THE IMPACT OF CORPORATE GOVERNANCE AND CAPITAL STRUCTURE ON FINANCIAL PERFORMANCE: A CASE STUDY OF INSURANCE COMPANY OF PAKISTAN

Maha Ateeq[1], Sajida Gul*[2], Dr. Faryal Raheem[3], Hina Gul[4]

[1]BBA, Department of Management Science, Abasyn University Peshawar, KPK, Pakistan, [2]Assistant Professor (Ph.D Scholar), Department of Management Science, Abasyn University Peshawar, KPK, Pakistan, [3]Assistant Professor, Department of Management Science, Abasyn University Peshawar, KPK, Pakistan, [4]Assistant Professor (Ph.D Scholar), Department of Management Science, Abasyn University Peshawar, KPK, Pakistan

[1]mahaateeq1998@gmail.com, *[2]sajida.gul@abasyn.edu.pk, [3]faryal.raheem@abasyn.edu.pk, [4]hina.gul@abasyn.edu.pk

Article History: Received on 13th February, 2022, Revised on 20th May 2022, Published on 30th June 2022

Abstract

Insurance companies are one of the vital financial sector which constitute the most substantial proportion of all sectors. The intention of the study is to check the impact of corporate governance and capital structure on financial performance from insurance sector of Pakistan. The present study used secondary data from the annual reports of insurance companies and also from others sources like different articles, journals, thesis and insurance companies' websites from 2016-2020 have been studied based on the panel data. Population of this study based on all companies (financial and non-financial) listed on PSX in which the financial sectors have been taken as a target population in out of 544 companies and 35 sectors. Insurance companies have been considered as sample by using purposive sampling technique based on the data availability because data is collected from 21 companies out of 29 insurance companies and also based on the efficient performance level. Shapiro-Wilk Test, Variance Inflating Factor (VIF), Breusch-Pagan Test, Fixed Effects Model, Hausman Test and Regression Model were used to analyze the data to get the results of this study. The finding of the study indicates that the implementation of corporate governance and its dimension (MO, IO, BOD), capital structure and its dimensions (STR, LTR, DER) proceed to better financial performance and higher revenues in the insurance sector of Pakistan as shown by the study that the overall model is fit and showing significant relationship but on the basis of hypothesis corporate governance and financial performance has insignificant relationship which is rejected whereas, capital structure and financial performance has significant relationship. Correspondingly, practitioners and officials are endorsed to make such strategies that allow uncomplicated implementation of corporate governance, capital structure and its dimensions in insurance sector of Pakistan. The study proposes the strong consciousness regarding the implementation of different policies in all the practices of insurance companies especially in Pakistan as per updated codes of CG by SECP (securities exchange commission of Pakistan). In order to improve the financial performance in insurance companies in Pakistan, a strong understanding about corporate governance and capital structure must be developed by employees for a better future of insurance sector.

Keywords: Corporate Governance, Capital Structure, Financial Performance, Insurance Companies, Pakistan Stock Exchange (PSX)

INTRODUCTION

Corporate governance is the direction, administration and control of an organization; it primarily focuses on the interactions between many internal and external stakeholders engaged as well as the governance procedures created to aid an organization to achieve organizational objectives. The processes and controls created to lessen or completely eradicate the principal-agent issues are also of utmost importance (Aldamen, 2017). Corporate governance is a technique used to boost a bank's financial performance and the concerns of interested parties such as board of directors, shareholders, employees, and executive management (Ashenafi and Kelifa, 2018). On this topic, numerous researchers have worked (Brooks, 2016; Creswell, 2018; Freeman, 2019; Imam and Malik, 2019).

A company's capital structure describes how it uses a combination of stock and debt to finance its assets. Capital structure links managerial and institutional ownership, serving as a more effective tool for corporate governance and controlling corporate debt policy (Santosa, 2020). According to Kyriazopoulos (2019) and Buvanendra (2020), the capital structure of Greek and Indian listed companies is influenced by corporate governance, particularly ownership arrangements and audit quality. in particular, The empirical findings showed a significant association between ownership structure and board size on debt ratio levels, which is weakened during financial crises (Hoang & Phung, 2019). On the other hand, the existence of foreign ownership offers the necessary security to increase debt. Last but not least, growth prospects as measured by sales growth and profitability are the two firm-specific variables whose impact was adverse during the period of leverage constraints (Kyriazopoulos, 2017; Chow, 2019).

The financial performance of a firm is typically used to evaluate managerial performance (Jr, 2016). In order to attain financial goals within a given timeframe, Metcalf and Titard (1976) defined financial performance as the verification of performing financial movement. It is the task of calculating the financial impact of a corporation's decisions and operations. According to Metcalf and Titard (1976), a business firm's financial performance depends on an understanding of some of its financial features. It may confirm a company's situation at a specific moment as depicted in a declaration of financial position. The financial performance analyses the firm's financial strengths and weaknesses by logically establishing relationships between the components of the statement of financial position and explanation of comprehensive pay, selecting the data pertinent to the decision under consideration from the financial articulations' aggregate information, and then organizing the data in a way that emphasizes significant connections, sharpens and makes interference.

Ratios are used as a standard for evaluating an organization's financial performance. They aid in the quantitative evaluation of an organization's performance and the condensing of enormous volumes of financial data. The sub-dimensions considered as an internal processes of business financial performance including return on asset (ROA), return on equity (ROE) and earnings per share (EPS) (Myers, 2016; Joeveer, 2017; Kim & Kitsabunnarat, 2017; Rabiah, Sabri & Khairuddin, 2018; Baltaci and Ayaydin, 2018; Dada & Ghazali, 2018; Fan Titman & Twite, 2019).

As far as different literature is considered, most of the studies have been done to check the impact of corporate governance on financial performance by selecting different sectors and methodological techniques in different context (Nawaz, Ahmad 2017; Rivelles & Sapena, 2018; Budiharjo, 2019; Nuryana, Surjandari 2019; Ullah et al., 2019; Fauzan et al., 2020; Paniagu et al., 2020; Mathur; Khandelwal,2020;Tiwari, Chebolu, 2020).

Hence like that also checked the impact of corporate governance on financial performance in different context (India, Indonesia, Iraq, Malaysia, Kenya, Pakistan, America) by considering different sectors and techniques (Jamal & Mahmoood, 2018; Goel, 2018; Al-Tamimia, 2020; Albart et al., 2020) in which scholars found that there were some contradictory results. Some were some found neutral results, some of them were positive and some were negative mean found misleading in results between the variables (Wang et al., 2019; Bayu & Hunde, 2020; Indiastuti et al., 2020).In some of the studies the researcher found that capital structure has been taken as a mediator in some of the studies, few studies corporate governance has been taken as a mediator between the variables (Corporate Governance, Capital Structure and Financial Performance) cited by (Nuryana, & Surjandari, 2019; Robert et al., 2020; Tran & Doan, 2020) but most of the studies ignored the corporate governance and capital structure effect on financial performance in a combined form yet (Mathur; Khandelwal; Tiwari; Chebolu, 2020; Al-Tamimia, 2020).

The basic tenet of the stakeholder theory suggests that stakeholders are crucial for a firm's success as they have an impact on the firm's long-term strategic goals. As a result, the study's underpinning theories are stakeholders and agency theory to show the relationship between corporate governance, capital structure, and firm financial performance (Al-Gamrh, Ismail, Ahsan and Alquhaif, 2020). By guiding organizations' strategic decision-making, this approach addresses difficulties in business and society (Clarkson, 1995; Harrison, 2015; Waheed, Zhang et al., 2020). Despite the fact that agency theory is frequently connected to the division of ownership and control, the literature also examines issues like the BOD's varying incentives to oversee management and protect shareholders' interests (Fama and Jensen 1983; Jensen and Meckling, 1976), how corporate governance affects agency problems reflected by entrepreneurs and more (Brunninge, 2007; Zahra, 2000), firm performance (Eisenberg, 1998), and market value (Daily and Dalton 1992). So, the present study intends to check the effect of corporate governance and capital structure on financial performance in which corporate governance and capital structure have been considered as an independent variable and financial performance is considered as a dependent variable by selecting insurance company of financial sector listed on PSX from 2016-2020. Because insurance companies play a vital role in order to promote the socio-economic development of modern economy. It is a policy where an insurance company promises to pay benefit on the death of the person whose life is insured (Okiro, 2015). Previous researches have been done using these variables as mediating or moderating role in different sectors particularly on banking sector. But here corporate governance and capital structure are used as an independent variables and financial performance as a dependent variable which would definitely be helpful in insurance sector and could be used practically as well.

LITERATURE REVIEW

The relationship between corporate governance and financial success in many economic sectors has been studied extensively. In Pakistan, the banking and financial services, insurance, and non-financial industries, as well as the textile industry (Ashraf, 2017), all have a significant impact on corporate governance and firm performance (Jizi, 2017; Mansur and Tangl, 2018; Okoye et al., 2016) Corporate governance has both little and major effects on various industries and countries around the world (Palaniappan & Rao, 2018). Numerous studies have examined the effect of corporate governance on firm performance using a group of publicly traded companies from different stock markets in various countries (Bauer, 2017; Klapper & Love, 2017; Durnev & Kim, 2017).

In a corporation, increased managerial ownership can result in good corporate governance. Managerial ownership is crucial because it serves as an incentive mechanism for directors, who are opportunistic unless they have the right incentives (Abdallah & Ismail, 2017; Kumar & Zattoni, 2020), in accordance with agency theory. While institutional ownership refers to the ownership of stock in a company by an institution, such as a bank, insurance company, investment firm, or another institutional owner. Institutional investors have the resources to effectively monitor and examine management's operations, which deters managers from making excessive investments and has an impact on how well a company performs (Alipour, 2016; Elmagrhi, 2016;

Parrino, 2019). Recently, it has been discovered that institutional investors are more inclined to use their ownership rights to influence management to undertake shareholder-friendly initiatives (Aggarwal, 2016; Jong, 2017; Cornett, 2018; Chaganti and Damanpour, 2018; Parrino, 2019).

The phrase "capital structure" refers to a long-term financing structure made up of long-term debts, owners' capital, and preferred shares. Financial structure and capital structure were frequently used interchangeably in several researches. But they represent quite different ideas. The firm's financial structure illustrates the relationship between all of its liabilities and all of its assets (Suto, 2003; Myers, 2015; Gitman, 2016; Watson & Head, 2017; Ferrarini, Hinojales, & Scaramozzino, 2017; Khan, Qu, Shah, Bah, & Khan, 2020). The debt to equity ratio, short-term and long-term debt ratios, and debt to equity ratio are the primary parameters used in this study to assess the influence of capital structure. One of the most crucial decisions that a company must make is whether to work with equity or debt, which is one of the capital structure's two primary components. The key choice that will ultimately influence profit maximisation and the ability to compete in the market is choosing the appropriate ratio of equity to debt (Garcia-Terul and Martinez -Solano, 2016; Pelham 2016; Driffield, Mahambare, & Pal, 2016; Teruel and Solane 2016; Kraus & Litzenberger, 2016; Peavler, 2017; Ullah, 2017; Agyei, & Owusu, 2018; Prasetyo, 2019; Weinraub and Visscher 2020).

A measure of a company's capacity to produce a profit and financial health is called financial performance. Financial performance, according to Freeman (2015) and Ristriawati (2015), a gauge of how successfully and efficiently a manager or business accomplishes appropriate goals. According to Febryani and Aulfadin (2016), a firm's performance is a key objective that must be met by any organization, regardless of location, as performance is an indicator of the firm's capacity for resource management and allocation. In order to get the conclusion that a company's performance is an accomplishment made by the company over a predetermined period of time that illustrates the organization's financial position in accordance with accepted standards The performance evaluation can be used to determine the performance that has been made (Edwards, & Nibler, 2000; Cahyani, 2017; Chugh, Meador & Kumar, 2017; Cheema & Din, 2017; Bhagat, & Bolton, 2018; Danso, Adomak et al., 2019).

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

CG & FP

Many organizations have expressed interest in the influence and application of corporate governance (CG), as it has a significant impact on institutions' financial stability. We did not follow the conventional format when we reviewed empirical studies, which clarify the authors' methodological approach, the time span they covered, etc. Instead, we focused on the authors' key conclusions. Empirical investigations on the link between CG and FP produced contentious findings (Abobakr, 2017; Ahmed et al., 2017; Dzingai and Fakoya, 2017; Ahmed. 2017), in some of studies documented a positive relationship between of CG and FP of firms including banks (Filip, Vesna and Kiril, 2014; Bebeji et al., 2015; Bussoli et al., 2015; Ashfaq and Saeed, 2017; Alam and Akhter, 2017). Similarly, limited studies reported negative linked between variables of CG and FP (Kusuma and Ayumardani, 2016; Okoye et al., 2016; Aldalayeen, 2017) and found that CG has significant effect on banks' FP. On the other hand, few studies revealed that there is no significant effect of CG on banks performance (Esan, Ananwude, & Okeke, 2020).

H_1: There is a significant effect of CG on FP

CS & FP

As per literature knowledge, large enterprises tend to look for capital from stock sources rather than loan sources, according to Fama and Jensen (2003). Increased transaction costs and information asymmetry, which are more prominent in small companies than large ones, are to blame for this. Additionally, acquiring outside capital is challenging for small enterprises. This highlights how firm size influences the connection between the financial performance and capital structure of non-financial organizations. Firm managers may find it challenging to choose capital structures due to the difficulties in finding the optimal (Noreen, 2013). The relationship between the listed companies' financial performance and capital structure is moderated by their size (Peavler, 2017; Ullah, 2017; Chugh, Meador & Kumar, 2017; Agyei, & Owusu, 2018; Prasetyo, 2019; Danso, et al., 2019; Weinraub and Visscher, 2020; Meshack et al., 2020).

H_2: There is a significant effect of CS on FP

CONCEPTUAL FRAMEWORK

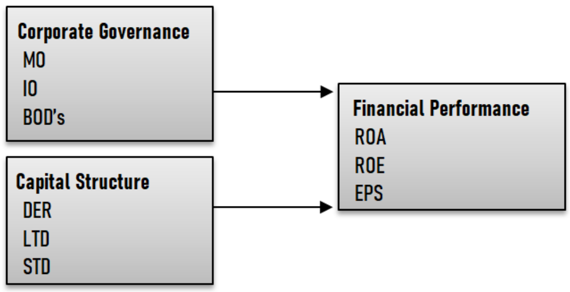

Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

The type of this study based on descriptive and quantitative in nature. Data for this study collected from secondary source like Pakistan Stock Exchange (PSX). The population has been considered from the listed companies on PSX in which the financial sectors have been taken as a target population in out of 544 companies and 35 sectors. Insurance companies have been considered as sample by using purposive sampling technique based on data availability because data is collected from 21 companies out of 29 insurance companies and also based on the efficient performance level. In this study the secondary data has been used. The STATA tool is used to calculate the results of this study by applying different tests such as descriptive statistics, shapiro-wilk test, VIF (Variance Inflation Factor) test, breusch-pagan test, fixed effect regression test, hausman test and regression test to check the impact of variables.

MODEL:

$$Y = \beta_0 + \beta_1(X_i) + \beta_1(X_i) + e$$

$$FP = \beta_0 + \beta_1(CG) + \beta_1(CS) + e$$

Table 1: *Measurement of Variables*

Variables	*Formulas*	*Source*
Independent Variable		
Corporate Governance		
MO	Number of shares held by directors and members of the board/total outstanding shares	Gul, Ullah, Gul, Rasheed, (2020)
IO	Number of shares owned by institution/number of shares outstanding year-end	Wafiyuddin, Pratama, Fitriani, Rachmavati, (2020)
BOD's	Number of meetings	Naciti, (2019)
Capital Structure		
Debt to Equity Ratio	Long term debts/Owner's equity	Ali & Faisal, (2020)
Short Term Ratio	Short term debt / (Short term debt + Equity)	Nawaz, Ahmad, (2017)
Long Term Ratio	Long term debt / (Long term debt + Equity)	Nawaz, Ahmad, (2017)
Dependent Variable		
Financial Performance		
ROA	Net Income / Total Assets	Gul, Ullah, Gul, Rasheed, (2020)
ROE	Net Income / Total Equity	
EPS	Company's net income/total number of outstanding shares	Nawaz, Ahmad, (2017)

RESULTS OF THE STUDY

The data analysis results are as follows.

Table 2: *Descriptive Statistics*

Variables	Obs	Mean	Std. Dev.	Min	Max
MO	105	7.809524	.464825	5	8.5
IO	105	7.42	1.040285	4.7	8.5
BOD	105	-6670476	.130884	.3	1.1
DER	105	1.071238	2.276313	-.95	9.07
STR	105	-.4254286	.3516391	-1.3	.7
LTR	105	-.3239048	.4731594	-2.5	.03
ROA	105	.6371429	1.319707	-1.09	6.2
ROE	105	.9684762	1.217218	-1.3	5.94

The above table shows the descriptive statistics of all variables in this study in which the mean value of MO is 7.809 with SD value of .4648 having the minimum value of 5 and maximum value of 8.5 in out of 105 observations. Similarly, under the 105 observation the mean value of IO is 7.42 and SD value is 1.040 with 4.7 minimum value and 8.5 max value. Moreover, the rest of variables values are mentioned below.

Table 3: *Shapiro-Wilk Test*

Variable	*Obs*	*W*	*V*	*Z*	*Prob>z*
Uhat	105	0.78	18.619	6.504	0.00000

The null hypothesis Ho: The error terms are normally distributed. The P-Value is more than 0.05 (5%) that's why the null hypothesis cannot be rejected.

Table 4: *VIF*

Variable	*VIF*	*1/VIF*
CG	1.01	0.990325
CS	1.01	0.990325
Mean VIF	1.01	

The value of vif for individual co-efficient is more than 10 (thumb rule) then there is a chance of multicollinearity and vice versa.

Table 5: *Breusch-Pagan Test*

chi2(1) = 73.54
Prob>chi2 = 0.0000

If the value of pair wise correlation for individual co-efficient is more than 0.80 (80) then as a thumb rule, there is a chance of multicollinearity and vice versa.

Table 6: *Hausman Test*

	(b) *Fixed*	*(B)* *Random*	*(b-B)* *Difference*	*Sqrt(diag(V_b-V_B))* *S.E.*
CG	.1897555	.1138301	.0759254	.1122791
CS	.0133074	.3444638	-.33115564	.1144297

chi2 (2) = 8.55 Prob>chi2 = 0.0139

The hausman test is used to determine the appropriate model between fixed effect and random effect model that which one would be selected as per the critical value. Here, the p- value is 0.0139, so the fixed effect model is appropriate in this study.

Table 7: *Fixed Effects Model*

Fixed-effects (within) regression
Number of observations = 105
Group variable: Company Code Number of groups = 21
R-square: Observation per group:
Within = 0.0095, Minimum =5
Between = 0.0193, Average = 5.0
Overall = 0.0186, Maximum = 5
Corr (u_i. Xb) = 0.0358,F(2,82)=0.39,
P> F = 0.6755

FP	*Coef.*	*Std. Err.*	*t*	*P>(t)*	*(95%Conf.Interval)*
CG	.1987555	.2171244	0.87	0.385	-.2421742
CS	.0133074	.1679943	0.08	0.937	-.3208868
cons	-.3685914	1.149289	-0.32	0.749	-.2.654893

F test that all u_i=0: F (20, 82)=31.98

Prob > F = 0.0000

In a fixed effects model, any form of link between the unknown factors and the observed variables is allowed. The effects of time-invariant effects on time-invariant variables are either totally or partially eliminated by fixed effects models. This holds true whether or not the variable is explicitly measured. The fixed effects regression model is widely used to lessen selection bias in the estimation of causal effects in observational data because it excludes significant portions of variance that are thought to contain confounding factors.

Table 8: *Regression Model*

Source	*SS*	*df*	*MS*
Model	30.558253	2	15.2791268
Residual	40.038990	102	.392538263
Total	70.59715	104	.678818813

FP	*Coef.*	*Std. Err.*	*t*	*P>(t)*	*95% Conf. Interval)*	*FP*
CG	-.0236283	.142486	-0.17	0.869	-.3062485	.258992
CS	.66652033	.075783	8.80	0.000	.5162051	.8168355
Cons	.6920079	.7567306	0.91	0.363	-.8089637	2.19298

Number of Observation = 105 Prob>F = 0.0000

F(2, 102) =38.92 R-squared= 0.4329

Root MSE = .62653, Adj R-squared = 0.4217

The table 8 indicates that there is a significant association among variables because the p- value is less than the critic vale 0.05, means that alternate hypothesis accepted and null hypothesis can be rejected having observations. The f- value is 0.90. The R^2 value is 0.4329 which explain the variation of dependent variable by independent variables. It is also called coefficient of variation to check the fitness of regression model.

Discussion and Conclusion

The current study intend to focus the impact of CG and CS of insurance sector of Pakistan in which three dimensions of each variable were taken in which CG includes managerial ownership, institutional ownership and board of directors, CS includes debt to equity ratio, short-term debt ratio and long-term debt ratio and lastly the financial performance includes ROA, ROE and EPS. This research was conducted to investigate whether is there any influence of CG and CS on the financial performance of insurance companies of Pakistan and are they practicing any of these dimensions in their work activities. Secondary source was used t collect the data from the annual reports of all insurance companies by using purposive sampling technique listed on PSX.

According to the current findings, there is a positive and significant impact of CG and CS on FP (Machmud et al., 2020). Sound CG is anticipated to improve FP and raise company value, according to several academics who have suggested that CG has a positive impact on a FP (Rahman, & Ibrahim, 2020). Other findings indicate that CS and CG have an impact on the firm's value. Additionally, using institutional ownership ratios and CS will raise the firm's worth. The outcome also demonstrates that FP acts as a mediator between CG, CS and firm value. It implies that if a company can become a useful monitoring tool, its value may rise (Nurazi, Zoraya, &Wiardi, 2020).According to the academics cited above, CG and CS have a conscious and considerable impact on the financial success of insurance businesses. The overall results of this research are fit and showing significant relationship but on the basis of first hypothesis which was to check the impact of CG and FP is rejected because there is no relationship between CG and FP is accepted showing alternate relationship, supported by [Ashfaq and Saeed, 2017; Alam and Akhter, 2017; Meshack, Nyamute, Okiro, & Duncan, 2020].

According to the consequences, it is finalized that corporate governance and capital structure plays a significant role in the financial performance of insurance companies of Pakistan. Correspondingly, the results shows that the dimensions of corporate governance (managerial ownership, institutional ownership, board of directors) and capital structure (debt to equity ratio, short-term debt ratio and long-term debt ratio) affect the financial performance of insurance sector. Hence the study revealed that dimensions of corporate governance and capital structure have positive significance on financial performance, as obtained by the secondary data collected through the annual reports of 21 insurance companies out of 29 companies based on the availability of data from the listed insurance companies on Pakistan Stock Exchange (PSX). The application of corporate governance and capital structure is the most crucial element in the financial performance of insurance sector. Each dimension of corporate governance and capital structure needs primary concentration in order to enhance the financial performance and to extend the insurance sector of Pakistan. Valid statistical analysis on collected authentic data by using secondary data collection method declared desired results concerning financial performance of insurance companies.

LIMITATIONS, FUTURE DIRECTION AND IMPLICATIONS OF THE STUDY

This study consists of some limitations due to lack of time and other resources. There were many financial sectors but due to time limitations only insurance companies in all over Pakistan were taken as a population. There are other dimensions of CG and CS with respect to research questions and research problems that have not been explored.

The report of the current researcher advocates that the aspects of CG and CS are to be given main attention including other areas specifically to improve the insurance companies FP of Pakistan. In order to enhance the FP of insurance companies the managers and employees must have a good understanding about the corporate governance policies either through training or by applying other methods to ensure the successful implementation of these practices in all the areas of insurance company's financial activities including the best way of controlling financial transactions.

Since the current study has some limitations regarding the facets of corporate governance and capital structure as the study investigated their impact on one of the financial institutions and ignored other institutions. The role of corporate governance and capital structure in non-financial institutions may also need to be investigated. There are many other practices and events that affect the financial performance that can be taken as a gap for the study. Moreover, the study skipped some of the dimensions of corporate governance, capital structure and financial performance that can be used.

The current study also supports the idea that, in order to improve financial performance, managers and employees must support capital structure and CG legislation. Additionally, given their strong and positive correlation, it is advised that corporate governance and capital structure be given adequate attention As long as the researcher has preferred to generally consider corporate governance and capital structure along with three dimensions to check their impact on financial performance. The present study advised some future prospects for the analyst i.e., each dimension of corporate governance and capital structure can be used separately to investigate their impact on FP. Additionally, the future investigation can be performed on other financial institutions like investment companies along with non-financial institutions.

Additionally, the subsequent analysis can be carried out by concentrating on the additional research that is advised to use samples or various company sectors as a comparison, such as the financial sector, trade, service, and investment sectors, as well as the agricultural, mining, property, and real estate sectors. Additionally, a variety of other variables, such as mediating and moderating variables, as well as a variety of various dimensions, can be taken into account while studying the financial sectors. The study is applicable with regards to all financial sectors of Pakistan like banking sector, insurance sector, mudaraba, musharakah, conventional or commercial sector, Islamic banking and many more as financial sectors are always deemed to be one of the most vital sectors for the economy to be able to function. The variables selected for the study are the most critical and major concerns regarding the growth and stability of financial sector. Yet there are many financial sectors that need awareness about the effect of the three aspects of CG and CS on their financial performance. The current study specifies the acknowledgement and grasp about the implementation of CG and CS and the appropriate attentions towards the application of all their three dimensions which will result in boosting FP of the insurance sector in Pakistan.

REFERENCES

Afriani, Y., Laba, A. R., & Aswan, A. (2020). The Effect of Managerial Ownership, Financial Performance, Corporate Competition on Stock Prices with Capital Structure as the Intervening Variable in the Coal Mining Companies Listed on the Indonesia Stock Exchange. Hasanuddin Journal of Business Strategy, *2*(1), 24-33.

Agyei, J., Sun, S., &Abrokwah, E. (2020). Trade-Off Theory Versus Pecking Order Theory: Ghanaian Evidence. SAGE *Open*, *10*(3), 2158244020940987.

Ahmed, E. R., Alabdullah, T. T. Y., Thottoli, M. M., &Maryanti, E. (2020). Does corporate governance predict firm profitability? An empirical study in Oman. *The International* Journal of Accounting and Business Society, *28*(1), 127-143.

Albart, N., Sinaga, B. M., Santosa, P. W., &Andati, T. (2020). The Controlling of Ownership on the relationship between Financial Performance and Capital Structure in Indonesia. *International* Journal of Finance & Banking Studies *(2147-4486)*, *9*(3), 15-27.

Al-Gamrh, B., Ismail, K. N. I. K., Ahsan, T., &Alquhaif, A. (2020). Investment opportunities, corporate governance quality, and firm performance in the UAE. Journal of Accounting in Emerging Economies.

ALI, A., & FAISAL, S. (2020). Capital Structure and Financial Performance: A Case of Saudi Petrochemical

Industry. The Journal of Asian Finance, Economics, and Business, *7*(7), 105-112.

Ali, H., Shafique, O., Khizar, H. M. U., Jamal, W. N., & Sarwar, S. (2021). CORPORATE GOVERNANCE AND DETERMINANTS OF COST ASYMMETRIC BEHAVIOR: EVIDENCE FROM PAKISTAN. PalArch's Journal of Archaeology of *Egypt/Egyptology*, *18*(1), 984-1008.

Almaqtari, F. A., Hashed, A. A., Shamim, M., & Al-ahdal, W. M. (2021). Impact of corporate governance mechanisms on financial reporting quality: a study of Indian GAAP and Indian Accounting Standards. Problems and Perspectives in Management, *18*(4), 1.

Al-Tamimia, R. A. H. (2020). Impact of Corporate Governance on Financial Performance of Banks in Iraq. *corporate governance*, *13*(7).

Bayu, K. B., &Hunde, D. A. (2020). Corporate governance and its effects on financial performance of banks evidence from selected private commercial banks in Ethiopia. Journal of Economics and International *Finance*, *12*(4), 187-195.

Braune, E., Sahut, J. M., &Teulon, F. (2020). Intangible capital, governance and financial performance. *Technological Forecasting and Social Change*, *154*, 119934.

Budiharjo, R. (2019). Effect Of Environmental Performance And Corporate Governance Structure On Financial Performance. *International* Journal of Academic Research in Accounting, Finance and Management Sciences, *9*(2), 11-22.

Dang, H. M., Hoang, D. V. A., Le, T. D., & Le, P. U. (2021). Test of the Strategic Market-Entry Hypothesis: Evidence from Corporate Governance in Vietnam. *Recent* Developments In Vietnamese Business And Finance, *1*, 3.

Danso, A., Adomako, S., Lartey, T., Amankwah-Amoah, J., & Owusu-Yirenkyi, D. (2019). Stakeholder integration, environmental sustainability orientation and financial performance. Journal of business research.

Esan, B. A., Ananwude, A. C., & Okeke, I. C. (2020). EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF SELECTED DEPOSIT MONEY BANKS QUOTED ON THE NIGERIAN STOCK EXCHANGE (2005–2017). *European* Journal of Economic and Financial Research.

Fitriyah, S., Makaryanawati, M., &Fauzan, S. (2020). The Effect of Corporate Governance and Financial Health on The Value of Companies Registered in Indonesia Stock Exchange. *International* Journal of Accounting & Finance in Asia Pasific (IJAFAP), *3*(2), 77-90.

Goel, P. (2018). Implications of corporate governance on financial performance: an analytical review of governance and social reporting reforms in India. *Asian Journal of Sustainability and Social Responsibility*, *3*(1), 4.

Gul, S., Ullah, I., Gul, H., & Rasheed, S. (2020). The Factors Affecting Dividend Policy: Empirical Study from Pharmaceutical's Companies in Pakistan (PSX). *European Journal of Business and Management Research*, *5*(5).

Harjitoa, D. A., Rahmanb, R. A., &Saidc, J. (2020). Corporate Governance Mechanisms and Financial Performance: New Evidence from Indonesian Family Firm. *Corporate Governance*, *14*(7).

Indriastuti, M., Suhendi, C., & Hanafi, R. (2020, April). The Role of Corporate Governance Mechanism in Enhancing Firm Value. In *3rd Asia Pacific International Conference of Management and Business Science (AICMBS 2019)* (pp. 167-170). Atlantis Press.

Jamal, S., & Mahmoood, W. (2018). Impact of corporate governance & capital structure firm financial performance: evidence from listed cement sector of Pakistan. *Journal of Resources Development and Management*, *44*, 24-34.

Machmud, M., Ahmad, I. H., Khalik, A., Murfat, M. Z., &Basalamah, J. (2020). Effect of Capital Structure and Good Corporate Governance on Financial Performance in Manufacturing Companies based on the Indonesia Stock Exchange.

Mathur, N., Khandelwal, P., Tiwari, S. C., &Chebolu, R. M. (2020). Corporate Governance, Capital Structure and Financial Performance: An Analysis of Indian Automobile Industry. *IUP Journal of Corporate Governance*, *19*(2), 32-43.

Matsoso, M. L., & Benedict, O. H. (2016). Financial Performance Measures of Small Medium Enterprises in the 21st Century. Journal of Economics, *7*(2-3), 144-160.

Meshack, K., Nyamute, W., Okiro, K., & Duncan, E. The Effect of Capital Structure on Financial Performance with Firm Size as a Moderating Variable of Non-Financial Firms Listed at the Nairobi Securities Exchange.

Mutua, L. M., &Atheru, G. K. (2020). Capital Structure and Financial Performance of Companies listed under Manufacturing and Allied Sector at Nairobi Securities Exchange in Kenya. Journal of Finance and Accounting, *4*(1), 24-38.

Naciti, V. (2019). Corporate governance and board of directors: The effect of a board composition on firm sustainability performance. Journal of Cleaner Production, 237, 117727.

Naveed, F., &Abdin, S. Z. U. (2020). Corporate governance mechanism and the risk exposure of Islamic mutual funds: evidence from Islamic countries. Journal of Islamic Accounting and Business Research.

Nawaz, K., & Ahmad, N. (2017). The effect of corporate governance and capital structure on firms' performance: Investigation on petroleum sector in Pakistan. *Journal of Independent Studies and Research*, *1*(15).

Nurazi, R., Zoraya, I., &Wiardi, A. H. (2020). The Influence of Good Corporate Governance and Capital Structure on Firm Value: The Mediation Role of Financial Performance. Media Ekonomi dan Manajemen, *35*(2), 230-242.

Nuryana, Y., &Surjandari, D. A. (2019). The effect of good corporate governance mechanism, and earning management on company *financial performance. Global Journal of Management and Business Research.*

Okiro, K. O. (2015). The effect of corporate governance and capital structure on performance of firms listed at the East African Community Securities exchange.

Orlitzky, M., Schmidt, F. L., &Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization studies*, *24*(3), 403-441.

Paniagua, J., Rivelles, R., &Sapena, J. (2018). Corporate governance and financial performance: The role of ownership and board structure. Journal of Business Research, *89*, 229-234.

Rahman, A. B. A., & Ibrahim, M. B. (2020). Effect of Corporate Governance and Capital Structure on Corporate Performance in Malaysian Listed Companies: A Conceptual Approach. Sustainable Business and Society in Emerging Economies, *2*(1), 37-46.

Robert, K., Richard, K., &Rono, P. The Effect of Capital Structure on Financial Performance of Firms in Kenya: Evidence from Firms Listed at The Nairobi Securities Exchange.

Song, Y., Wang, H., & Zhu, M. (2018). Sustainable strategy for corporate governance based on the sentiment analysis of financial reports with CSR. Financial Innovation, *4*(1), 2.

Ullah, M., Afgan, N., & Ahmad, S. (2019). Effects of Corporate Governance on Capital Structure and Financial Performance: Empirical Evidence from Listed Cement Corporations in Pakistan. Global Social Sciences Review, *4*(3), 273-283.

VU, T. M. T., TRAN, C. Q., DOAN, D. T., & LE, T. N. (2020). Determinants of Capital Structure: The Case in Vietnam. *The* Journal of Asian Finance, Economics, and Business, *7*(9), 159-168.

Waheed, A., Zhang, Q., Rashid, Y., & Zaman Khan, S. (2020). The impact of corporate social responsibility on buying tendencies from the perspective of stakeholder theory and practices. Corporate Social Responsibility and Environmental Management, *27*(3), 1307-1315.

Wang, P., & Muhammad, R. (2020). Corporate Governance and Financial Performance of the Firm: The Mediating Role of Capital Structure. Journal of Global Business and Trade, *16*, 49-65.

Wang, Y., Abbasi, K., Babajide, B., &Yekini, K. C. (2019). Corporate governance mechanisms and firm performance: evidence from the emerging market following the revised CG code. Corporate Governance: The International Journal of Business in Society.

Zainuddin, Z., &Mananohas, O. A. (2020). The Effect of Debt Policies, Profitability, Managerial Ownership Structure, and Liquidity on Dividend Policy. *The Indonesian* Journal of Accounting Research, *23*(3).