IJCBE

International Journal of Contemporary Business and Economics 2024, Vol. 02 (01) 31-44 ©TARC-2023. ISSN-Print: 3005-5350, ISSN-Online: 3005-5369

Corporate Governance and Financial Performance: Evidence from the Oil and Gas Sector of Pakistan during Covid-19 Pandemic

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Article History

Received: 15-03-2024
Accepted: 19-05-2024
Online: 23-06-2024

ABSTRACT:

The oil industry in Pakistan had never experienced such difficulties as it endured during the pandemic of COVID-19. This study gears the link between company governance and the industry performance of petroleum sector firms within Pakistan during the crisis. Look at a company's key success indicators to get an idea of how healthy its finances are. Some of these are ROA, ROE, and EPS. The information for the study came from oil and gas (O&G) companies on the Pakistan Stock Exchange (PSX) that worked from 2020 to 2022.Look at a company's key success indicators to get an idea of how healthy its finances are. Some of these are ROA, ROE, and EPS. The information for the study came from oil and gas (O&G) companies on the Pakistan Stock Exchange (PSX) that worked from 2020 to 2022. The study employed PLS Path Modeling, whose basis is the SEM technique. The study suggests that Financial Results of Enterprises in the Oil and Gas in Pakistan during the COVID-19 Epidemic were not largely affected by corporate governance. The results of the work in this study give an important command for the policymakers and professionals holding the business functions and the investors, Those who want to know how better government affects overall financial success and those who want to know how pandemics affect world economies. It is essential to undertake disciplined studies to tackle multidimensional issues behind the industry of oil and Gas, in Pakistan having unstable economic periods.

Keywords: Corporate governance, Organizational Development, Audit Committee.

How to cite this paper: Saeed, K., Hamid. M. A. B. A. (2024) Corporate Governance and Financial Performance: Evidence from the Oil and Gas Sector of Pakistan during Covid-19 Pandemic, *International Journal of Contemporary Business and Economics*, 02. (01), pp: 31-44).

Introduction

Corporate governance acts as the pivotal factor in defining the dynamics of the firm operating in today's complex business environment, as it significantly influences the strategic decision-making, transparency, and accountability of companies. Facing the complicated web of international economic environments, an oil and gas industry is indubitably the mainstay of its nation's flourishing economy and it plays a particular role in the normalization of the economy or in expanding it. In the history of Pakistan, the energy sector has made enough contributions to boost overall economic performance as it has been catering to all the energy needs of industries and businesses in the residential sector. Even though the industry had a lot of problems during the COVID-19 epidemic, which messed up supply lines around the world, the evaluation is still necessary to find out how ready the companies are. It could be a more general study of the link between good company governance and financial success, or it could be a more focused set of studies, it remains the most intriguing topic for researchers, regulators, and investors. What influence of external shocks, like the pandemic, on corporations' operational performances should not be overlooked, since it carries a special pin, when we talk about it. The global COVID-19 Pandemic functioned as a test for enterprises at the international level, where they have an interest in rethinking their corporate governance strategies owing to the accelerated scenarios that caused the pandemic. The main goal of this study is to find out how much Covid-19 affects the financial success of Pakistani oil and gas companies due to their management and corporate governance.

Evaluation of past financial performance is among the most important elements to be evaluated when it comes to the sustainability and health of an organization. Basic measures like ROA, ROE, and E.P.S. are used in the review process to determine what's best. So that this could be done during the pandemic, this study looked at how the corporate governance systems were linked to how the oil and gas business worked. The research is located within the context of understanding that the oil and gas industry needs huge capital plans and is subject to tough regulations under the government, as well as the side effects of geopolitical factors. Amid increasing challenges and complications, corporate governance has become more vital, since it helps the company make its way through them while positioning them to generate value for all the stakeholders in the long-term.

The study of this subject becomes crucial not only because of its academic appeal but also because of the jacanas unleashed into reality. During the global financial crisis, the government realized that corporations with good management tend to do well financially, and businesspeople and investors are relevant because it can show them important information. In addition to this, this research can give guidance to managers in the effective development of corporate governance that shall imbue the companies with more resilience to work in the Oil and Gas industry.

If these changes don't happen, other things may determine Pakistan's economic growth and progress. The main goal of this study is to find out how corporate governance affected the money-making of oil and gas companies in Pakistan during the COVID-19 outbreak, with a focus on determining whether it served as a mitigating or exacerbating factor.

1.1 History of the Petroleum Sector in Pakistan

Pakistan economy is growing slowly. Today, the current resources of oil and gas are needed to fulfill the current requirements of the country in Pakistan these recourses are not enough to full the increasing demand of oil and gas in the country's major part of oil and gas is imported from the

foreign country oil and gas reserves are proven 300 million barrels in January Pakistan is considered as petroleum province 866 at Kundal first well was drilled. In 886 small scale of oil is produced in Khattan (Baluchistan) in 95 commercial oil is discovered in Potwar basin (Punjab).OGDCL, or Pakistan Oil and Gas Company Limited, has been around since 960 and is in charge of finding and growing Pakistan's oil and gas reserves in an efficient way. Oil and gas were found in large amounts in both private and public areas in the year 973. As the price of oil and petrol has gone up, 350,000 barrels of oil are used every day, with 80% of that coming from outside the country. About 52 TCF of originally recoverable reserves are still in 208, and 33 TCF can still be used for production. The total amount of oil on hand has grown to 844 million barrels, with an extra 309 million barrels already there. The transport sector is considered as the biggest user of oil it consumes about 48% of total 36%is used by the power generation and remaining 2% is consumed in residential sector. The four main national companies that are involved are Pakistan Oil Fields Limited (OGDCL), Pakistan Petroleum Limited (PPL), Pakistan Securities Limited (PSL), and OGDCL. A company that looks for and produces oil and gas and has no personal responsibility. POC is owned by Mari Gas Co., Ltd. in a 93.4% stake. The Pakistan Oilfields Ltd. owns the whole of American Refinery, Inc. One company that does the processing is Oil processing. 26.00% of the company is owned by Attock Refinery Ltd.Pakistan State Oil Co. Ltd. was in charge of selling and distribution, and Pak-Arab Refinery Co. Ltd. owned 60%. 55.22 percent of petroleum marketing and distribution.

1.2 Underpinning Theory

The principal-agent relationship is explained by agency theory. The investors, who are really the owners of the business, choose someone to talk for them. A) how to make sure that the principal's and agent's goals don't conflict (the agency problem) and B) how to deal with the fact that the two parties aren't willing to take the same amount of risk. The CEO's job is to look out for the owners' best interests. The origins of agency theory starts from 960’s&970’s economists worked on the risk sharing among individuals and groups the problem arises when the parties have different attitudes toward the risk. Corporate governance term most generally utilized is "the framework by which organizations are regulated and controlled" (Cadbury Board, 992). All the more particularly it is the schema by which the different stakeholder investments are adjusted, or, as the IFC states, "the connections among the administration, Directorate, controlling shareholders, minority shareholders and different stakeholders".

How investors in a partnership can get a return on their money is set by the rules of company governance. How can account providers get managers to share in the reward? How can they be sure that managers won't waste their money on things that won't work? Who pays the people in charge of managing funds? Corporate administration is of gigantic viable imperativeness. Indeed in progressive business sector economies, there is a lot of contradiction on how great or awful the current legislation components (Musa & Ibrahim, 2022).Corporate legislation components and divulgence transparency measured by the level of Web budgetary reporting (IFR) conduct. As a way to measure how firms affect things, we look at things like council quality, ownership structure, board setup, and shareholder rights. We make a revelation record to figure out the IFR of each sample relationship based on presentation style, data content, and company influence exposures. The study found that companies with weak shareholder rights, executives who are not tied to the business, a persistent review board, and review council members who are seen as financial experts

are more likely to do internal financial reporting (IFR). The administration and the speculators have different amounts of data. This means that business impact methods change how an organisation shares information on the Web. The group has to pay for this. Other exploratory studies have found that the link between IFR and C-suite executives changes depending on the size of the business. Based on what we found, a change in company law policy towards stricter control of the administrative side of things should lead to more open reporting through IFR (Ebaid, 2022).

Corporate influence is about settling on educated choices and giving business certainty. In business, "corporate administration" refers to the rules, procedures, and structure of how a company is run. By following these rules, the company will be able to reach its goals in a way that benefits everyone and raises its value. Albedullah et al. (2022) say that in this case, stakeholders include owners, managers, customers, brokers, and even the general public.

Corporate Legislation is "A situated of frameworks, procedures and standards which guarantee that an organization is represented to the greatest advantage of all stake holders." It gives a promise of transparency and recognition of morals in set of principles and release of obligations by all the persons included in the issues of the organization. It concentrates on agreeability of different statutes and lawful necessities alongside essential revelations in order to permit the stakeholders make an educated and suitable assumption about the organization (Favotto & Kollman, 202)

Corporate Governance is to a great extent focused on office hypothesis suggestions. It is concerned essentially with the partition of obligations between principals -stockholders and executors -managers. Organization hypothesis guarantees that operators may be enticed to take after moving and make choices that are not to the principals' advantage. (Nugroho, 202). Corporate influence (CG) systems ensure speculators that they will get sufficient profit for their venture. Corporate influence is ordinarily followed path back to the early 930s and the distribution of Berle and Implies' "The Advanced Company and Private Property".

Adolf Berle and Gardiner Means said that the spreading of proprietorship and the split of ownership made it possible for corporate managers to be legally independent (Tajti, 2022). This is how the study is organised: In Section 2, the literature is reviewed. In Section 3, hypotheses are made. In Section 4, the methodology is explained. In Section 5, the data are presented and analysed. And in Section 6, the results are drawn.

2. Literature review

Everyone in the company knows that Corporate Governance is the most important thing that determines whether it succeeds or fails. One way to describe "corporate influence" is as the way that big businesses direct and encourage smaller ones. The stakeholder model says that all stakeholders are important, but shareholders are given more weight because they own the business. Whether a company chooses the shareholder representation model or the stakeholder model, corporate influence is becoming more and more built in. Karpoff made the case for this main goal of telling the difference between shareholder value and customer value in 2022. Because there are more financial and management issues, investors want the company to be run by people who are more exact and skilled.

There are a few decades of history behind company law, but it wasn't fully created in the UK until the early 1900s. After a string of financial scams and business failures in the 1980s, the UK set up an advice body called the Cadbury body. The story starts with their report (992). The Financial Reporting Syndicate, the London Stock Exchange, and financial experts all helped make it happen.

There was a deliberate effort by the council to make fun of the way the company was managed financially. The following reviews looked into director pay, set up committees on corporate governance, and looked into what directors need to do their jobs (Turnbull Report, 999; Hamper Report, 998). Not long ago, most Asian countries either didn't have any rules on corporate governance or didn't want to make any. The Association of Southeast Asian Nations (ASEAN), which is made up of countries like South Korea and Thailand, had a financial crisis in 1997. This slowed down economic growth in the area and was known around the world as the "Southeast Asian financial crisis." A lot of research has been done to try to figure out what caused this disaster. People thought that the disaster in Southeast Asia and bad business leadership were linked. Were the disasters' effects on making corporate laws caused by or a result of the effects on running the business? To find an answer to this question is one of the main goals of our science research..

Some pieces say that the Asian crisis brought these problems to light, and groups like the International Monetary Fund have said that strong influence apps are needed to stop these kinds of crises from happening again. One study, on the other hand, found that the problem was made worse by a lack of direction and self-management. After the crisis, Asia passed the SE Act and Business Code in 1999, the Code of Corporate Influence in India in 1999, and similar laws in other Asian countries. In 1999, SEBI set up a group in India, led by Kumarmanglam Birla, to push for Indian companies to use good corporate governance practices. Sebi felt it had to do something because businesses were being hurt by scams like MS Shoes. The report from the group was finished in 2000, but it wasn't used right away. In the Indian setting, the suggestions were seen as being too strict. No matter what, after the Enron scandal in 2002, Narayan Murthy led the creation of a new council whose job it was to make specific plans for using the power of companies. Condition 49 of the posting contract was finally put into effect in 2006, thanks to the ideas of these two groups. Afsharipour (2009) and Almaqtari et al. (2020) say that Indian corporate influence norms are formally similar to Old English American corporate administration principles. However, local differences often make it hard for these changes to be more than just formal. India's inability to carry out and enforce its many new decisions supports the idea that wide union is limited and that moving plans from one framework to another is a very complicated and hard process that requires huge political, social, and institutional changes that can't be made.

Kahtib and Nour (2021) asked 188 Malaysian companies that weren't in the financial services industry for their 2019-2020 study. The results show that the COVID-19 pandemic has changed how businesses work, how much debt they have, how much cash they have on hand, and how they are governed. Still, the times before and after the outbreak were not very different from one another. The study also found that the success of the organisation was greatly affected by the size of the board. Looking at the data broken down by year showed that board size didn't matter during this unclear time of crisis. When compared to last year, when diversity on boards was linked to worse company success across both metrics, it was linked to better performance during the crisis. The results showed that meetings of the board and audit committee hurt the performance of the company a lot, both before and after the COVID-19 epidemic began. During the COVID-19 outbreak, Anas et al. (2023) looked into how corporate governance principles affected how well companies did. We chose 151 non-financial companies from eleven different industries that are part of the NIFTY200

index for two years: 2019-2020 (before the COVID-19 pandemic) and 2020-2021. We used paired sample t-tests, panel data regression, and one-way ANOVA to do this. A lot of things about corporate governance were different before and after COVID-19. These included board size, audit committee size, audit committee independence, percentage of female board members, board attendance, and financial success as measured by Tobin's Q. Ather et al. (2023) looked at the gender diversity, ownership structure, board structure, and audit committee (AC) size of Pakistani banks to find out how well they were doing. The main goal of the study was to get an objective look at the factors that affect bank performance metrics. Using panel estimate methods, this study looked at a number of aspects of corporate governance to see how they affected the success of banks. This is what we did: we looked through yearly reports from nineteen different banks in Pakistan, covering the years 2013-2020.

Corporate governance assessments, on the other hand, are done by teams because they look at a lot of different things, like how many board members there are, how diverse those board members are, how big the audit committee is, how the company is owned, and whether there are two chief executives. According to this study, bigger boards with ACs are good for a company's success and bottom line. On the other hand, it turns out that this kind of work also slows down technology. In turn, this means that most measures of female output go down when banks make more money.

The literature review shows that there is more to the link between good corporate governance and the gas and oil industry's financial success in Pakistan during the Covid-19 pandemic than meets the eye. Because of how closely personal habits and societal norms interact, scholars have come to different conclusions. These conclusions have an effect on this important interaction. Some studies show that better corporate governance practices improve financial performance during slow economic times. Other studies, on the other hand, show the opposite or no benefit at all. It is important to do research and talk to people in order to fully understand the complicated oil and gas business in Pakistan during this epidemic. Because of this split in opinion, future researchers, politicians, and business experts will have to do even more in-depth studies. When there is a global disaster like the COVID-19 pandemic, it is very important to understand how governance affects financial performance. This is especially true in the oil and gas industry. It is very important to put in place new control practices and policies that help the business last through storms and be sustainable.

3. Theoretical Framework and Hypothesis Development

Consequently, the pivotal element of good governance in determining the resilience and adaptability of organizations to the crisis, the case of Pakistani Oil and Gas in the COVID-19 pandemic is explored. Needless to mention, the Oil and Gas industry is not only capital-intensive but also demands adherence to extensive governance rules and geopolitical factors. This lets us conclude that, along with generalizing the relationship between corporate governance and financial performance, we are to understand how the industry impacts the way it responds to unforeseen situations. This exploration appears to fill this gap in the body of knowledge by providing empirical evidence that will move the debate on sustainability, growth, and durability forward.

H0: It doesn't affect the bottom line of Pakistan's oil and gas business how well the company is run.

H1: The bottom line of the oil and gas business in Pakistan is affected by corporate governance in a big way.

Variables:

Return on assets (ROA)	(Net profit after tax –Preferred Dividend)/Total Assets
Return on equity (ROE)	Operating profit/total assets
Earnings per share(EPS)	Earnings available to common stock holders/number of shares outstanding
Number of directors (NOD)	Total numbers of persons working as the directors of the company
CEO duality (CD)	1 if CEO holds two positions otherwise 0
Number of committees (NOC)	No. of committees in each organization
Number of audit committee meetings (NOAC)	Audit committees held during specific period

Description of variables:

To get the return on assets (ROA), take the net profit after taxes and take away the payout on the preferred stock. Afterward, split the answer by the total assets. To find the return on equity (ROE), divide the working profit by the total assets. To find profits per share (EPS), divide the total amount of money that common stockholders can earn by the number of shares that are still outstanding. CEO duality means the CEO of the company holds two positions in the company. He holds CEO position as well as the Director of board. NOC shows the number of committees working in the organization and NOAC means the number of audit committee meetings are held in the organization.

4. Methodology

The main goal of this study was to look into how CG affects the oil and gas industry in Pakistan's finances. To do this, we looked through the whole Pakistan Stock Exchange (PSX) for any oil and gas businesses that were listed there. The information comes from audited yearly reports for 2020 and 2022 that can be seen by anyone. A structural equation modelling (SEM) method called partial least squares (PLS) was used in the case study. PLS is great at working with small data sets (Aisyah, 2022). After PLS processes, the most complicated model will have:

The signs on the most complicated part of the formative exam (or)

Two, the most antecedent structures that result in an endogenous construct.

You need at least 10 times the number of variables from (2) or (), whichever number is bigger. There are no structures in Figure that serve as formatives, but there are five that serve as antecedents. There are two steps needed to understand and analyse a PLS model:

(1) A decision about how reliable and correct the measure tool is.

2. An analysis of the main parts of the model ,our goal in assessing the measurement model was to find:

1. Individual item reliability.
2. A matrix for loading and cross-loading.
3. Two more are convergent validity/internal
4.consistency and discriminate validity..

We looked at how well each measure loaded with its own design to figure out how reliable each item was. Purwanto (2022) and Barclay (1995) say that items with loadings of 0.70 or more are usually accepted because they show that there is more shared variance between the concept and its measurements than error variance.

It is made up of four main companies: OGDCL, Pakistan Petroleum, Pakistan State Oil, and Oil Fields Limited. The Karachi Stock Exchange lists all ten of the chosen companies. The data came from the companies' official websites and their yearly reports that were made public. No first-hand information was gathered at all. The study looked at the three years between the fiscal years of 2020 and 2022. The dates from January 3, 2020, to December 3, 2022, were used to get the stock prices of each company. A number of websites were used to gather this information. To find the return on assets, take the net income and divide it by the value of all the assets. There is a percentage form for the phrase. Return on equity (ROE) is found by dividing net income by owners' equity. You can also write it as a percentage. We looked at and put together data for all three companies from 2020 to 2022 using measures related to corporate governance. These are the conditions that were

picked:

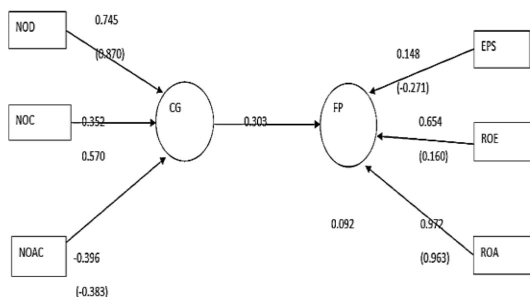
• This metric shows the organisation of the board by including the total number of directors as well as the total number of independent, non-executive, and executive directors. Based on what Govindan et al. (2023) say, this shows that the board is free to do its job.

• The practice of having a co-CEO was also seen as an example of good corporate governance (Yu, 2023).

• This parameter talks about specifics like how many and what kinds of people are on each company's corporate governance boards. Companies are very serious about following the rules for company governance. (Date not known).

• This measure is about meetings of board committees. It was only the audit groups that were looked at. According to Slomka-Golebiowska et al. (2023), this helps make the way corporations are run better.

Our research looked into the idea that there might be a link between how well a company is run and how well it does its job. Stock prices tend to be higher for companies that are honest and open with their customers than for companies that don't want to share information. So, it makes sense to think that better control will also help the company make more money. There are, however, things besides how companies are run that affect stock prices.



5. Result and discussions

A positive association between the number of directors and firm performance is indicated. In other words, the firm's performance (EPS, ROE, and ROA) tends to improve as the number of directors rises. This standard error estimates the degree of uncertainty associated with the path coefficient. A larger standard error indicates that the relationship is less certain. A positive relationship between the number of committees and firm performance, as indicated by the path coefficient of 0.352. Committees tend to improve as the number of committees expands. A relatively large Bootstrapped Standard Error (0.570) indicates some uncertainty in this relationship. The negative path coefficient indicates that an increase in the number of audit committees is associated with a decline in firm performance. This intriguing conclusion suggests that having an excessive number of audit committees may harm performance. Standard Error Bootstrapped (-0.383): The standard error is near to the coefficient, indicating a somewhat more stable estimate. The influence of the independent variables (NOD, NOC, and No. of Audit Committees) on EPS is evidenced. A positive coefficient indicates that corporate governance influences EPS positively. The negative Bootstrapped Standard Error (-0.271) is an outlier; standard errors are typically positive values. It could be a blunder or an anomaly in the information or analysis. A robust positive relationship between corporate governance variables and ROE (Path Coefficient = 0.654) is indicated. ROE typically increases as corporate governance improves. A relatively modest Bootstrapped Standard Error (0.160) suggests greater confidence in the relationship. Similar to the ROE coefficient, this coefficient indicates a significant positive relationship between corporate governance and ROA. Higher ROA is associated with increased corporate governance. Bootstrapped Standard Error (0.963): The magnitude of the standard error is comparable to that of the coefficient, indicating some uncertainty but a relatively stable estimate.

In addition to coefficients, standard errors must be considered. Greater standard errors indicate greater relationship uncertainty. Additionally, the negative standard error for EPS should be reviewed for correctness, as it's unusual. These findings provide insight into how corporate governance factors may influence firm performance, but they should be interpreted with caution due to the possibility of outliers or data issues. It may be necessary to conduct additional research and validation to confirm these relationships.

Outer Model Weights:

	Variables	Original estimate	mean of subsamples	Standard error	T-Statistic
Corporate Governance	NOD	0.8696	0.3323	0.4392	1.9798
	NOC	0.5698	0.1742	0.4787	1.1904
	NOAD	-0.3829	-0.4070	0.5504	0.6957
Financial Performance	ROA	0.9627	0.4738	0.3832	2.5121
	ROE	0.1598	0.3035	0.3658	0.4369
	EPS	-0.2705	0.0961	0.5631	0.4804

The original estimate indicates that an increase in the number of directors (NOD) has a positive effect on Financial Performance (the dependent variable). Specifically, Financial Performance tends to increase by 0.8696 units for each unit increase in NOD. This is the consensus estimate across multiple subsamples or iterations of the analysis, indicating that the positive relationship between NOD and Financial Performance holds for these subsamples. Standard Error (0.4392): The standard error reflects the estimation's uncertainty or variability. In this instance, it is moderate, indicating a degree of uncertainty in the relationship. The t-statistic (1.9798) quantifies the ratio between the estimate and its standard error. A t-statistic of 1.9798 indicates that the relationship between NOD and Financial Performance is statistically significant at an acceptable level of confidence (e.g., p 0.05). Initial Estimate (0.5698): According to the initial estimate, an increase in the number of committees (NOC) has a positive effect on Financial Performance. The average estimation of the effect of NOC on Financial Performance across subsamples is 0.1742 or 0.1742. This demonstrates a dependable positive relationship. Standard Error (0.4787): Compared to the estimate, the standard error is relatively high, indicating a greater degree of uncertainty in this relationship. T-Statistic (1.1904): The t-statistic of 1.1904 indicates that the relationship between NOC and Financial Performance is statistically significant, albeit possibly not as strongly significant as NOD. Original Estimate (-0.3829): According to the original estimate, an increase in the number of audit committees (NOAD) has a negative effect on Financial Performance. The average subsample estimate for the impact of NOAD on Financial Performance is -0.4070. This suggests an ongoing negative relationship. Error Standard (0.5504): The standard error is relatively high compared to the estimate, indicating a substantial level of uncertainty in this relationship. The t-statistic of 0.6957 suggests that the relationship between NOAD and Financial Performance may not be statistically significant at a conventional level of confidence (e.g., $p > 0.05$). Original Estimate (0.9627): According to the original estimate, a rise in Return on Assets (ROA) has a positive effect on Financial Performance. This is the consensus estimate across subsamples, which indicates a consistent positive correlation. Standard Error (0.3832): The standard error is moderate, indicating a degree of estimation uncertainty. The t-statistic of 2.5121 suggests that the relationship between ROA and Financial Performance is statistically significant with a reasonable degree of confidence. Original Estimate (0.1598): According to the original estimate, a rise in Return on Equity (ROE) has a positive effect on Financial Performance. Mean of Subsamples (0.3035): The

average estimate for the effect of ROE on Financial Performance is 0.3035, indicating a consistent positive relationship. Error Standard (0.3658): The standard error is moderate, indicating some degree of estimation uncertainty. The t-statistic of 0.4369 suggests that the relationship between ROE and Financial Performance may not be statistically significant at the conventional confidence level. Original Estimate (-0.2705): According to the original estimate, a rise in Earnings per Share (EPS) has a negative effect on Financial Performance. The average estimate of the relationship between EPS and Financial Performance across subsamples is 0.0961, indicating a muddled relationship. Standard Error (0.5631): The standard error is relatively high compared to the estimate, indicating that this relationship is fraught with considerable uncertainty. T-Statistic (0.4804): The t-statistic of 0.4804 suggests that the relationship between EPS and Financial Performance might not be statistically significant at a conventional confidence level.

In conclusion, these findings shed light on the relationships between various Corporate Governance variables and Financial Performance variables. While some research results are considerably significant <ac:sp datatype="aut-num" nil="true" type="attribute" value="nocas"/>others may seem insignificant though not fully significant. These findings may be of considerable relevance for understanding how the decisions pertaining to corporate governance impact the company's financial performance.

The original mean of Standard error t-statistic Variables Estimate subsamples					
Corporate Governance	(Composite Reliability =0.507 , AVE =(0.279)				
	NOD	0.7448	0.3009	0.4786	1.5561
	NOC	0.3519	0.1086	0.5032	0.6994
	NOAD	-0.3964	-0.4111	0.5695	0.6960
Financial performance	(Composite Reliability = 0.662 , AVE = 0.465)				
	ROA	0.9719	0.7055	0.3191	3.5508
	ROE	0.6536	0.6680	0.2737	2.0484
	EPS	0.1482	0.4178	0.5283	0.2805

The estimate (0. 7448) indicates the degree of association between the fourth and fifth parameters: the hidden factor, "Corporate Governance," is associated with its observed measure, "NOD." Here, the expressed relationship is positive and relatively strong. The estimate indicates the intensity of the relationship between "Corporate Governance" and "NOC." It indicates a positive relationship, albeit one that is lesser than that with NOD. The estimate is the intensity of the relationship between "Corporate Governance" and "NOAD." It implies a negative connection. The estimate (0.9719) reflects the strength of the relationship between the latent constructs "Financial Performance" and "ROA." It indicates a significant positive correlation, suggesting that ROA is a reliable indicator of financial performance. The estimate indicates the intensity of the relationship between "Financial Performance" and "ROE." It indicates a positive relationship, albeit one that is somewhat weaker than that of ROA. The estimate represents the intensity of the association between "Financial Performance" and "EPS." It suggests a positive relationship, but among the financial performance indicators, it is the weakest.

Composite Reliability and Extracted Average Variance (AVE):

Composite Reliability (Corporate Governance = 0.507, Financial Performance = 0.662): Composite reliability assesses the internal consistency or reliability of the latent constructs. The reliability of "Financial Performance" is relatively greater, as values above 0.7 are generally regarded as positive. Average Variance Extracted (AVE) (Corporate Governance = 0.279, Financial Performance = 0.465): AVE measures the proportion of variance captured by the latent

construct relative to measurement error variance. AVE values above 0.5 are regarded as favorable, so the AVE for "Financial Performance" is superior to that of "Corporate Governance."

In conclusion, these findings indicate that Return on Assets (ROA) has the strongest positive relationship with financial performance, followed by Return on Equity (ROE) with a moderately positive relationship. The Number of Directors (NOD) has the strongest positive relationship with the latent construct among the Corporate Governance indicators, while the Number of Audit Committees (NOAD) has a weaker negative relationship. The composite reliability of "Financial Performance" is greater than that of "Corporate Governance," indicating that financial performance indicators are more internally consistent. Additionally, the AVE for "Financial Performance" is relatively higher, indicating that the latent construct and its indicators are more congruent.

Table Path Coefficients (Original Sample Estimate):

	CG	FP
CG	0.0000	0.0000
FP	0.3030	0.0000

Path Coefficients Table (Mean of Subsamples):

	CG	FP
CG	0.0000	0.0000
FP	0.1468	0.0000

Path Coefficients Table (Standard Error):

	CG	FP
CG	0.0000	0.0000
FP	0.4202	0.0000

Path Coefficients Table (T-Statistic)

	CG	FP
CG	0.0000	0.0000
FP	0.7211	0.0000

Path Coefficients (Estimated from the Original Sample):

(Auto-Regressive Path): This represents the path coefficient between the latent construct "Corporate Governance" (CG) and itself (0.0000). The value of 0.0000 indicates that there is no relationship between CG and itself in the original sample (zero path coefficient). This is typically set to zero in SEM models and represents the auto-regressive path. FP -> CG: This is the estimated path coefficient between "Firm Performance" (FP) and "Corporate Governance" (CG). 0.3030 indicates a positive correlation between FP and CG in the original sample.

Mean Path Coefficients of Subsamples:

(Auto-Regressive Path): Your type (0.0000): Additionally, the auto-regressive effect between CG and its mean is found to be zero in the sub-sample analysis. FP -> CG: It suggests the path relation coefficient (PRC) between "Firm Performance" (FP) and "Corporate Governance" (CG) over the subsamples. The mean subsample value for FP-on-CG is 0.1468, signifying a positive connection, and therefore, an increase in demand.

Coefficients of the Path (Standard Error):

(Auto-Regressive Path):

Zero Standard Error (0.0000): Auto-regression is consistent.

FP -> CG:

Standard Error (0.4202): The FP-CG path coefficient has a standard error of 0.4202, indicating uncertainty.

Coefficients of Path (T-Statistic):

(Auto-Regressive Path):

T-Statistic (0.0000): The auto-regressive path's T-statistic is zero, indicating that this path is not statistically significant.

FP -> CG:

T-Statistic (0.7211): The T-statistic for the path coefficient from FP to CG is 0.7211, indicating that this path is not statistically significant at the standard significance levels (typically p 0.05).

In summary, these results suggest that there is no statistically significant relationship between Corporate Governance (CG) and itself (auto-regressive path) in either the original sample or the mean of subsamples. In both instances, the relationship between Firm Performance (FP) and Corporate Governance (CG) is not statistically significant. This indicates that, according to the SEM analysis, there is no evidence of a direct significant relationship between firm performance and corporate governance in this model.

6. Conclusion and Policy Implications

Asian countries contribute to comparable cultural qualities but do not share corporate governance applications. According to the results of this study which is based on a specific sector of oil and gas in Pakistan, firm performance was not affected by applications of corporate governance. Analysis was done on the three years of data gathered from annual reports and websites of 10 listed firms of oil and gas. A PLS graph used as a statistical tool in this study is a part of structural modeling techniques that is a helpful tool for handling small data. The main finding concluded by PLS was that our null hypothesis is accepted as indicated by the outcome generated by the test applied to the data i.e. corporate governance rules did not have any impact on firm performance in the oil and gas sector of Pakistan. Only two variables of main construct one from dependent and one from independent were significant and they were ROA and NOD. Other variables selected were not significant for this study.

There are some limitations of the study, firstly it is based on a specific sector of Pakistan so it cannot be generalized. Secondly, the tenure selected was very short consisting only of three years. Thirdly various determinants of both the main constructs were ignored that proved representative of them in the theory.

Future directions for this study will be to apply in the same sector in other countries. The same study can be conducted in Pakistan while considering other variables of corporate governance and firm performance. Another future direction can be that tenure can be enhanced to analyze the diversity of results.

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