

**The Effect of Board of Director
Characteristics on Financial Performance:
A Study on Oil and Gas Sector of Pakistan**

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Dedication & Acknowledgements

This thesis is dedicated to my family, who taught me that the best kind of knowledge to have is that which is learned for its own sake. It is also dedicated to my mother, who taught me that even the largest task could be accomplished if it is done one step at a time and sincerely prays for my success.

All those whose love, encouragement and help is always with me at every step in my life.

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Abstract

This thesis provides an empirical understanding of Board of Director's (BoD's) characteristics and its effect on the financial performance of Oil and Gas (O&G) sector companies of Pakistan. Appropriate characteristics of BoD's are the most influential part of corporate which is very beneficial for the enhancement of the firm financial performance. The O&G is one of the largest and the most powerful sector in Pakistan.

The secondary data (panel) was taken from Attock Petroleum (AP), Pakistan State Oil (PSO), Attock Refinery (AR), Indus Oil Refinery (IOR), Khalifa Coastal Refinery (KCR), Pak-Arab Refinery (PAR), National Refinery (NR), Pakistan Refinery Limited (PRL), Mari Petroleum Company Limited (MPCL), Oil and Gas Development Company Limited (OGDCL), Pakistan Oil Fields (POF) and Pakistan Petroleum (PP). The data was collected via online business records and yearly consolidated financial statements (balance sheet and income statement) of aforementioned companies for the period of 2000 to 2015. The data was analyzed by utilizing statistical and econometric methods with the support of SPSS software.

Drawn from the statistical analysis, there were five findings revealed i.e. 1) the correlation amid board size (BS), number of board meetings and board change (BC) with return on asset (ROA), return on equity (ROE) and Tobin's Q predicts significant negative relationship, 2) correlation amid board composition (BC), chief executive officer (CEO) tenure, board education (BE) and female board members (FBM) with ROA, ROE and Tobin's Q predicts significant positive relationship with each other, 3) CEO compensation with ROA, ROE and Tobin's Q predicts insignificant positive relationship with each other, 4) firm age (FA) with ROA, ROE and Tobin's Q represents insignificant negative relationship with each other and 5) there also exists insignificant relationship between firm size with return on asset, return on equity and Tobin's Q.

The study suggested that the roles of board of directors and their characteristics are critically important in the contemporary corporate environment in order to ensure the strategies, programs and activities of management are mobilized to achieve the overall missions and goals of the firm. According to the statistical consequence of the study, the characteristics of board of directors have significant effect on oil and gas companies' financial performance in Pakistan. In addition, it is accepted that the board of directors' characteristics play a vital role in achieving better firm's financial performance.

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List of Abbreviations

ROA	Return on Asset
ROE	Return on Equity
CEO	Chief Executive Officer
BS	Board Size
BComp	Board Composition
BM	Board Meeting
BC	Board Change
BE	Board Education
CEOT	CEO Tenure
CEOC	CEO Compensation
CMA	Capital Market Authority
CalPERS	California Public Employees' Retirement System
EPS	Earnings Per Share
FBM	Female Board Members
FA	Firm Age
FS	Firm Size
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFC	International Financial Corporation
IPO	Initial Public Offering
KSE	Karachi Stock Exchange
KS	Kolmogorov-Smirnov
PINCG	Institute of Corporate Governance of Pakistan
PSO	Pakistan State Oil
ROA	Return on Investment
SECP	Security and Exchange Commission of Pakistan
SPSS	Statistical Package for Social Sciences