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Corporate Governance and Firm Performance: The Case of Tunisian

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Abstract

In this article the effect of the corporate governance mechanism on corporate financial performance is studied. For this study, a sample of 22 companies is used. Data is used for the period between 2006 and 2015. The variables, employed in this study to measure firm performance, include return on assets, return on equity and price earnings ratio.

In this study we used ownership concentration, ownership foreign, duality_CEO, leverage, firm size and price earnings ratio are the independent variables and their effects were measured on financial variables that are ROA, ROE and EPS.

The principle findings describe above: we found no significant relationship between ownership concentration and ROE and the no significant liking between ownership concentration and EPS. Also, we found no significant relationship between ownership foreign and ROE. However, the association between ownership foreign and ROE and EPS are significant. Also, CEO_Duality and ROE have a significant and positive relationship.

Keywords: Corporate governance; CEO duality; Ownership structure; Financial performance; Earnings per share; Return on assets; Return on equity; Tunisia

Introduction

During 2001, the financial scandals flanking corporations like Enron and WorldCom have engendered worries and checking investors' confidence. This has spawned various legal reforms of corporate governance in America and the revision of voluntary and self-regulatory codes in Europe. Accordingly, corporate governance system has been an important area discussed again. Sarbanes-Oxley Act was enacted in 2002 to enhance corporate governance which is viewed as the priority of financial revolution, in the expectation that governance quality may be reinforced, public confidence retrieved, accuracy and reliability of financial information assured. The present research paper explores the effect of corporate governance upon firm performance among listed firms in Tunisia. The purpose of this research is to examine the impact of corporate governance mechanism upon company performance.

Recently in the world, various empirical researches have been conducted to examine the association between corporate governance quality and a corporate performance.

As such, the present research intends to quantify the contribution of corporate governance to the performance for listed companies in Tunisia. In addition, literature review and previous empirical studies have been referenced to develop a research framework and to develop research hypotheses related to the association between corporate governance and a firm's performance. Prior works have presented that corporate governance can be calculated through the next elements: (i) ownership concentration; (ii) duality of the CEO; (iii) foreign ownership.

In addition, a firm's performance financial is measured by ROA, ROE and PES. This study has examined various research hypotheses based on a sample of 22 listed companies on Tunisian Stock Exchange for the period of 10 years from 2006 to 2015, the longest possible data set when this study was conducted. The Ordinary Least Square (OLS) technique is adopted together with other econometric techniques in this study.

Literature Review and Hypotheses Testing

Several the previous works from academic literature has wanted to verify the association between the corporate governance and firm performance. Many works and academic studies have indicated the following characteristics apply to corporate governance such as: (i) ownership concentration; (ii) duality of the CEO; (iii) foreign ownership and (iv) others control variables. Each of these characteristics will be discussed in details above.

Testing the relationship between duality of the CEO and firm performance

The empirical research cannot supply a confirmed view on a contribution of duality to a firm's performance. In Europe, Heidrick and Struggles [1] indicated that 84 percent of firms separate the roles of a chair of a board and a CEO of a firm. According to a Hewa-Wellalage and Locke 2011 study, in Sri Lanka, the Sri Lankan code of good practice on corporate governance highlights the balance of power within a company to reduce any one individual's manipulate to the decision making process.

These rules provided the recommendation that when there is a duality in a firm, a number of independent directors on a board should be a majority to provide balance and an effective and efficient operation of a board. Chen, Lin, and Yi [2] showed the importance of a separation of responsibility among a chairman and a CEO, for the period from 1999 to 2003, many businesses had modified their existing structure of duality to a non-duality structure. Ministry of Finance in Vietnam (2012) provides that "a chairman/chairwoman of a board should not be in the position of the CEO of a company unless this duality is approved by the annual general meeting of shareholders". Another dilemma experienced by companies is whether the chairman of the board of directors and CEO should hold different positions or not.

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Koufopoulos et al. [3] cite that since CEO has an influential power on companies' strategic decisions, CEO that has dual role affect board's decisions and firm performance negatively. Also, Syriopoulos and Tsatsaronis [4] note that dual role has a negative impact on monitoring and decisions of the board of directors. Fama and Jensen affirmed that duality would reduce a board's surveillance of the management of a company [5].

According to Dar et al. [6] found CEO and chairman might influence firm performance since if the same person works for both positions, agency problem increases. In addition, Brickley et al. [7] showed that holding two positions by one person will lead to a conflict of interests and higher agency problem.

This reduction results in an increase of costs to an agency. As a result, this study's research hypothesis is developed as follows:

Hypothesis H1: There is a negative association between CEO/ Chairman Duality and firm performance.

Testing the relationship between foreign ownership and firm performance

Earlier and recent empirical studies conclude that the MNEs have performed better than the domestically owned firms. Therefore, the foreign ownership has positive influences on the firm's performance. This might be true for developed countries; however, in developing and transition economy, some findings are in contrast with earlier empirical findings. In this section, the empirical results of foreign ownership effects are reviewed in developed and developing countries.

Researches on firms with foreign ownership operating in developed countries, Goethals and Ooghe [8] conducted a study to investigate the performance between 25 Belgian firms and 50 foreign companies, which are Belgian taken over by foreigners. They calculated twenty-eight financial ratios for both foreign and domestic firms and concluded that foreign takeovers have positive impacts on the performance of firms by using regression analysis. Moreover, the firms with foreign ownership performed better than their domestically owned counterparts. As a result, this study's research hypothesis is developed as follows:

Hypothesis H2: There is a positive association between foreign ownership and firm performance.

Testing the relationship between ownership concentration on firm performance

In this context, Gugler [9] tests the association between firm profitability and ownership structure by focusing on the effect of ownership concentration and identity on a sample of non-financial Austrian companies. In this study Gugler [9] found a significant and negative relationship between ownership concentration and profit margin. Based on this literature the first hypothesis for this study is as follows:

Hypothesis 3: ownership concentration has a negative relation to firm performance.

Testing the relationship between firm leverage and firm performance

The debt level of a firm has the potential to impact financial performance due to costs of finance and risk of default. Essentially, firm leverage consists of shareholders borrowing money for securities investment. Weill [10] investigated "the relationship between leverage and corporate performance".

Findings indicated that results were mixed since Italian firms found to have negative relationship whereas positive relationship in French and German firms.

Hypothesis 4: Firm Leverage has a negative relation to firm performance.

Testing the relationship between firm size and firm performance

Some studies situations that there is a positive relationship between firm size and firm's financial performance [11]. Thereby, the increase in the size of the company favors the generation of internal funds and facilitates the access to external capital. Previously the firm size augments diversification in company's operations increases as well and this leads to confusion in management [5].

With this confusion, larger firms require more counseling than smaller firms on board. Furthermore, this will lead to more efficient and more diversified company strategies. Hence larger companies might generate a better financial performance than smaller companies.

On the other hand, there are some studies that show negative relationship between firm size and financial performance. Nenova [12] found that larger companies need more oversight which ultimately creates additional costs for businesses.

However, in the case of the increase in the size of the firm, Agrawal and Knoeber [13] affirmed that the management will lose control of its strategic and operational decisions. This will cause the loss of efficiency. Therefore, it is argued that the probability of meeting with agency problem is higher for large firms so it will cause a decrease in firm performance. Moreover, large firms should have more advanced internal control than small corporations. Thereby the cost of auditing increase to be able to act according to stakeholders' interests [14].

Hypothesis 5: There is a negative association between firm size and firm performance.

Testing the relationship between price earnings ratio (PER) and firm performance

Valuation models, such as the Gordon Growth model and the Ohlson and Jeuttner-Nauroth (OJ) model, suggest that the P/E ratio is a function of expected earnings growth and expected rate of return. Specifically, the theories predict that P/E ratio is positively correlated with expected growth.

Based on these results we establish our hypothesis:

Hypothesis 6: There is a positive association between price earnings ratio and firm performance.

Empirical Analysis

Research methodology and characteristics of a data sample

This part will include three sections. Study sample and resources of data, second section will be study models and the last one will be measuring of variables and statistical tools. The information needed about firm's performance and corporate governance characteristics are collected from the Tunisian Stock Exchange database (TSE) which contains 79 listed companies. Companies were selected according to the following criteria: Data is available in the period of 10 years (2006 to 2015). Companies have not been closed or emerged with any other company during the study period.

As a result, listed firms missing any required data are excluded from the final sample of the study. Our final sample only includes 22 listed firms with the total of 220 observations. The Sample Selection procedure is displayed in Table 1.

The model proposed and definition of variables

Study models: This research tries to find the impact of corporate governance on firm performance. Governance indices have been constructed for Europe and the United Kingdom, Germany, Russia, Korea, the United States, and several emerging markets. They are used to illustrate the relation between corporate governance and performance [11]. Mostly, these researches are significantly positive, and in this study, a research framework is presented in Figure 1:

To determine the relation between corporate governance and performance after controlling the factors, we estimate the following regression models:

Model 1:

$$ROA_{i,t} = \beta_0 + \beta_1 own\_con_{it} + \beta_2 duality\_CEO_{i,t} + \beta_3 foreign\_own_{i,t} + \beta_4 size_{i,t} + \beta_5 LEVREGE_{i,t} + \beta_6 PER_{i,t} + \varepsilon_t$$

Model 2:

$$ROE_{i,t} = \beta_0 + \beta_1 own\_con_{it} + \beta_2 duality\_CEO_{i,t} + \beta_3 foreign\_own_{i,t} + \beta_4 size_{i,t} + \beta_5 LEVREGE_{i,t} + \beta_6 PER_{i,t} + \varepsilon_t$$

Model 3:

$$PES_{i,t} = \beta_0 + \beta_1 own\_con_{it} + \beta_2 duality\_CEO_{i,t} + \beta_3 foreign\_own_{i,t} + \beta_4 size_{i,t} + \beta_5 LEVREGE_{i,t} + \beta_6 PER_{i,t} + \varepsilon_t$$

Measuring of variables: Variables used in this empirical study include: (1) dependent variable (firm's performance); (2) independent variables (corporate governance); plus (3) control variables. Concepts and measurements of these variables are summarized in Table 2 below.

Analysis, findings and discussion of data

Table 3 below presents characteristics of the dataset used in this study including number of observations, mean, standard deviation, max value and min value of independent and dependent variables.

Firstly, the average of duality_ceo is 0.550 with the minimum of -0.255 and a maximum of 0.618. This finding shows that most of sampled companies have different people that hold CEO and chairman positions in the company. The average of Concentration ownership is 0.396 with the maximum of 0.616 and minimum of 0.069. The average of ownership foreign is 0.134 with the minimum is zero and a maximum of 0.616. As control variable, the mean of firm age is 44, ranging from 11 to 88. This result shows that data from sample companies vary in different ages which may make the result more accurate. Leverage is a control variable which has a range 36.075 and -1.670 with the mean of 1.895. It is possible to deduce that sampled companies vary in different sizes hence we get a reliable conclusion. The mean of ROA is 4,4%, the mean of ROE is 4,09% and the mean of PES is 1.268.

Sector	Listed Companies	Excluded Companies	Study Sample
Finance	27	27	0
Telecommunication	3	2	1
Consumer Services	10	6	4
Industrial Sector	12	6	6
Basic materials	5	2	3
Health	2	1	1
Technology	3	3	0
Oil and Gas	1	0	1
Consumer Goods	16	10	6
Total	79	57	22

Table 1: Sample Selection procedure.

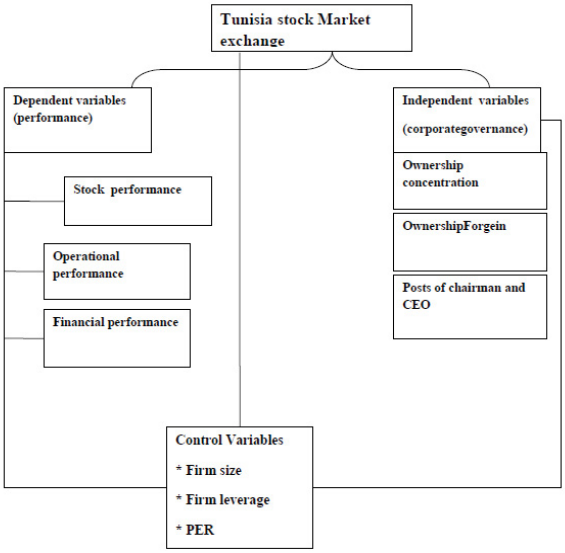

Figure 1: Theoretical Framework model.

Variable	Label	Definition and Measurement
Dependent variables		
Financial performance	ROE	Is the ratio of net profit attributed to shareholders/equity.
Operational performance	ROA	Is the ratio of net income to the book value of total assets.
Stock performance: earning per share	EPS	It could evaluate by is net income divided by total shares.
Independent variables:		
Corporate governance characteristics:		
Concentration ownership	CON _OW	Measured by the
Duality ceo	Duality_ceo	If ceo is chairman of the board its value is 1 and otherwise the value is zero.
Foreign_ ownership	Foreign_ own	Measured by the percentage of forgien ownership dividend by total equity
Control variables:		
Firm size	Size	Natural log of total assets
Financial leverage	Leverage	The ratio of total debt to total assets.
Price-to-Earnings Ratio	PER	Ratio for valuing a company that measures its current share price relative to its per-share earnings

Table 2: Concepts and measurements of variables.

Pairwise correlation between independent variables

This analysis was used to test the study to determine whether there is a multicollinearity problem or not by understanding the relationship among all independent variables. This problem occurs when two or more independent variables are highly correlated with each other and this might affect the regression in a negative way. According to Gujarati [15] high correlation among independent variables might make the regression unreliable. Table 4 exhibits a correlation matrix, which explains the correlation of independent variables related to this research.

As shown above, Duality_CEO has a negative relationship with concentration ownership (-0,247), foreign ownership (-0,370) and PER (0,114). But the correlation is positive with leverage (0,195) and size Firm (0,017). While concentration ownership is positively correlated with leverage (0,079), firm size (0,064) and PER (0,077), Ownership concentration is negatively correlated with foreign ownership (-0,303). Foreign ownership has negative relation with leverage (-0,104) but it is positively related with firm size (0,201) and PER (0,006). Although firm size has a negative association with PER (-0,010), leverage has a positive relationship with size firm (0,409) and positive association with PER (0,003).

The highest correlation is between size firm and leverage. This positive correlation was expected since as the size firm might be nominated to leverage increase as well. Overall the all outcomes are smaller than 0,80 which is the critical level to determine the multicollinearity problem. Hence, the findings show there is no multicollinearity problem for this analysis.

Regression Analysis

Relationship between corporate governance variables and return on asset

When this analysis is made, at first the Hausman test was run to test the hypothesis that;

H_o: Random effect is appropriate

H_1: Fixed effect is appropriate

According to the Hausman test, p-value is 0,002 which is smaller than 0,05 (critical value to reject or not). So, Ho which is null hypothesis was rejected. Then by the use of fixed effect OLS. Test the hypothesis that;

H_o: All dummy variables are zero (Pooled regression model)

H_1: All dummy variables are not zero (Fixed effect model)

Hence, the most appropriate method for ROA is pooled regression model. This model was run with White cross section to remove heteroscedasticity.

Table 5 shows the regression results for ROA. The first column proves the coefficient of all independent variables which indicates the magnitude and direction of relation between financial performance measure (ROA) and independent variables. Column 2 represents their standard errors and column 3 exhibits the t-value which states the significance of the regression outcomes. The R-squared represents the degree or percentage up to which the sample describes the dependent variables and F statistics tells us the overall significance of the model. When it comes to the comments from analysis, the findings from OLS

	EPS	ROA	ROE	DUALITY_CEO	CON_OWN	FOREIGN_OWN	LEV	SIZE	PER
Mean	1.268	0.044	0.040	0.550	0.396	0.134	1.895	18.1672	17.227
Median	0.482	0.041	0.084	1.000	0.398	0.017	0.980	17.992	12.748
Maximum	23.843	0.618	1.000	1.000	0.915	0.616	36.075	21.586	301.959
Minimum	-10.696	-0.250	-3.800	0.000	0.069	0.000	-1.670	16.583	-273.843
Std. Dev.	3.656	0.092	0.359	0.498	0.157	0.1868	3.698	0.981	44.034
Skewness	2.097	1.251	-6.602	-0.201	0.165	1.266	5.777	1.237	-0.520
Kurtosis	12.856	12.006	65.888	1.040	2.6367	3.275	44.898	5.020	23.389
Jarque-Bera	1051.817	800.994	37851.700	36.68163	2.209	59.522	17315.530	93.537	3820.650
Probability	0.000	0.000	0.000	0.000	0.331	0.000	0.000	0.000	0.000
Sum	279.0582	9.899	9.016	121.000	87.193	29.622	417.0240	3996.803	3790.039
Sum Sq. Dev.	2927.646	1.874	28.348	54.450	5.400	7.646	2996.468	211.169	424641.9
Observations	220	220	220	220	220	220	220	220	220

Table 3: Descriptive analysis.

	DUALITY_CEO	CON_OWN	FOREIGN_OWN	LEV	SIZE	PER
DUALITY_CEO	1.000	-0.247	-0.370	0.195	0.017	-0.113
CON_OWN	-0.247	1.000	-0.303	0.079	0.063	0.076
FOREIGN_OWN	-0.370	-0.303	1.000	-0.104	0.213	0.006
LEV	0.195	0.079	-0.104	1.000	0.409	0.002
SIZE	0.017	0.063	0.213	0.409	1.000	-0.010
PER	-0.113	0.076	0.006	0.002	-0.010	1.000

Table 4: Pairwise correlation.

Variable	Coefficient	t-statistic	Std. Error	Prob
c	0.001	0.022	0.090	0.982
DUALITY_CEO	-0.012	-1.427	0.009	0.154
CON_OWN	0.081	2.003	0.040	**(0.046)****
FOREIGN_OWN	0.064	3.084	0.020	**(0.002)*****
LEV	-0.007	-2.925	0.002	**(0.003)*****
SIZE	0.001	0.203	0.005	0.838
PER	0.0001	1.423	7.80E-05	0.156
Adjusted R2		0.101		
F statistic		2.632		
Log of likelihood		231.453		
Prob(F-statistic)		0.001		
Durbin-Watson		1.379		

Table 5: Ordinary Least Square (ROA).

regression clearly shows mixed results between independent variables and ROA.

Firstly, the regression outcomes show that ownership concentration and duality CEO positively related with financial performance measured by ROA so increase in duality_CEO, concentration ownership, Size and PER to 6, 5%, 8%, 838% and 6, 5% increase in ROA. However, CEO duality and Leverage are inversely related with ROA by 1,2% and 7% respectively. Except size, ceo_duality, and PER, all independent variables have significant impact on ROA according to their p-values. Especially Concentration ownership, Forgein_ownreship and leverage have statistically significant impact on ROA. (See Tables 6-8 for more information about rejection or not rejection of hypothesis). R-squared of 0,162 indicates that independent variables explain 16,22% of the systematic variation in the dependent variable (ROA). In addition, the Durbin Watson statistic is 1,37 which is close to two which means there is no autocorrelation problem in the sampled data. A general evaluation from this analysis is that F statistics and its p-values are 2,63 and 0,0012 which is smaller than the critical point of 0,05 hence corporate governance variables are found significantly related with ROA.

Relationship between corporate governance variables and ROE

When this analysis is made, same steps were used with ROA and the most appropriate method was found pooled regression model for ROE.

In the Table 6 we notice that concentration ownership, firm size and PER have a positive impact on financial measurement (ROE). On the other hand, CEO_duality, foreign_ownership and leverage have negative effect on ROE by 5,8%, 2,7% and 4,8% respectively. According to their p-values, concentration ownership, Firm size and PER explain ROE significantly while CEO_duality, foreign_ownership and leverage have an insignificant effect on ROE (See Table 8 for more information about rejection or confirmation of hypothesis).

Adjusted R-squared of this model is 0,225 which mean that the independent variables jointly explain approximately 23% of the systematic variation in the dependent variable (ROE). Moreover, the Durbin-Watson statistic is 2,225 so sampled data do not present first order serial correlation problem. Overall, F statistic and its p-value of this model are 5,261 and 0.0000. This means that corporate governance variables have a significant effect on ROE.

Relationships between the corporate governance variables and earning per share (EPS)

We follow also the same steps for Earnings per share (EPS). The result found by Hausman test was further than critical value ((0.580) 0,05). So unlike ROA, random effect model was found more appropriate for EPS and ROE.

Duality_CEO, Concentration ownership, Forgein_ownership, Size Firm and PER have positive associations with EPS. On the other hand, leverage is inversely correlated with EPS. In the analysis, the effects of Duality_CEO, Concentration ownership and Size firm are insignificant on EPS however Forgein_ownership, Levreage and PER are significant on PES (See Table 8 for more information about rejection or not rejection of hypothesis).

In order of importance, the regression outcomes also indicate that the most significant relationship is between Forgein_ownership and EPS with beta 3,544 and p value of 0,013. According, adjusted R-squared 0,0242 indicates approximately 2,242% of the variability in EPS. In

Variable	Coefficient	t-statistic	Std. Error	Prob
c	-0.432983	-0.968724	0.446962	0.3338
DUALITY_CEO	-0.058088	-3.439557	0.016888	0.0007
CON_OWN	0.187463	1.542141	0.121560	0.1246
FOREIGN_OWN	-0.027508	-0.377929	0.072787	0.7059
LEV	-0.048550	-2.956456	0.016422	0.0035
SIZE	0.028543	1.165308	0.024494	0.2453
PER	0.000511	1.413789	0.000361	0.1589
Adjusted R2			0.226	
F statistic			5.261	
Log of likelihood			-50.797	
Prob(F-statistic)			0.000	
Durbin-Watson			2.225	

Table 6: Ordinary Least Square (ROE).

Variable	Coefficient	t-statistic	Std. Error	Prob
c	-0.935	-0.581	1.609	0.561
DUALITY_CEO	0.368	0.986	0.373	0.325
CON_OWN	2.160	1.328	1.626	0.185
FOREIGN_OWN	3.544	3.264	1.085	0.001***
LEV	-0.206	-3.213	0.064	0.001***
SIZE	0.055	0.417	0.132	0.676
PER	0.003	1.811	0.001	0.071**
Adjusted R2			0.0242	
F statistic			1.362	
Log of likelihood			-586.383	
Prob(F-statistic)			0.000	
Durbin-Watson			1.126	

Table 7: Ordinary Least Square (EPS).

Financial Measurement	Independent Variable	Relationship Direction	Significant Value	Result on Hypothesis
ROA	Duality_CEO,	Negative	0.154	Don't reject H1
ROE	Duality_CEO,	Negative	**(0.000)****	Don't reject H1
EPS	Duality_CEO,	Positive	0.325	Reject H1
ROA	Concentration ownership	Positive	0.046	Reject H2
ROE	Concentration ownership	Positive	0.124	Reject H2
EPS	Concentration ownership	Positive	0.185	Reject H2
ROA	Foreign_ownership	Positive	(**0.002**)**	Don't reject H 3
ROE	Foreign_ownership	Negative	0.705	Reject H3
EPS	Foreign_ownership	Positive	(**0.001**)**	Don't reject H3
ROA	Leverage	Negative	(**0.003**)**	Don't reject H4
ROE	Leverage	Negative	(**0.003**)**	Don't reject H4
EPS	Leverage	Negative	(**0.001**)**	Don't reject H4
ROA	Size Firm	Positive	0.838	Reject H4
ROE	Size Firm	Positive	0.245	Reject H4
EPS	Size Firm	Positive	0.676	Reject H4
ROA	PER	Positive	0.156	Don't reject H5
ROE	PER	Positive	0.158	Don't reject H5
EPS	PER	Positive	0.071	Don't reject H5

*: Significant impact **: Statistically significant impact

Table 8: Summary of multiple regression analysis interpretation.

addition, durbin watson test resulted with 1,126 which is close to 2 hence the sampled data do not present any presence of autocorrelation problem. F statistics and its p-value which show insignificance level are 1,362 and 0,169 which is further than 0,01. This means that corporate governance variables don't have statistically significant impact on EPS.

In summary, these three tables try to explain the effect of corporate governance variables on financial measurements which are ROA, ROE and PES. Although ROE is strongly influenced by unstable market factors, such as investor behavior, and market forecasts the outcomes show that ROE is the best measurement for exploring impacts of corporate governance variables on financial variables. This is because, it has the best adjusted R-squared which gives the percentage of variation explained by only corporate governance variables that in reality affect the financial measurements.

Discussion

Table 8 presents the regression coefficients of the relationship between the corporate governance and firm performance (measured by ROA and ROE and EPS model). Our results show a negative but no significant relationship between Duality_CEO and ROA. In addition, there is negative and significant relationship between Duality_CEO and ROE. However, we found a positive but no significant relationship between Duality_CEO and PES.

These results are consistent with the conclusions of several research conducted such as Braun and Sharma [16], Lam and Lee [17] argue that, duality may be negatively related to performance in some situations but may be positively related in some other situations.

Further, "the appropriate board leadership structure is more likely to vary across firms, industries and countries". There is a combination of different industries in the sample and the industry effect of duality and performance is unknown [18,19]. Following this argument and consistent with, Dahya and Travlos, [20] Elsayed [19], this study further examines the industry specific impact on CEO duality and firm performance.

Increasing concentration ownership, which is an important variable for corporate governance, means increasing disclosure of information, to resolve agency conflict, better protection of rights and better supervision of decision so increasing and improve the quality of good corporate governance. However, these relationships are not significant for ROE and EPS. Only the effect on ROA was found significant.

When we compare the results with previous studies, there are lots of findings that support the results of Jensen and Meckling [14], Mustapha et al. [21] argue that introduction of managerial share ownership may reduce these agency problems, thus aligning the interest of managers and shareholders. We found a positive and significant relationship between forgien ownership and firm performance (ROE and EPS).

Our results are confirming by the works of Douma and Mihai et al. [22], Corporations with foreign shareholders seemingly have higher access to technical and financial resources.

Conclusion

This paper analyzed the effect of corporate governance among 22 Tunisian listed companies between 2006 and 2015. In order to measure corporate governance effects, six variables which are ownership concentration, foreign ownership, CEO duality, firm size (control variable), PER (control variable) and Leverage (control variable) were chosen.

This is because, comparing the same independent variables with previous studies was aimed and it was hoped that these variables would have influence on firm performance. On the other hand, ROA, ROE and EPS were selected as the tools to measure firm financial performance.

The aim of this study was to explore whether there was an association between corporate governance variables and firm performance of Tunisian listed companies or not.

The result of the study shows us good corporate governance practices significantly improve firm performances of sampled companies as we can understand from p-values that represent general non-significance of multiple regression analysis only the first regression is significant (P-values; ROA; 0.0027, ROE; 0.1632, EPS; 0.5803).

From these findings, firms should understand that improving

good corporate governance applications is a significant tool to realize financial sustainability, good financial performance and market value. The study provides an important insight into the Tunisian financial market and Tunisian companies in terms of corporate governance practices.

The findings in this study contribute to various areas; the most importantly, the result may be a good guideline for stakeholders and managers to understand whether companies have good corporate governance practices or not. Secondly, because corporate governance contributes to country's economy and company performance, government might give more importance to improve the corporate governance by making new regulations or recommendations.

Moreover, corporate governance will continue to increase in the following years as long as firms want to be in competition to survive in the constantly changing market. In conclusion, in this paper we firstly aimed to show the significant effect of corporate governance practices on the company's financial performance and market value. Hereby, with this study we accomplished our aim. We wished that this research will be advantageous for Tunisian companies to get better good corporate governance practices which in turn increase their firm performance.

Several areas of future research can be suggested. Firstly, in this paper the time period was taken as 2006-2015. In fact, this time period might be extended to more than 10 years. When it comes to the other direction, number of independent variables can be increased to be able to include most of the corporate governance indicators. Thirdly, since this study was concentrated only on Tunisia, future research may cover more than one country that is called as both developing and developed country like Tunisia. By including more than one country, corporate governance practices and impacts of these countries can be displayed comparatively.

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