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Influence of Board Traits and Audit Committee Characteristics on Firm Profitability: Study of Oman's Listed Companies

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Abstract – The purpose of the study is to investigate Influence of Board traits and Audit Committee Characteristics on firm profitability. The study has analyzed twenty financial sector companies listed on the Muscat Securities market, it has further segmented the financial sector in two segments banking sector and non-banking sector. Seventy Observations over a period of ten years have been analyzed for banking sector companies, one hundred and twenty-seven observations for similar period have been analyzed for non-banking companies.

Profitability is the main dependent variable as part of this study. Profitability is arrived by taking the average of return on equity and assets. Board Size[bs]; Board Independence[ind]; Audit Committee Size[acs] and Audit Committee meetings[nacm] are taken as independent variables taken as part of the study. In case of non-banking firms, no relation was found between profitability of the firm and various independent variables taken as part of the study except number of audit committee meetings. On the contrary in case of banking sector firms all independent variables as part of corporate governance mechanisms showed a relationship with profitability of the firm.

This is research-based paper and its contribution to the academic literature to Oman is of great value addition to the scarce literature available on the same topic. Different stakeholders can benefit from the findings and would facilitate their decision making in implementing new policies and strategies.

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1. INTRODUCTION

In todays globalized and interconnected world Corporate Governance [CG] acts as an integrated framework with various mechanisms. CG is aimed at ensuring the basic premise of any business that is shareholders fund protection and growth are addressed **(Steger, 2015)**. Commercial transactions with a viewpoint of generating wealth dates to centuries. However, with advent of Multinational and stock exchange listed companies it was imperative to have a wholistic mechanism to be in place which would govern the way business is conducted **(Bansal & Sharma, 2016).**

Board of directors one of the basic element in the CG framework has been studied extensively from various perspectives and most importantly the intellectual capability **(Shahwan & Habib, 2020).** Impact of CG with its various components on the performance of business is an area which has attracted lot of research **(Puni & Anlesinya, 2020).** Further impact of external elements like the political linkages of various business and its consequences have been analyzed to examine how the two are correlated **(Liedong & Rajwani, 2018).**

Businesses impact the economy of a nation this is another factor wherein the role of regulatory framework comes in to ensure that there are standardized processes in place to ensure the firms are governed in a transparent and ethical manner **(Beckers, 2017).** The various scams pertaining to organizations and their governance have attracted lot of media attention and negatively impacted the investor sentiments. This has led to issues of reputation on how the business is conducted in a particular economy. One looks to rescue and rely on some framework which would aid in preventing the same and CG is one of the most critical tool in achieving this objective **(Bhagat & Bolton, 2019).**

Present conditions and the dynamism with which technology has influenced the way business are run and governed. It is very important to evaluate the various corporate governance components and keep an eye on how they are put in actual practice **(Levitt & Securities, 2000).** Investors wealth needs to be protected in order to boost investor confidence and make sure that markets remain attractive option for the current and future potential investors **(La Porta et al., 2000) (Kiel & Nicholson, 2003).**

This paper aims and presents its findings as tow how the board traits namely the size of the board that is number of directors on the board along with independent board members impact the profitability of the firm. Audit committee characteristics like the size of audit committee and number of audit committee meetings impact and influence the profitability of the firm. The study has analyzed twenty financial sector companies listed on the Muscat Securities market, it has further segmented the financial sector in two segments banking sector and non-banking sector. Seventy Observations over a period of ten years have been analyzed for banking sector companies, one hundred and twenty-seven observations for similar period have been analyzed for non-banking companies.

2. REVIEW OF LITERATURE

Many theories are in realm when it comes to governing the way a firm conducts its business. One of the most important being the agency theory , its conflicts and how it impacts the operation and valuation of a business **(Munisi & Randøy, 2013).** Voluntary introduction of CG from the perspective of institutional theory and the agent principal conflict have been studied for its impact on firm performance **(Renders & Gaeremynck, 2012).**

Sustainability of any business is the key and facilitate the same accountability of the company's senior executives is the key to ensure business are profitable and sustainable. CG ensure that is basis desire of shareholders is met with as part of the process **(Al Hammadi & Nobanee, 2019).** This is the era of brand image; companies strive to ensure their brand reputation is enhanced using various marketing approaches coupled with understanding customer needs. From the perspective of conducting the business and ensuring its process does not pose a threat to brand reputation, CG comes to the rescue **(Salvioni & Gennari, 2019).** Role of corporate governance goes beyond the realm of its own business and covers area such as its obligation to the society it operates in. Its shapes up the business to be a good citizen as a corporate **(Rendtorff, 2019).**

Corporate governance is well established and respected framework facilitated by adequate regulation. Researchers have come up with concept of CG Deviance. This is vital from the shareholders perspective to evaluate how the firm is operating and to what extent the deviations are there in implementation of CG norms as against what are desired **(Aguilera et al., 2018).** The impact of CG on the performance and the profitability of the firm has been studied extensively and owing to wide popularity it is also attracting the attention of various business professional **(Brown et al., 2011) (DeZoort & Salterio, 2001).**

Economy of a country is driven by various sectors. However, the importance of financial sector and its impact on the economy is very critical. Banking sector as part of the financial sector played a key part in financial liberalization especially with advent of central banks **(Hahm, 2004).** In case of non-banking financial companies it is important they follow the CG norms duly supported by various internationally accepted standard on the similar like BASEL **(Adams & Mehran, 2003b)**

Board – directors as part of the board play a significant role in ensuring corporate governance norms are introduced and followed. Further, their role in providing support and guidance to the management in coping up with various challenges is worth noting **(De Andres & Vallelado, 2008).**

Board size which is the total number of directors present on the board of a company. Various companies have different board sizes. Impact of board size on the profitability of the company have been extensively studied. Some researchers have concluded that there exists inverse relationship between the size and profitability of the firm **(Pathan & Faff, 2013).** A smaller board size was seen to positively influence the profitability of the organization, the key rational being faster decision making and less bureaucracy **(Linck et al., 2008) (Yermack, 1996).**

On the contrary researchers in United States discovered a positive relationship between board size and company profitability. Networking of board members a key in driving the conclusion **(Adams & Mehran, 2003a).** Studies in case of Australian firms did indicate a positive correlation between the board size and profitability of the firm **(Kiel & Nicholson, 2003).**

Apart from size, the trait of board member is also important. Is the director involved in the day to day running of the business or is he a non-executive director? Corporate governance recommends that directors should be non-executive. Many researches have indicated a negative impact when the chairman performs dual role as CEO and Chairman **(Governanace & Hampel, 1998) (Jizi & Nehme, 2018).**

Independence of board also catalyzes the fact that board members who are independent bring in their expertise and are more suited to protect the interests of the ordinary shareholders **(Bin-Ghanem & Ariff, 2016).** Further recent studies in case of various companies in Bangladesh have a confirmed a positive relationship between the independence of directors and profitability of the firm **(Rahman & Saima, 2018).**

Audit Committees – the key task of audit committees is to ensure the shareholders wealth is protected and the business runs to increase shareholder value. Sustainability of the business as a consequence of effective implementation of various process **(Soliman & Ragab, 2014).**

There has been extensive research when it comes to concluding what is the right size of an audit committee. Various research in different part of the world have discovered that smaller audit committees have a negative impact on profitability of the firm. Key rational is scarcity of the skills available as audit committee **(Hermawan, 2011) (Akhtaruddin & Haron, 2010).**

Some researchers in Malaysia discovered and concluded that one should not see the quantity alone that is number of members who form the part of audit committee. However, the critical aspect is the quality, that is the skills and competencies the directors have as this influence the overall functioning of the audit committee **(Haniffa & Hudaib, 2006).**

Number of times an audit committee meets is another area of corporate governance which has been studied extensively. Various researches have concluded that it always better to have more number of meetings at frequent intervals as this would ensure various processes are monitored and supervised by the audit committee **(Jackling & Johl, 2009) (Vafeas, 2005).**

Shareholders put in their money which is referred to as equity, their key intent is to ensure and maximize the returns on their investments which is equity. Investors referring the ROE get a fair idea on how their returns are **(Damodaran, 2007) (Ichsani & Suhardi, 2015).** Returns on the total assets employed by the company also referred to as ROA, Researchers have found a positive relationship **(Ismi & Linda, 2016).**

Hypotheses Development

This paper aim at enriching the academic literature which is scarce when it comes to studies conducted in Oman with respect to corporate governance. The paper analyses the financial sector listed companies and studies the impact of board traits and audit committee characteristics on the profitability of the firm. The paper focuses on four corporate governance attributes:

I. Board Size - Board size and Business Profitability

Researchers in Turkey discovered no relationship between board size and business profitability **(Topak, 2011).** On the contrary a positive impact was observed between board size and business profitability in case of companies in Lebanon **(Chahine & Safieddine, 2011).** The null hypotheses to start with is taken as: Ho1- Board Size has no relation with Business Profitability

II. Board Independence - Board Independence and Business Profitability

Investigators in Kuwait discovered no relation between Board Independence and Business Profitability **(Al-Saidi, 2010).** On the contrary researchers in Thailand **(Pathan et al., 2007)** and in Malaysia **(Alhaji et al., 2013)** concluded a positive relationship between Board Independence and Business Profitability. The null hypotheses to start with is taken as: Ho2- Board Independence has no relation with Business Profitability

III. Audit Committee Size - Audit Committee Size and Business Profitability

Various research in different part of the world have discovered that smaller audit committees have a negative impact on profitability of the firm. Key rational is scarcity of the skills available as audit committee **(Hermawan, 2011) (Akhtaruddin & Haron, 2010).** The null hypotheses to start with is taken as: Ho3- Audit Committee Size has no relation with Business Profitability

IV. Audit Committee Meetings - Audit Committee Meetings and Business Profitability

Researchers in India discovered no relationship between Audit Committee Meetings and Business Profitability **(Bansal & Sharma, 2016).** However, investigators in United Kingdom found a positive relationship between Audit Committee Meetings and Business Profitability **(Zábojníková, 2016).** The null hypotheses to start with is taken as: Ho4- Audit Committee Meetings has no relation with Business Profitability

3. RESEARCH MODEL AND DESIGN

The key components and methodology which was adopted to conduct the research is highlighted.

Sample Size – Since the paper intends to conduct a study on financial sector where in companies from this sector listed on the Muscat Securities Market have been taken. In total twenty companies were taken. The duration is ten years from year 2010 until 2019. Seventy Observations over a period of ten years have been analyzed for banking sector companies, one hundred and twenty-seven observations for similar period have been analyzed for non-banking companies.

Profitability is the main dependent variable as part of this study. Profitability is arrived by taking the average of return on equity and assets. The study intends to find how various independent variables influence the dependent variable that is profitability.

Board Size[bs]; Board Independence[ind]; Audit Committee Size[acs] and Audit Committee meetings[nacm] are taken as independent variables taken as part of the study.

Control variables are also considered as part of the study, firm size measured as log of sales/revenue [S1] and firm size measured as log value of assets [S2]. Further the time in years the firm is listed in the stock exchange referred to as Age and the extent to which the business is leveraged is also considered as part of the control variable.

STATA has been used to conduct the data analysis. Primarily three tools were used

a) Descriptive Statistics

b) OLS Regression [Taking One Independent Variable at a time along with control variables]

c) Correlation between the all the variables

4. DATA ANALYSIS AND KEY FINDINGS

Since the study is split into two categories that is Banking and Non-Banking firms. To start with key findings for non-banking sector is presented.

Non-Banking Sector

Table1

summarize roa roe bs ind acs nacm lev age s1 s2, separator(10)

Variable	Obs	Mean	Std. Dev.	Min	Max
roa	130	.0146603	.065725	-.2192814	.2971429
roe	130	.0307439	.1285838	-.538323	.3540133
bs	130	7.015385	1.599344	5	12
ind	130	.9640354	.0926401	.2857143	1
acs	130	3.430769	.6462589	3	6
nacm	130	4.330769	1.532027	0	9
lev	130	.4658532	.2726059	.0009775	.8821535
age	130	23.88462	7.18702	11	46
s1	127	15.16407	2.075881	8.56465	18.41322
s2	130	15.61716	3.488874	8.002359	19.43546

** *Descriptive statistics all variables: non-banking sector*

The return on assets has a mean value of 1.4%, the range being 29.7% to -21.9%. The return on equity had an average of 3% with 35.4% as the maximum return and -53.8% as the minimum return. Board size for the firms taken as part of the study on average was found to be seven. 96% of the companies had 100% independence of board members. The average size of audit committee was just above three members. On an average four audit committee meetings were held which is line with regulatory framework of conducting at least one audit committee meeting per quarter. In some case the number of audit committee meeting went up to 9 per calendar year.

Table 2

. regress p bs lev age s1 s2

Source	SS	df	MS
Model	.07366444	5	.014732888
Residual	1.07812791	121	.008910148
Total	1.15179235	126	.009141209

Number of obs	127
F(5, 121)	1.65
Prob > F	0.1511
R-squared	0.0640
Adj R-squared	0.0253
Root MSE	.09439

p	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
bs	-.0038947	.0057816	-0.67	0.502	-.0153409	.0075515
lev	-.0322236	.0483065	-0.67	0.506	-.127859	.0634118
age	-.0000264	.0013347	-0.02	0.984	-.0026688	.0026161
s1	.0119273	.0064136	1.86	0.065	-.0007701	.0246247
s2	-.0043616	.0024366	-1.79	0.076	-.0091855	.0004622
_cons	-.0460397	.1104687	-0.42	0.678	-.2647416	.1726623

** Influence of board size on firm profitability

As evident from above table, with R squared at 6.4% it suggests that board size has no explanatory power on the profitability. The F value at 0.064 which is greater than 0.05 aids in deciding to accept the null hypotheses, that is board size has no relation with business profitability.

Table 3

. regress p ind lev age s1 s2

Source	SS	df	MS
Model	.09725726	5	.019451452
Residual	1.05453509	121	.008715166
Total	1.15179235	126	.009141209

Number of obs	127
F(5, 121)	2.23
Prob > F	0.0554
R-squared	0.0844
Adj R-squared	0.0466
Root MSE	.09336

p	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
ind	.1617271	.0908201	1.78	0.077	-.0180753	.3415295
lev	-.0322279	.0474187	-0.68	0.498	-.1261058	.06165
age	.0000854	.0012967	0.07	0.948	-.0024817	.0026526
s1	.0118477	.0063091	1.88	0.063	-.0006428	.0243382
s2	-.0038579	.0024289	-1.59	0.115	-.0086665	.0009507
_cons	-.2386048	.1426626	-1.67	0.097	-.5210431	.0438335

** Influence of board independence on firm profitability

As evident from above table, with R squared at 8.4% it suggests that board size has no explanatory power on the profitability. The F value at 0.055 which is greater than 0.05 aids in deciding to accept the null hypotheses, that is board independence has no relation with business profitability.

Table 4

. regress p acs lev age s1 s2

Source	SS	df	MS
Model	.069633008	5	.013926602
Residual	1.08215934	121	.008943466
Total	1.15179235	126	.009141209

Number of obs	127
F(5, 121)	1.56
Prob > F	0.1773
R-squared	0.0605
Adj R-squared	0.0216
Root MSE	.09457

p	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
acs	.0004963	.0136247	0.04	0.971	-.0264773	.0274699
lev	-.0362732	.0484341	-0.75	0.455	-.1321612	.0596148
age	.000148	.0013194	0.11	0.911	-.0024641	.0027601
s1	.0114162	.0064824	1.76	0.081	-.0014174	.0242499
s2	-.0044951	.0024942	-1.80	0.074	-.009433	.0004429
_cons	-.0676263	.1099438	-0.62	0.540	-.2852892	.1500365

** Influence of audit committee size on firm profitability

As evident from above table, with R squared at 6% it suggests that board size has no explanatory power on the profitability. The F value at 0.177 which is greater than 0.05 aids in deciding to accept the null hypotheses, that is audit committee size has no relation with business profitability.

Table 5

. regress p nacm lev age s1 s2

Source	SS	df	MS
Model	.121704177	5	.024340835
Residual	1.03008818	121	.008513125
Total	1.15179235	126	.009141209

Number of obs =	127
F(5, 121) =	2.86
Prob > F =	0.0178
R-squared =	0.1057
Adj R-squared =	0.0687
Root MSE =	.09227

p	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
nacm	-.0205162	.0082946	-2.47	0.015	-.0369375	-.0040949
lev	-.0100479	.0480131	-0.21	0.835	-.1051024	.0850066
age	-.0011043	.0013769	-0.80	0.424	-.0038303	.0016217
s1	.0166895	.0065811	2.54	0.012	.0036605	.0297186
s2	-.0064069	.002501	-2.56	0.012	-.0113583	-.0014555
_cons	-.0079287	.1064488	-0.07	0.941	-.2186722	.2028147

** Influence of audit committee meetings on firm profitability

As evident from above table, with R squared at 10.5% it suggests that board size has lower explanatory power on the profitability. The F value at 0.017 which is lower than 0.05 aids in deciding to reject the null hypotheses and concluding that audit committee meetings have relation with business profitability.

Table 6

. correlate roa roe bs ind acs nacm lev age s1 s2
(obs=127)

	roa	roe	bs	ind	acs	nacm	lev	age	s1	s2
roa	1.0000									
roe	0.8852	1.0000								
bs	-0.1026	0.0190	1.0000							
ind	0.1379	0.1676	-0.0522	1.0000						
acs	-0.0153	0.0123	0.6339	0.0063	1.0000					
nacm	-0.0869	0.0040	0.2851	-0.0247	0.1028	1.0000				
lev	-0.0377	0.0900	0.3055	-0.1403	0.0140	0.4704	1.0000			
age	-0.0307	-0.0480	-0.2139	0.0372	-0.1723	-0.3599	0.0590	1.0000		
s1	0.1243	0.1671	0.3418	-0.1277	0.1479	0.6076	0.7276	-0.2093	1.0000	
s2	-0.1398	-0.1687	0.1166	-0.1628	0.2029	-0.1540	0.1745	-0.0280	0.0828	1.0000

** Correlation

As evident from above table, ROA and ROE have degree of positive correlation which is in line with the theoretical framework. ROA has negative correlation with bs, acs and nacm. However, ROE has positive correlation with all the four independent variables.

Banking Sector

Table 7

. summarize roa roe bs ind acs nacm lev age s1 s2, separator(10)

Variable	Obs	Mean	Std. Dev.	Min	Max
roa	70	.0147978	.0262937	-.0597611	.1469361
roe	70	.0896481	.0525925	-.0742655	.192377
bs	70	8.528571	1.53907	7	11
ind	70	.9509524	.1230101	.5555556	1
acs	70	4.214286	1.751958	3	10
nacm	70	5.385714	1.288667	4	10
lev	70	.7654914	.2470939	.086477	.9189331
age	70	21.64286	11.53826	4	47
s1	70	17.79224	1.836886	12.7608	19.97285
s2	70	15.05208	.7543702	13.59933	16.35719

*** Descriptive statistics all variables: banking sector*

The return on assets has a mean value of 1.4%, the range being 14.6% to -5.9%. The return on equity had an average of 8.9% with 19.2% as the maximum return and -7.4% as the minimum return. Board size for the firms taken as part of the study on average was found to be eight. 95% of the companies had 100% independence of board members. The average size of audit committee was just above four members. On an average five audit committee meetings were held which is higher than regulatory framework of conducting at least one audit committee meeting per quarter. In some case the number of audit committee meeting went up to 10 per calendar year.

Table 8

. regress p bs lev age s1 s2

Source	SS	df	MS
Model	.025550505	5	.005110101
Residual	.06644026	64	.001038129
Total	.091990765	69	.001333199

Number of obs =	70
F(5, 64) =	4.92
Prob > F =	0.0007
R-squared =	0.2778
Adj R-squared =	0.2213
Root MSE =	.03222

p	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
bs	.0068222	.003201	2.13	0.037	.0004274	.013217
lev	.0104784	.0864654	0.12	0.904	-.1622561	.1832129
age	-.0009573	.0004074	-2.35	0.022	-.0017712	-.0001435
s1	.0054641	.0099839	0.55	0.586	-.0144811	.0254093
s2	-.0076764	.0122111	-0.63	0.532	-.032071	.0167181
_cons	.0250645	.1175334	0.21	0.832	-.2097354	.2598644

** Influence of board size on firm profitability

As evident from above table, with R squared at 27.5% it suggests that board size has explanatory power on the profitability. The F value at 0.0007 which is lower than 0.05 aids in deciding to reject the null hypotheses and concluding that board size has relation with business profitability.

Table 9

. regress p ind lev age s1 s2

Source	SS	df	MS
Model	.02102545	5	.004205089
Residual	.070965315	64	.001108833
Total	.091990765	69	.001333199

Number of obs =	70
F(5, 64) =	3.79
Prob > F =	0.0045
R-squared =	0.2286
Adj R-squared =	0.1683
Root MSE =	.0333

p	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
ind	-.0271021	.0654129	-0.41	0.680	-.1577794	.1035752
lev	-.010406	.0887622	-0.12	0.907	-.1877289	.1669169
age	-.0004884	.0004563	-1.07	0.289	-.0013999	.0004232
s1	.0084835	.0106403	0.80	0.428	-.0127729	.0297399
s2	-.012176	.0142171	-0.86	0.395	-.0405778	.0162259
_cons	.1288645	.2460771	0.52	0.602	-.362731	.62046

** Influence of board independence on firm profitability

As evident from above table, with R squared at 22.8% it suggests that board size has explanatory power on the profitability. The F value at 0.0045 which is lower than 0.05 aids in deciding to reject the null hypotheses and concluding that board independence has relation with business profitability.

Table 10

. regress p acs lev age s1 s2

Source	SS	df	MS
Model	.021923306	5	.004384661
Residual	.070067459	64	.001094804
Total	.091990765	69	.001333199

Number of obs	= 70
F(5, 64)	= 4.00
Prob > F	= 0.0032
R-squared	= 0.2383
Adj R-squared	= 0.1788
Root MSE	= .03309

p	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
acs	.0027625	.0027709	1.00	0.323	-.002773	.008298
lev	-.0223042	.0888326	-0.25	0.803	-.1997679	.1551594
age	-.0005609	.0003808	-1.47	0.146	-.0013216	.0001997
s1	.0096775	.0100318	0.96	0.338	-.0103634	.0297184
s2	-.0132842	.0130917	-1.01	0.314	-.0394379	.0128695
_cons	.0975646	.1335384	0.73	0.468	-.1692091	.3643382

<u>** Influence of audit committee size on firm profitability</u>

As evident from above table, with R squared at 23.8% it suggests that board size has explanatory power on the profitability. The F value at 0.0032 which is lower than 0.05 aids in deciding to reject the null hypotheses and concluding that audit committee size has relation with business profitability.

Table 11

. regress p nacm lev age s1 s2

Source	SS	df	MS
Model	.021701076	5	.004340215
Residual	.070289689	64	.001098276
Total	.091990765	69	.001333199

Number of obs	= 70
F(5, 64)	= 3.95
Prob > F	= 0.0035
R-squared	= 0.2359
Adj R-squared	= 0.1762
Root MSE	= .03314

p	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
nacm	-.0031127	.0035055	-0.89	0.378	-.0101157	.0038902
lev	.0023397	.0896585	0.03	0.979	-.1767738	.1814531
age	-.0004512	.0004118	-1.10	0.277	-.0012738	.0003714
s1	.0087743	.0101223	0.87	0.389	-.0114473	.028996
s2	-.006593	.0129348	-0.51	0.612	-.0324333	.0192473
_cons	.0200847	.1227674	0.16	0.871	-.2251715	.2653408

<u>** Influence of audit committee meetings on firm profitability</u>

As evident from above table, with R squared at 23.6% it suggests that board size has explanatory power on the profitability. The F value at 0.0035 which is lower than 0.05 aids in deciding to reject the null hypotheses and concluding that number of audit committee meetings has relation with business profitability.

Table 12

. correlate roa roe bs ind acs nacm lev age s1 s2
(obs=70)

	roa	roe	bs	ind	acs	nacm	lev	age	s1	s2
roa	1.0000									
roe	0.6781	1.0000								
bs	0.1043	0.3662	1.0000							
ind	-0.0606	-0.2074	-0.2081	1.0000						
acs	0.0978	0.2599	0.2745	-0.6813	1.0000					
nacm	-0.0148	-0.0786	0.1369	-0.0130	0.1619	1.0000				
lev	0.0861	0.5679	0.3742	-0.1538	0.2453	0.1812	1.0000			
age	0.0006	-0.0252	0.5160	0.2888	-0.0306	0.3710	0.2766	1.0000		
s1	0.1169	0.5292	0.4551	-0.4255	0.3983	0.2448	0.9110	0.2965	1.0000	
s2	-0.0066	-0.3308	-0.1147	-0.5385	0.2641	0.0741	-0.5972	-0.2216	-0.2682	1.0000

<u>** Correlation</u>

As evident from above table, ROA and ROE have degree of positive correlation which is in line with the theoretical framework. ROA and ROE has negative correlation with ind and nacm.

5. DISCUSSION AND CONCLUSIONS

Hypotheses	Non-Banking Sector	Banking Sector
Board Size has no relation with Business Profitability	Accept	Reject
Board Independence has no relation with Business Profitability	Accept	Reject
Audit Committee Size has no relation with Business Profitability	Accept	Reject
Number Audit Committee meetings has no relation with Business Profitability	Reject	Reject

The findings are not uniform across both the sectors. One can assume in case of banking sector stringent controls owing to BASEL III and other international regulatory framework had complimented the corporate governance mechanisms. The findings of this study are in alignment with various studies across the globe.

Above study has considered internal factors of an organization, external factors mainly the socio-economic environment does play a significant role in the profitability of an organization. The study brings forth the basic premise that there in universally proven fact when it come to the impact of corporate governance components on business profitability. The study does invoke thinking and contemplation on part of various stakeholders seeing the stark differences in the same economy based on sector wherein the firm is operating.

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