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ROLE OF CORPORATE GOVERNANCE ON THE FINANCIAL DISTRESS: EVIDENCE FROM PAKISTAN

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Financial Distress, Corporate Governance, Board size, Board independence, Audit Committee, leverage

ABSTRACT

The research study aimed to investigate the effect of corporate governance on financial distress using the STATA model. Financial distress is a global issue and was at its peak during 1972-2012 in Pakistan hence studying the effects of corporate governance on financial distress is crucial to study. The study was conducted in Pakistan's non-financial firms listed on the Pakistan Stock Exchange, as population of the study. The present study was limited to the PSx-100 index. The sample firms' data were collected from 2014 to 2019 according to availability. The data of the variables was collected from the balance sheet analysis published by SBP annual reports. The study has taken board composition, board independence, audit committee independence, and CEO duality as independent variables and financial distress as dependent variables. The data in the study was assembled in panel format in MS Excel and then imported in STATA and different diagnostic tests.e., chow test, etc., and panel data regression was used. The findings of the study argued that board composition and CEO duality is having a positive significant relationship with financial distress while board independence, audit committee, firm size, and leverage have a negative insignificant relationship with financial distress.

INTRODUCTION

Financial distress is a global problem that peaked during the 2008-2009 financial crisis. Pakistan had financial distress during this crisis period as well, but it was at its peak in 1972 and 2012, when 58 and 68 enterprises were delisted from the Pakistan Stock Exchange (PSX) accordingly (Ali, 2018). Financial distress can be caused by a variety of variables, including macroeconomic and firm-related financial and governance concerns. Much empirical

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evidence has relied on predicting financial distress by incorporating various factors. This data has demonstrated that business characteristics cannot be overlooked when forecasting financial hardship. According to Memba and Job (2013), a lack of finance facilities, a paucity of competent labour, bad capital decisions, (Khurshid et al., 2018).

The growing number of corporate scandals and failures of companies in recent years has attracted more attention to corporate governance than ever before (Alabede, 2016). The objective of corporate governance mechanisms is to protect shareholders' interests. Besides that, having good corporate governance can improve the economic development of a country (Sajid et al., 2012). The behavior of managers leads to an ethical conflict because they prioritize their aims against the overall company objective, which is to maximize the value of shares and ensure the company's survival in the future. The issue of the relationship of corporate governance with the firm financial performance has been discussed by the majority of the studies so that the real owners of the firm can get profit (Parker et al., 2002). Previous studies have argued the relationship between corporate governance by different attributes and its relationship with financial distress (Gilson, 1989; Elloumi and Gueyie, 2001).

The major objective of corporate governance is to serve the firm's shareholders in the best way to increase the return (Wajid and Shah, 2017). The studies have argued that appropriate corporate governance can be effective to formulate effective strategies and also be helpful in reducing financial distress. Previous studies have argued that the relationship between firm performance and corporate governance is available for developing and developed markets. Less work has been available on the relationship between corporate governance and the likelihood of the firm's financial distress. Additionally, corporate governance can be utilised to improve a company's ability i.e., reliable financial reporting system, effective monitoring, good corporate governance, and soundless regulations (Morck et al., 1989). Previous studies have also mentioned that the financial stability of the firm has the right corporate governance structures than financial distress. Different studies have evaluated the impact of corporate governance practices on the firm's survival in financial distress and give some sort of mixed findings (both negative and positive) for the evaluation of practices of corporate governance and financial distress. Bhagat and Bolton, (2005) argued that financially distressed corporations behave in another way than financially constrained companies.

Though, the firm financial distress cannot be restricted to the company's inability to pay off its debts however a series of other events can also take place before the corporation's default. Economic distress pressures firms to move financial distress, become worse their

performance, and control (Wruck, 1990). Various studies Bhagat and Bolton, (2005); Wajid and Shah, (2017), have evaluated the prediction of firm financial distress trends and approaches. Those studies do now not include the impact of corporate governance factors on the firm financial distress pattern. Recommended governance prevents firms from being too exposed to economic distress and financial disaster (Taimoor Ali Shah et al. 2022). The firm's success relies upon the practical practices of appropriate corporate governance.

Corporate governance solves agency difficulties by minimizing agency conflicts between top management and shareholders (Ahmad and Adhariani, 2017). Even so, corporate governance mitigates the conflict of interest that exists between the minority and majority of shareholders. One technique for accomplishing this goal is to guarantee that the audit committee adequately protects the interests of shareholders. Offering shareholdings to management is another technique for reducing agency difficulties and conflict, Ullah et al., (2019) the key aim of this research is to investigate the influence of CG on the financial performance & capital structure of 20 cement companies listed PSX was deployed from 2005-2014, SPSS 21 is conducted to perform analysis & also ignored the FD & Z-score model. The majority of the studies that have examined moderating variable i.e. Ngatno (2021) has used corporate governance as moderating between capital structure and firm performance. Anugerah et al., (2017) have examined the effect of leverage on financial distress and used corporate governance as moderating role. Moreover, a few studies have been carried out on the above issue of evaluating corporate governance and the likelihood of the firm's financial distress. Corporate governance and financial distress have been evaluated in the many studies conducted in the Pakistani market but the findings are not consistent in a single direction (Ali, 2018). By taking the gap from the literature, the study will check the effects of corporate governance and financial distress in the Pakistani market.

The objective of the study is

- To find out the effect of board size on firm financial distress.
- To analyze the role of board composite on financial distress
- To evaluate the effect of the audit committee on the firm financial distress
- To check the effect of CEO duality on firm financial distress.

Appropriate corporate governance practices can help improve performance and protect the firm from financial distress and other risks. Suitable corporate governance can be helpful in enhancing the benefits of investors and the firm overall performance with the help of entry to capital, reduction in the cost of capital, and firm's free cash flow among the firm's

shareholders (Younas, Ahmad & Naveed, 2018). Appropriate corporate governance assembles the funds throughout the promotion of the use of sources in the market. The recommended corporate governance allows for attracting low-cost capital investment with the help of enhancing international and domestic investors' confidence. A study Taimoor Ali Shah et al. (2022) have argued that corporate governance can be helpful in minimizing the agency problem and the literature also discussed its importance in financial distress. The present study will evaluate the concept of corporate governance and financial distress, especially from Pakistan's perspective. The study will have contextual advantages by evaluating the concept of parameters in the context of the Pakistan Stock Exchange. The study will be significant in a sense by providing an addition to the knowledge of corporate governance and financial distress. The findings will be significant for the policymakers to revise their policies and support the firms in the case of financial distress.

Theoretical Foundation and Hypothesis Development

Corporate governance solves agency concerns by limiting conflicts of interest between senior management and shareholders. Corporate governance reduces the conflict of interest that exists between the minority and majority shareholders. One technique for accomplishing this goal is to guarantee that the audit committee adequately protects the interests of shareholders. Offering shareholdings to management is another technique for reducing agency difficulties and conflict. (Ahmad and Adhariani, 2017).

The study was conducted by Li et al., (2008) to investigate the relationship between financial crisis and corporate governance issues. The data indicate a negative relationship between corporate governance parameters i.e. CEO duality, board composition, and board size with the firm's financial distress. The study of Lee and Yeh, (2004) studied the relationship between financial distress and corporate governance in the Taiwan market. The findings of the study argued that the financial distress ratio can be higher in affirm with weaker corporate governance. The study by Simpson and Gleason, (1999) evaluated the association between financial distress, board structure, and ownership in the banking sector. The findings suggested that financial distress can be higher when the CEO and Chairman is a single people. Other factors have insignificant effects.

The study of Hassan, (2012) had an objective to check the effect of corporate governance on the financial distress in the banking sector of the UAE. The outcome of the tests argued the association between financial distress and corporate governance among the banks working in UAE.

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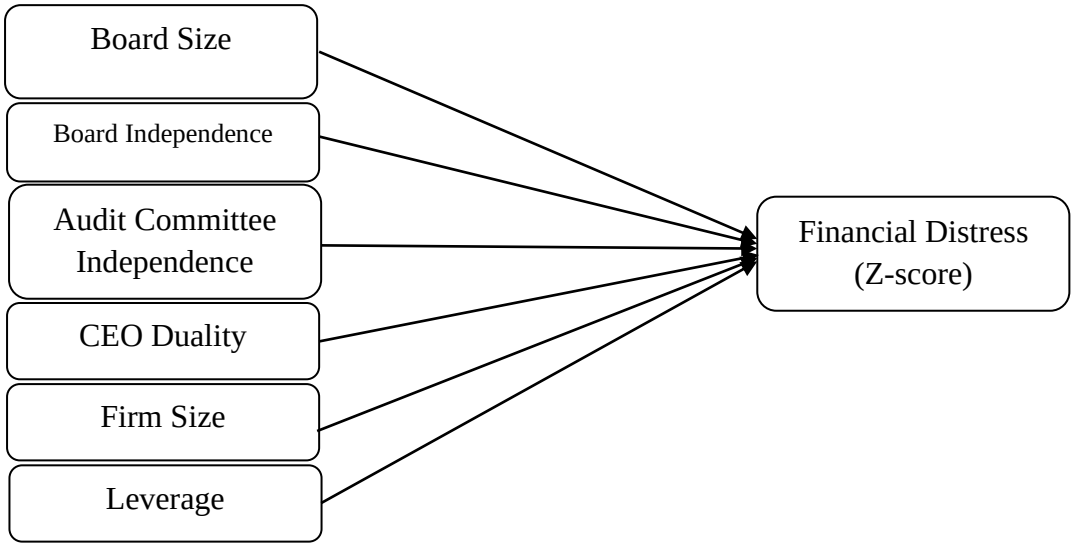

Figure 1: Proposed Model

Hypotheses

H_1. *A larger board size negatively affects the financial distress of a company*

H2. *A higher proportion of non-executive directors on the board will lead to lower financial distress in the company*

H3. *A higher percentage of independent directors in the audit committee will impact negatively the financial distress level*

H_4. *CEO/Chairman duality has a negative relationship with financial distress*

H_5. *Firm size has a positive relationship with financial distress*

H6. *Leverage has a positive relationship with financial distress*

Methodology

The present study adopted a deductive approach to reasoning and in this method, the study will base on underline theory, then hypotheses were developed from the literature, then the observations were made and then the confirmation of hypotheses was tested. The study used a cross-sectional research design. Because the data in the study was collected for more than a single case and it is having a survey, observation, and statistical analysis. The present study is quantitative in nature and a post-positivist approach will be used for the data collection and analysis. In this paradigm, the study is based on the underlying theory and then the variables will be found with a causal relationship.

The study was conducted in Pakistan's non-financial firms listed on the Pakistan Stock Exchange, the population of the study. There are 443 non-financial firms registered in Pakistan Stock Exchange. The present study was limited to the PSx-100 index. At present,

there were 76 non-financial firms listed in the PX-100 index the data for the sample firms was collected from the year 2014 to 2019 according to availability. The variables' data was gathered from a balance sheet analysis published by SBP. The data on corporate governance and financial distress was collected from the annual reports. The data in the study was collected from secondary sources and then assembled in panel format in MS Excel. The data then was imported in STATA and different diagnostic tests i.e., chow test, etc., and panel data regression will be made.

Model Specification and Measurement

The financial distress was evaluated by Z-score. The z-score is a proxy that can be used to assess the firm's financial position. Because the Z-score model is one of the most commonly used models for early prediction of financial distress, it has been used as a proxy for financial distress. The original model introduced by Altman (1968) as a predictor of financial distress, and the score can be computed as follows

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 0.999X_5$$

X_1 = Net working capital to total assets

X_2: = Retained earnings to total assets

X_3 = Earnings before interest and taxes to total assets

X_4 = Market value of equity to book value of debts

X_5 = Sales to total assets

Board Composition

It is calculated as the proportion of non-executive directors to total board members. It is thus computed by dividing the total number of board members by the number of non-executive directors. (Hillman and Dalziel, 2003).

$$= \frac{number\ of\ non\ executive\ directors}{total\ number\ of\ directors}$$

Audit Committee Independence

The audit committee independence is the independent variable. Audit committee independence shows the representative in the audit committee that is non-executive. Hence, it is calculated as the ratio of the number of non-executive directors in the audit committee to the total number of directors in the audit committee (Lee and Yeh, 2004).

$$= \frac{number\ of\ non\ executive\ directors\ in\ Audit\ Committee}{total\ members\ in\ Audit\ Committee}$$

CEO/Chairman Duality

The CEO/Chairman duality is the independent variable. To measure the effect of CEO/ Chairman Duality, the study will use a dummy variable. Figure "1" will be given for the boards having a different post for the CEO and the Chairman; otherwise, the value is zero (Muranda, 2006).

Board Size

The numerical strength of the company's board can be characterised as board size. According to the researchers, a greater board size is likely to affect corporate success (Abor, 2007). As a result, we determined board size as the natural log of the total number of board members. The concept of a board has been taken from Jamal and Shah (2017).

= Ln (number of members on the board)

Size (SZ)

There exist many different measures for size. The current study will use the log of assets possessed by the firm in their balance sheet in a financial year as a measure of size (Hillman and Dalziel, 2003).

SZ = Ln (total assets)

Leverage

The firms' leverage is considered an independent variable of the study. We will measure the total debts of the firms because most of the firms in Pakistan prefer short-term financing. (Wajid and Shah, 2017).

$$LEV = \frac{Total\ Debts}{Total\ Assets}$$

Results

Descriptive Statistics

The below table 1 shows the findings of descriptive statistics for both dependent and independent variables. The data in the existing study has been collected from the sample non-financial firms listed in PSX 100 index. The table shows that the mean value of financial distress is 2.27 which has been calculated by the index method, the mean value suggested that the majority of the firms are financial and not having deep problems but the findings are on an average basis. Some of the firms are having deep financial distress having a minimum value of 1.48 and maximum of 7.29. The mean value of board composition in the table is .1953 which means that on average the non-financial firms are having 19 percent of the non-executive directors on the board of directors. The higher mean value suggested that the higher ratio of non-executive directors might be significant for the firms to control financial distress

and have a minimum value of .0 and a maximum of 1. The mean value of AC independence is .916 which suggested that the majority of the firms have an independent board of directors as they have a higher ratio of non-executive directors. The mean value of CEO Duality is .195 which suggested that the majority of the sample firms are having separate CEOs and Chairmen.

The table 1 also reveals the findings of the test of multicollinearity which has been used on the data observations. The VIF or Variance Inflation Factor test has been used in this regard which has a standard value of 10. The statistics reveal that the values of the selected variables have been found less than 10 which confirms that these variables have no issue of multicollinearity.

Table 1: Descriptive Statistics

Variable	Mean	Minimum	Maximum	Std Dev	VIF
Z-Index	2.278749	1.4856	7.2942	1.399	
Board Composition	.1953488	0	1	.3969	1.02
AC Independence	.9160085	.6989	1.1760	.0863	1.02
CEO Duality	.1953488	0	1	.3969	1.03
Firm Size	6.64922	4.4803	8.336	.6749	1.04
Leverage	.2056181	.00083	1.3308	.1829	1.01

Diagnostic tests

The below table 2 table shows the findings of the test of heteroskedasticity on the existing data set on the final model of fixed effect model to examine the issue. The test value of the cook-Weisberg test is .000 which argued that the existing data has included the Heteroskedasticity which means that the final model should be run using robust standard error.

Table 2

Test	*Test value*	*P.value*	*Decision*
Cook-Weisberg test	0.000	.000	Heteroskedasticity

Significance level at *5%

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. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of ZINDEX

         chi2(1)      =     7.58
         Prob > chi2  =   0.0059
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Table 3 exhibits the findings of the diagnostic test which has been used for the recommendation of the final model for the data analysis. Chow test is a type of diagnostic test which has been used in the study for the selection among fixed effect and Pooled OLS for the

data analysis. The standards of the chow test show that significant value will be in favor of fixed effect while insignificant value shows that OLS has been recommended. The test value of the chow test is 15.39 which confirms the significance of the test. In this case, the findings of the chow test reveal that the fixed effect model has been recommended to use as an analysis model.

Bruesh Pagan test is a diagnostic test that can be included in the study among random effects and pooled OLS for the data analysis. Studies argued that the significant value of the bruesh pagan test will recommend a random effect while pooled OLS model will be used when the value is significant. The test value of the bruesh pagan test is 31.31 which confirms the significance of the test. In this case, the findings of the bruesh pagan test reveal that the random effect model has been recommended to use as an analysis model.

Hausman test is a type of diagnostic test which has been used in the study for the selection among fixed effects and a random effect for the data analysis. The test argued that the fixed effect model will be used when the Hausman test is significant and the random effect model will be included when the test value is insignificant. The test value of the Hausman test is 27.58 which confirms the significance of the test. In this case, the findings of the Hausman test reveal that the fixed effect model has been recommended to use as an analysis model.

Table 3

Test	**Hypotheses**	**Test value**	**P-value**	**Decision**
Chow Test	H_0: OLS H_1: Panel Model (FE)	15.39	0.000	Panel (FE)
Brush Pagan test	H_0: OLS H_1: Panel Model (RE)	31.31	0.000	Panel (RE)
Hausman Test	H_0: Random Effect H_1: Fixed Effect	27.58	0. 000	Fixed Effect

Significance level at *5%

Table 4

Z-index	**Coeff**	**Std Err**	**T-value**	**P-value**
Constant	15.2793	3.589	4.26	.000
Board Composition	.1157553	.5757	.20	.841
Audit Commt Indep	-1.330806	.8789	-1.51	.134
CEO Duality	-.3716737	1.830	2.03	.045
Firm Size	-1.784184	.5188	-3.44	.000
Leverage	-.0972201	1.074	0.09	.928
R-square	0.1187			
F-value	4.93			
P-value	.0016			

Table 3 and 4 shows the results estimated from the fixed effect model as recommended by diagnostic tests. The values exhibit that board composition, board independence, audit committee independence, CEO duality, firm size, and leverage shows combined effect of 86 percent which can be seen in the R-square value. The taken model has been found statistically significant as the f-value has been found significant i.e. 23.76 (> 4).

The findings of the study in shows that board composition is having a positive relationship with financial distress which can be seen in the positive beta value of .1157553. The value extended the explanation that 1 unit change in the board composition will lead to having .11 units change in financial distress. The value of the t-value of board composition is .20 which has been found insignificant and confirms the rejection of alternate hypotheses i.e. have a significant effect on financial distress. The same findings can be found consistent with the a higher proportion of independent directors on the board will lead to higher financial distress. The firm financial distress cannot be restricted to the company's inability to pay off its debts but a series of other events can also take place before corporations' default and move into financial distress, especially the recent poor economic condition in Pakistan can put pressure on firms to move to financial distress which in result can adversely affect the performance and control of firms. Also, the Pakistani market is emerging but due to financial issues, firms are facing financial distress problems and a large number of companies have been de-listed from Pakistan Stock Exchange (Christiana and Alexander, 2020), in this regard a few studies have been carried out on the above issue on evaluating the effect of corporate governance and the likelihood of the firm's financial distress. Corporate governance and financial distress have been evaluated in the many studies conducted in the Pakistani market but the findings are not consistent in a single direction. The study of Elloumi and Gueyie, (2001) was based on the objective to analyze the determinants of financial distress. The study evaluated the relationship and concluded that the inclusion of external directors can be used as the key factor to lower financial distress. The study argued that the internal director does not possess independence and objectivity which increases financial distress. So, they are not able to make decisions that can enhance the interest of shareholders. The findings of the study have got insignificant effects of CEO duality on financial distress. The study of Parker et al., (2002) evaluated the role of a firm's corporate governance in enhancing the likelihood of survival of the firm in times of financial crises. The study has argued that the features of corporate governance affect the situation of financial distress in the firm.

The findings of the table show that board independence is having a negative relationship with financial distress which can be seen in the negative beta value -0.454702. The value extended the explanation that 1 unit change in the board independence will lead to having .454 units change in financial distress. The value of the t-value of board independence is -2.6583 which has been found significant and confirms the acceptance of alternate hypotheses i.e. have a significant effect on financial distress. It has been recommended that the effective corporate governance of the firm can be helpful in making the directors accountable who are involved in the board of directors (Rehman and Mangla, 2010). Especially highly effective corporate governance can make the most efficient and effective financial decisions in the firm which can enhance the firm's financial performance. On another hand, low or inappropriate corporate governance can delay the firm's capital market development and also affect investment opportunities and these will lead to an increase the financial distress. This importance in the firm can make corporate governance a significant tool for practitioners and policymakers in different parts of the world. Consequently, international efforts are needed to support the performance of markets with the help of decreasing the protection of the rights of shareholders and agency costs.

The findings of the study argued that audit committee independence is having a negative relationship with financial distress which can be seen in the negative beta value of -1.330806. The value extended the explanation that 1 unit change in the audit committee independence will lead to having 1.33 units change in financial distress. The value of the t-value of audit committee independence is -1.51 which has been found insignificant and confirms the acceptance of null hypotheses i.e. have an insignificant effect on financial distress. The audit committee's size or numbers support the effectiveness of the audit committee's performance less. To form an effective audit committee to regulate and monitor senior management's operations, there should be enough members to carry out the obligations (Vinten and Lee, 1993). Previous research found that the size of the audit committee and the company's performance were inconclusive. Dalton (1999) discovered that if the audit committee is too large, there is a propensity for less focus and some working passive members as compared to a smaller audit committee. Furthermore, because it is difficult to make decisions when there are too many audit

The table shows that CEO duality is having a positive relationship with financial distress which can be seen in the negative beta value -.3716737. The value extended the explanation that 1 unit change in the CEO duality will lead to having -.37 units change in financial

distress. The value of the t-value of CEO duality is -2.03 which has been found significant and confirms the acceptance of alternate hypotheses i.e. have a significant effect on financial distress. In contrast, a low level of corporate governance in the end delays the capital market development and the firm's investment opportunities and helps increase the chances of financial distress. Though, the firm financial distress cannot be restricted to the company's inability to pay off its debts however a series of other events can also take place before corporations' default. Economic distress pressure firms to move financial distress, become worse their performance, and control (Wruck, 1990). Previous studies have evaluated the prediction of firm financial distress trends and approaches. Those studies do now not include the impact of corporate governance factors on the firm financial distress pattern. Recommended governance prevents firms from being too exposed to economic distress and financial disaster.

The table shows that firm size is having a negative relationship with financial distress which can be seen in the negative beta value of -1.784184. The value extended the explanation that a 1 unit change in the firm size will lead to having -1.78 units change in financial distress. The value of the t-value of firm size is -3.44 which has been found significant and confirms the acceptance of alternate hypotheses i.e. have a significant effect on financial distress.

The findings show that firm leverage is having a negative relationship with financial distress which can be seen in the negative beta value -.0972201. The value extended the explanation that a 1 unit change in the leverage will lead to a decrease of 0.097 units change in financial distress. The value of the t-value of leverage is -0.09which has been found significant and confirms the acceptance of null hypotheses i.e. have a significant effect on financial distress.

Agency theory reported that agency problem is the major concern for the firm when they want to protect the right of shareholders. The agency theory reported that corporate governance is the most significant and effective component of the board of directors and can be helpful in getting a higher firm valuation. Corporate governance has been considered an important element in the board of directors as it can play the most significant and vital role in controlling and monitoring the performance of the firm (Fama and Jensen, 1983; Shukeri et al., 2012; Walsh and Seward, 1990). This has been confirmed from the literature that the characteristics of the board members can help determine the abilities of directors, guide the managers, supply information, supervise the managers, monitor and ensure the implementation of rules and regulations, and be responsible for making the relationship between the firm and outside environment (Ali, 2018). Literature argued that effective

corporate governance is the most significant tool in controlling the agency problem and also it can help reduce the conflict among the shareholders and top management. Effective corporate governance can be significant in minimizing the conflict between the minority and majority shareholders. The audit committee is the most significant part of a corporate but only in the case when they are governing and protecting the interest of shareholders. Literature argued that another tool that is significant in controlling the conflict is to offer management responsibilities to the shareholders (Ahamd and Adhariani, 2017).

Conclusion & Policy Implication

The existing has been conducted for checking the effect of corporate governance on financial distress among non-financial firms in Pakistan. The study was conducted in the non-financial sector of the Pakistan Stock Exchange. The study has taken board composition, board independence, audit committee independence, and CEO duality as independent variables and financial distress as the dependent variables. The study has included only PSX 100 index as these firms showed the highest market capitalization. From PSX 100 index only non-financial firms were included in the data collection. There are 76 non-financial firms in the top hundred or PSX 100 index. The study collected data from 2014 to 2017. The study included diagnostic tests i.e. chow test, Bruesh Pagan test, and Hausman test for the selection of the analysis model. The findings of diagnostic tests were considered for the selection of a model for data analysis. The results of the chow test show that the fixed effect model has been recommended ed, the Bruesh pagan test was found in favor of the random effect model and the Hausman specification test has recommended the fixed effect model for the data analysis. The fixed effect model argued that board composition, board independence, CEO duality, and firm size have a positive and significant effect on financial distress while audit committee independence is having an insignificant effect on financial distress.

The concept has been evaluated in previous studies that the firm's success relies upon the practical practices of appropriate corporate governance. The traditional beliefs among researchers of corporate governance various policymakers and academician that recommended corporate governance structures assist the firm to attract new investors in the firm and enhance their performance both from international and local market investors. Updated firms can achieve their targets, protection for the rights of shareholders, and face legal compliances via appropriate corporate governance practices. Additionally, desirable corporate governance allows nations to increase and develop capital markets and encourage local investors to survive in the environment. Appropriate corporate governance assembles

the funds throughout the promotion of the use of sources in the market. The recommended corporate governance allows for attracting low-cost capital investment with the help of enhancing international and domestic investors' confidence. Effective corporate governance guarantees the director's accountability involved in the board of directors (Rehman and Mangla, 2010). Corporate governance can be used to improve the ability of the firm i.e. reliable financial reporting system, effective monitoring, good corporate governance, and soundless regulations (Morck et al., 1989). The concept of corporate governance has been elaborated by previous studies but the majority of them evaluated the same features. The studies argued that corporate governance in two distinct patterns. First, the real performance of the firm, in a manner to the inner control i.e. effectiveness, performance measure, growth, financial formation, and the dealing with shareholders and included stakeholders.

The agency theory reported that corporate governance is the most significant and effective component of the board of directors and can be helpful in getting a higher firm valuation. Corporate governance has been considered an important element in the board of directors as it can play the most significant and vital role in controlling and monitoring the performance of the firm (Fama and Jensen, 1983; Shukeri et al., 2012; Walsh and Seward, 1990). This has been confirmed from the literature that the characteristics of the board members can help determine the abilities of directors, guide the managers, supply information, supervise the managers, monitor and ensure the implementation of rules and regulations, and be responsible for making the relationship between the firm and outside environment.

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