Board of Directors, Management Ownership, and Capital Structure and Its Effect on Performance: The Case of Palestine Securities Exchange

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Abstract

This manuscript offers an empirical investigation of three variables that have an effect on the financial performance of the corporations listed in the Palestine Securities Exchange (PSE). The three variables are a- board of directors' characteristics (size and composition), b- management ownership, and c- capital structure. Furthermore, this paper uses the same methodology as (Belkhir, 2009; Pesamaa, Klaesson, and Haahti, 2008; Ghosh, 2003; Dowen, 1995). It employs various statistical techniques to examine the hypotheses (descriptive analysis, and ordinary least square; simple and multiple regression). Besides, 28 Palestinian corporations were selected for applying statistical analysis within four years 2005-2008. The results of the study indicate that the Chief Executive Officer CEO-Chairman separation does not have any significant impact while the CEO-Chairman duality has a significant impact on the financial performance. Additionally, the paper finds out that the board size has a significant negative impact on the financial performance. In addition, this paper concludes a positive impact of management ownership on the financial performance. Finally, we conclude that the debt financing has no influence on the profitability of Palestinian corporations. Therefore, we recommend the Palestinian legislator to consider the findings of our paper when he decides to publish the Palestinian company act. In the end, we hope that the Palestinian legislator to take in consideration the current model of Daraghma and Alsinawi study when he issues the new Palestinian company law.

Keywords: Palestine Securities Exchange, Management's ownership, Board of directors' characteristics, Capital structure, Company law, Financial performance

1. Introduction

There is a strong interaction between the law and business. For instance, this interaction comes to organize the work mechanism of business organizations. Moreover, each country issued its company act and a set of regulations for the purpose of managing and organizing the business. Besides, each financial market issued a set of bylaws to control the listed companies. Accordingly, in the UK, the study of (Paulo, 2008) shows that the main objective of commercial regulations and laws is to enhance the financial performance of the corporation. In addition, in Taiwan, the financial performance of banks was increased when the authority issued the revised company act; Chiou, (2009). And, the study of (Pakamore, Pusnakovs, and Timofejevs, 2010) showed that there is a positive impact of company law on the process of enhancing the financial performance of the firms; particularly when the law is revised. On the other hand, in Palestine, up-to-date all listed companies are required to follow the instructions of Jordanian company act # 12 that issued in 1964 so, there is an important question: to which extent the company act # 12 is relevant to the business environment in Palestine. For this reason, this study comes to investigate two important issues: a- evaluating the company law # 12, b- Investigating the relationship between the company law and the performance of Palestinian companies that listed in Palestine Securities Exchange; PSE.

The Palestine Bourse or the PSE was instituted in 1997, as a private company in the districts of Palestine national authority; PNA *[note 1]*. Since then the PSE issued a set of bylaws that govern and regulate the relations with the listed corporations. Up-to-date there are 40 corporations trade in this market. The process of regulating and governing the corporate managerial structure and the characteristics of the board of directors has become a focal topic in the study of corporate performance. A number of studies show that a well structured managerial body that separates between the CEO and chairman with an optimal number of directors will improve the financial performance of a corporation (Belkhir, 2009; Krivogorsky, and Diego, 2006). Furthermore, some attribute wealth maximization and high financial performance with the casual direction of designing optimal capital structure followed by corporations (Berger, and Patti, 2006; Majumdar and Chhibber, 1999; Jensen, 1986). Additionally, a number of studies provide evidences that indicated a strong positive influence of insider ownership on the financial performance of a corporation (Gao and Song, 2008).

Observation and reasonable previous assumptions lead the authors to the working hypothesis that a well designed board of directors, management ownership and optimal capital structure should be associated with the financial performance of a corporation. However, under the agency costs hypothesis, a low equity/asset ratio [capital structure] reduces the agency costs of outside equity and increases firm value by constraining or encouraging managers to act more in the interests of shareholders (Jensen and Meckling, 1976; Harris and Raviv, 1991; Myers, 2001). In addition, a number of studies indicate that the proportion of shares held by top management is positively related to firm performance (Gao and Song, 2008; Holderness, 2003; Gordon and Schmid, 2000).

After the Oslo agreement between the Palestinians and the Israelis in 1993, the Palestine National Authority [PNA] continued to adopt Jordanian company law [JCL] number 12 of 1964. Whereas, article number 104 of JCL requires a corporation to establish board of directors consists of 5 to 11 members. In addition, JCL allows a corporation to increase the number of directors beyond 11 persons. This procedure requires approval of from the Minister of Economy. Furthermore, the study of (Alsinawi, 2008) showed that the Palestinian laws permit a corporation to select CEO-Chairman duality or separation between these positions. However, in Palestine, some corporations merge these positions and some of it separates these positions. Then, JCL allows selecting merge of separation. For this reason, in this paper we will decide the best choice rely on empirical evidence from our economy. Moreover, the study of Alsinawi, (2008) shows that the board size should be conformed to the size of a corporation. Moreover, it shows that a negative relationship between the board size and the performance.

Palestine Securities Exchange [PSE] is emerging market, and was established since one decade. Thus, there is no evidence about the influence of board of directors themes, management ownership, and capital structure on the financial performance of Palestinian corporations (which has not been studied extensively in the Palestinian literatures). However, the study of Awad, and Daraghma, 2009 is considered the first study of market based empirical research in Palestine. Thus, there is motivation for testing the impact of our study variables on the financial performance of Palestinian corporations. This lack of empirical studies encourages us to investigate this issue. However, the results of this study are expected to assist the investor to take the precise decision about holding or selling the stock and will help Palestinian lawmakers for establishing bylaws and commercial regulations. In other words, this study comes to:

1) Examining the impact of board of director themes on the financial performance of Palestinian corporations listed in the PSE. Moreover, in this manuscript, we focus on two themes: a- board of directors' composition (Chief Executive Officer CEO-Chairman separation model or CEO-Chairman duality model), b. board of directors' size. Afterward, we can easily recommend the Palestinian legislators (lawmakers) to take these issues in consideration.

2) Testing the influence of insider ownership on the financial performance; thus this point of view comes because the company act in Palestine allows the employees to buy the stocks were issued by their corporation. Therefore, this study will test the impact of this factor on the financial performance. After that, we can easily recommend the Palestinian legislators to take this matter in consideration.

3) Investigating the impact of capital structure on the financial performance; thus, the capital structure is the sources of funding which includes two elements are a- debts financing. b. equity financing. In addition, until now there is no corporation listed in the PSE issued bonds. However, the company act #12 allows a firm to issue all types of financing tools while the PSE bylaws included a set of restrictions regard the process of issuing the bonds. Consequently, the results of our study help us recommend the Palestinian lawmakers take this subject in consideration.

All the last three points; represent the drivers of performance as mentioned by the researchers in this field as (Jensen and Meckling, 1976; Shleifer, and Vishny 1988; McConnell and Servaes; 1990; Yermach, 1996; Krivogorsky, and Diego, 2006; Pesamaa, Klaesson, and Haahti, 2008; Belkhir, 2009). For this reason, we are very interested in exploring this topic in Palestine.

On behalf of matching the purposes of our paper, we use concrete methodology and follow the previous work in this area. Our methodology relies on descriptive analysis, and ordinary least square; simple and multiple regression. Additionally, we check the availability of parametric tests assumptions to present strapping proof. This study is however, organized into six sections as follows: Section 2 displays the previous research; Section 3 presents the hypotheses of the study; section 4 reports the data and research method; section 5 displays the results of hypotheses testing, and Section 6 indicates the conclusion remarks.

2. Previous Literatures

Various prior studies were applied around the world tested the influence of board of directors structure, and composition, management ownership, and capital structure on the financial performance of the corporations. The study of (Jensen and Meckling, 1976) showed that management's equity ownership helps to resolve the agency problems and improve the corporation's performance. However, some studies support the view that management’s equity ownership does not always have a positive effect on corporate performance (Alsinawi, 2008; McConnell and Servaes; 1990; Morck, Shleifer, and Vishny 1988). Also, Fama and Jensen (1983), and Holderness, (2003) demonstrate that managers who own enough stock to dominate the board of directors could expropriate corporate wealth. Moreover, the study of (Jensen, 1993) argues that if board size increases, board become less effective at monitoring management because of free-riding problems amongst directors and increased decision-making time. As well, the study of (Dowen, 1995) aimed to shed light on the relationship between the quality of the individuals on a corporation's board of directors and performance. It reports the results of an empirical study of a sample of Fortune 1000 firms. The findings suggest that quality board is associated with financial performance.

In this context, (Yermach, 1996) found a positive relationship between performance and the proportion of outsiders on the board. In addition, some studies have found a positive relation between CEO shareholdings and the financial performance (Morck, Shleifer, Vishny, 1988; McConnell and Servaes, 1990; Mehran, 1995). Moreover, (Brick, Palmon, and Wald, 2005) found that the director compensation should affect the financial performance. Furthermore, the study of (Krivogorsky, and Diego, 2006) aimed to examine the influences of board of directors composition and ownership structures on the profitability of a firm using (return on equity: ROE, and return on assets: ROA) using data from 87 European firms, which were foreign U.S. registrants during 2000–2001. Results indicate a strong positive relation between the level of ownership and profitability ratios, and between the portion of independent directors on the board and profitability ratios. No strong relation was found between the portion of inside directors or level of managerial ownership and profitability in continental European companies. Furthermore, the study of (Lauterbach, and Vaninsky, 1999) examined the effect of ownership structure on firm performance. The study analyzed data of 280 Israeli firms and employed the technique of Data Envelopment Analysis. It is found that owner-manager firms are less efficient in generating net income than firms managed by a professional (non-owner) manager, and that family firms run by their owners perform (relatively) the worst. This evidence suggests that the modern form of business organization, namely the open corporation with disperse ownership and non-owner managers, promotes firm performance. In addition, the study of (Gao and Song, 2008) explored the relationship between management ownership and firm performance. Using the panel data of Chinese listed firms from 2000 to 2004, they attempt to avoid some of the deficiencies in research design and performance indicator selection in prior studies. The results show that the proportion of shares held by top management is a positively and significantly related to firm performance. Empirical tests of sub-samples in each year confirm the above conclusion. Besides, the study of (Berger, and Patti, 2007) investigates the effect of capital structure on corporate performance using a panel data sample representing of 167 Jordanian companies during 1989-2003. The results showed that a firm's capital structure had a significantly negative impact on the firm's performance measures. Also, the study indicates that when debt to equity ratio arises the performance will be low.

As aforementioned, the analysis of previous literatures implies that:

Firstly, management's ownership helps resolve the agency problems and improve the firm's performance. However, some studies support the view that insider ownership does not always have a positive effect because the managers who own enough stock to dominate the board of directors could confiscate corporate wealth.

Secondly, various studies have found evidence that:

1- If board size increases, board become less effective at monitoring management because of free-riding problems amongst directors and increases decision-making time.

2- Qualified board is associated with financial performance.

3- There is a positive relationship between the performance and the proportion of outsiders on the board.

4- There is a Positive relationship between the CEO shareholdings and the financial performance.

5- Director compensation should affect the financial performance.

6- There is a positive relationship between the portion of independent directors on the board and the profitability.

Finally, the previous literatures have been showed mixed evidence about the influence of high debt in capital structure on the financial performance. Furthermore, the review of prior empirical evidences addressed some research question: to which extent the boards of directors' characteristics, management ownership and capital structure of Palestinian companies have influence on the financial performance. Therefore, our paper comes into sight to answer this important questions relying on strong methodology, and taking variety of statistical procedures into consideration.

3. Hypotheses

The purpose of this manuscript is to examine the impact of board of director characteristics [BDC], management ownership [MO], and capital structure [CS] on the financial performance of Palestinian corporations that listed in the PSE. The null hypothesis states that there is no influence of BDC, MO, and CS on the financial performance of Palestinian corporations. What is more, we explore the previous variables due to the following factors, which are:

a- The required data for the purpose of analysis is available in the records of the PSE and the annual report of Palestinian Corporation.

b- The previous literatures explored the impact of these dimensions whereas; there is no evidence from Palestine regarding this issue.

c- The econometric models were used in this study have been tested by the previous researchers. This matter helps us to generalize the findings of our paper in Palestine.

Relying on the previous discussion, the null and alternative hypotheses are:

3.1 The first hypothesis

H_0: There is no influence of board of director themes [CEO-Chairman duality, and Board size] on the financial performance of Palestinian corporations.

H_1: There is influence of board of director themes [CEO-Chairman duality, and Board of size] on the financial performance of Palestinian corporations.

3.2 The second hypothesis

H_0: There is no influence of management ownership on the financial performance of Palestinian corporations.

H_1: There is influence of management ownership on the financial performance of Palestinian corporations.

3.3 The third hypothesis

H_0: There is no influence of capital structure [debt financing] on the financial performance of Palestinian corporations.

H_1: There is influence of capital structure [debt financing] on the financial performance of Palestinian corporations.

4. Data and Research Method

This section illustrates data, measurement of variables, and study models as follow:

4.1 Data

The data used in this paper is consisted of cross sectional time series of study variables, which related to the corporations were listed in the PSE from first of January 2005 to the end of December 2008. As well, all of the variables (board of director characteristics, management ownership, and capital structure) were taken from electronic record of the PSE [www.p-s-e.com] and annual reports of Palestinian corporations. Added to this, for implementing the statistical analyses 28 companies were selected. We employ the most well known statistical methods that used in the literatures to test the influence of study variables (BDC, MO, and CS) on the financial performance (return on revenues; ROR). On the other hand, our study used parametric methods *[note 2]* to test the hypotheses through employing two different procedures, which are descriptive statistics, and simple & multiple regression analysis.

4.2 Study Variables

The variables used in this study are defined as follows:

I- The dependent variable (return on revenues or return on sales)

ROR_{it}: return on revenues or sales for firm I in period t, which defined as follows:

$$ROR_{it} = \frac{NOPAT_{it}}{R_{it}}$$

Where:

$NOPAT_{it}$: net operating income after tax of the firm I for the period t (accounting income after tax).

R_{it}: net revenues or sales that related to firm I during the period t.

NOPAT and S were calculated for a 12-month period from the beginning of the fiscal year t to the end of year t (from January 01, to December 31 for period t).

II- The independent variables are (board of directors themes, management ownership, and capital structure). On the other hand, we measure these variables as follow:

1– Board of directors: In our paper, we concentrate on two dimensions, which are:

a– CEO-Chairman duality [D_d]. However, the studies of (Jensen, 1993; Pi and Timme, 1993) show that separating the titles of chairman and CEO will reduce agency costs and improve firm performance. We measure this variable using dummy variable takes the values 1 or 0. However, D_d=1 when a firm separates CEO and chairman functions, and D_d= 0 otherwise.

b- Board size [BS_{it}]. We measure this variable using the number of directors of the firm I for the period t. A number of empirical studies have documented a negative effect of board size on firm performance (Alsinawi, 2008; Eisenberg et al., 1998; Yeramck, 1996; and Jensen, 1993).

2– Management ownership [MO_{it}], this variable is measured as the percentage of management ownership. We measure this variable by dividing the number of shares owned by management on the total number of issued and outstanding common shares.

3– Capital structure [CS_{it}]: our study uses debts/ assets ratio for measuring this variable. This ratio shows the percent of debt for firm I in period t. However, the study of (Krivogorsky, Grudnitski, and Dick 2009) indicates that high debt/assets ratio leads to positive performance.

4.3 The models of study

To test the hypotheses, our paper utilizes the following econometrics models:

4.3.1 The first model

Model number one was designed based on the previous literatures. These literatures stated that, the financial performance would be influenced by the characteristics that describe the board of directors. Accordingly, a number of our peers showed that the CEO-Chairman separation model is the best strategy that maximizes the performance as (Belkhir, 2009; Krivogorsky, and Diego, 2006). In addition, many studies concluded that there is a negative relationship between the number of directors in the board and the financial performance as (Fama and Jensen, 1983; and Holderness, 2003). Therefore, we formulate the first model in order to test the proposition number one of this study. Model 1 is presented below:

$$ROR_{it} = \theta_0 + \theta_1 D_{dit} + \theta_2 BS_{it} \quad [1]$$

Where:

θ_0: constant.

θ_1: the coefficients of separating the titles of chairman and CEO.

θ_2: the coefficient of board size.

D_{dit}, BS_{it}: as defined in section number 4 of this study (see study variable section).

4.3.2 The second model

Many studies documented debated theories about the influence of management ownership on the financial performance. For instance, Jensen and Meckling, 1976 proved that management's equity ownership helps to resolve the agency problems and improve the performance. On the other hand, many researchers had another vision that management's ownership does not always have a positive effect on corporate performance (Morck, Shleifer, and Vishny, 1988; McConnell and Servaes, 1990; Alsinawi, 2008). In addition, (Fama and Jensen, 1983; Holderness, 2003) demonstrate that managers who posses enough stock to control the board of directors could confiscate corporate wealth. Therefore, we create the second model in order to examine the proposition number two of this study. Model 2 is offered below:

$$ROR_{it} = \gamma_0 + \gamma_1 \ MO_{it} \qquad [2]$$

Where:

γ_0: constant.

γ_1: the coefficients of management ownership.

MO_{it}: as defined in section number 4 of this study (see study variable section).

4.3.3 The third model

Many authors show that there is a positive impact of the debt ratio (debts ÷ equity) on the financial performance as (Jensen and Meckling, 1976; Harris and Raviv, 1991; Myers, 2001). Therefore, we conclude that the debt tools like the bonds will improve the financial performance. However, in Palestine, there are restrictions regarding the process of issuing the bonds. For instance, there is no corporation has bonds in its capital structure but the companies in our economy have banking loans and commercial debts. Therefore, we produce the third model in order to examine the hypothesis number three of this study. Model 3 is offered below:

$$ROR_{it} = \psi_0 + \psi_1 \ CS_{it} \qquad [3]$$

Where:

ψ_0: constant.

ψ_1: the coefficients of debt/ assets ratio [the percent of debt in capital structure].

CS_{it}: as defined in section number 4 of this study (see study variable section).

5. The Results

In this section, the hypotheses of our paper are tested. For this purpose, we employ a number of statistical tests that include descriptive statistics, and ordinary least square methods. Moreover, below is the result of each hypothesis.

5.1 The first hypothesis; the impact of board of directors themes (composition and size) on the financial performance

Model number one is used for testing hypothesis number one, which states, "The make-up and size of the company's board of directors does not influence its financial performance". Table 1 explains comparative analysis between the corporations that adopted CEO-Chairman duality model or separation of these positions. We note that the Palestinian corporations that merged the functions of CEO and chairman achieved an average return of $0.24249 while the corporations that separated these functions achieved an average return of 0.15089.

In addition, we use ordinary least square [OLS] analysis for testing the impact of CEO-Chairman separation on the financial performance. However, Table 2 shows that the constant is 0.242 and statistically significant at 0.01. Whereas, the coefficient -0.095 and statistically insignificant. Then, we conclude that duality is the best choice because the companies adopted duality model has the heights performance.

Furthermore, our paper aims to test the influence of board size on the financial performance of the Palestinian corporations. Table 3 shows the result of OLS. However, there is a negative impact of directors' size on the financial performance. And, the coefficient -0.029 and statistically significant. For this reason, we advise the Palestinian corporation to follow company law regards the process of determining the number of directors.

As well as, we employ the multiple regression to test the impact of CEO-Duality and Board size on the financial performance. Table 4 illustrates a negative statistically insignificant influence of the board separation while board size has significant negative impact on the financial performance. In our opinion, we recommend the Palestinian corporations to merge the functions of CEO and chairman. Also, we advise these corporations to follow company law number 12 of 1964 when deciding to determine the number of directors. In addition, we note that many companies violated the company law by having more than 11 directors. However, the Company Law allows a firm to establish board consists of 5 to 11 persons.

5.2 The second hypothesis; the impact of management ownership on the financial performance

The second objective of our paper aims to test the influence of management ownership on the financial performance of Palestinian corporations. For achieving this objective, we run simple linear regression. Table 5 shows that management ownership affects positively on financial performance. Furthermore, the response coefficient of management ownership 0.187 is statistically significant. This result indicates that the management ownership has positive impact on the financial performance.

5.3 The third hypothesis; the impact of capital structure on the financial performance

Finally, the third purpose of our paper is to test the impact of capital structure on the financial performance. We use the debt to total assets ratio (testing the impact of debt financing on the performance). Table 6 shows that there is no impact of capital structure on the financial performance of Palestinian companies. However, we conclude that the debt financing does not influence on the profitability.

6. Conclusion

The relationship between corporation's financial performance and the requirements of company law is debatable matter in Palestine because there is no evidence that introduced about this contemporary issue. For this reason, our paper deals with findings out the influence of the three dimensions are required by the company law number 12 on the financial performance for the companies that listed in the Palestine Securities Exchange; PSE. The three dimensions are *a*- the board of directors' characteristics, which represent board size and composition. *b*- management or insider ownership. *c*- capital structure. Consequently, this paper employs concrete methodology and uses econometric models that help us add new evidence from our economy. Therefore, 28 corporations were selected for examining the propositions of this study. The sample of this paper covers 4- years from 2005 to 2008. Additionally, this paper concludes that the corporations, which use the CEO-Chairman model, have a better financial performance as opposed to the ones that use the separation model. This result is too different from the previous work as Belkhir, 2009; Krivogorsky, and Diego, 2006. Moreover, this result may refer to the fact that a large number of the listed companies in the PSE are family-owned. Therefore, the leader of family-owned corporations is the owner who takes these functions in order to monitor his wealth and maximize it. For this reason, in Palestine the company act is flexible about this issue. In addition, the records of Palestinian corporations show the reality that all the family-owned companies achieved high performance. Thus, we conclude that CEO-Chairman duality is the best alternative because the company depends on duality model that has had the best performance. Additionally, this manuscript indicates that the board size has a significant negative impact on the financial performance. This result may refer to the following causes; the increases in the board size lead to: *a*- conflict among the directors, *b*- dispersion of votes because the conflict leads the company to the loss, *c*- long discussions that possibly lead the firm to incorrect decisions. Accordingly, this result is compatible with the previous literatures as (Fama and Jensen, 1983; Jensen, 1993; Holderness, 2003). Additionally, this paper finds out a positive impact of management ownership on the financial performance. Therefore, this result is consistent with the previous literatures as Jensen and Meckling, 1976. Finally, we conclude that the debt financing does not affect the profitability of Palestinian corporations. This is because that the Palestinian corporations do not issue the bonds until now.

Finally yet importantly; according to the previous findings, our recommendation to the Palestinian legislator to accomplish the following actions:

I. Adjusting the current company act or issuing Palestinian company act.

II. The Palestinian legislators should allow the company to select CEO-Chairman duality model or to adopt separation model. More clearly, the company has freedom of choice between duality or separation. If it selects the first, he should get a scientific degree and practical experience that go on with the nature of company activities.

III. Changing or adjusting the law text that related to the number of directors, which allows the number to become 5-9 members only instead of 5-11 without any interference from the specialized minister.

IV. Palestinian legislator should allow the company to issue the bonds to enhance its performance.

V. If the corporation selects the separation model it would be better that, the firm grants the manager the reward in the form of stocks. This procedure will reinforce the manager to enhance the financial performance of a corporation.

In the end, we hope that the Palestinian lawmaker to take in consideration the current model of Daraghma and Alsinawi manuscript when he issues the new Palestinian company law.

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Notes

Note 1. On 18th, February 1997, the PSE held its first trading session as the initial completely automated and electronic stock exchange. Moreover, until now there are scarcity of an empirical explorations derived from the data related to the PSE, and the listed companies. This shortcoming has motivated us to provide empirical evidence about this issue to be added in the context of international evidence.

Note 2. We use the Jarque-Bera test for checking normality of study variable. The test indicates that all variables follow the normal distribution. This motivates us to use parametric statistics.

Tables

Table 1. Comparative analysis of financial performance according to the theme of CEO-chairman

CEO and Chairman model	Dummy variable	ROR mean (performance)
CEO-Chairman duality	0	0.24249
Separation of titles	1	0.15089

Table 2. Result of simple linear regression for testing the influence of CEO-Chairman duality on the financial performance

$$ROR_{it}= \theta_0 + \theta_1 D_{dit}$$

(θ_0) Constant	θ_1	F-Value	Pearson Correlation	R^2
0.242 2.775**	-0.095 -0.741	0.550	-0.144	0.021

*D_{dit}: Dummy variable takes the values 1 or 0. However, D_d=1 when a firm separates CEO and chairman functions, and D_d= 0 otherwise. And ** Significant at 0.01, ** significant at 0.05*

Table 3. Result of simple linear regression for testing the influence of director's size on the financial performance

$$ROR_{it}= \theta_0 + \theta_1 BS_{dit}$$

(θ_0) Constant	θ_1	F-Value	Pearson Correlation	R^2
0.506 2.102 *	-0.029 -3.318**	4.764**	-0.252	0.064

*** Significant at 0.01, ** significant at 0.05*

Table 4. Result of multiple linear regression for testing the impact of CEO-Duality and Board size on the financial performance

$$ROR_{it}= \theta_0 + \theta_1 Dd_{it} + \theta_2 BS_{it}$$

(θ_0) Constant	θ_1	Θ_2	F-Value	R^2
0.513 2.095 *	-0.061 -0.490	-0.026 -2.581*	2.976*	0.072

*** Significant at 0.01, ** significant at 0.05*

Table 5. Result of simple linear regression for testing the influence of management ownership on the financial performance

$$ROR_{it} = \gamma_0 + \gamma_1 MO_{it}$$

(γ_0) Constant	γ_1	F-Value	Pearson Correlation	R^2
0.209 3.189**	0.187 4.215**	7.651**	0.0231	0.053

*** Significant at 0.01, ** significant at 0.05*

Table 6. Result of simple linear regression for testing the influence of debt financing on the financial performance

$$ROR_{it} = \psi_0 + \psi_1 CS_{it}$$

(ψ_0) Constant	ψ_1	F-Value	Pearson Correlation	R^2
0.192 1.528	0.009 0.041	0.032	0.1024	0.01

*** Significant at 0.01, ** significant at 0.05*