Corporate governance and financial performance : Board of director role (Case study of Sharjah Bank 2010-2018)

حوكمة الشركات والأداء المالي : دور مجلس الإدارة

(دراسة حالة بنك الشارقة 2010-2018)

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Abstract

This study investigate the relationship between Corporate governance through the Board Directors Characteristics and financial performance, at the level of Sharjah bank, during the period 2010-2018. The study shows that researchers rely on different mechanisms of CG,and at the level of Sharjah bank, it was clear that the FP has decreased, especially in 2018, despite the bank's commitment to CG instructions and practices.

Keyword : Corporate governance; Financial performance ; Bank of Sharjah.

JEL classification code : G34, C33

ملخص:

تهدف هذه الدراسة إلى البحت في علاقة حوكمة الشركات، من خلال خصائص مجلس الإدارة على الأداء المالي، على مستوى بنك الشارقة، خلال الفترة 2010-2018. تبين لنا من الدراسة إعتماد الباحثين على آليات مختلفة لحوكمة الشركات، وعلى مستوى بنك الشارقة، فقد تبين لنا إنخفاض مستوى الأداء المالي للبنك خاصة سنة 2018، بالرغم من إلتزام البنك بتعليمات وممارسات حوكمة الشركات.

الكلمات المفتاحية : حوكمة الشركات؛ الأداء مالي ؛ بنك الشارقة

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1. Introduction :

The concept of corporate governance (CG) has enjoyed keen interest in recent times. Especially in the wake of the financial crises and economic collapses faced by many countries around the world which affected a lot of international financial markets, for instance the 1997 Asian financial crisis. In addition to the collapse of major international companies due to accounting fraud and financial and administrative corruption scandals, including Enron Corporation in 2001 and WorldCom in 2002. Not to forget the 2008 Global financial crises, which is considered one of the biggest and most dangerous crises ever.

Consequently, the term "corporate governance" is no longer a household term, but is now a matter of the moment and the talk of all economists, policymakers, and the corporate world in general which is beginning to become truly aware of its significance and of the economic implications that could result from weak corporate governance systems. In the last two decades, the attention has been focused on the application of the principles of corporate governance in banks, since they are one of the most important and delicate sectors, and are most vulnerable to risks and crises, especially in developing countries.

Most studies on governance have neglected the issues of management in banks, especially in emerging markets. In fact, the studies which focus on the efficiency of the board of directors as a mechanism in managing banks in developing countries are scarce. In spite the fact that this is a significant topic for multiple reasons, because banks play a crucial role in the economy of countries due to their close contact with many partners.

The problematic of the study

Is there a clear relationship between corporate governance and financial performance ?

Literature review

This section explores and discusses the literatures related to the relationship between corporate governance and firm performance:

Study (Taktak, 2010) aimed at demonstrating the impact of the internal mechanisms of corporate governance on efficiency and accessing the efficiency of Tunisian banks, along with defining the factors that determine the level of efficiency. The study tested a sample of 10 banks listed in Tunis stock exchange (BVMT) over the period 2002-2006. Results showed that the improvement of efficiency levels in Tunisian banks is not related to bank size, because an increased size has an adverse and statistically insignificant impact on efficiency. The decline in efficiency levels in Tunisian banks is mainly due to the failure of major public banks. The analysis of efficiency degrees also shows that small and medium banks from the sample reflect better efficiency than major banks, and that the increase in efficiency levels is relatively higher in public banks than in private ones.

Study by (Dedu & Chitan, 2013) investigated the influence of internal corporate governance on bank performance in Romania over the period 2004-2011, including the characteristics of the management body, the ownership structure, and an internal corporate governance index. Results showed a negative influence of the internal corporate governance index on bank performance. They also stressed the need to enhance the implementation of corporate governance measures, the need to increase the number of independent members within the board, and the need to change the business behavior of shareholders to reduce exposure to risks. The study showed the importance of internal corporate governance within banks.

Study by (Munisi & Randøy, 2013) the researcher has studied the relationship between the performance of companies from sub-Saharan Africa and good corporate governance practices, through a sample of non-financial companies listed in stock exchange of sub-Saharan African countries over the period 2005-2009. Results showed that all sub-indices of corporate governance index do not really correspond with firm performance, and that companies which follow good corporate governance practices can expect higher financial performance.

Study (Jarboui, Guetat, & Boujelbène, 2015) aimed at defining the situation of internal corporate governance in Tunisian hotels, through a sample of 63 hotels between 2012 and 2013. Results showed a positive link between the proportion of independent members on the board and hotel performance and that the separation between the position of president of the board and chief executive substantially decreases agency problems and enhances performance and efficiency. They also showed that hotel performance is a result of the director's efforts; therefore his/her tenure positively affects the performance and efficiency of the company. Results were consistent with the theoretical expectations that the incorporation of a new external director is a good performance factor. Corporate governance mechanisms affect hotel performance.

Study 2015 ,بورقبة & غربي). the researcher set out to determine the relationship between corporate governance variables and the financial performance of Islamic banks (10) Islamic banks during the period (2005-2012), measuring the impact of corporate governance variables on financial performance. Results showed a positive link between the return on assets and each of the structure of the board, the size of the board, and the number of committees within the board, and also the number of shariah supervisory board members. Whenever the variable's

size increases the return on assets does too. Results also showed a negative relationship between the return on assets and the ownership concentration variable and a strong connection between corporate governance variables and the financial performance of Islamic banks under study.

Study by (Salim, Arjomandi, & Seufert, 2016) aimed to study the relationship between corporate governance and the performance of Australian banks, 11 banks over the period from 1999 to 2003. Results showed that major banks have better technical efficiency than their regional rivals, in most of the years of study. Also the number of board and committee meetings has positive and significant effects on efficiency, and larger boards provide better control and decision making. The study also proved a general improvement of efficiency after the introduction of good corporate governance practices in 2003.

study by (Zabri, Ahmad, & Wah, 2016) investigated the practice of corporate governance within the top 100 companies listed in the Malaysian stock exchange over the period 2005-2012, and studied the relationship between corporate governance practices and the performance of those companies. Results showed that board size has a weak negative link with the return on assets, while it is insignificant to the return on equity, that the independence of the board and the company's performance have no relationship, and that there is a relationship between corporate governance and company performance.

Study by (Pillai & Al-Malkawi, 2018) aimed to look for the effect of internal corporate governance mechanisms on company performance in Gulf Cooperation Council States. The study used data from 349 financial and non financial companies listed in the stock exchange of those countries during 2005-2011. Results showed that the corporate governance variable appear to be a vital determinant consistent with all performance measurements in all GCC States. Increased board size

undermines firm performance, and firms should limit their boards to 8 to 11 members. Whereas other variables such as state contributions, audit type, corporate social responsibility, and leverage appear as negative and have a statistical significance to performance measurements.

2. Theoretical Background of Corporate Governance :

2.1.Definition

Many definitions have been given for the term corporate governance. Each definition represents the point of view of its provider. For instance, (Shleifer & Vishny, 1997)defined corporate governance as the way in which suppliers of finance to corporations assure themselves of getting a return on their investment. The OECD defined it as a set of relationships between a company's management, its board, its shareholders, and other stakeholders (Alain & Christaine, 2003).The IFC defined it as the system by which companies are directed and controlled2007 ,رزق)(, the efficiency of corporate governance depends primarily on the participants in the governance system (Yang, Jiao, & Buckland, 2017). Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled(Cadbury, 2002)

2.2. Mechanisms of Corporate Governance

Contemporary articles distinguish between several corporate governance mechanisms that can be categorized into two types: internal and external. These mechanisms can either complement or substitute each other, and due to the importance of each type, we can say that corporate governance will work better when both types are in place and effectively implemented.

Based on a viewpoint that sees corporate governance as a multidimensional concept, some researchers have tried to construct

corporate governance indices that comprise several mechanisms in order to investigate the relationship between corporate governance and firm performance. However, researchers were unable to agree on one standardized index for corporate governance (Munisi & Randøy, 2013) The dimensions and major questions used to construct these indices vary from one study to the other, since the perspectives toward "Good Corporate Governance Practices" vary between countries and investors, and are influenced by legal, political, economic, historical, and cultural environments.According to these arguments, we construct the indices on the basis of the different dimensions of corporate governance. As it is found in the literature and recommended by icons of corporate governance (which will be tackled and explained in the section: the relationship between corporate governance mechanisms and financial performance)

3. The Relationship between Corporate Governance Mechanisms and Financial Performance :

Corporate governance is a global phenomenon that influences firm performance, however, it lacks a standardized theoretical background and a generally accepted profile to date. There are few theories such as: Resources Dependence Theory(Pfeffer & Salancik, 1978), Institutional Theory(Suchman, 1995) , Stewardship Theory (Donaldson & Davis, 1989), Stakeholders Theory(Freeman, 1984) Social Contract(Hobbes, 1651), but the Agency Theory(Jensen & Meckling, 1976) took the lead to promote corporate governance.

Extended studies have distinguished many variables classified under internal and external mechanisms: Board size, Board independence, Dual board, Audit committee, Remuneration committee, Ownership structure, Disclosure and transparency, External audit, Laws and regulations....

In this study we will focus only on Board Characteristics, and in particular : Board size, Board independence, number of board meetings, number and meetings of committees.

3.1. The relationship between Board Size and Financial Performance

Board size is known as the total number of directors in the board. Ideal board size should include executive and non-executive directors. Studies found that board size varies from one country to another, since each country has its own culture. This shows that there isn't an ideal size or standard criteria among companies around the world.

It has also been found that corporate governance in European countries such as the United Kingdom, Switzerland, or Netherlands tend to have a small size board, whereas countries such as Belgium, France, Spain, or Germany tend to have a big size board (between thirteen and nineteen members). (Zabri et al., 2016)

According to earlier studies, رقبة & غربي (2015)have noted a positive link between board size and the return on assets, as well as Salim et al (2016) who found that an increased board size provides better control and decision making. Resource Dependence theory suggests that an increased board size allows for more experts from different fields, hence it facilitates the adoption of high-quality decisions. In addition to that, more board members means they can provide additional networks of relationships which enable the firm to procure key external resources. Meanwhile, the study by Zabri et al (2016) showed that board size has a weak negative link with the return on assets, and that it is insignificant to the return on equity. Taktak (2010) also discovered that the improvement of banks' efficiency is not related to size, because an increased size has an adverse and statistically insignificant impact on efficiency. This was also proved by Pillai et al (2018) who said that an increased board size undermines performance and that companies

should limit their boards to 8 to 11 members. Some studies also showed that larger boards are less effective because of the slowness in decision making and the difficulty of organizing board meetings and reaching consensus, which allows the CEO to dominate the board and weaken company performance. Following the above, we can say that the literature which deals with the effects of board size on bank performance is abundant, but its results are generally mixed and inconclusive, and until now, there is no consensus among scholars. Board size can either have a positive or negative impact on company performance (Salim et al., 2016), and it should be consistent with the firm's size, in order to ensure an effective contribution from all board members (Iqbal, Nawaz, & Ehsan, 2019).

3.2. The relationship between board independence and financial performance

Board independence is the proportion of the total number of independent non-executive directors from the total number of directors. It was also defined as the level of presence of independent directors or the existence of non-executive directors in the board. (Zabri et al., 2016). Agency Theory says that directors tend to achieve their personal goals at the expense of shareholders because of the separation between property and management (Jensen & Meckling, 1976). But with the introduction of independent directors, it is now possible to solve that problem, enhance independent decision making, and protect the interests of shareholders. Independent directors are also beneficial in controlling the activities of the board and enhance its transparency, since they have improved the company's fulfilment of disclosure requirements, added more skills and expertise to the board, and succeeded to alleviate the agency problem and restrain self-interests.

This has been noted by many studies like Jarbaoui et al (2015) and Dedu & Chitan (2013), the more independent directors on the board, the better is the performance of the firm.

On the other hand, the Stewardship Theory adopts the opposite viewpoint. It stresses that directors are trustworthy, and that they take better decisions than their external counterparts. They also maximize the company's profits because they possess better business vision. Accordingly, the proportion of independent non-executive directors in the board can have a negative impact on performance (Salim et al., 2016) and(Bhagat & Black, 2002) . Where as many other studies do not find a relationship between the number of external directors and company performance (Zabri et al, 2016).

3.3. The relationship between the number of board meetings and financial performance

Lipton and Lorsch (1992) confirm that board members lack the sufficient time to fulfill their duties and that board meetings enhance its efficiency. Additional board meetings permit directors to fulfill their duties and comply with the shareholders' expectancies and interests and to control the management in an efficient way. While Salim et al (2016), after studying 11 Australian bank during the period from 1999 and 2003, proved that the number of board meetings has positive and significant effects on efficiency. They also proved a general improvement of efficiency after the introduction of good corporate governance practices in 2003. However, Jensen (1993) has an opposite viewpoint and claims that board meetings are not necessarily a beneficial activity, because external directors lack the sufficient time to exchange their ideas and discuss management issues, accordingly, an increase in board activities is a sign of poor performance and has unclear effects.

3.4. The relationship between the number of board committees meetings and financial performance

The board is expected to form committees which help with the fulfillment of its corporate governance obligations. The main tasks of these committees are: meetings, deciding the number of meetings, discussion of company issues, exchanging ideas on supervision, and controlling directors. Salim et al (2016) proved that board committees meetings have positive and significant effects on efficiency. And بورقبة وغربي, (2015) agree with that. Through their study of 10 Islamic banks, they discovered a positive relationship between the return on assets and each of the number of board committees and their meetings.

4. Relationship between CG Practices and FP in Sharjah Bank :

4.1. An overview of Sharjah Bank

Bank of Sharjah was incorporated on December 22, 1973, by Emiri Decree issued by H.H. Dr. Sheikh Sultan Bin Mohamed Al Qassimi, Ruler of Sharjah, as the first Financial institution in the Emirate of Sharjah, the fifth in the Federation, and the first consortium bank established in the GCC between 3 founding members:(Sharjah-Bank, 2018a)

Government of Sharjah: 20%;

Mubarak Al Hassawi: 20%;

Banque de Paris et des Pays-Bas: 20%.

The Bank of Sharjah remained relatively unscathed during the various financial crises over the years and this is a testament to the Bank's proficient Board of Directors, Management and its underlying good governance.

4.2. Bank's Corporate Governance Structure

The Corporate Governance function in Bank of Sharjah is mandated to stipulate, institute and monitor a group-wide corporate governance framework and to act as its guardian.

Bank of Sharjah P.J.S.C. (hereafter "the Company" or "the Bank") has always been committed to achieving a high level of governance. Ethical

and responsible business practices have been embedded in the Bank's culture since its inception in 1973. The Bank focuses on transparency and disclosure to ensure it is in line with best international standards and practices. The bank continuously strives to enhance the level of trust amongst its stakeholders and to further focus on the principle of transparency. As such, it updates the shareholders on the recent corporate governance developments by publishing the Corporate Governance and Corporate Social Responsibility (CSR) report as part of its Annual Report. The Corporate Governance framework within the Bank is inspired by the model set by the UAE Central Bank and the regulations of the Securities & Commodities Authority, the Federal and local legislations such as the National Electronic Security Authority (NESA) as well as the Basel II 'Principles for enhancing Corporate Governance'.

Fig.1 : Organizational structure of sharjah corporate governance

Source : Corporate governance report of sharjah bank2018

4.2.1.Board size of Sharjah Bank

Bank of Sharjah has a very experienced, highly skilled and well-respected Board of Directors from a variety of business backgrounds. The Board members are fully committed to the Bank's longterm

sustainability and their confidence is evident through their shareholding in the Bank. The Directors are engaged with the business practice, they know the Bank's business structure and its operational procedures; which enables them to keep abreast of significant changes and to act promptly to protect the Bank's long-term interests, when necessary.
The term of the Board is three years at the end of which a new Board is elected. Directors whose terms expire may be re-elected. In 2018, the Board of Directors consist of 11 members to be elected by the General Meeting by a secret cumulative ballot.
The following table shows the composition of the Board of Directors for the period (2010-2018)

Table 1 : The Board Size of Directors of Sharjah Bank, during the period (2010-2018)

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	Mean
Board size(BSD)	11	11	11	11	10	10	9	11	11	10,56

Source : annual reports of Sharjah bank(2010-2018)

We note from the table 1, that the BSD of Sharjah Bank is almost the same in all study years, except in 2016 (9 members), the average of board size is 10,56 % ,with a minimum of 9 and a maximum of 11 . Which confirms the bank's interest in supporting it to increase BSD according to the rules and regulations of corporate governance practices. As the BSD increases performance due to the diversity of experience and skills, Consistent with the Salim and all (2016) study which showed that larger councils give more knowledge in decision-making and supervision, and within the limits of 8 to 11 members according to the study of Pillai and others (2018), which showed that the large BSD is detrimental to the performance of companies and that companies should limit the size of its board from 8 to 11.

4.2.2. The number of Board and Committee meetings for Sharjah bank

The Board meets regularly, four times per year. In addition to these meetings, the Board may convene whenever the need arises upon the invitation of the Chairman, by three of its Directors or by the General Manager. A meeting can only be held if a majority of members are in attendance. If Directors are unable to attend a meeting, their votes can be assigned to another Director of their choosing. A Director cannot act for more than one other Director.

Each of the Board Committees will have an independent role, operating as an overseer and a maker of recommendations to the Board for its consideration and final approval. The Committees will not assume the functions of management, which remain the responsibility of the Executive Directors, Officers and other members of Senior Management. The Committees hold regular meetings and minutes of these meetings are kept by the Secretary of each Committee. The minutes are reviewed, approved and signed by all the Committee members

Table 2 : Number of board meeting(NBM), committee meeting(NCM)(2010-2018)

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	Mean
NBM	6	6	6	6	6	6	5	6	7	6
NCM	20	20	30	16	16	24	28	28	28	23 ,33

Source : Annual reports of Sharjah bank(2010-2018)

Table 2 demonstrates the number of board meeting(NBM), on average 6 board meetings are conducted in a period 2010- 2018. Average of NCM is 23,33. The minimum NCM is 16 and maximum is 30. That explains the bank's interest in organizing the annual meetings of the board of directors and committees due to their significant and positive impacts on the financial performance of the bank.Consistent with previous studies (Salim et al, 2016; Bourguiba and Gharbi, 2015).

4.2.3. The independence Board of Directors In Sharjah bank

As defined in the Bank’s Articles of Association, Independent Member of the Board of Directors is a person who was not personally, or through his spouse or any of his relatives a member of the Company’s executive management during the past two years, and none of them had any substantial financial dealings with the Company, its holding company or any of its subsidiaries or affiliates during the past two years.

Table 3 : Board independence of Sharjah bank (2010-2018)

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	Mean
IND(%)	63,64	63,64	63,64	63,64	63,64	60	60	66 ,66	45 ,45	61,15

Source: Annual reports of Sharjah bank(2010-2018)

Table 3 present that the average percentage of independent directors during the period of 2010-1018 is 61,15 % , the minimum percentage of IND is 45,45% in 2018, and the maximum is 66,66% in

2017, That explains the bank's interest in increasing the number of independent directors on its board of directors. In line with prior studies document that independent directors improve the quality of financial statements (Chen et al., 2007; Cornett et al., 2008; Zabri et al, 2016; Jarboui et el, 2015 ;Dedu & Chitan, 2013).

4.3. Financial performance of sharjah bank

Bank of Sharjah has increased its capital since inception from AED. 15 Million to AED. 2.1 Billion. Shareholders were paid cash dividends for a total amount of AED. 2.4 billion, and bonus issue shares of 840.5 Million Shares, Treasury shares distributed as bonus of 269.5 million shares (Sharjah-Bank, 2018b)

Table 4 : Financial Performance Indicators for Bank of Sharjah (2010-2018)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Mean
ROA%	2,088	1,212	1,266	1,485	1,143	0,951	1,471	0,92	0,45	1,22
ROE%	9,19	6,04	6,61	8,32	6,52	5,54	8,72	6,11	3,43	6,72

Source: bankscope database

Return on asset. ROA is an accounting performance indicator, defined as the percentage of net income to total assets. The ROA shows a firm's operational performance for a specific period (mostly one year) as a percentage of total assets.(Ciftci, Tatoglu, Wood, Demirbag, & Zaim, 2019)

Return on equity. ROE is used to measure the return on the shareholders' equity and the firms' efficiency at making profits. It can be calculated by Profit after tax divided by total equity shares at the end of the year.(Al-ahdal, Alsamhi, Tabash, & Farhan, 2020)

Table 4 reports the financial performance indicators for Sharjah bank during the period (2010-2018).average ROA is 1,22%, Minimum ROA is 0,45%(2018) and maximum is 2,088%(2010). On average 6,72% of ROE.Minimum ROE is 3,43% (2018) and maximum is 9,19% (2010)

Table 5 : Income Statement Highlights for sharjah bank

(AED Mn)	FY'18	FY'17	Variance %
Net Interest Income	513	466	10%
Non-Interest Income	208	314	(33%)
Operating Income	**721**	**780**	**(7%)**
Net Impairment Loss on Financial Assets	(252)	(211)	19%
Net Operating Income	**469**	**569**	**(17%)**
Net Profit for the Year	**130**	**265**	**(51%)**
Total Comprehensive income / (loss) for the Year	**3**	**(155)**	**102%**
Earnings per Share – fils	6	13	(54%)

Source: Annual financial report of sharjah bank 2018

Net interest income increased by 10% compared to the corresponding figure of the year 2017, non – interest income decreased by 33% and operating income decreased by 7%. The net operating income reached AED 469 million for the year 2018 compared to AED 569 million for the year 2017, a decrease of 17%. Net Profit for the current year reached AED 130 million , against AED 265 million for 2017, down by 51%. Earnings per share for the year 2018 were down by 54 % and reached 6fils compared to 13 fils in 2017. Total comprehensive income for the year increased by 102% to total comprehensive income of AED 3million versus a total comprehensive loss of AED 155 million for 2017. This was mainly due to a positive effect from change in fair value of issued bonds.

Table 6 : Balance sheet Highlights for sharjah bank

(AED Mn)	Dec'18	Dec'17	Variance %
Total Assets	29,011	30,511	(5%)
Loans and Advances	16,214	17,476	(7%)
Customers' Deposits	20,119	21,630	(7%)
Total Equity	3,779	4,068	(7%)
Net Liquidity	5,688	7,872	(28%)
Commitments and Contingent Liabilities	5,414	5,630	(4%)

Source: Annual financial report for bank of Sharjah 2018

Total assets reached AED 29,011 million, a decrease of 5% over the corresponding 31 December 2017 figure of AED 30,511 million. Loan and advances reached AED 16,214 million, 7% below the corresponding figure of AED 17,476 million as at 31 December 2017. Customer's deposits reached AED 20,119 million, 7% below the corresponding 31 December 2017 balance of AED 21,630 million.
Total equity as at 31 December 2018 stood at AED 3,779 million, 7% below the corresponding 31 December 2017 balance of AED 4,068 million. Net liquidity reached AED 5,688 million as at 31 December 2018, a decrease of 28% compared to 2017 year figure of AED 7,872 million.

5. Study result :

The results revael that no association with board structure on financial performance in Bank of sharjah. Despite the efforts of Sharjah bank in applying CG mechanisms and adopting an appropriate board size, the financial performance result does not clarify any relationship between them. Wich, the empirical evidence on the relationship between board size and firm performance is still inconclusive, and the agency theory argues that larger board size increases agency cost and monitors the firm improperly. In addition that as board size increases beyond a certain point, it affects firm performance in an inverse direction, and leads to a free rider problem among the many board directors,in according wih, Lipton and Lorsch (1992) and Jensen (1993). Despite the bank's interest in the independence of its board, it did not have any positive impact on the financial performance,That was proven by our study and some other studies (Dahya et al., 2016; zabri et al, 2016), and yet others even reported a negative relationship between board independence and firm performance (Bhagat &Black, 2002 ; salim et al, 2016).

6. Conclusion :

This paper assesses the impact of board characteristics, on Bank performance. We find no association with good practices of corporate governance in Bank of sharjah. We used ROA, ROE and financial highlights to measure the financial Performance.CG found to not be an important determinant factor of firms' performance, as the results suggest that it shows insignificant effect on financial performance.

Finally, we say that corporate governance is a multi-dimensional concept. Many researchers have tried to develop corporate governance indicators that work to collect a number of mechanisms to investigate how corporate governance relates to the company's financial performance. However, there is no single specific indicator of corporate governance that has been agreed by researchers. The main dimensions and questions used in building these indicators differ from one study to another because the views on good corporate governance mechanisms differ between countries and investors, and because corporate governance practices are affected by legal, economic, political, historical and cultural environments.

Future studies could examine the association between corporate governance and performance by using internal mechanisms such as ownership, chief executive officer duality and disclosure.

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