

Corporate Governance Mechanisms and Firm's Performance: Evidence from Jordan

Mohammad Abdullah Fayad Altawalbeh¹

¹Business Faculty, Tafila Technical University, Tafila, Jordan

Correspondence: Mohammad Abdullah Fayad Altawalbeh, Business Faculty, Tafila Technical University, Tafila, Jordan. E-mail: Tawalbeh@ttu.edu.jo.

Received: February 22, 2020

Accepted: March 17, 2020

Online Published: March 20, 2020

doi:10.5430/afr.v9n2p11

URL: <https://doi.org/10.5430/afr.v9n2p11>

Abstract

The purpose of this study is to investigate the effect of corporate governance mechanisms on the firm's performance. Corporate governance practices were divided into two groups; board structure and ownership structure. The sample of the study consists of 60 companies from industrial and service sectors that are listed on Amman stock exchange (ASE). Data was gathered manually through the annual financial reports for the period from 2012-2017 results in 366 year-observation. Stata statistical software was used to test the study hypotheses. The results revealed that board meetings frequency and government ownership positively and significantly impact the firm's performance, these results suggest that board meetings frequency is considered an indicator of the board effectiveness that enhances decision making quality and thus the firm performance, the results suggest that government ownership is providing a helping hand that improves the firm's performance. The findings also showed that board independence negatively and significantly impact the firm's performance, this result suggests that independent board members do not guarantee to improve the performance of a firm, and it stays the firm's responsibility to choose independent board members who are able to exercise effective oversight function for the purpose of enhancing the performance of a firm. This study contributes to the literature by providing empirical evidence from developing countries about the impact of corporate governance measures and practices on firms' performance.

Keywords: corporate governance, board meetings frequency, board structure, ownership structure, performance

1. Introduction

Business failures and the collapse of many public shareholding companies have been essential in hanging the bell by developed and developing countries and taking actual actions to defend financial and administrative corruption, and among these actions is the formation of specialized committees to detect financial fraud such as the Tread Way Committee in 1985 as it aimed to develop a framework for Internal Control, this committee recommended the necessity of establishing independent audit committees and the need to report on the weaknesses and strengths of the firm's internal control system (Grundfest, 1989).

The main goal of corporate governance system is to safeguard the provision of an environment characterized by trust, transparency and accountability necessary to enhance investment and financial stability. Corporate governance is not a goal in itself but rather a means of increasing growth rates by promoting investment that requires high standards of trust based on integrity and transparency, this is essential because attracting funds and investments is important to enhance the growth, and to reassure shareholders and other stakeholders that their rights are safeguarded and protected from any violations by the bank's management (G20 / OECD, 2015, P.3).

The growing interest of developed and developing countries in institutional governance, as this concept has received the attention of investors, regulatory bodies for the profession and regulatory authorities, in addition to the interest of researchers in studying the association between the practices and tools of corporate governance and performance, unfortunately, with no consensus even in the same market (Frijns, et.al, 2008). The aim of this study is to investigate the effect of corporate governance mechanisms including board structure and ownership structure on firms performance, the findings showed that board meeting frequency positively and significantly impacts the firms performance, equally, the findings show that government ownership positively and significantly impacts the firms performance, however, the results revealed that board independence negatively impacts the firms performance, this indicates that independent board member does not guarantee to enhance firms performance unless the independent

board members are able to practice effective oversight functions.

1.1 Hypotheses Development

over the past decades, several studies have investigated the impact of corporate governance on performance with no consensus, as such, researchers have used different proxies of corporate governance mechanisms trying to detect a comprehensive result about the value expected out of applying corporate governance rules and mechanisms, over the past few decades. (Wang Jo-Yu, et.al, 2019) investigated whether effective corporate governance mechanisms would improve the firm's performance in addition to reducing firm risks. Depends on Taiwanese listed firms for the period from 2002 to 2016, company performance was measured using Tobin-q, ROE, and EPS, the findings revealed that managerial ownership, board members' ownership, and independent board members have significantly impact the firm's performance, the study also found that better corporate governance practices can reduce firm risk, especially in a crisis period. (Al-Homaidi, et.al, 2019) examined the effect of institutional governance mechanisms on firm's performance of 30 Indian listed firms for the period 2013-2016, three aspects of corporate governance were considered which are the board of members, audit committee and institutional ownership, financial performance was measured using return on assets, net interest margin, and earnings per share. The results revealed that board of members' size, board of members' diligence, audit committee size, and institutional ownership have a significant impact on the company's financial performance. Using a sample of 234 listed firms on bursa Istanbul, (Ciftci,et.al,2019) examined the association between firm's governance and its performance, the study covers the period from 2010–2013. Firm's performance was measured using Tobin-q and ROA. The results indicate that ownership concentration directly influenced firm performance as high family concentration works as an incentive for families to work together toward the optimal performance. (Nuzula, et.al, 2017) investigated the effect of ownership structure of Indonesian companies on corporate governance and firm value, and how it would contribute in enhancing trust and transparency, ownership structure was measured using the percentages of institutional and management ownership, the firm value was measured by Tobin-q. The findings revealed that ownership structure significantly impact both, the firm value and corporate governance measures. In Singapore, Nguyen, et.al, 2014 applied a dynamic approach to examine the association between corporate governance dimensions and firm's performance, the sample consisted of 257 companies excluding the financial sector, the findings maintain the view that the association between governance dimensions and company's performance is changing with respect to the business environment which indicate the international diversity on corporate governance. In the next sections, corporate governance dimensions are divided into two broad dimension; ownership structure and board structure.

1.1.1 Ownership Structure Dimension and Performance

The impact of Ownership dimension on corporate performance have been studied widely, a large amount of those studies were derived from developed countries (Fauzi & Locke, 2012). The firm's ownership structure is a key dimension of corporate governance dimensions that affect the firm's performance as ownership percentage is a proxy of rights that follow such as the right to vote and elect members on the firm's Board of Directors ultimately to play a key role in improving the system of corporate governance, hence, to improve the corporation's performance (Fazlzadh, et.al, 2011). Variety Measures of ownership dimension have been used previously which include ownership concentration, managerial ownership, institutional ownership, government ownership and foreign ownership. Ownership concentration can be defined as the portion of shares belong to a number of large investor (Sanda,et.al,2005). In light of Agency theory, ownership concentration is considered a key component of efficient system of governance (siala., et.al, 2009), as such, ownership concentration plays an effective guiding role that governs and controls the opportunistic management behaviors (Shleifer&Vishny, 1997), only large investors can play this role due to their control over scarce resources. However, monitoring and supervisory functions will be difficult to perform in light of dispersed ownership and even shareholders will not be willing to practice weak and functions, as a result the market forces will be left alone to rectify the management behaviors (Sikka & Stittle, 2017; Gillan, 2006). Ownership concentration may bring negative consequences, large investors tend to capture the process of using resources to maximize their own benefits (la porta, et.al,1999), and this might be accompanied with expanding the gap of information asymmetry among shareholders. Empirical results papers that considered the association between the ownership concentration in a firm and its performance are yet deterministic, for instance; (Fauzi & Locke, 2012, Khan et al. 2011, Azam et al. 2011, Wang & Oliver 2009) revealed a positive and significant association between ownership concentration and the corporate performance, while (hu. et. al. 2010; Reyes & Zhao, 2010; Belkhir 2005) found that ownership concentration in a firm is negatively associated to its performance, however, (Fazlzadeh, et.al, 2011; Najjar (2012); Wahla.et.al,2012) found no association between ownership concentration and firm's performance. Agency theory predicts a positive effect on the firm performance (Shleifer&Vishny, 1997), the first hypothesis of this paper will reflect this prediction:

Hypothesis (1): ownership concentration will significantly impact the performance of Jordanian listed companies.

Institutional ownership is a key ingredient of ownership structure, (Fazlzadeh ,et.al,2011) has defined the institutional ownership as the proportion of stocks owned by institutions with respect to overall stocks , institutional investor performs an essential role to maintain good corporate governance practices, (Cornett et al 2003) claimed that institutions are expected to perform a key role within the system of corporate governance , (Shleifer & Vishny 1986) argued that institutional investors pose additional positive pressure for monitoring corporate governance to ensure future benefit maximization, the institutional investor is motivated to rectify and monitor management's actions to safeguard the equity investment and so bear the burden rather than other individual investors, in addition, institutional investors ability to work as a communication channel that links individual investors with the firm (Singh & Kansil,2018). I argue that large institutional investors normally have superior knowledge and experience in performing effective supervisory role which is expected to decrease agency costs and reduce management ability in performing opportunistic behaviors, this will not be free of institutional investor's tendency to capture and steer the use of available resources. Empirical evidences found unmatched results, e.g. (Al-Homaidi,et.al,2019, Afza & Nazir 2015, Fazlzadh, et.al, 2011, Irina & Nadezhda 2009) found a positive association between institutional investors and firm's performance, others, did not find any association between institutional investors and firm's performance (see, Chung et al. 2008; Mizuno & Shimizu 2015), therefore, the next hypothesis will be:

Hypothesis (2): institutional ownership will significantly impact the performance of Jordanian listed companies.

Another key dimension of ownership structure is the Foreign ownership. in light of agency relationship theory foreign ownership is assumed to decrease the agency cost by supporting owners and managers and hence reduce the agency cost (Pfeffer,1972), on one hand, the high percentage of foreign ownership encourages potential investors and sends signal of the high degree of trust which in turns attracts funds, hence, enhances performance, on the other hand, foreign ownership is expected to be willing to take systematic changes, this is justified by their superior experience compared to local investor, and also are more concern in enhancing the use of best practices around the world (Brewster et.al, 2008). (Almanaseer et.al,2012) employs multiple regression analysis to examine the effect of institutional governance dimensions-including the foreign ownership- upon the performance of Jordanian Banks for the period from 2007-2009, the study revealed that foreign ownership has a positive and significant effect on bank's performance.

Hypothesis (3): foreign ownership will significantly impact the performance of Jordanian listed companies.

The impact of government ownership on a firm's performance has been studied extensively with no consensus, on the one hand, government ownership may be an incentive to encourage companies and support them to enhance performance by providing capital, and on the other hand, they may be an impediment to companies when they intervene to ensure the share of their members, which will have a negative impact on performance. (Tian. & Estrin,2008), (Najid & Abdul Rahman, 2011) argued that high government ownership percentage are for political rather than economic reasons. Previous studies concerning the association between government ownership and firm's performance revealed mixed results. (Kiruri, 2013, Alfaraih, et. al2012, Zeitun, 2009, Chen, et. al, 2005) examined the association between government ownership and company's performance, the results showed that government ownership inversely impact firm's performance, while (Ghazali, 2010, Mrad & Hallara 2012, Jiang et al, 2008, Liao & Young, 2012) found that the high the proportion of government ownership, the better is the firm's performance, which is an indication of the positive role of government ownership in enhancing the firm's performance.

Hypothesis (4): government ownership will significantly impact the performance of Jordanian listed companies.

1.1.2 Board Structure Dimension and Performance

(Essen, et.al, 2012) has investigated the association between the board composition and firm's performance of Asian firms, the sample consisted of 86 companies from nine Asian countries. The results revealed that that board composition are affected by ownership concentration and identity. However, the results found limited direct association between board attributes and company's performance. (Ammari & kadria, 2014) examined the effect of board of directors' size and independence on firm's performance, the sample of the study consisted of 40 listed companies, regression analysis was used to analyze 320 observations covering the period from 2002-2009, firm ROA, ROE Tobin-q, and Market to Book value were used to measure the performance, the results revealed that board attributes significantly impact performance measure except for market to book value. (Fauzi& Locke., 2012) examined the impact of board attributes and ownership structure on firm's performance, ROA and Tobin-q were used to measure the performance, the study used panel data for the period from 2007-2011 of 79 NewZealand listed firms. The results found that the firm's performance is positively associated with the board of members, and management

ownership, however, nonexecutive members, female members and block holders are negatively associated with the firm's performance. (Kaiser.et.al, 2017) examined the relationship between boards attributes-namely: board of members' size, CEO duality, independent members-and corporate performance. ROA, Tobin-q and economic value added were used to measure the performance. The sample consisted of 275 listed firms for the period from 2011 - 2015, the results found that the firm's performance is positively associated with the board size, board minority representation, and family directors. However, the results found that independent members have a negative effect on firm's value added.

The Board of Directors leads an important role in maintaining the effectiveness of corporate governance through the revision of management policies and the adoption of the company's strategy (Kemp,2006). The characteristics and components of the Board of members are considered factors affecting the firm's performance (Fauzi &Locke, 2012). (Jensen,1983) argued that the board size is a key element that affects the firm's performance, in order to be effective it should be formed of maximum eight members. (Jensen ,1986) argued that smaller board size enhances communication, cohesion and coordination, while, (Hilman & Dalziel,2003) claimed that increasing the board size is expected to facilitate the use of resources in addition to providing the necessary expertise to enhance performance of the company. (Bonn,et.al,2004) argued that the board of members' size may have a negative or positive impact on the firm's performance; from one side, a large board size will include negative effects resulting from inconsistency and difficulties of coordination and increase the level of conflicting thoughts, on the other side, when the company forms and maintain a small board of members, more expertise will be needed to enhance the company's performance. Using 2,310 firm-year observations between 1996 and 2006, (Wang & Lin 2013) investigated whether the size of board of members affect the firm's performance impact. They argued that to enhance company performance, more complicated firms which has large size and high leverage should have larger board. The study analyzed the relation between the size of the board in a firm and its performance which was measured using Tobin-q. The results revealed that the firm value is negatively associated with the size of the board, and so the firm value decreases as the size of the board increases.

Hypothesis (5): the Size of the board of members will significantly impact the performance of Jordanian listed companies.

Board member's independence and non-executive board members can be used interchangeably (syed, et.al, 2016); many researchers have expected that the firm's performance is positively associated with the independent board members (Fauzi &Locke, 2012). Jordanian instructions of corporate governance 2017 defined the non-executive member as a board member who is unemployed in the company and does not receive any salary there from. Independent board members within the board are assumed enhance the Board's activities in performing supervision function and evaluating the performance of management, thus expected to reduce Agency's conflicts, in addition to their role in safeguarding the rights and wealth of shareholders and improve their trust. The Jordanian Instructions of Corporate Governance for Shareholding Listed Companies for the year 2017 requires the need for independent members so as to boost the objectivity of the Board of members. (Chiang & Lin ,2011) have investigated the relationship between the board of members' independence and the firm's performance, the sample includes 1194 Taiwanese company cover one-year period for 2008 the results revealed that CEO internalization and independent members have a positive impact on the firm's performance. However, researches conducted by (Fauzi& Locke ,2012, Kaiser.et.al, 2017, Bhagat & Black, 2002) revealed that the firm's performance is negatively associated with independent board members.

Hypothesis (6): independent board members significantly impact the performance of Jordanian listed companies.

Board's meeting frequency is an indicator of its effectiveness in the performance of its functions which includes benefits, such as increase the time employed in discussing operations, monitoring and formulating strategy, empirically (Al-Daoud et.al,2016, Ghosh, 2007) suggested that the firm's performance is positively and significantly associated with board's meeting frequency. The opposite view claims that increasing board's meetings frequency involves increasing costs such as board's remuneration and travel allowances (Ntim & Osei, 2011) , studies' results about the relationship between board's meetings frequency and the firms' performance are mixed, a study conducted by (Johl,et.al,2015) revealed that the performance of a firm is negatively associated with the board's meetings number, they claimed that more frequent board meetings will waste the firm's resources for less productive time.

Hypothesis (7): board meeting frequency positively impacts the firm's performance of Jordanian listed companies.

2. Governance in Jordan

In Jordan, interest in corporate governance and its applications began to follow the international interest in this concept. Globally the introduction of corporate governance rules by OECD in 1999, was the first implementation step, locally the Bank's Code of Conduct was issued in 2002, followed by a corporate governance guide in 2004 issued by the Jordanian central bank (JCB). For insurance sector companies, a set of Instructions of Corporate Governance was issued in 2006 to enhance the principles of fairness, transparency, disclosure of its financial position, performance and ownership. In 2008 Jordan Securities Commission (JSC) issued a guide for public shareholding companies to be implemented and applied in 2009, in order to cope with the international requirements for the purpose of reducing corruption and attract foreign capital. In 2017, the instructions of Corporate Governance for Shareholding Listed Companies was Issued and rooted in the Securities Law No. (18) And was endorsed by the Board of the Securities Commission, the scope of these instructions includes the shareholding companies listed on the financial market (JSC, 2017). Article (4) of corporate governance instructions 2017 requires that the board of directors consists of elected members not less than five and not more than thirteen, one third of them should not belong to the company or any of the board's members to be titled as independent member, article (8) requires that the nomination and remuneration committee is responsible to ensure the independence of independent members in an ongoing basis, the board of members is accountable for developing strategies, plans, protect shareholders rights and shall hold meetings not less than six times for the period of a fiscal year. The instructions also defined non- executive member as a board's member who must not be a company employee and do not receive any salaries from the company, article (4) states that a large amount of the members within the board shall be non-executive members, and also requires that chairman position should not be held by any other executive members. Article (9) requires the governance committee to ensure that the company complies with the instructions, and to prepare an annual written governance report s evaluating the applicability of the governance instructions.

3. Study Methodology

3.1 Data and Sample

The study population consists of all manufacturing and services sectors companies listed on (ASE) for the period from 2012-2017, this study excluded the financial sector companies. The study sample composed of 60 companies of the study population. Data for the variables intended in this study was gathered manually through content analysis from the annually published financial reports on (ASE) website during the study period.

3.2 Variables Definition

This article has employed the firm performance as a dependent variable, ROA is the proxy of the firm performance which is calculated by dividing net income over total firm's assets. Independent variables include measures of corporate governance that mostly used in previous studies and can be classified into two main groups; board structure measures and ownership structure measures. Board structure includes board of members' size, board independency and board meetings frequency, while Ownership structure includes ownership concentration, institutional ownership, foreign ownership and government ownership, equation (1) summarizes the empirical model while Table 1 provides the study variables.

$$ROA = \beta_0 + \beta_1 ownconc + \beta_2 ins.own + \beta_3 fown + \beta_4 govown + \beta_5 bsize + \beta_6 b.ind + \beta_7 b.meet + \beta_8 LEV \quad (1)$$

Table 1. Variables Definition

Independent variables	Label	Description
Ownership structure measures		
Ownership concentration	OWN.CONC	Percentage of large shareholders who own more than 5% .
Institutional ownership	INS.OWN	Percentage of institutions' shares to total shares
Foreign ownership	F.OWN	Percentage of foreigners' shares to total shares
Government ownership	GOV.OWN	Percentage of government' shares to total shares
Board structure measures		
Board size	B.SIZE	Total number of board members
Board independence	B.IND	Percentage of non executive members to total board members
Board meetings	B.MEET	Total number of board meetings during the fiscal year
dependent variable		
Return on assets	ROA	net income divided by total assets
Financial leverage (control)	LEV	Total debt/total equity

4. Results and Discussion

4.1 Descriptive Analysis Statistics

Table 2 below illustrates the descriptive analysis statistics of the study variables, the mean value of board meetings is 5.707 , and if we accept the mean value to classify the level of adherence to corporate governance instructions, then this figure indicates that on average the Jordanian companies cope with article (8) of the Jordanian instructions for corporate governance (2017) which requires that board of members shall hold meetings not less than six times during the accounting period, however the minimum value of 2 meetings indicates that some companies have fall below the meetings frequency required by article (8), moreover, the maximum value of 13 meetings indicate the effectiveness of some boards in following up activities within their companies. Board members size shows a mean value of 8.863 which is consistent with article (4) of corporate governance instructions (2017) that requires that the board of directors consists of elected members not less than five and not more than thirteen, however, the minimum value of 3 members indicate that some companies have not adhered to article (4), while some other companies have went beyond the requirements. The mean value of board independence is .5174 with a minimum value of .08 percent and maximum value of 100 percent; these figures indicate that on average the Jordanian companies follow the corporate governance instructions (2017). In terms of government ownership percentage, minimum and maximum values vary from 0 to 100 percent respectively with a mean value of 3.715. Institutional ownership values vary from 0 to 4.6 with a mean value of .46, while the minimum value of ownership concentration is .53 and maximum value of .99. with respect to ROA as a measure of company performance, minimum and maximum values vary during the study period from a minimum value of -89 to maximum value of 172.

Table 2. Descriptive Analysis Statistics

Variable	Observations	Mean	St.dev	Minimum	maximum
ROA	366	4.3498	20.685	-89.8	172.8
BMEET	366	5.707	1.532	2	13
BSIZE	366	8.863	2.623	3	14
BINDEP	366	.5174	.2643	.08	1.25
GOVOWN	366	3.715	15.810	0.0	100
FOWNERSHIP	366	5.8715	15.342	0.0	98.58
INSTOWN	366	.4634	.6443	0.0	4.6
OWNCONC	366	58.815	23.541	5.34	99.92
LEVERAGE	366	22.671	23.838	-1.85	104.84

4.2 Multicollinearity

The problem of multicollinearity arises when two or more of the independent variables are strongly correlated, ensuring the absence of multicollinearity problem is essential to perform a multiple regression analysis. (kervin,1992) argued that a serious multicollinearity problem arises at the level of 70% and above, while (Alqatamin, et .al, 2017). (Alqatamin,2018), (Gujarati, 2008) propose that 80 percent can be considered the starting level of the multicollinearity problem, Table 3 presents the results the correlation analysis which conclude the absence of multicollinearity problem since the highest correlation was between the board size and ownership concentration with a coefficient of 28.8%.

Table 3. Correlation Matrix

	B.MEET	B.SIZE	B.INDEP	FOWNER	GOVOWN	INSTOWN	OWNCONC	LEV
B.MEET	1.00							
B.SIZE	-0.184	1.00						
B.INDEP	0.019	-0.004	1.00					
FOWNER	-0.210	0.145	0.037	1.00				
GOVOWN	0.152	0.063	0.088	0.065	1.00			
INSTOWN	0.077	-0.187	-0.022	0.162	-0.021	1.00		
OWNCONC	0.221	-0.288	0.0205	-0.125	0.115	0.079	1.00	
LEV	-0.014	0.0311	-0.001	-0.002	-0.017	-0.129	-0.001	1.00

4.3 Regression Analysis

To determine the most appropriate GLS regression, I have run the hausman test which revealed that $\chi^2 = 0.5465$, hence the random-effect GLS regression is most appropriate, as such, random-effect regression was conducted to test the study hypothesis. Table 4 shows the regression results.

Table 2. Regression Results

ROA	Coef.	Std.Err	Z	p.value
BMEET	1.334	0.726	1.84	0.066*
BSIZE	0.7041	0.605	1.16	0.245
BINDEP	-10.228	6.053	-1.69	0.091*
GOVOWN	0.5256	0.084	6.22	0.000**
FOWNER	0.0254	0.106	0.24	0.812
INSTOWN	-0.0545	1.996	-0.03	0.978
OWNCONC	-0.0456	0.064	-0.07	0.482
LEVERAGE	-0.08322	0.065	-1.27	0.206
R-sq	0.4217			

**sig at the 0.01 level
*sig at the 0.10 level

The prob.chi2= 0.001 propose a highly significant results which indicates that the study model is valid to present the study variables, in addition, R2 value is 0.42 which indicates that the variations in the independent variables can explain 42% of the dependent variable variations. Results from Table 4 shows that board meetings numbers(B.MEET) with (p.value is 066) has a positive and significant impact on ROA over the study period, this means that companies with more frequent board meetings will lead to better profitability, this result suggests that more meetings enables board members to discuss and correct operational issues and works as an indicator of the board effectiveness, hence, enhances decision making quality and profitability, therefore hypothesis (7) is accepted, this result is consistent with previous studies such as; (Ghosh, 2007, Vafeas, 1999, Al-Daoud et.al, 2016). with regard to board independence (B.INDEP), the results from Table 4 propose that board independence negatively and significantly impact the ROA of a firm, with (p.value =.091), accordingly, hypothesis (6) is rejected. This result is supported by (Fauzi& Locke ,2012, Qaiser.et.al, 2017, Bhagat & Black, 2002) who reported a negative impact of board independence on the firm's performance, this result suggests that independent board members do not assure the improvement of the firm's performance, thus, companies should appoint independent board members who are able to exercise proper oversight function in order to enhance the firm's performance. With respect to government ownership (GOVOWN), result shows a highly significant and positive impact at (p.value is.000) of government ownership on ROA, accordingly, hypothesis (4) is accepted. This result is supported by the theoretical point of view which argued that government ownership is expected to bring a helping hand and consequently will enhance the firm's performance, this result is consistent with (Jiang et al, 2008; Liao & Young, 2012) who found that firm's performance is positively associated with government ownership percentage. The results from table 4 revealed that board size, foreign ownership, ownership concentration and institutional ownership have no significant impact on ROA.

5. Conclusion

The current paper intended to examine the impact of corporate governance mechanisms on firm's performance over the period from 2012-2017. Corporate governance mechanisms have been classified into two groups; board structure and ownership structure. The findings of the study revealed that board meetings frequency and government ownership have a positive and significant impact on firm's performance which indicate that more board meetings enhance the firm's performance due to the effective decision making process. The results also suggest that government ownership brings a helping hand and thus enhances the firm's performance. However, the results found that board independence has a negative and significant impact on firm's performance which indicates that independent board members do not assure to enhance the firm's performance, this result suggests that firms should appoint independent board members who are able to exercise effective oversight function so as to enhance the firm's performance. The findings of this study help regulators and supervising authorities in assessing and improving the effectiveness corporate governance mechanisms. The results are limited to the industrial and service sectors over a six-year period, future studies can be conducted by including other sectors and by using other proxies of corporate governance mechanisms.

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