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RESEARCH ARTICLE

Impact of Corporate Social Responsibility and Corporate Governance on Firm Performance

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Abstract: The main objective of this study is to investigate the impact of corporate social responsibility disclosure (CSR) and corporate governance structure (CG) on firm performance under different government regimes in Pakistan. The study used an unbalanced data of 71 firms listed in the Pakistan Stock Exchange (PSX) for 2001-2018. The CSR index is created using 12 items related to the four themes including community services, environmental issues, employee welfare, and product and services information. The CG structure is measured using the board independence, the board size, and the CEO duality. The findings prove that more CSR activities and a strong CG structure help the firms to increase their performance under the political government context. The results imply that an effective CG structure along with better CSR disclosure increase the firm performance.

Keywords: Corporate Social Responsibility, Corporate Governance Structure, Political governments, Firm Performance
JEL Classification Codes: G34, G18, G39

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1 Introduction

CSR gained persistent attention of researchers and practitioners during the past decade (Amini & Dal Bianco, 2017; Bagh et al., 2017; Usman & Amran, 2015). Visser (2008) explained CSR disclosure as the formal and informal means developed by the firm under governmental, societal, ethical, professional, and environmental settings. The central problem in such a situation is the global credibility of CSR disclosure. Social responsibility measures the volunteer activities of firms undertaken for the welfare of employees, consumers, suppliers, and local communities (Witkowska et al., 2018). It is also considered as social obligation of the firm (Carroll & Shabana, 2010; Servaes & Tamayo, 2013). For example, Bello et al. (2016) and Pekovic & Vogt (2021) found out that responsible management always put CSR activities at a high priority. However, in the literature, we also find evidence that firms face social responsibility problems due to Corporate Governance (CG) structure (Kanji & Agrawal, 2016). As firms are influenced to be involved in CSR, such activities eventually help increase performance (Bear et al., 2010; Harun et al., 2020).

Similarly, CG structure refers to the systems, people, and procedures applicable to a firm for its control and smooth functioning. In the CG structure, the board of directors is expected to protect all the stakeholders. According to John et al. (1998), the CG structure of a firm is isolated from its ownership structure where managers effectively supervise all the activities of the firm. Though separation of owners and managers causes inefficiency in the firm known as the agency problem (Griffiths, 2001), a good CG structure helps improve the efficiency, effectiveness, and financial performance of a firm (Boubakri et al., 2004; Tirole, 2010). The managerial role of the executives is also an important factor in the governance structure. Based on previous literature, CG definition may be classified into two categories. The narrow point of view is related to accountability for shareholders only. However, the broader perspective requires accountability for both shareholders and stakeholders.

Most of the previous studies like Giannarakis et al. (2016),Vieira (2018),Awan et al. (2016), and Naseem et al. (2017) independently examined how the CG structure and CSR activities and disclosure enhance the performance of a firm. However, firms do take into account their CG structure when shaping the CSR disclosure (Lau et al., 2016). This is where the concepts of CG and CSR come into play. The CG structure encourages the firms to promote ethics and moral principles, impartiality, transparency and precision, and accountability. Therefore, it is expected that the firm continues to generate profits with high standards of governance, including the welfare of society as well. The decisions of a firm may also be compatible with the interest of different stakeholders of the firm (Freeman, 2010). Therefore, firms must always prefer activities regarding ethical, legal, and community aspirations. Similarly, Jamali et al. (2008)J and Nugroho (2021) also revealed that CG structure and the firms' attitude towards conducting more CSR activities are strongly connected with the firm performance and need further investigation as well.

Pakistan has a unique political scenario of political and non-political government system. Since the inception of Pakistan, the country has been led by different authoritarian regimes (Qadir et al., 2016). From 2001-2008, Pakistan was under a non-political government, however, political and elected governments governed the country during 2009-2018. There exists some difference in the policies of political and non-political government systems including CSR and CG structures as well. For example, Khan et al. (2018) highlighted in the context of Pakistan insufficient literature on the subject of CG structure and the CSR disclosure. There is also need to assess whether CG structure and CSR disclosure give dif-

ferent results in different government systems or not? As scarce literature is available on the subject matter, this study shows its interest in the topic. Therefore, the main objective of the study is to examine the relationship between CG, CSR, and firm performance under different government systems in Pakistan.

Many theories highlight the benefits of CG structure to firm performance. For example Agency Theory (Berle & Means, 1991; Jensen & Meckling, 1976), Stakeholders Theory (McDonald & Puxty, 1979) Resource Dependence Theory (L. Donaldson & Davis, 1991), and Stewardship Theory (Clarke, 2004). All these theories highlight the importance of a good CG structure and its overall benefits to firm performance. This study used the CSR index, CG indicators, control variables, and firm performance where CSR index is created using 12 items related to the four themes i.e., community services, environmental issues, employee welfare, and product and services information. The CG indicators used in the study include the board independence, the board size, and CEO duality. The size of the firm and leverage are used as control variables. Moreover, panel regression is applied on unbalanced panel data of 77 firms for 2000-2016. The sample is further divided into brackets of 2000-2008, and 2009-2018 to investigate the difference of results in the political and non-political government systems. The findings reveal that CG structure and CSR activities help firms increase their performance.

Our findings may help policymakers, regulators, and firm management to give a clear idea that CG structure and CSR disclosure enhance firm performance under different political and non-political government systems. The findings prove that CSR and CEO duality is positively and significantly related to firm performance. Furthermore, the results prove that board independence, CEO duality, and CSR increase firm performance in the financial sector under political government (Karim et al., 2020). The results add to the existing CG structure and CSR disclosure literature related to firm performance under different governments in Pakistan. The results give useful insights regarding CG, CSR, and performance of listed firms in Pakistan.

The remaining study is organized in the following manner. The important literature regarding the main elements and relationship between the CG, CSR, and firm performance is discussed in Section II. Section III is about the data description, sample selection, variable description, and methodology. Section IV elaborates on the analysis part and discussions, and the conclusions are drawn in Section V.

2 Literature Review

T. Donaldson & Preston (1995) found that every individual firm aims to maintain a long-term relationship with its stakeholders. In another study, Orlitzky et al. (2003) found a strong and significant positive relationship between corporate social performance and firm performance. Similarly, Moneva et al. (2007) also investigated an association between CSR and firm performance in combining stakeholders and shareholders in one model by selecting 52 Spanish firms. The findings indicated that stakeholder-oriented firms disclosed 74% of CSR activities; while shareholder-oriented firms disclosed 15% of CSR practices. Similarly, Byus et al. (2010) studied how CSR and firm performance of 120 firms from the DJSI and the non-DJSI index for a period from 1999 to 2007 were related to each other. Their findings revealed that firms listed in DJSI participated more in CSR activities and resulted in an increase in the firm's performance.

In another study, Wu & Shen (2013) examined the relationship between CSR activities and the performance of162 listed banks from 22 countries from 2003-2009. The results found that disclosing the CSR information increased firm performance. They also found that better CSR activities helped firms to reduce their non-performing loans as well. Most of the previous studies found that CSR disclosure helped firms to boost their performance (Manrique & Martí-Ballester, 2017; Yang, 2018; **?**). Similarly, Rehman et al. (2015) also came up with similar findings. Based on the previous support and literature, we hypothesize that CSR disclosure helps to enhance the firm performance.

Different studies proved that a good CG structure also helps to enhance firm performance. For example, Ujunwa (2012) examined whether the board characteristics of a firm were related to its performance in Nigeria. Different characteristics of CG used in the study included chief executive officer (CEO duality), the board size, skills, nationality, gender, and board ethnicity. A sample of one hundred and twenty-two (122) listed firms were selected for the period from 1991-2008. The findings indicated that large board size, gender diversity, and CEO duality results decrease in firm performance. However, the nationality of the directors and board ethnicity with Ph.D. qualifications helped increase the performance of the firm.

Similarly, Sheikh et al. (2013) investigated the association between internal attributes of CG (ownership concentration, CEO duality, the board size, and the managerial ownership) and firm performance in Pakistan from 2002-2008. Their results revealed that board Size, CEO duality, and ownership structure increased firm performance. They also found that outside directors and managerial ownership resulted decrease in firm performance. In addition, Shahwan (2015) also examined the role of CG practices on firm performance in Egypt. They constructed an index for measuring CG. They proved that a better CG structure aided to increase firm performance. In contrast, Assenga et al. (2018) also investigated the relationship between CG structure and firm performance by using eighty (80) firms of Tanzania for the time period 2006-2013. Board characteristics included many outside directors, board diversity, skills of directors, CEO duality, and representation of foreign directors on board. They proved that the split-up of Chairman and CEO increased firm performance. They also found that gender diversity helped to increase firm performance.

Foo & Zain (2010) proved that a greater representation of self-regulating directors improved firm performance. They used a sample of 482 firms in Malaysia. Similarly, Meyer & de Wet (2013) found that independent directors made neutral decisions that helped to increase firm performance in South Africa. Similarly, Arora & Sharma (2016) identified the relationship between board size and performance of manufacturing firms of India 2001-2010. They found that board size helped to enhance the performance of the firms. Zakaria et al. (2014) examined how board size was related to firm performance in Malaysia by using 73 firms for the period 2005-2010. The findings proved that a big board size resulted in better performance of the firm. Also, Shukeri et al. (2012) examined 300 Malaysian firms and found that a larger board size helped the firms increase performance.

In a recent study, Vieira (2018) studied the association between CG structure and performance of listed firms in Portugal during 2002-2013. He found that a better ownership structure and gender diversity on board improved firm performance. The findings showed that ownership structure and gender diversity increased firm performance. In another study, Agyei-Mensah (2018) also examined the role of CG structure in determining firm performance of ninety (90) listed firms of Ghana during 2012-2014. The results found that the CG structure reduced firm performance. Similarly, Qadorah & Fadzil (2018) proved that

CEO duality resulted decrease in firm performance. Following a similar pattern, Ameer et al. (2010) researched 277 non-financial firms in Malaysia, and their findings proved that independent directors helped firms increase their performance. Similarly, Hermuningsih et al. (2020) also provided empirical evidence that sustainable corporate governance helped firms to increase their long-run performance in the manufacturing context of Indonesia. The same results were confirmed by Ahmed et al. (2020). Therefore, based upon the available literature, we hypothesize that CEO duality is negative while board independence and size of the board are positively related to firm performance.

3 Data Description and Empirical Framework

3.1 Data Description and Sample Selection

The study used a sample of 44 firms from the non-financial and 27 firms from the financial sector for 2001-2018 time period. Initially, all listed firms were taken as the sample of the study to have a clear picture of the financial and non-financial sector of Pakistan. However, due to the non-availability of data, the sample was reduced to the said listed firms. The financial sector included commercial and investment banks, insurance firms, and modarbas. Similarly, cement, chemical, sugar, cable and electric goods, and automobile assembler industry were selected from the non-financial sector. The secondary data related to financial characteristics, the CG structure, and the CSR disclosure were obtained from the annual reports of the respective firms. The overall sample was subdivided into two more subsamples. The period of non-political government was taken during2001-2008 while 2009 – 2018 was selected as the period of political government.

3.2 Variables Description and Estimation Techniques

The study measured firm performance using Return on Assets (ROA)that is a widely accepted proxy for measuring firm performance (Ararat et al., 2010). The variable of ROA was measured as net income divided by total assets (Usman & Amran, 2015). The study constructed a CSR index using the data from the annual financial statements of the firms. The index contained twelve indicators based on the study of Muttakin et al. (2015). We use 12 items related to the four themes i.e., community services, environmental issues, employee welfare, and product and services information. Furthermore, we used a dichotomous procedure for measuring information regarding CSR. The number 1 was awarded to firm if it disclosed a certain item otherwise it was awarded 0 (Haniffa & Cooke, 2005). Following the studies conducted by Haniffa & Cooke (2002, 2005) and Ghazali (2007), we created the CSR index as follows:

$$CSR_J Index = \sum_{(t=1)}^{nj} X_{ij}/n_j \tag{1}$$

Where, CSR_J Index = CSR disclosure Index for jth firm
n$_j$ = number of items for jth firm, where ≤ 20;
X_{ij} = 1, if ith items are disclosed for firm j, otherwise 0; and
So that 0 CSR$_J \geq 1$.

CG was measured by the board independence, board size, and CEO duality. Independence of a board means the directors are outsiders, neutral, and are not related to the top management in any capacity. The outside directors are those directors who do not have any relationship with the firm dealings to avoid possible conflicts of interest. The proxy for board independence (BI) is the total number of independent members divided by total board members (Huang et al., 2015). Board size (BS) means a group of individuals elected to work as representatives of the stakeholders for the development of the firm. The board size is measured by the total number of directors in a particular year (López-Quesada et al., 2018). A situation where the Chief Executive Officer (CEO) of the firm also holds the position of chairman was referred to as CEO duality. In this study, when the CEO was also chairman of the firm, we considered the variable as "1" otherwise it was taken as "0" (López-Quesada et al., 2018). The control variables were also included in the study following Assenga et al. (2018) and Kabir & Thai (2017). Firm size was measured using the natural logarithm of total assets. Similarly, the ratio of total debt to total assets was used for the measurement of leverage.

Table 1: List of Variables

Variables	Formulation	Reference
Returns on Asset (ROA)	Net Income to Total Assets	López-Quesada, Camacho-Miñano, and Idowu (2018)
Corporate Social Responsibility (CSR)	Average of CSR activities	Muttakin, Khan, and Azim (2015)
Board Independence (BI)	Proportion of Independent Directors to Total Directors	Vieira (2018)
Board Size (BS)	Total Number of Directors on Board	Xu, McIver, Shan, and Wang (2016)
2[0]*CEO Duality (CEOD)	Duality = 0; CEO = Chairman	2[0]*López-Quesada, Camacho-Miñano, and Idowu (2018)
	Duality = 1; CEO Chairman	
Firm Size (FS)	log of Total Assets	Assenga, Aly, and Hussainey (2018)
Leverage (LEV)	Total Debt to Total Assets	Kabir and Thai (2017)

The descriptive statistics and fixed effect panel regression was employed in the study. Hausman test confirmed the applicability of fixed effect method. The regression model used in the study is presented below:

$$ROA_{it} = \beta_0 + \beta_1 BI_{it} + \beta_2 BS_{it} + \beta_3 CEOD_{it} + \beta_4 CSR_i t + \beta_5 FS_{it} + \beta_6 LEV_{it} + e_{it} \quad (2)$$

In the above equation, ROA stands for return on assets; CSR stands for Corporate Social Responsibility Disclosure Score; BI stands for Board Independence; BS stands for Board Size; CEOD stands for Chief Executive Officer Duality; FS stands for Firm Size; LEV stands for Leverage.

4 Data Analysis and Findings

4.1 Descriptive Statistics

Table 2 presents descriptive statistics for the financial and non-financial sector including mean, standard deviation, minimum, and maximum value for all variables. The value in the parenthesis presents the standard deviation. The first step is to conduct the linear relationship between the return of securities and the return of the market index.

Table 2: Descriptive Statistics

	Non-Financial Sector			Financial Sector		
Variables	**Mean**	**Min.**	**Max.**	**Mean**	**Min.**	**Max.**
ROA	0.207	0.001	0.974	0.068	0	0.706
	-0.159			-0.09		
CSR	0.699	0.083	1	0.652	0.083	1
	-0.257			-0.25		
BI	0.279	0.076	0.75	0.274	0.076	1.375
	-0.188			-0.2		
BS	8.446	6	14	8.274	4	13
	-1.628			-2.18		
CEOD	0.842	0	1	0.881	0	1
	-0.364			-0.32		
FS	22.061	16.394	27.614	22.56	18.306	18306
	-1.733			-2.85		
LEV	0.498	0.046	0.958	0.605	0	1.358
	-0.196			-0.3		
N	764	764	764	431	431	431

Note. ROA stands for return on assets; CSR stands for corporate social responsibility score, BI stands for board independence, BS stands for board size, CEOD stands for chief executive officer duality, FS stands for firm size, LEV stands for leverage.

Table 2 shows that the non-financial sector performs better than the financial sector. The mean value of the CSR for the non-financial sector indicates that they perform more CSR activities than the financial sector. Similarly, the mean values show that non-financial performance was better than the financial sector. The mean value of the leverage ratio shows that the financial sector carried more debt. The mean value of board independence, the board size, CEO duality, and firm size were approximately the same in both sectors.

4.2 Regression Results

Table 3 shows the estimated regression results. It presents the estimated coefficient while standard errors are given in parenthesis. The coefficients are estimated separately for the overall sample (2001-2016), non-political (2001-2008), and political sample (2009-2016) for both sectors, respectively.

In the overall sample of the non-financial sector, the value of R^2 indicated that the independent variables were explaining 34.2% variation in firm performance. The value of F-statistics indicated that the model was a statistically good fit. For the complete sample

of the non-financial sector, the p-value of board independence showed that board independence did not increase firm performance. In an earlier study, Ararat et al. (2010) concluded that independent directors revealed insignificant results because they had no specific roles in the decision making of the firm. Most of them were relatives of the shareholders and influenced their independent decisions. Furthermore, due to the social connections of the independent directors and shareholders, their decisions were biased. The estimated coefficient of board size also showed an insignificant relationship with the firm performance. Similarly, Agyei-Mensah (2016) came up with similar findings. The result proved that the number of directors on board did not seem to be related to the firm performance. According to the findings of Topak (2011), insignificant results of board size may be due to the involvement of family members that influenced decision making. The coefficient value of CEO duality (CEOD) for the whole sample of non-financial sector indicated that it was negatively related to firm performance. The result implied that the dual nature of CEO and chairman decreased the overall firm performance. This finding supported agency theory as well. The result proved that CEO duality minimized board efficiency (Ujunwa, 2012).

In the complete sample of the non-financial sector, CSR disclosure was found positively associated with firm performance. The results proved that engaging more in community service activities helped the firms increase their performance. The estimated coefficient value of firm size (FS) for the non-financial sector was negatively and significantly related to the firm performance. The findings reveal that an increase in the total assets decreased firm performance (Sheikh et al., 2013). The estimated coefficient value of leverage (LEV) showed that it was positively and significantly related to the firm performance. The results revealed that an increase in debt increased firm performance. Saini (2012) and Ojo (2012) supported the same results.

For the non-political sample of the non-financial sector, the value of R^2 indicated that the independent variables explained a 33.1% variation in firm performance. The value of F-statistics 5.061 indicated that the model was a good fit and was confirmed by the significant p-value. The estimated coefficient of BI revealed a significant and positive relationship of BI with firm performance. The result implied that the independence of board of directors helped the firms to increase their performance because of efficient and neutral decision making (Mishra & Kapil, 2018). The estimated coefficient value of CEO duality (CEOD) also showed that was significantly but negatively related to firm performance at the 5% level of significance. The results of the non-financial sector under the non-political period revealed that firms may avoid the CEO duality to increase their performance. Other studies like Wang et al. (2007) also came up with similar findings.

Moving towards the CSR initiatives of the firm during the non- political period, the estimated coefficient value of CSR revealed that it was not found significant for the overall firm performance. The findings of Erdur & Esen (2014) are similar to our results. The variable of Size did not seem to have a significant relationship with the firm performance. The estimated value of leverage (LEV) showed a positive relationship with firm performance. The results further showed that firms may take more leverage to increase their performance (Ojo, 2012).

Similarly, for the political sample of the non-financial sector, the value of R^2 indicates that the independent variables were explaining a 61.0% variation in firm performance. The value of F-statistics 9.670 indicated that the model was a good fit and was confirmed by a significant p-value.The estimated coefficient value of board independence (BI) proved that more independent directors in the panel effectively helped to enhance firm performance.

Our results were the same as those produced by the study by Mishra & Kapil (2018). Similarly, the estimated coefficient value of board size (BS) proved that it was positively and significantly related to firm performance. The result showed that a large number of directors improved firm performance (Bhagat & Bolton, 2008).

Similarly, the estimated coefficient of corporate social responsibility disclosure (CSR) showed that it was positively and significantly related to firm performance during the political period. This result implied that an increase in the number of CSR activities created a good image of the firm towards society. This act of social welfare then helped the firms to increase their performance. The findings further revealed that if a particular firm wanted to increase its performance, it may invest in social activities. The results were consistent with the study of Bnouni (2010). In addition, findings confirmed that firm size was negatively and significantly related to firm performance. This implies that firm size decreased firm performance. Earlier, Hsu & Petchsakulwong (2010) also came up with similar findings. Furthermore, our findings also revealed that leverage (LEV) and CEO duality (CEOD) had no impact on firm performance.

Now moving towards the financial sector, the value of R^2 for the whole financial sector sample indicated that the independent variables were explaining a 25.6% variation in firm performance. The value of F-statistics 5.680 indicated that the model used in this study was a good fit and was confirmed by the significant p-value. The p-value of board size and CEO duality showed that both of these variables had no impact on the firm performance. The results were supported by findings from Assenga et al. (2018) and Aslam et al. (2019).

The results further showed CSR disclosure of the financial sector had no significant impact on firm performance. Erdur & Esen (2014) also found the same results. The estimated coefficient value of firm size (FS) showed a positive and significant relationship with firm performance. The result implied that an increase in total assets increased firm performance. The coefficient value of leverage (LEV) showed that high leverage led to decrease the firm performance. This result implied that more debt financing decreased the overall firm performance (Suardi & Noor, 2015).

The value of R^2 of the financial sector during the non-political indicated that the independent variables were explaining a 30.2% variation in ROA. The value of F-statistics 31.750 indicated a good fit regarding mode. The study found interesting results in the non-political period. During the non-political period, the results showed that board size, board independence, CEO duality, CSR disclosure, and firm size were not significantly related to firm performance. The results further prove that CG structure except for CEO duality and CSR disclosure was not significantly related to the firm performance in non- political governments for both sectors of Pakistan. It implied that in an authoritarian government, the dictatorial rulers had the complete control. It further proved that in a non-political environment, firms did not have a better governance system. Hence, firms did not socially contribute to society as well. The coefficient value of leverage (LEV) revealed that a high percentage of debt financing decreased the firm performance. In the financial sector, under the non- political period, the findings revealed that the firms may reduce leverage to increase their performance. The findings were consistent with Taani (2012).

The value of R^2 during the political sample of the financial sector indicated that the independent variables were explaining a 36.8% variation in ROA. The value of F-statistics 4.332 indicated that the model used in the study was a good fit and was confirmed by the significant p-value. The coefficient value of board size (BI) showed that it was positively and significantly related to firm performance. The finding implied that more directors on

the board helped the firms to improve their performance. Similar findings were produced by Wei (2007). Similarly, the estimated coefficient of CEO duality (CEOD) proved that it was positively and significantly related to the firm performance at the 1% level of significance. The findings highlighted that firms may focus on CEO duality to increase their performance. The estimated coefficient of corporate social responsibility disclosure (CSR) during a political period showed that more CSR activities help to increase the overall firm performance. The results implied that disclosure of CSR activities helped the firms to increase their performance. Similar to the non-financial sector, the findings of the financial sector under the political period also highlighted that firms may increase activities related to social disclosure to increase their performance. The similar results were produced by the study of Yang (2018). The estimated coefficients of firm size (FS) and leverage (LEV) showed that both were negatively and significantly related to firm performance at the 5% level of significance. Interestingly, the results of the political period revealed that both CG and CSR indicators were positively and significantly related to firm performance. The result implied that the political government provided more opportunities to the firms to make a better and healthy CG structure as compared to the non-political government. In addition, a political government provided more opportunities and avenues for firms to invest resources for the betterment of society. These actions of human welfare played a vital role in uplifting the living standards of a common man. These actions resulted in boosting the growth and prosperity of an economy.

Table 3: Regression Results

	Non-Financial sector			Financial sector		
	Dependent Variable ROA					
Variables	**Overall Sample (2001-2018)**	**Non-Political (2001-2008)**	**Political (2009-2018)**	**Overall Sample (2001-2018)**	**Non-political (2001-2008)**	**Political (2009-2018)**
C	0.459***	0.271	0.51	0.577**	-0.018	0.232
	-2.774	-1.053	-1.646	-0.172	-0.164	-1.728
Board Independence	0.058	0.455*	0.713*	-0.031	-0.026	0.728**
	-1.261	-0.211	-0.277	-1.031	(-0.580)	(-0.128)
Board Size	0.003	0.009	0.734***	-0.002	0.001	0
	-0.457	-0.66	-0.21	(-0.630)	-0.28	(-0.124)
CEODuality	-0.415**	-0.591**	0.024	0.009	-0.001	0.643***
	-0.154	-0.183	-0.677	-0.33	-0.05	-0.124
CSR	0.426*	0.012	0.843**	0.671**	0.014	0.501**
	-0.128	-0.278	-0.172	-0.234	(-0.425)	-0.096
Firm Size	-0.385**	0.01	0.421**	0.915***	0.009	0.025**
	-0.099	(-0.978)	(-0.091)	(-0.206)	-1.54	(-2.010)
Leverage	0.114***	0.576***	-0.024	-0.590**	-0.512***	-0.675**
	-3.073	-0.155	-0.496	(-0.210)	(-0.180)	(-0.167)
No. of observations	764	391	378	431	194	237
R-Square	0.342	0.331	0.61	0.256	0.302	0.368
F-stat	6.952***	5.061***	9.670***	5.680***	31.750***	4.332***
Prob (F-stat)	0.00	0.00	0.00	0.00	0.00	0.00
Hausman (p)	0.00	0.00	0.00	0.00	0.71	0.00

* Note. *, **, *** indicates the level of significance at the 1%, 5%, and 10% respectively.

5 Conclusion

The main purpose of this study was to empirically examine the impact of CG structure and CSR disclosure on firm performance under different government systems (political and non-political). The study used a sample of 44 firms from non-financial and 27 firms from the financial firms listed in PSX for the time 2001-2018. The study concludes that a better CG structure and improved CSR disclosure are important for the shareholders, practitioners, and government regulators. Further, a good CG structure helps the firms to maintain a long healthy relationship with all of their stakeholders. Similarly, CSR activities also support to create a positive reputation and goodwill for firms in the eyes of their stakeholders. Therefore, both eventually help the firms in increasing their performance. Therefore, this

study is an effort to empirically examine the effect of CSR disclosure and CG structure on the firm performance during the different government systems. The CSR index is created using twelve (12) indicators relevant to Pakistani firms. The indicators are selected based on previous literature. Furthermore, the study used three important indicators of CG structure (board independence, board size, and CEO Duality) that show the credibility and effectiveness of the CG structure. The results revealed that CG structure and CSR disclosure under the political government helped the firms increase their performance. The results imply that in a political government, more opportunities are given to the firms by the government to improve their CG structure and invest more resources in human welfare including the environment, customers, and employees. In future research, the number of CSR indicators and CG measures maybe increased to expand the knowledge base of CG structure, CSR disclosure, and firm performance.

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