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Influential Factors for Good Corporate Governance

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Abstract
Efficient Corporate Governance demands sound regulations and governed through healthier procedures. The objective of this study is to review the four variables; 1) Agency Problem, 2) Transparent Audit, 3) Management Holdings, and 4) Equity Return and Dividend Payout determined for good corporate governance performance in particular under the title "Influential Factors for Good Corporate Governance". The self-administrated questionnaire was used for data collection. The population of this study was the professionals and experts of manufacturing and services industries of Pakistan. The sample size was 167 professionals of the Pakistani industries. SPSS is used for reliability analysis, Pearson correlation, descriptive and regression analysis. Agency Problem and Transparent Audit have a significant relationship with Good Corporate Governance whereas Management Holding and Equity Return have been emerged as insignificant variables. All four independent variables have been emerged as positively correlated with the dependent variables.

Keywords: Corporate Governance, Agency Problem, Management Holdings, Transparent Audit, Influential Factors, Manufacturing & Service Industries

I Introduction

Corporate Governance means a framework of sequential exercises to run the companies and indefinite improvements of public institutions' behavior and dealings. Governance describes "decision-making and the process by which decisions are implemented (or not implemented)". This cover corporate, international, national, local and even to society sectors interactions. It contains isolated process, partial management and/or government, which administer processes and systems specifically. The necessity of this concept urges good governance as a model to evaluate effective economies, political bodies to be feasible. The notion of "good governance" frequently emerges as a model to measure fruitless economies or political bodies. Europe and United States are free to think their democratic behavior to evaluate institutions, norms and standards make comparison with other state institutions for corporate governance analysis. The purpose is to probe development and growth factor for application to their economy. Governance attention is given to every sector, making harmony to strength over state-economic structure. Governance means to run matters of organization and the word ‘Good’ is used for efficiency and transparency; to phrase the whole as ‘Good Governance’. The word Corporate translates cooperation of business in good respect to meet objectives. It has open boundaries to any dimension from individual to entire humanity, for the purpose of good or vice, whether it yields or not.

Company direction and management techniques are addressed to the goals, balancing various disciplines pertaining to individual, society, economic and social aspects (The Cadbury Report; The financial aspects of corporate governance, 1992). Corporate governance provides plate form to various participants for interaction to have corporations’ performance ahead collectively. It demands standard applications for the evaluation of organization and employees' standard performance. The corporate governance body doesn’t exist on a single factor, basically it is a control and good effect of different other factors like; 1) Agency Problem; corporate conflict is resolved by an agent on behalf of principal up to specified limits with third parties' contract. 2) Equity Return; manifests company earnings and return on its capital. 3) Management Holdings; This guides the portion of shares engaged by the Management. 4) Transparent Audit**;** up to the mark checkup and matters rectification is the backbone for a successful Corporation.

What economic growth rate is and what it should be actually in context to the livings / surrounding demand. Problem symptoms, economic indicators gesture negative areas which would care. The indispensability of transparency is ultimate for objectives and plans accomplishment in line with the desired goals and purpose to reach. This study probed level of corporate governance and find out major threats caused failure of economy and system collapse. How Corporate Companies of Pakistan should enhance performance? Due to below standard practices of corporate governance subordinate issues fatly emerges like; Low living standard and non-provisioning of basic needs, Wealth concentration because of injustice distribution, resources non-utilization and inefficient productivity.

This research work provides the information about the governing activities of the Corporate Sector and explore the scope of the authority of the Security Exchange & Commission of Pakistan (SECP), which had been extensively widened since its creation added purview of the Commission being a major back end regulator of Pakistan. SECP delegated powers are looking the matters regarding capital and financial interests. The purpose of this research is to ascertain that how SECP performs its activity of corporate governance with normal course. The real areas of the governing activities discussed.

This study is to prepare criteria that should reflect Standards of Performance of Corporate Sector in Pakistan in regards to; 1) ascertains standard of the Good Corporate Governance in Pakistan 2) find the most critical among the business and 3) communicate process-oriented administrative governing elements rather than hostiles.

II Literature Review

Code of corporate governance framework was established / issued by SECP in March 2002 to regulate Stock Exchange enlisted companies. Section 34 (4) of SECP Ordinance 1969 exercised its power issuing directions to all stock exchanges of Pakistan to incorporate the code in respective listings. Code is a best practices compilation, designed to safeguard objectives and interests of stakeholder to promote market trust and confidence. This was to enhance performance of companies. The corporate governance model was structured upon the experience of other country's corporate governance. The experience was shared with common law practices similar to Pakistan. Best Code Practice (BCP) of the Cadbury Committee (published in 1992 U.K.) on financial aspects of corporate governance addressed. Corporate governance has established escalating stress in practice and research (Bebchuk et al., 2004).

In support definition illustrate fundamental idea; "The whole system of controls, both financial and otherwise, by which a company is directed and controlled" (Cadbury, 1992). Business Ethics being an integral part of good governance is analysis of right and wrong associated with responsibility. Right and wrong approaches include consequences, motivation, guiding principles, duties and key values incorporated into legislation (Donaldson & Dunfee, 1999).

Governance and socially responsible limited company is a vehicle for business, therefore, the separation of ownership and control means a situation where people own (shareholders) but not control which is by others (Management). Reason for separation and control is a specialist management and capital needs. It is the situation where decision maker does not bear the major share of wealth to affect their decision. This selfish voting in the best interests of the owners not in shareholders who own company; Interests is to be aligned. Such adoption of the procedure would reduce Agency Problem. Manger gets full management and the shareholders' interest is a return of investment. Shareholders desire is to build in safeguarding not just in manager’s own interest.

Every business deal contains potential risk and cost associated. Agency Theory means most applicable agreement of uncertainty and incomplete information (Mathieu, 1997). Two most common problems of agency theory are moral hazard and adverse selection. Moral hazard means doubt which principal incurs thinking agent’s minimum effort. Adverse selection addresses to the condition wherein principal determines agent's ability to do maximum against what paid. Agency Theory suggests some form of ownership application to reduce incentives for adverse selection and moral hazard. Dilemma that caused by the separation between ownership and companies control is a main concern to the issue. Mitigation of agency problem and control of internal and external mechanisms are the major challenges. Its purpose is to influence behavior of management and provide a guarantee for equity owner to invest. This principal – agent problem being the concerns of managers and shareholders is not new one (Berle and Means, 1932; Jensen and Meckling, 1976).

The board is entrusted Audit Committee towards accuracy and financial reporting transparency disclosures. Audit committee enhances confidence in organizational integrity, risk management and oversight policies & program as the main pillar. Risk radar evaluates performance of audit committee preview. Committee effectiveness is influenced by factors documented as role, independence and competency power audit. Shareholders’ prime responsibility is to appoint directors and auditors. Directors are responsible to fix strategic plan. Processes are in control and performance result to inform shareholders (Cadbury, 1992.) Company's directors’ legal obligation is to provide fair periodical financial statements. The audit committee has been proved positive and observed among the best contributions to improved corporate governance and internal control (Rutteman, 2001). Dalton (1992) argued COB and CEO independent office holding although pick up top management performance to a higher degree, but at the agency costs of shareholder – manager.

The internal audit role includes helping to set corporate objectives, design, and monitor measures of performance. Function of internal audit is to manage basic data, prioritizing risks, techniques and report on effective solutions. External audit is an independent examination to evident financial statements give the reader confidence about the state of affairs truthfulness and fairness. The proper internal audit function is recognized by national and internal codes of corporate governance. It enables management to perform risk assessments, understand the strengths and weaknesses of control systems (Rutteman, 2001).

Good Corporate Governance has the positive relationship with management holdings. Out of 1000 only 16 companies offered equity based compensation to directors in 1983 and improvement was 200 in 1994 over a period of 11 years as per executive compensation reports. Last 20 years have experienced quick growth in option and stock based compensation for corporate directors. Mercer Human Resource consulted 350 companies and found half the firms offered stock options to directors in 1996 whereas 280 companies in 2001 (Lublin and Bulkeley, 2006).

High equity holders should have bond managerial action in the interests of shareholders (Jensen & Murphy, 1990). Zahra et al. (1993) described that social responsibility has positive association from insider ownership as the power enhance with increased equity to allocate resources among variety of stakeholders which prove as continued support. Long term attraction will motivate top managers to utilize sources in quality products and services to be saved from bad environment and negative reputation which may cause lot penalties. In the opposite direction, high equity holdings induce top managers to look into their interests, takeovers and amendments of poison pill (Kosnik, 1990; Malatesta & Walkling, 1988). Goodwill induces customers to dispose their companies' products more favorable. This will in return upgrade companies' footings with the constituencies like investors, bankers, and governments (Cochran & Wood, 1984).

Earning distributed to shareholders is called dividend. The dividend is the cash mode payment to the investors. It attracts investors while restrict company to withdraw funds from otherwise corporate needs. Corporate strategy ought to be framed as well to determine the maximum beneficial payout, because high dividend/payout encourages investors to re-invest, buying new stocks and support price stability to increase. An investigation was made for the relationship of corporate governance, quality and dividend policy in Canada. Among the variables documented was shareholding and compensation issue. In 2002-2005 stock exchange listed company showed results that firms containing stronger corporate governance have higher dividend payouts (Adjaoud and Ben-Amar, 2010).

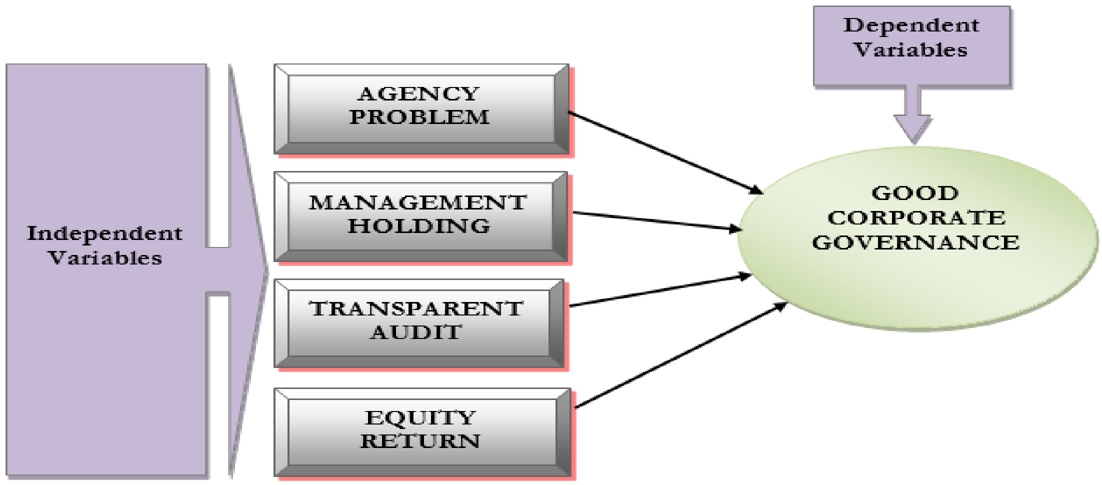
Dividend policy is an unresolved issue in corporate finance, corporate dividend behavior explained several theories, but no one could answer fully. Payments are to ease agency costs resulting from the separation of ownership and management. Dividends reduce free cash flows that be spent by managers in their private benefits (Jensen, 1986). Outcome model of dividends describes, corporate governance, quality should have a positive relation to dividend payouts because better – governed companies offer stronger protection rights to shareholders (Porta et al., 2000). Dividends should not be used as device to mitigate conflicts of agency managers to oppose shareholders (Porta et al., 2000; John & Knyazeva, 2006). Among the various components of the corporate governance index, shareholder rights policy is the most important determinant of dividend policy. The dividend model supports this theory. Firm size and dividend policy has the positive association as well, according to the aforesaid model (Porta et al., 2000). Empirical studies severally have shown a positive / negative relationship between an increase / decrease of dividend announcement and reaction of the stock market. These interpretations support signaling dividend explanation (Asquith and Mullins, 1983; Adjaoud, 1984; and Healy and Palepu, 1988).

A positive association has been found between good corporate governance and dividend policy. Finance scholars still looking for an answer to the question 'why firms pay dividends? Studies show corporate governance concept to introduce novel tools and techniques declared by Black (1976) as 'dividend puzzle' (Modigliani and Miller, (1958 and 1961)). However, dividend changes convey about the future profitability of the firm (Bhattacharya, 1979; John & Williams, 1985; Miller & Rock, 1985). Legal and Institutional environment affects payout policies of firms (Langrehr & Hexter, 1998). Dividends are paid, highly in common law countries than civil law countries because minority shareholders suffer due to weak legal protection (Porta et al., 2000).

III Conceptual Model

A Corporate Governance body does not produce of a single factor. It is a control and good effect of different factors. This research was based on Qualitative Method and discussed following variables as the most influential for Good Corporate Governance.

Figure-1 Theoretical Framework



Hypothesis Statements

H1: - Agency problems are negatively correlated to Good corporate governance (GCG).
H2: - Equity Return and GCG are positively correlated to each other.
H3: - The relation between Transparent Audit (TA) and GCG is Positive.
H4: - The relation between management holdings and good corporate governance exist as positive and supporting.

IV Methodology

The actual mechanics of Research Methodology refer to both theoretical and practical aspects. To avoid internal disturbance following points were considered; 1. Non-experimental design embedded. 2. Observation numbers done on each unit with time specification. 3. The probability sampling procedure adopted. The population of this study was the financial experts and managers of manufacturing and service industries of Pakistan and stockbrokers and institutional investors of Islamabad Stock Exchange. The sample size was of 167 respondents.

A self-developed questionnaire, after having it verified under exploratory test, comprising of 20 questions was used. Questionnaire comprised of two sections; 1) Demographic 2) Detailed questions to the selected variables. The probability sampling technique was engaged in this study for data gathering. The multivariate technique used to reveal the data at several detailed levels (Anderson, 1958). There are four independent variables; 1) Agency Problem, 2) Transparent Audit, 3) Management Holdings, and 4) Equity Return and Dividend Payout. Five points Likert-type scale was taken to support evaluation of instrument items. An understanding was allocated, under numerical tags from 1-5, to represent 1 for strongly disagree, 2 to disagree, 3 as neutral, 4 for agreeing and last 5 to strongly agree. Dependent factor was the Good Corporate Governance and measured being single one. These were handed over personally and through email to selected managers or experts to get quantitative data from the experienced respondents.

Data reliability, internal consistency of variables and descriptive list used to measure the respondent or level of application of each variable by Cronbach alpha, Pearson coefficient. Data was analyzed by using SPSS for Windows Version. Simple regression used to find out variations in results at the 5 % significance level. In the descriptive statistics the results obtained through ‘Mean’ and ‘Standard Deviation’ statements by analyzing the collected data explained that how was the response about disagreeing, neutral and agreeing of corporate governance success.

Table-1: Instrument’s Reliability Measurement (N=167)

Variables	Items Nos.	Cronbach Alpha
Agency Problem	4	0.651
Equity Return	4	0.615

Management Holding	4	0.639
Transparent Audit	4	0.705
Good Corporate Governance	4	0.765
Total	**20**	**0.761**

Table-1 depicts the reliability analysis test results and Cronbach alpha of 20-items scale was acceptable, being 0.761 above the general limit (Hair et al., 1998). The Cronbach's alpha for the study constructs (Agency Problem, Equity Return, Management Holdings, Transparent Audit and Good Corporate Governance) are 0.651, 0.615, 0.639, 0.705, and 0.765 for each of the five factors, respectively.

V Analysis and Discussion

This study's main objective is to analyze the relationship of different variables. The application of several tests has been executed to analyze collected data. Descriptive statistics and regression technique were applied to analyze relationship among different variables in accordance with respondents' feedback. This exercise was meant for checking agreeableness degree and significance level. Summarized results are below.

Table-2: Frequency Distribution and Descriptive Statistics in respect of "Industry"

	Responses Number (N=167)	
(Organization)	(Frequency)	(Percentage)
Financial (Bank/insurance)	39	23.4
Health	17	10.2
Hotel	1	0.60
Capital Market	1	0.60
Telecom	8	4.80
Other	106	60.50
Total	167	100.00

Table-2 displays different public sector organizations, statistical results was observed. Rate of response from respondents are more than 60.50% out of 167 from manufacturing concerns under title 'others' being highest frequency among all other organizations. Financial Sector, including banking/insurance/leasing is second high organizations, i.e. 23.4% having 39 respondents. 17 respondents (10.20 percent) are from the Health Sector. The lowest response is from Hotel Industry with 0.06% and is only 01 respondent, out of total 167.

Table-3: Frequency Distribution and Descriptive Statistics in respect of "Qualification"

	Number of Responses (N=167)	
Qualification	Frequency	Percentage (%)
Matriculation	6	3.6
Intermediate	8	4.8
Bachelor	36	21.6
Master	84	50.3
Other	33	19.8
Total	167	100

Table-3 with respect to qualification explains the response rate of five groups of respondents. It clears that respondents about education have higher degree response rate 50.30%, 84 numbers of the total are Master and Ph.D. levels. This response even shows its positive attitude towards research activity support. Next level is about 21.60%, 36 in total, of Bachelors and 'Other' including engineering and technical are off 19.80% being 33 in total numbers. This manifests the intellect contributed their expertise and experience to understand quality consensus toward the issue which naturally be of high interest at their ends.

Table-4: Frequency Distribution and Descriptive Statistics in respect of "Designation"

	Responses Number (N=167)	
Position	Frequency	Percentage
Top level	34	20.40
Middle level	72	43.10
Line Manager	25	15.00
Staff	18	10.80
Others	18	10.80
Total	167	100

Table-4 illustrates response rate of different groups of managements by respondents in the respective organization. Top level management has been given 20.40 percent support. Middle level management has been given a response of maximum frequency 72 of 167 which is 43 percent. This is because of the vast role of such level management involvement in good Governance. Less numbers have been allocated to first level supervisors, relatively less responsible as compared to top and middle level management. This is the reason why less rate 11% given to this area. The other level response is almost 11% or 18 out of a total 167 perhaps due to least contribution.

Table-5: Frequency Distribution and Descriptive Statistics in respect of "Experience"

	Response Numbers (N=140)	
(Experience)	(Frequency)	(Percentage)
0-5 years	65	38.90
6-10 years	37	22.20
11-15 years	20	12.00
16-20 years	14	8.40
21-25 years	31	18.60
Total	167	100

Table-5 provides information about the experience. The higher response rate is from the respondents having total experience up 05 years working at various levels in corporations being 39 percent of total respondents. The table indicates that the frequency of respondents with 06 to 10 years' experience is 22.20%. Experience range from 11 to 15 years, responded at the frequency of 20. About 8.40 % were about the experience from 16 to 20 years from total sample respondents being the lowest frequency. Finally, about 18.60% respondents were of experience from 21 to 25 years. Overall youngsters' professional response, bearing experience up to 10 years, remained at higher side, whereas the lowest response rate was observed from experience group of 16 to 20 years.

Table-6: Frequency Distribution and Descriptive Statistics in respect of "Instrument Variables"

(Items)	*Response Rate Percentage N=167*				
	(Disagree)	(Neutral)	(Agree)	(Mean)	(St. Dev)
Agency Problem (AP)					

Agency Problem can have effect on Good Corporate Governance.	16	26	125	3.8084	0.89802
Can Agency Problem reduce the profitability / worth of Corporations?	9	12	146	3.9521	0.72651
Does conflict, between Managers and Shareholders affect the performance of Corporations?	2	24	141	4.1677	0.73347
Is asymmetric distribution of power in Agency theory the bone of contention between share-holder and top management?	9	52	106	3.6946	0.76609
Equity Return (ER)					
1-Return on equity and dividend payout is useful for growth and profitability comparison of a company with other same industry firms?	12	35	120	3.8323	0.85484
2-Return on equity can help investors to distinguish between profit creators and profit burners companies?	11	20	136	3.9162	0.76374
3-The benefit(s) of Good corporate governance is considered imperative for the achievement of a Competitive return on equity?	4	49	114	3.7665	0.71932
4-Timely return on equity can also increase the market valuation of companies and can attract further investments?	2	28	137	4.0898	0.70134
Management Holding (MH)					
1-Management Holding should be Minimum?	42	48	77	3.2455	1.15887
2-Management Holding is more effective then incentives to the Management of the corporation?	18	39	110	3.7725	.93575
3-Compensating managers with stock can increase the efficiency of the corporation?	24	46	97	3.6048	.93111

4-Shall Limits be fixed to grant maximum stock options to (NED) Non-Executive Directors?	16	46	105	3.6766	.87996
Transparent Audit (TA)					
1-The transparent auditing system is the backbone for successful Corporations?	4	13	150	4.3892	0.73510
2-External auditors are the representative of shareholder and have the important role in evaluating the company's performance?	13	33	121	3.8084	0.79860
3-Corporate governance with bad environments, dependent audit committee, poor Standards and weak enforcement of auditors are barriers to investment for new investors?	20	31	116	3.7545	0.96609
4-Transparency, disclosure & timeliness reporting, a significant variable in the performance of corporate governance?	6	25	136	4.0898	0.82013
Good Corporate Governance (GCG)					
1-Good corporate governance attracts shareholders' attention?	5	21	141	4.1437	0.79361
2-Good corporate governance ensuring sustainable performance for achieving better operational results?	6	9	152	4.2814	0.75159
3-Good governance leads to higher market valuation?	6	12	149	4.2455	0.85353
4-Good corporate governance results in sustainable economic development?	1	22	144	4.1976	0.67876

In the table-6, mean values give the indication in the table about respondents whether it is positive and/or negative. Higher mean values interpret most of the responses positive which indicate tabulated items as the key for corporate governance. The mean values towards four items of agency problem are 3.80, 3.90, 4.17 and 3.70 respectively. Standard deviation addressed to last three items are an average of 0.74 whereas 0.89 to first one.

In the case of Equity Return, mean values suggest most of the respondents have responded positively, imply tabulated items are key for the corporate governance. Mean values for these four items are 3.83, 3.91, 3.76 and 4.308 respectively.

The mean values towards last three item of Management Holdings show an average trend of 3.6946 having Standard Deviation of 0.9156. Herein a particular view was to observe that except for last item mostly respondents' attitude equipped some hidden reservations to be neutral. Last item shows for restriction to limit the volume of shares of Management.

Mean values of the first two items of Transparent Audit were 4.3892 and 3.8084 with a Standard Deviation of 0.7351 and 0.7386 respectively. Since the response is in a positive direction, as it implies the key for Corporate Governance.

First item 'Good corporate governance attracts shareholders' got consent of 141 (84.43%) agreed out of the total 167 respondents, whereas 21 (12.57%) respondents voted as neutral and only 5 respondents 2.98% disagreed. Mean to this item remained 4.3892 with a Standard Deviation of 0.07936 to correspond both sides. The mean values towards last three items of Good Corporate Governance shows trend of 4.2814, 4.2455, & 4.1976 having Standard Deviation of 0.769373 an overall average. A particular view observed that majority's consensus remained in the highly favorable area.

Table-7: Correlation Matrix: Good Corporate Governance, Agency Problem, Equity Return, Management Holding and Transparent Audit

		Good Corporate Governance	Agency Problem	Equity Return	Management Holding	Transparent Audit
Good Corporate Governance	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	167				
Agency Problem	Pearson Correlation	.310(**)	1			
Equity Return	Pearson Correlation	.140	.249(**)	1		
Management Holding	Pearson Correlation	.104	.331(**)	.386(**)	1	
Transparent Audit	Pearson Correlation	.469(**)	.316(**)	.283(**)	.244(**)	1

** At the 0.01 level (2-tailed), correlation is significant

Above table-7 results demonstrate significant correlation among all variables. This based on summary values of Pearson's correlation coefficient. The results make it clear and evident about a 1 % level of significance. Transparent Audit contributes 47% significance support to make GCG perform which is almost 50% of the rest variables over all contributions. Secondly, Agency Problem is associated with Corporate Governance and contributes 31% towards its 'Goodness'. Equity Return and Management Holding participation is 14% and 10%, respectively which indicate insignificant trends.

Table-8: Regression coefficients, standard errors (in parentheses), t-values (in brackets) and p-values in italic

Constant	Agency Problem	Equity Return	Management Holding	Transparent Audit	R-Square	F-Statistics
1.747	0.274	-0.006	-0.064	0.412	0.47	13.709

(0.455)	(0.103)	(0.093)	(0.078)	(0.072)	
[3.838]	[2.652]	[-0.067]	[-0.820]	[5.742]	
0.000	*0.009*	*0.94*	*0.44*	*0.000*	*0.000*

In the table-8, the results argued that overall model is significant ($p<0.05$) having depicted the p value 0.000 between two independent variables with respect to Transparent Audit (0.000) and Agency Problem (0.009) individually. F-value is being >3 i.e. 13.709 express model's significance. The other two variables i.e. Management Holding (0.44) and Equity Return (0.94) are insignificant. And r-square is 0.47, which mean model shows 47% variation of the response data around its mean.

Individual relationship among the independent variables have partial trend to be positive or negative. Agency Problem and Transparent Audit have positive and significant relationship with Good Corporate Governance having T value of 2.652 & 5.742. However, Equity Return, and Management Holding are not worth mentioning bearing as -0.67 and -0.820.

IV Major Findings and Discussion

The objectives of the study were to ascertain the standard of Corporate Governance in Pakistan and find most critical among the business. The value of the Pearson Correlation coefficient between Agency Problem and Good Corporate Governance is 0.310 which does not support the hypothesis H1: Agency problems are negatively correlated to Good Corporate Governance (GCG). However, the relationship between these two variables has been emerged as significant. The positive value of the Pearson Correlation between Equity Return and Good Corporate Governance (0.25) supports the Hypothesis H2: Equity Return and Dividend Payout (ERDP) and GCG are positively correlated to each other. Again the positive value of the Pearson Correlation (0.47) between Transparent Audit and Good Corporate Governance supports the Hypothesis H3: The relation between Transparent Audit (TA) and GCG is Positive. Which transparent kind of audit contribute to the good corporate governance (Rutteman, 2001). Finally, the positive value of the Pearson Correlation (0.10) between management holdings and Good Corporate Governance also supports the Hypothesis H4: The relation between management holdings and good corporate governance exist is positive". Maximum stock options are offered by the companies to the directors (Lublin and Bulkeley, 2006).

The regression analysis reveals values of R-squared and F-statistics as 0.47 and 13.71 respectively, which shows the overall significance of the model. Agency Problem and Transparent Audit have a positive and significant relationship with Good Corporate Governance having a T value of 2.652 and 5.742 respectively. However, other two variables, i.e. Management Holding and Equity Return have been emerged as insignificant.
The dependent variable, i.e. Good Corporate Governance is correlated with the independent variables, i.e. Agency Problem, Equity Return, Management Holding, and Transparent Audit has values of Pearson Correlation coefficient as 0.31, 0.25, 0.10 and 0.47 respectively.

V Conclusion

All of the variables used, i.e. Agency Problem, Equity Return, Management Holdings, Transparent Audit and Good Corporate Governance were retained in this study because all of them satisfied the reliability analysis test owing to the high values of Cronbach's alpha. Agency Problem and Transparent Audit have a significant relationship with Good Corporate Governance whereas Management Holding and Equity Return have been emerged as insignificant variables. All four independent variables have been emerged as positively correlated with the dependent variable. Here we can conclude that the transparent audit increases the performance of good corporate governance and is the backbone of the successful companies. And according to the finding of our study, we make a statement that the equity return does not be a factor for a good corporate governance and supported by the previous study of (Porta et al, 2000; John & Knyazeva, 2006) that equity return and dividend should not be used as device to mitigate conflicts of agency managers to oppose shareholders. In the future, this study can be enhanced by introducing new factors of good corporate governance and also with the increase of sample size for the generalizability of the results for good corporate governance.

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QUESTIONNAIRE

According to your point of view, please assign rating *(Strongly Disagree = 1, Disagree = 2, Neutral = 3, Agree = 4, Strongly Agree =5)* to the following factors affecting the Good Corporate Governance in Pakistan towards Transparency.

Sr. No.	**EFFECT TO GOOD CORPORATE GOVERNANCE**	**Rating**				
		Strongly Disagree (1)	**Disagree (2)**	**Neutral (3)**	**Agree (4)**	**Strongly Agree (5)**

I items related to Agency Problem

1	Agency Problem can have effect on Good Corporate Governance?					
2	Can Agency Problem reduce the profitability / worth of Corporations?					
3	Does conflict, between Managers and Shareholders affect the performance of Corporations?					
4	Is asymmetric distribution of power in Agency theory the bone of contention between share-holder and top management?					

II Items related to Equity Return

1	Return on equity and dividend payout is useful for growth and profitability comparison of a company with other same industry firms?					
2	Return on equity can help investors to distinguish between profit creators and profit burners companies?					
3	The benefit(s) of Good corporate governance is considered imperative for the achievement of a Competitive return on equity?					
4	Timely return on equity can also increase the market valuation of companies and can attract further investments?					

III Items related to Management Holding

1	Management Holding should be Minimum?					
2	Management Holding is more effective then incentives to the Management of the corporation?					
3	Compensating managers with stock can increase the efficiency of the corporation?					
4	Shall Limits be fixed to grant maximum stock options to (NED) Non-Executive Directors?					

IV Items related to Transparent Audit

1	Transparent auditing system is the back bone for successful Corporations?					

2	External auditors are the representative of shareholder and have the important role in evaluating the company's performance?					
3	Corporate governance with bad environments, dependent audit committee, poor Standards and weak enforcement of auditors are barriers to investment for new investors?					
4	Transparency, disclosure & timeliness reporting, a significant variable to the performance of corporate governance?					

V Items related to Dependent Variable itself:
Good Corporate Governance

1	Good corporate governance attracts shareholders attention?					
2	Good corporate governance ensuring sustainable performance for achieving better operational results?					
3	Good governance leads to higher market valuation?					
4	Good corporate governance results in sustainable economic development?					