when top management maybe connect with its own interest at the expenditure of investors own interest (Hillman & Dalziel, 2003). In the sense of minimizing agency level cost comes from the individual level of ownership and controlling system were established in any country the board is need to gather the maximum number of outsider strength.

Independency of board members always examined as a critical because external type of directory members are true to control and can discipline the managing and improvement of company profitability (Fama & Jensen, 1983). External position of directory as a finance level independent manager are working with free from the high potential of conflict condition of alleviate agency issues and challenges and curb management self-interest area (Rhodes, 2000).

The board member protecting the investors own trust, performance controlling and manage the operation in a good source to align the company different ways for excellent profitability. Therefore, some efforts to examines the empirical source on the effectiveness external level of management directory on the company profitability. The consequences therefore, have been dissimilar. During some scholars found the independency of outsider director to save the interest of shareholders in particular instances in which there are agency issues (Xie, Davidson III, & DaDalt, 2003). Numerous scholars have originated the positive linkage in the context of external director and company profitability. Daily and Dalton (1992) explores in the additional level of independency of firm directors on the top managing board for the improvement of financial profitability of any well managed company. Many other investigations found that positive influence of appointing the external independency of top directors' reference with the top management. Investigations found the lower results of likelihood of financial statement related issues and frauds discussion by (Rosenstein & Wyatt, 1990), positive answer to tender offer tenders and toxic pill acceptances better firm profitability (Ezzamel & Watson, 1993) the researcher found in this study about the higher outcome of stock prices and linked this system with the external strength of directors.

Many types of investigations therefore found that no significant influence or other hand no negative influence of external level board member directory on the profitability of any firm. Various investigators like (Fernandes, Mateus, Sodré, Stasińska, & Gomes, 2005) doing the research work to find the linkage among the board combination with the representation of external independent directory and company sustainable and profitable position (Bathala & Rao, 1995) and Yermack (1996) shows the insignificant outcome in the study analytical findings among the corporate member of the independent and various evaluations of the company profitability. However, numerous scholars some find that negative linkage among the ration of external directors and company profitable value. Bhagat and Black (2001), found that linkage of negative association among the special ratio of external board member directory on the top management and company profitability. Efficacy of external board of directors in the board and company profitability.

Efficiency of external director like governing determinants is however questionable in the established nations such as existence of outside governing system elements like merging setup and acquisition market for the corporation management and products related marketing competition. The typical agency issues in which comes from the source of individual ownership in the firm for controlling the such type of organization structure among the most important investment and other religions related to the company shareholding part.

Important decisions of the investors having the capability in which they can control to the company with availing high level of voting rights and other attractive incentives incentive because mostly cash receivables are go down than voting power to merge the other investors by changing the company reserves for its own benefits (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2002).

Choi, Lee, Jin, Chun, and Kim (2007), in Korean research framework found that influence of independent directors on this country market of manufacturing firms in the context of profitability in which strongly positive influence during the contribution of high-level top directors are well focused with their aims. Dahya and McConnell (2007) in the analytical outcomes found that in which ratio of the directors' independency positively significantly link with the company profitability in the existence of important investors and nations with the poor safety of investors rights.

In depth hence consequences of study found that a negative links with high level of independent directors' ratio effect on board and its other related business dealings. In the study of Uadiale (2010) the most important investor management for the Canada level firms found that a negative linkage among the fraction of external board directors and company capita wealth. Therefore, the scholars recommend that independency of board members was capable to merging the agency problems whose arising from the dual class of common stock.

Ameer, Ramli, and Zakaria (2010) for directors' this firms who's existing in the Nigerian area found than the positive linkage ratio of external directors and company profitability. Ameer et al 2010, in Malaysia level existing firms recommend that independent directors perform well and excellent merger with the directors. Moreover, in the study of Yammeesri and Herath (2010) for Thailand companies and Rashid et al. (2010) for companies in Bangladesh report a positive but an insignificant relationship with presence of independent directors and firm value. In the context of independent directory of board membership don't have any valid evidence or pecuniary link with the firm or other links individually, except the structure of charges. Various investigations having the concerned on the dissimilar determinants of independent directors and what source in which they influence the firm operating system.

Usually a sample size of the study conducted in US level companies, by (Adams & Ferreira, 2009) explores that the female directors having a positively and significantly influence on board intervals and other company related performance argues the where companies with independent directories expertise an exogenous raise in the interrelated ranks of the top management their performance will improving the organization sustainability.

Other determinants investigated includes the history of independency of top-level management (Ferreira & Ivie, 2018), In recent investigation have exploring the determinants through determinants of independency of top-level directory effect the corporation innovations and sustainability.

In highlighted earlier the major independent directory in which playing a vital role of contorting section and other client's study by Monitoring could be seen as the highly essential demands of the board members settlement on diverse positions during the consulting services allows them for additional network of freedom managing power. However, the manager monitors the external board member expansion for the overview of business manufacturing units by the research of (Balsmeier et al., 2018).

The top management of the any firm transfer the manager on their weak performance results analysed by the (Stiglitz & Weiss, 1983). to centralizing the performance of excellent of any new updating and change is always part of the daily manufacturing units and could be enhanced by the raise of board controlling area. In the context of last few decades, the various number of investigations on the corporate innovation and has expansion of significantly. Innovations and sustainability always play a vital role in the growth of any country economy and could be supporting the company establishment and its longer period of time competitive benefits (Porter, 1992).

In recent era the few investigations explore that firms' determinants could be raise the corporate level change and innovations. For example, the company entrenched in alliance networks with both are higher side for reaching the sustainability and innovation as consequence's compare to the other determinants of the profitability (Schilling & Phelps, 2007).
Additionally, mostly companies with the higher independent directors' volume in firm are predicted to having a most important innovation workings. However, Bazrafshan, Alipour, and Mahvi (2016) examined the best level of company disclosure and when organization or any firm reach toward this segment then firm or company go down regarding to the profitability.

Therefore, various past studies find out and shows that reality of knowledge about the firm profitability and top management recommends that significantly growth of the final revenue of the linked performance in any organization contrast with the numerous similar grouping in the updated rule and regulations. Moreover, the study of Ezzamel and Watson (1993) also some profs in any firm always hopeful effect of the natural level of expertise and skills in the minds of top executives on the firm profitability in the United Kingdom.

In the innovative description of positive linkage among the usage of natural characteristics of management and their functions role of performance in which solid despite fluctuations in the standards of firms and other organizational outcomes in the context of financial reports.

Choi et al. (2007), determine the influence of independency of top management on the competitive position of corporate governing regulations those are requiring from the independent level of top members executive team come into the power after the East Asian disaster management. The scholars found that the existence of independency of top management directory board always showing the positive links with the firm capital assets worth. Moreover, Liu et al. (2015), suggested that the independency of directors could be helpful for Chinese firms regulation internal own manged exchange rates and increase in the commercial debt finance and other proficiency of the firm top management.

Consequently, Zhu et al. (2016) examines the firm assets worth is higher when the independent management holds the high level positions. Self-governing top executive with upper positions extra manufacturing level governance for the improvement in administration and these positions alternatively affect the income level of administration.

According to Becker (2009), any individual and group level human related skills and expertise are included on understanding the knowledge, skills and personal abilities and mental deep health position that denoted by the age and education level.

According to the findings of Leibenstein (1957), recommends that the education source of directors always playing a vital role definitely affect the firm profitability but this maybe link is minimize the top management are adopting the old styles. Kor and Sundaramurthy (2009), obtaining a valid investigation of sample size creating a technical advance level corporation, recommended the autonomous directors with greater market particular administrated expertise and company level initial steps like expertise mostly viral influence company progress.

However, such type of top-level directors maybe having an adverse reputation influence on organization proficiency if the firm don't capable having these expertise and skills in the industrial market of the firms. (Reguera-Alvarado and Bravo (2017)), profs that hopeful of self-directed management on the company board in which they shows the effectiveness whose shows the particular time zone with series updates. This type of influence is compromise when their regime is longer.

In depth the conclusion of Wang (2015), suggest that privately owned companies whose are listed in China regulatory more powerful and maybe possible to outperform their competitors if the top management independent board think that political gain and affiliation. Hence politically linked with the directors support the companies whose keeps the access of outsider debt financing and receiving the extra dimensions denoted from the account of country government level. According to the current investigation of Chauhan, Kumar, and Cho (2012), explores that efficiency of outsider management on the top executive director level management in the board in which 150 non financing companies of the Indian economy while the case study of 2008.

In the recent research in which deeply determines the monitoring system by unfair management such the non-executive directors from the indecency section and these mangers influences the firm progress. The linked questions are in this type of case whether board system of any firm mostly vary about the independent management will expanding the firm worth by promising the investors and minority investors point of view maybe nutral thinking of the board will cancel the missing usage of firm reserves and excellent controlling system. Choi et al (2007), in the industry of Korean background explores the major influence of self-motivated management on firm profitability on strong positive consequences.

The subdivision role of investment policy and management in corporate base also played by corporate governance. It has been evaluated by using diverse mechanisms in previous research investigation by scholars. An ideal corporate governing firms known as minimum amount of firm's evidence would be misused by the company's management that should be result in more resource provision and more appropriate presentation. Hence, Klein (2002) the less use, more use or the wrong use of source would be reason to the consequences of flat grossing, known as earning management. According to Ali Shah, Butt, and Hassan (2009) corporate firm governing is a determinant which help structure and processes which played a vigorous role in shareholder's prosperity formation by means of administration of corporate linkage that protected the defence of separate as well as cooperative attention of over-all investors.

Core et al., (1999) determined that companies having bad corporate governing as investment and facing additional agency problem while successively the organization's activities. He investigated the presentation of the company becomes poorer and decline after each period when management are preferring to their individual tasks and interest over the organization's goals. According to Jensen & Meckling (1976) the agency problem cannot completely removed by the managers, but it could be minimizing or reduce at the certain level by aligning the shareholder's and manager's interest. So, that it is necessary to have good corporate governing system to achieve well on firm level which will control toward long period existence of the company. Good firm supervision system can be preserved in organizational level by sustaining the stability among management control and ownership concentration while presenting protection to the all-stakeholder's attention.

Bøhren, Cooper, and Priestley (2007) investigated the linkage of the performance of firm and corporate firm structure in US. To investigate the linkage among corporate governance rating and stock market performance, they are using the rating scale provided by three US rating companies. and inspected the linkage of firm's profitability and corporate investment policy in United State level firms.

Ertugrual and Hedge (2009) investigated the linkage of the firm's investment policy and corporate governing system in United States. For interpreting the link between stock market position and corporate administrative ranking, they use same rating measure presented by three US performing firms. The outcome shows poor proof for the capacity of over-all scores to classify firms with governing system linked with problems. These outcomes were fixed with the idea that, it is not informal to abstract a composite corporate governing practices in single ratio of the firm.

Bertrand and Mullainathan (2003) have been conducted the actual investment policy is effectively influence by corporate governing system. Precisely, investment policy and decisions of well managed companies are significantly less mature compare to cash holding while additional sensitive to their expansion feasibility. Do and Phan (2013) examination the linkage of corporate supervision policy and company investment pattern. However, keep a sampling data about 77 non-financial companies listed on Vietnam Stock Exchange during the tenure of 2006 to 2011.

The results show that determinant of corporate governing such as duality level of CEO, gender, board member's working experience and the compensation do not have any significant results on investment decision of the firm, but just the size of the member of firm has a positive influence on company investment policy and decision power.

Shah and Butt (2009) investigated the influence of corporate governing system on investment policy and profitability by attempting the CAPM framework. The result of this study shows that together, board size as fine as managerial ownership having diverse association with the cost of the shareholders value. In another way of audit committee independent and board individuality having positive relationship with the cost of investor capital. Hodgson, Lhaopadchan, and Buakes (2011) determined the relationship between the performance of the firm and corporate governing bodies measure recognised by Thai directors report. They have originated a significantly and better linage between companies' profitability and corporate governing measures. In their investigations, the dimensions used to evaluate company profitability were; return on investors wealth, asset returning volume, cash from productive factors, free cash assessment and revenue per worker.

Cash holding is a applicable dimension of company investment policy and strategical making. The existences of incomes give more development occasions to the firm. The main question introduced by Jensen (1986) in view of office cost hypothesis of free income. Jenson propose that chief give greater favoritism to his own revenue while making venture strategy because of which he goes through free income on less productive speculation. The principal contention proposed by Jensen (1986) in view of office cost hypothesis of free income. Jenson contend that administrator give greater inclination to his own revenue while settling on speculation choice because of which he go through free income on less beneficial investment portfolio in non-financial sector.

The other recommendation presented by Myers & Majluf (1984) founded on asymmetry of information. Hence scholar examined that cost of outside financial directors is higher as comparison to inside way of financing due to issues of asymmetric knowledge. Consequently, at some point firm left investing opportunity because of the positive net present worth. They verified that cost of outside financing is high as contrast with inside wellspring of financing because of issue of hilter kilter data.

Fazzari, Hubbard, and Petersen (1987) investigated the association of financing constraint and firm investment by using US manufacturing firm data over the period 1969 to 1984. They pledge that financially constraint firms are more dependent to their cash inflow during making their capital investment decision. Various investigations like (Hoshi et a1., 1991) additionally give experimental provision to the investigations of Fazzari et al. (1987). In the current examination, firms have been differentiated based on various attributes like profit dissemination design, firm size, age and so forth for the goal to group their degree of monetary imperatives.

Donaldson (1961) claim that cash holding has most essential influence in firm speculation strategy and dynamic example. He achieves that administration lean toward inside account as contrast with outer source because of lop-sidedness of data on the lookout. As per Donaldson (1961), directors give the significance to interior money as contrast with outside source because of imbalance of data on the lookout. Whited H (1980) guaranteed that speculation of a business is delicate toward income, and this impact is discovered more grounded in high turned firms as contrast with low turned firms.

Devereux & Schiantarelli (1992) inspect the linkage between corporate investment policy and income in UK over the period 1972 to 1986 by utilizing board information examination. They infer that there is a huge positive relationship of money holding with corporate speculation, in any case, this connection is more imperative for enormous and new firms as contrast with little and old firms. Be that as it may, Joseph (2002) thought about the relationship between corporate speculation strategy and choice and income in UK from period 1991 to 2000. He additionally found that income affects firm venture strategy and choice in UK level non-financial firms.

Fazzari et al. (1987) determined that income is the most reasonable component of firm speculation. Their discoveries analyzed that affectability of speculation toward variety happens in income is more prominent in those organizations which face the issue of monetary constraints. Interestingly, Kaplan and Zingales (1997) can't help contradicting the contentions of (Fazzari et al., 1987).

They reason that affectability of capital venture toward contrasts in income is more prominent for the organizations which have less monetary limitations. Besides, they accomplish that in higher monetary limitation firms, the linkage between income and capital venture is the more touchy to outside income of the non-financial companies.

Hoshi et al., (1991) claim that managing better association with loan takers also contribute an significant role in company cash flow understanding. Therefore, a company investing pattern is very less approachable to fluctuations initiate in firm cash follow and cash holding mechanism. If company hold good linkage with borrowers and subsequently less subject to problematic of asymmetric knowledge.

Saquido, (2003) determine just two mechanism of firm investing growing facility evaluated by Tobins Q proportion and change in total assets introduced with income by utilizing information of Philippine assembling firms from the period 1996 to 2001. They begin that Tobins Q proportion and income are the main attributes of corporate level interest in Philippine. They further contend that to a little degree, development measurements like the nation's GNP development rate and the association's pay development rate additionally contribute in characterizing the firm venture level. As per Moyen (2004) comprehension of speculation rely on monetary state of firms, implies either firm is monetarily solid or monetarily in bombshell position. Aside from that Moyen (2004) found that arrangement of speculation rely on monetary situation of firms, implies either organization is monetarily solid or monetarily in miracle position.

Almeida, Campello, and Weisbach (2004) Empirical studies found the intensity of cash to organisation's cash holding through using large scale sample of non-financial firms over the decades of 1971 to 2000. They took that financially constrained companies has more tendencies to secure a huge section of cash holding and cash flow position in the shape of cash for further future investment in contrast to financially unconstrained firms. Hyde (2007) scrutinized that a rapid variation happens in the reputation of cash flows could influence the firm's value and investment in front of stake holders.

Cleary (2006) Concluded the linkage between financial experiences of board and firm's capital investment. He observed that firm's investment decisions are more delicate to cash holding in the firms which are having strong financial position. According to Kaplan & Zingales (1997) investigated that in higher financially restricted organisations, the relationship among capital investment and cash flow is the more delicate to outsider cash flow of the non-financial firms.

In the recent study the size of firm has been vastly investigated in various countries. Approximately each and every research study accepts the reality that size of the firm contributes a vital role in investment decisions of the firms. As per Resource-Based View; large firms have more funds so that these firms can easily acquire funds from the financial market (Myers & Turnbull, 1977). According to Fazzari et al. (1987) firm size has been widely calculated in various states. This is the reason that firm's experiences and its levels of investment both play a very significant part related to organisation's theories to the investment decisions of non-financing sector.

According to Saquido (2003), the firm size and the leverage level of the firm size, both are significant in the condition of policy and investment decisions. They scrutinized that firm financing decisions and investment decisions are actually independent to one another. Previous research study of Lawrence (2004) concluded that operational limit of the firm enlarged with the rise in the size of the investment in firm, because it produces more return through investing higher investment. He initiates effective linkage among firm size as assets worth as well as its performance. However in real estate, property and construction industry scenario this relation is considered to be negligible because of weak association.

Pakistan have a great potential of single owned business country with high level of attention with governing of family ownerships in any firm of the developing economy in the region of Asia. Pakistan also have a great work opportunity for corporate governance sector due to the geographical location many international firms recently starting the multinational businesses and of course that need of corporate level top executives from the domestic level such as CPEC project play a vital role for the fruitful opportunities for corporate governance sector. Specially in the commercial sector government can play an important role with help of top level governance (Chakrabarti, 2005). The numerous companies are linked with the family owned commercial sector businesses and groups for showing the high-level proprietorship as concerning with the leading to investors in which they can manage and control the various of companies. The agency issues and challenges in Pakistan is also between the controlling shareholding power and smaller investors. The present study creates the advance loan in which ratio of outsider management on the board is a cause of well corporate governing bodies. These top management of any organization and manufacturing firms monitoring the power with the planned at minimizing the agency cost related issues that was reducing. Outside directors always playing the particularly independent management are authorised by the rule and regulations in lead to describe the minority investors, expropriation of firm resources through the expansion of company and its shares value.

2.1 Theoretical Framework

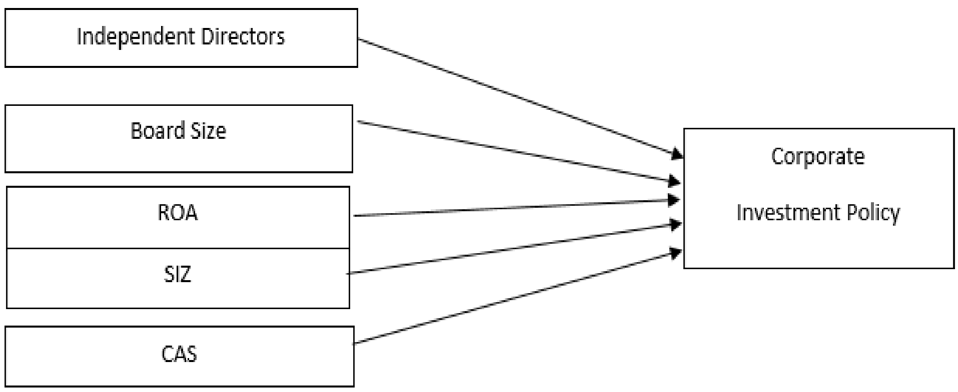

FIGURE 2.1: Research Model

2.2 Hypotheses

H$_1$: There is negative significant impact of Independent directors on corporate investment policy.

H$_2$: There is positive significant impact of board size on corporate investment policy.

Chapter 3

Research Methodology

The section of the study presents the data collection mechanism from where the data has collected. Data collected by the non financing companies from Pakistan and use of methodology to capture the impact of independent variables (Independent Directors & Board Size) on dependent variables (Corporate Investment Policy) of Pakistani non-financial firms.

3.0.1 Data and Sample

The data is collected of non-financial firms of Pakistan registered in Pakistan Stock Exchange.

Sample size should be the representative of population. Sample size for this study includes data of those non-financial firms which provide complete information related to this study is the part of this work. Research sample construct from non-financial firms listed on the Pakistan Stock Exchange. Data used for research have been collected from financial statements of the non-financial firms. The selection of sample is based on the basis of the availability of data according of non-financial firms. After observations with missing information are removed, we obtain a final research sample with, 29 firms out of 193 firms over the period from 2008 to 2016. The reason of selection period is basically data available on present topic is till 2016 after that data was not in valid nature.

List of selected companies according to industry wise has provided in appendix A.

This study based on secondary data, which is already available and ready for use. Sources of secondary data include government and private publications, financial reports of entities, journals, magazines, newspapers, circulars, website of State bank of Pakistan (SBP).

Secondary data from annual financial accounts of non-financial firms are used related to variable to collect the data from non-financial firms. The data analytical findings are obtained from the use of Eveiws8 and it run the descriptive statistics, correlation matrix and panel data regression.

3.0.2 Descriptive Statistics

Statistical behavior of data is captured by using the descriptive statistics. Descriptive statistics includes mean which provide the average of data, median which divide the data set into two equal segments and it is the mid value of data set, standard deviation provides the information that how much the spread of data from its mean value. Mean and standard deviation must be used together if used separately both will be meaningless. Positive and negative spread of data captured by using the skewness and kurtosis infers about the flatness of data spread. By using the descriptive statistics capture the acute infers of variables. In aforementioned view, it is taken to ensure the data type or nature in which explanation of present study variables has been discussed for further interpreting also improvement of average and variation through the cross-section outcomes.

3.0.3 Correlation Analysis

Correlation analysis used to capture the degree of strength among variables. This tool also deals about the way of linkage among the variables. Correlation analysis among variables indicates positive and negative relationship among different variables. Its range lies from -1 to +1. Low correlation between two variables shows low chances of multicollinearity while high correlations between two variables indicate high chances of multicollinearity. It has been conducted for checking the linkage among the dependent and independent variable. The outcome of this analytical test and techniques advance shows the nature of results whose expected to come as final outcomes before the running of regression analysis.

3.1 Econometric Model

It has taken to explore the significant linkage between the dependent and independent variables. It is undertaken by using common, fixed and random effect model. The objective of the present study was to examine the perception about dependent variable basic role with relation to the other variables such as independent variables of the study.

3.1.1 Model Specification

The present research works was taken the data from non-financial firms listed in Pakistan that is based on financial statements from 2008 to 2016. The applied type of the data in this study were finalize by the researcher as panel data analysis approach., which is deemed to have advantages over cross sectional methodology. dependent variable used in this study is corporate investment policy.

The independent variables are independent directors, board size, firm Profitability, cash holdings and firm size. General model is as follows

$$Y_{it} = \beta_0 + \sum_{i=1}^{n} \beta_i X_{it} + \varepsilon_{it} \tag{3.1}$$

3.1.2 Panel Regression Model

In this model various applications containing the results of econometrics, a fixed effects model recommend to a final model in which the group means are fixed (non-random) as opposed to a random effects model in which the group means are a random sample from a population. On the following basis fixed and random effect model is applying on the given regression model.

$$INV_{it} = \beta_0 + \beta_1 ID_{it} + \beta_2 BS_{it} + \beta_3 Prof_{it} + \beta_4 CAS_{it} + \beta_5 SIZ_{it} + \varepsilon_{it} \qquad (3.2)$$

Where,

ε_{it} = error term, time period and sample size

β= coefficient

INVlt= corporate investment

ID= independent directors

BS= board size

Prof= firm profitability

CAS= cash holdings.

Table 3.1: Description of Variables

Variables	Variable Names	Measure of Variables
INV	Corporate Investment	Capital expenditure deflated by total assets
ID	Independent Directors	Number of independent directors divided by the total number of directors on the board
BS	Board Size	Total number of directors on the board of company
Prof	Firm Profitability	Net Income/Total Assets
CAS	Cash Holdings	Cash and equivalents deflated by total assets
SIZ	Firm Size	Natural logarithm of total assets

3.2 Measurement of Variables

3.2.1 Endogenous Variable

Corporate Investment Policy

An investment policy statement (IPS) is a recognized drafted between a portfolio manager and a customer that highlights the major rule for the manager. This segment of regulation shows that major investment objective and its mission of a customer or clients to explains the techniques that the manager should must should must take to fulfil these some specific objective of the firm. The particular knowledge of information on the matter such as assets management their allocation, risk avoidance and special amount of liquidity demands are included in an investment policy by Julia Kagan in 2020. According to the recommendation of previous scholars we adopted the measure of firms performance like corporate investment because very few studies conducted on this measure with valid findings.

3.2.2 Exogenous Variable

3.2.2.1 Board Independence

Therefore, strength of independent director and board has been consisting on various number of external directors whose are not linked with the top level management and executives in every firm or organization have slight or no any business dealing with the firm to remove the potential conflict of interest. Proxy fort his measurement taken as some individual in the board independence members divided by the total board size, (Bulan et al. 2009) and after all has a significance influence on INV.

3.2.2.2 Board Size

Board size consisting on the cluster of individuals group whose are elected as or elected like acting as the stockholder representation for making the firm or company in corporate setup regarding to the management linked with the strategies and to create a decision on general firm level challenges and issues. Every public limited company must be a one main director in the board. Hence board size shows the total members on the company board or how many director companies have in their board (Bulan et al. 2009). It has significance impact on INV.

3.2.2.3 Firm Profitability

Return on assets shows the position of firm profitability regarding to its total asset worth and ROA guide the manages, investing parties or valid analytical idea in which outcomes are how efficiency of a firm management takes the assets to make the earning for company profit maximization and sustainable growth. Return on assets always shows as percentage figure and high amount of ROA determines the efficient position of firm in which measures with dividing the total income by its total assets.

Return on assets in basic point who shows us earnings are creates from the invested capital in the company in form of total assets. ROA for public limited firms could be vary on significantly and greatly depending on the industry requirements.

Therefore, debate is about the why some companies takes the evaluation of ROA as comparative outcome, it's better to identity its alternative of any firm in the previous specific studies about the various number of firms using the ROA with comparison of each other. The amount of ROA figure shows the idea of how effective the firm is in converting the account of firm for the investors and shareholders in part of net profit.

The high level of ROA quantity the best firm always get good earnings and more money with less investing capital. Remind that total amount of assets mostly sums of its total payables in short or long term and investors equity amount. The both decisions of financing were taken as to run the company operations and financing department always declares the position of company either its running on debt or equity. Some analytical and shareholders insights disregard the cost amount of obtaining of assets by increasing the more interest rate expenses in the measure of ROA.

In other hand, the influence of getting additional debt financing is negated through the addition of back cost of loanable charges to the net income and taking the average of asset cost shown in the period as in denominator. Interest rate expenditures are added due to the net profit of the come statement except the interest expenditure.

3.2.2.4 Cash Holdings

In the hard core of company policies and strategies cash holdings always playing the vital role for its performance and sustainability. Many investigators have keen interest on considerable focus to the surprise expansion in the amount of cash reserves despite opposite measurement kike debt financing, derivatives and credit schemes. The assets that you keep or hold in reading for cash payment it is presented to the shares of property, bonds and shares of the company. The empirical evidence from the previous literature discussion in which aspects and the other characteristics of the cash holdings as well as the dissimilar reason for the improvement of company as holding of cash position.

3.2.2.5 Firm Size

To check the position of firm in any industry vary on its size and measures through the operations per unit with different sizes vary in the market. Financials analyst are linked with the best measurement of size is business unit and a firm in which its average cost of production unit as the measure of its per unit or product price links with the lowest rate.

But during to take the decisions related to the company size to the business unit or scape of measure with its operations often the numerous terms such as the plant or the development of the company and the industrial size are taken as the confused source. To have the clear understanding of the conceptual level of firm size of the business unit is requestable to hold the mental thinking with the differences among these terms like plant size, the firm and its industrial worth.

Chapter 4

Results and Findings

The present chapter explores the fundamental analysis and details taken out within the data which is displayed and shown in past chapters. The dynamic analysis and detail is depend on investigation methodology examined in chapter three also. To measure the impact of independent directors and board size on the corporate investment policy, a sample was taken out from non-financial firms which are registered on Pakistan Stock Exchange. The primary two segment determines the descriptive statistics and the correlation findings. The third section explores and discusses the econometric equational models and also details how the models carried are predictable and measured. The fourth and last section shows an findings of the empirical outcomes of the investigations.

4.1 Descriptive Statistics

Descriptive statistical analysis for annual data of all determinants of non-financial companies those are registered on Pakistan Stock Exchange from the tenure of 2008 to 2016. The mean amount shows the average return or output of variables and standard deviation evaluation of the dispersion from the mean. Hence, the maximum value explores that highest volume or any amount or worth and minimum present the lower level of amount in study data. The skewness value shows the chances of normality of data and kurtosis shows its tallness.

In this section the descriptive statistics of all variables are presented in below **Table 4.1**.The following results of descriptive statistics are mention below.

TABLE 4.1: Descriptive Statistics

	Mean	**Maximum**	**Minimum**	**Std. Dev.**
INV	0.431	0.830	0.038	0.230
BS	7.964	14.000	7.000	1.210
ID	0.258	5.000	1.000	0.799
CAS	0.319	1.614	0.001	0.412
PROF	0.161	0.671	-0.173	0.125
SIZ	8.252	11.715	4.516	1.175

Notes: INVt is corporate investment measured by capital expenditure deflated by total assets in year t.BSt measured from total number of directors on the board of company. IDt is board independence measured by the fraction of independent directors in the board in year t. CASt is cash holdings measured by cash and equivalents deflated by total assets in year t. PROFt is profitability of firm measured by the return on assets in year t. SIZt is firm size measured by the natural logarithm of total assets in year t

The descriptive statistics of table 4.1 shows that corporate investment ranges from 3.8% to 83% of total assets and its mean value is 43.1%. On average, Board size on average is 8 and its ranges from 7 to 14. The fraction of independent directors on the board varies from 1 to 5 members, and its average members are 0.258. Cash holdings of the corporate constitute from 0.1% to 0.614% of total assets. Profitability ranges from -0.173% to 67.1% of total assets and its mean value is 16.1 percent and the ranges of firm size are from 4.5 to 11.71 and its average is 8.2 percent.

The following tables from 4.1 to described data behavior of various determinants of this investigation for the tenure between 2008 to 2016. Data behavior is investigated to ensure its accuracy before performing other statistical tests. Descriptive statistics show the overall behavior of the data, including the dependent and all independent variables. The descriptive statistics tables comprise mean, minimum, and maximum values and standard deviation for all variables. The value of mean shows the average behavior of data where as standard deviation value indicates deviation of data from mean. The maximum and minimum value indicates high and lower rang of data. The descriptive statistics analysis of Pakistan in this study are given below in table 4.1.

Table 4.1 consist statistical results of Pakistan. The mean value of corporate investment is 43.1% with 23% of standard deviation. The minimum value is 3.8 and maximum value 83%. The reason of higher fluctuation in minimum and maximum value is different level of corporate investment. The average range of board size (BS) is 7.96 which means on average non financial firm have 7.96 members in board and standard deviation of 1.21 minimum value 7 and maximum value 14. The mean value of independent Directors is 25..8% with 8% of standard deviation. The minimum value is 1 and maximum value 5.

The sample mean value of Cash holdings (CAS) 31.9 which indicates that on average firms have 31.9% cash holdings, its maximum value is 1.61 and minimum value is 0.001 with standard deviation of 0.06106. The sample mean value of Profitability (PROF) 0.16 , its maximum value is 0.67 and minimum value is -0.173% with standard deviation of 0.125. The value of firm size is 8.25, minimum value is 4.51 and maximum value is 11.71 with standard deviation of 1.17.

4.2 Correlation

Correlation matrix is used to investigate the association between independent variable whether the independent variables have bivariate relationship and this relationship is strong or weak and positive or negative. If the strong relationship exists between independent variables then the multicollinearity issue exists in the determinants. According to Anderson et al. (1990), Tabach & Fidell (1996) if correlation value boost form 0.7 range then data have multicollinearity issues. The results of correlation matrix are given as follow.

In below **Table 4.2** correlation matrix shows that all independent variables are less than (0.7) and less correlated with each other. If the coefficient value of independent variables are more than (0.7) than there is high correlation between variables. In below table we can see that independent director is (0.29) which is positive correlated with board size.

TABLE 4.2: Correlation Matrix

	BS	**ID**	**CAS**	**PROF**	**SIZ**
BS	1.000000				
ID	0.288007	1.000000			
CAS	-0.222541	-0.0575	1.000000		
PROF	-0.034729	-0.060335	0.132283	1.000000	
SIZ	-0.004142	0.014943	-0.323623	0.107059	1.000000

This study control variables are cash holdings, profitability and firm size. Cash holdings is (-0.222541) which is negative correlated with board size and (-0.057500) negative correlated with Independent directors. Profitability is negatively correlated with (-0.034729) board size and (-0.060335) negatively correlated with independent directors and (0.132283) positive correlated with cash holdings. Size is (-0.004142) positive correlated with board size and (0.014943) positive correlated with independent directors but negative correlated (-0.323623) with cash holdings and (0.107059) positively correlated with profitability.

The above table shows that board size positively and significantly correlated with independent directors and also many previous research found that positive correlation among thesis variables. The above table shows that cash holding negatively and significantly correlated with board size and also many previous research found that negative correlation among thesis variables due to the large size of board members. The above table shows that bank size positively and significantly correlated with board size and also many previous research found that positive correlation among thesis variables because size of the firm mostly correlated with their members.

Table 4.3: Variance Inflation Factors

Variable	**Centered VIF**
C	NA
BS	1.166303
ID	1.097816
CAS	1.268625
PROF	1.075747
SIZ	1.162927

BS: Board Size; ID: Independent Directors; CAS: Cash Holdings ; PROF: Profitability; SIZE: Firm Size. For depth interpretation results, variance inflation factors (VIFs) are computed as;

$$VIF_q = \frac{1}{1-q} \tag{4.1}$$

Where q is the correlation coefficient obtained from regressing explanatory variable, q, on all the remaining explanatory variables in the model. VIF's results are essentially free from any serious multicollinearity among the explanatory variables. In above **Table 4.3** shows that all values of centered VIF are less than 5 which mean there is no issue of multicollinearity in the data.

4.3 Regression Analysis

Model selection is based on two criterions; likelihood ratio and Hausman test in this study.

4.3.1 Redundant Effect Test

Here,

H0: The results shows that Nul hypothesis: Common effect model is appropriate.

H1: The results shows that Alternate fixed effect model is appropriate.

TABLE 4.4: Likelihood Ratio Test

Effects Test	**Statistic**	**d.f.**	**Prob.**
Cross-section F	22.739476	-26,171	0
Cross-section Chi-square	303.399749	26	0.0000

As the results of above **Table 4.5** The purpose of testing the likelihood test is to clear the possibility of fixed effect or random effect model with condition that if p value were significant (less than 0.05 confidence interval) than it can be apply fixed effect model but if p value were greater than 0.05 then the study were apply common effect model and vice versa in case when p value is not significant. In this study likelihood test suggest study were accept alternative in which fixed effect model were more appropriate for regression analysis. Both the likelihood and houseman test were suggested the fixed effect model were more appropriate for final interpretations. In above table shows the significant of the cross-section Chi-square with p value 0.000 and now fixed effect model can be applied.

4.3.2 Hausman Test

H0: Null hypothesis is random effect model is appropriate.

H1: Alternative hypothesis fixed effect model is appropriate.

The purpose of testing the hausman test is to clear the possibility of random effect model or fixed effect with condition that if p value is significant (less than 0.05 confidence interval) than it can be apply fixed effect model but if p value were greater than 0.05 then the study were apply random effect model and vice versa in that case when p value is not significant.

In this study hausman test suggest study were accept alternative in which fixed effect model were more appropriate for regression analysis. Both the likelihood and houseman test were suggested the fixed effect model were more appropriate for final interpretations.

The alternative hypothesis of Hausman test is consistent and efficient but the null hypothesis of Hausman test is inconsistent and inefficient. The null hypothesis of Hausman test is fixed effect model is consistent and efficient and the alternative hypothesis of fixed effect model is inconsistent and inefficient. Below Table result shows that probability of fixed effect model is significant which shows that null hypothesis is rejected and fixed model is more appropriate for this study. So we used fixed effect model for this study.

Here,

H0: The results shows that Nul hypothesis: Random effect model is appropriate

H1: The results shows that Alternate fixed effect model is appropriate

Table 4.5: Hausman Test

Test Summary	**Chi-Sq.**	**Chi-Sq. d.f.**	**Prob.**
Cross-section random	61.855646	5	0.0000

The results of Hausman test shows that probability is significant less than 0.05 and null hypothesis is rejected so fixed effect model is more appropriate for this study.

4.4 Common Effect Model

Common effect model is good measure for analysis. In this model there is no difference in intercept and cross section. If that data is same then intercept will be similar for cross sections. According to the direction of likelihood test study were applied random effect model to check the common effect of board size and independent directors on corporate investment policy.

The below model show that coefficient of all cross sections across the time is constant and time constant. In common effect model the assumption made is problematic to happen and it leads to the inconsistency and reliability of the slope coefficient of the variables. Though, common Effect model does not capture the random and fixed effect presence in the panel data.

Table 4.6: Common Effect Model

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	0.169019	0.145361	1.162752	0.2464
BS	0.000254	0.011362	0.02238	0.9822
ID	-0.004303	0.01668	-0.257977	0.7967
CAS	-0.299722	0.034762	-8.62207	0.0000
PROF	-0.426441	0.118199	-3.607827	0.0004
SIZ	0.054576	0.012286	4.442132	0.0000
R-squared	0.472715			
Adjusted R-squared	0.458766	S.D. dependent var		0.2489
F-statistic	33.88805	Akaike info criterion		-0.527148
Prob(F-statistic)	0	Schwarz criterion		-0.42644

BS: Board Size; ID: Independent Directors; CAS: Cash Holdings; PROF: Profitability; SIZE: Firm Size.

4.4.1 Random Effect Model

Table: 4.5 examine the finding of regression for Pakistan. The results show that adjusted R2 is 8.0669 percent. The Durbin Watson is (1.072278) and F statistic (4.544994) and probability of F statistics is (0.000605). The board size is insignificant (p) value (0.2426) with positive coefficient of (0.015378) and which means that board size has no impact on corporate investment policy in Pakistan.

The coefficient value of independent director is (-0.020482) and it is also insignificant with (p) value of (0.2158). Our control variable cash holdings has negative coefficient (-0.140738) and significant impact on corporate investment policy by (p) value (0.0041) profitability is also significant with (p) value of (0.0082) and it's coefficient is also negative (-0.251015) and firm size is also significant and negative coefficient with p value of (0.0022) and coefficient value is (-0.054358) which means Cash holdings, profitability and firm size have negative impact on corporate investment policy.

TABLE 4.7: Random Effect Model

Variable	**Coefficient**	**t-Statistic**	**Prob.**
C	0.880236	5.147646	0.0000
BS	0.015378	1.171937	0.2426
ID	-0.020482	-1.2418	0.2158
CAS	-0.140738	-2.9026	0.0041
PROF	-0.251015	-2.67125	0.0082
SIZ	-0.054358	-3.10608	0.0022
Adjusted R-squared	0.080669		
Durbin-Watson stat	1.072278		
F-statistic	4.544994		
Prob(F-statistic)	0.000605		

BS: Board Size; ID: Independent Directors; CAS: Cash Holdings; PROF: Profitability; SIZE: Firm Size.

4.4.2 Fixed Effect Model

Table 4.8: Fixed Effect Model

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	1.438258	0.193814	7.420823	0
BS	0.028301	0.014889	1.900766	0.059
ID	-0.03815	0.017897	-2.13183	0.0344
CAS	0.06409	0.061418	1.043504	0.2982
PROF	-0.09462	0.099479	-0.95111	0.3429
SIZ	-0.1468	0.021804	-6.73285	0
R-squared	0.879646			
Durbin-Watson stat	1.441691			
F-statistic	40.3166			
Prob(F-statistic)	0			

BS: Board Size; ID: Independent Directors; CAS: Cash Holdings; PROF: Profitability; SIZE: Firm Size.

The Fixed effect panel regression model is selected in this study. The R-square 87.96%. It tells that independent variables of this investigation could describe fluctuation in the dependent variable about 87.96%. The Durban Watson is 1.442, F-statistic prob. is 0.000, which explore that the model and the variables are internally significant.

As shown in the table 4.6. Regression results for Pakistan shows that board size coefficient is positive (0.028301) with (p) value of (0.059) which means board size is significant and it does impact on corporate investment in Pakistan. The coefficient value of independent director is negative (-0.03815) and significant with (p) value of (0.0344) it means independent directors negatively impact on corporate investment in Pakistan. Cash Holdings is positive coefficient (0.06409) but insignificant with (p) value of (0.2982) which means cash holdings has no impact on corporate investment. The coefficient value of profitability is negative (-0.09462) and insignificant with (p) value of (0.3429) which means profitability has no impact on corporate investment in Pakistan. The coefficient value of firm size is negative (-0.1468) and significant with (p) value of (0.00) it means firm size negatively impact on corporate investment in Pakistan.

4.5 Discussion of Results

This section of study is based on general discussion of empirical results of table 4.6. The purpose of this section is to analysis the study results whether these results consistent with the past studies. This section provides justification about the results of study with respect to Pakistan. It is necessary that results should be consistent with the prior literature investigation. The empirical results of this study shows that board size and independent directors has impact on corporate investment policy.

Table: 4.6 shows empirical results of Pakistan that board size and independent directors is significant which means board size has positive and independent director has negative impact on corporate investment in Pakistan. This study result of independent directors and board size is consistent with the past studies of (Bozec and Dia, 2017) They also find negative impact of independent directors.

The negative effect of board independence on firm investment is economically and statistically higher for financially constrained firms. The results of board independence between financially restricted and non-restricted firms. In line with Almeida et al. (2004) Vo and Nguyen (2014) paper that the existence of independent directors is negatively related to the firm performance with a higher sample.

There is a view that larger boards are better for corporate performance because they have a range of expertise to help make better decisions, and are harder for a powerful CEO to dominate. However, recent thinking has leaned towards smaller boards Jensen (1993).

Daily and Dalton (1992), Baysinger and Butler (1985) and Brickley et al. (1994) find some additional independent directors on the board to improve economic activities of the firm. Various other researches founded the positive effect from nomiating outside independent directors on-top-of the board. Studies find shorter likelihood of financial statement fraud (Beasley , 1996), positive price reaction (Rosenstein and Wyatt , 1990), positive reaction to poison pill adoptions and tender proposal bids (Byrd and Hickman, 1992; Brickley et al.,1994), better firm profitability (Ezzamel and Watson, 1993) and greater stock price returns (Bhagat and Black, 1999) in relation to outside independent directors. Some other empirical studies, however find either no significant effect or negative effect of outside directors on firm performance. Several researches do not find any relationship between board composition with representation of outside independent directors and firm performance (Baysinger and Butler, 1985; Dalton et al., 1998; Dalton and Daily, 1999; Fernandes, 2005).

The appropriate question under case is whether board composition with a majority of independent directors creates more firm value by assuring the minority shareholders and investors that an independent board will prevent diversion of firm resources and superior monitoring (Dhaya et al., 2007).

Hermalin and Weishbach (1991), Meharan (1995), Bathala and Rao (1995), Vafeas and Theodoru (1998), Core et al. (1999), and Klien (1998) and Yermack (1996) report an insignificant relationship of corporate board independence and numerous measures of firm performance. Several other researchers also reported that the proportion of outside directors have negative relationship with firm value. Agrawal and Knoeber (1996) and Bhagat and Black (2002), research tells the negative relationship of the proportion of outside directors on board and firm performance. Effectiveness of outside directors as governance mechanism is therefore questionable in the developed counties because of the presence of external governance mechanism for example mergers and acquisition, market for corporate control and product market competition. In the dominant shareholder authorities of Canadian companies find a negative impact of the fraction of outside directors on firm value. However, the authors recommended that independent board was able to ighten agency problem arising out of dual class common stock (Erickson et al.2005).

Chapter 5

Discussion

5.1 Conclusion

The significance level of corporate governing structure in the firm cannot be under estimated until its improvement in the company climate for the internal system and profitability of a firm. However, the corporate governing comes with the outsider independent directors in the new determinants for the effective running of a corporate entity thereby engaging in the company's corporate structure as entrepreneur and competitive advantage.

Pakistan has been facing the fundamental economic growth in the last few era and investing ratio sizeable expansion in the number of unlisted firms particularly family owned firms. The SECPC of Pakistan has newly publish the total number of non-registered firms has in this time touched with the rate of 50,000 mark. The fast expansion in the firms are completing of the growing rate in Pakistan. Privatization division of Pakistan in which good governance just more significant for the any trading unit.

Presently, the private area such to makes the excellent governing system even to more important for the corporation and sustainability. Subsequently, the Act and Code of Governance system just prove that complaints for the companies registered on the Stock Exchange business. The primary concept of any good governing system is important role for the continuation and business sustaining position of the non-registered firms whose helps the economic growth in the Pakistan. Family owned firms are determinants as good company in which the investors links to the same family owned business and participation in the sustainable rank in the management direction and production unit of the firm. It is widely documented that every family has its own modern unwritten rule and regulation for the firm top management with different values, histories and communication techniques.

The prior literature mostly examines the independent director are an attractive determinant minimize the agency related issues and problem connected to the agency theory in which company decisions and operational profitability. Therefore, firm has been low study on the vital role of independency of directors in any company corporate investing policies.

In current study we argue that board independency could be support the company minimize the management on over investment and raise of investing capacity and efficiency in Pakistan market that experiences the lower enforceability of legislation on corporate governing system. Usually investigation sample of non-financing companies are linked with the different firm sites. SECP playing a vital and major source of data collection. The data was gathered from the 29 non-financial firms those are registered in Pakistan Stock Exchange and the time frame of 2008 to 2016. We found that the equation of independency of board directors are mostly positive impact and relation with the corporate investment and also positive association with the investment efficiency.

Moreover, these affects are stronger with the financial constrained companies. These consequences providing the both governmental agencies and public owned companies procedures implicated to raise the board independence with the objective of improvement in corporate governing system and sustainable quality in Pakistan Stock Exchange registered firms.

5.2 Recommendations

The basic structure of corporate governing system in Pakistan were developed an idea that compliance with the code of corporate governance in which companies leading to the increasing level of investment and raising of investor confidence. This maybe exactly right in developed countries on the globe. Therefore, for Pakistani shareholder and investors compliance with the code of corporate governing system constant a second level of investment criteria. The general behaviour and prediction of individuals towards the CG is more effective and bond compliance. They still consider it as a setting of rules and laws compliance are created mandatory by SECP. They follow these compulsions just to fulfill the compliance requirements of Security Exchange Commission.

However, at the point of start point they do not now follows the corporate governing policy overall deeply with an intension to adopted the best corporate methods. One of the most significant proceedings is balanced scorecard which examined the usage to evaluates the financial and non-financing objectives in strategically manners to estimates and significant in the procedure of corporate profitability.

Consequently, existence a require to work on the major perception of the firms so they with the passage of time period adopts this code in which they overall heartedly with a view to changes better corporate techniques and establish tangible criteria to evaluated the higher level of excellent governance system in non-financial firms.

The present investigation encourages for the benefits for the industrial improvement by obtaining the best mechanisms in firms like board size, cash holding and firm size by assets. Moreover, present investigation provide the excellent benefits to Security Exchange Commission of Pakistan, Federal Board of Revenue and small & large size non-financial firms how they bring innovation in their capital and governance investment policy. Whereas, all other policy makers, stakeholders, that can take guidelines from this study and top managerial bodies of also take a beneficial measure in governance sector.

Including the board of directors, shareholders, foreign owners, employees and general public in non-financial firms adopt the financial integrated models and restructuring the financial goals regarding to the corporate investment policy in firm, these corporate governance measures showed a significant character for the development of industry growth in non-financing sector of Pakistan.

5.3 Future Research

Furthermore, scholars have been less study on the impact of independent directors and Tobin's Q. on corporate investment policy in Pakistan. Furthermore, I collected the data of 29 non-financing firms registered in Pakistan Stock Exchange and the time frame is 2008 to 2016 the sample size can be change or big for the future research.

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