

Appendix

Table I
Descriptive Statistics of Variables

Variable	N	mean	sd	min	p25	p50	p75	max
EVA	260	-3.80e+08	3.54e+09	-5.45e+10	-2.52e+08	-1.25e+07	1.21e+08	3.09e+09
ROA	260	.0575814	.0857984	-.6123934	.0243897	.0622377	.0925821	.2505146
ROE	260	.0912608	1.231254	-17.96781	.0521703	.119504	.2016147	7.572479
BINDEX	260	10.98335	3.333677	3.288985	7.360255	11.66157	14.09803	15.88021
SIZE	260	.575	.2798752	0	.5	.5	.5	1
PFEM	260	.0976038	.1194965	0	0	.0833333	.1666667	.5
BCHAR	260	4.551923	4.614502	0	2	3	7	20
SALES	260	3.49e+09	5.85e+09	0	3.64e+08	1.29e+09	5.12e+09	4.70e+10
AGE	260	16.05769	7.436769	0	10	17	23	27

This table represents the all the descriptive statistics used in the analysis. EVA is the main proxy for firm performance. ROA and ROE are the other measures of firm performance whose relationship with Corporate Governance I sought to establish. BINDEX is the index formulated from the sum of board characteristics variables. The index represents the effectiveness of the board with the highest score of 15.88 signaling the most efficient board from the sample and 3.2 representing the weakest board in the sample. The average score on the index about 11 which shows how hard firms strive to have a well composed board of directors. The other variables include SIZE, which represents the size of the board and is constructed around an optimal size of 8 and 9 provided in extant literature, PFEM is the variable for the number of female directors in the board as represented by the proportion of the female directors to the total size of the board. This number is still very low with only about 9% of the directors being female in the sample considered. BCHAR is the variable representing the number of outside directorships in any capacity held by the chairman. This is also structured around an optimal number of 0-3 being the most preferred. The mean in these statistics indicate that a single chairman is involved in more than four different boards. Sales is a proxy for the size of the firm used in the analysis as a control variable. Similarly, AGE is another control variable calculated as the number of years since the company listed in the ISE.

Table II
Hausman Test (EVA)

---- Coefficients ----				
	(b)	(B)	(b-B)	sqrt(diag(V_b-V_B))
	fix	ran	Difference	S.E.
BINDEX	1.52e+07	1.94e+08	-1.79e+08	1.16e+08
PFEM	-5.85e+08	-4.16e+08	-1.69e+08	3.13e+09
SIZE	1.05e+09	1.02e+09	3.33e+07	7.95e+08
BCHAR	-5.12e+08	-1.12e+09	6.09e+08	4.03e+09
SALES	-.0307394	.0143914	-.0451308	.1353194
AGE	-4.03e+08	5.20e+07	-4.55e+08	2.95e+08

Prob>chi2 = **0.7350**

The table shows the result of the Hausman test for the first model with is not significant so as to reject the null hypothesis hence the Random Effect model is preferred for this model.

Table III
Hausman Test (ROA)

---- Coefficients ----				
	(b)	(B)	(b-B)	sqrt(diag(V_b-V_B))
	fix	ran	Difference	S.E.
BINDEX	.0000668	.0002013	-.0001346	.0019103
PFEM	.0462494	.0674517	-.0212023	.0353999
SIZE	-.014043	-.0070422	-.0070007	.0076642
BCHAR	-.0060204	-.0002945	-.0057259	.0035363
SALES	5.74e-13	1.41e-12	-8.37e-13	2.06e-12
AGE	.0004841	.0001585	.0003256	.0051123

Prob>chi2 = **0.3939**

The table shows the result of the Hausman test for the ROA model. The results here are also not significant enough to reject the null hypothesis hence the Random Effect model is preferred for this model here as well.

Table IV
Hausman Test (ROE)

---- Coefficients ----				
V_B))	(b)	(B)	(b-B)	sqrt(diag(V_b-
	fix	ran	Difference	S.E.
BINDEX	.0173275	.0130252	.0043023	.0388235
PFEM	-.5416657	.0143414	-.5560072	.9828563
SIZE	-.5880626	-.4497234	-.1383392	.2392306
BCHAR	.0090155	.0013086	.0077069	.073232
SALES	6.34e-14	2.51e-12	-2.45e-12	4.50e-11

Prob>chi2 = **0.9824**

The table shows the result of the Hausman test for the ROE model. The results here are also not significant enough to reject the null hypothesis hence the Random Effect model is preferred for this model here as well.

Table V
Wooldridge Correlation test (EVA)

	Robust					
<i>D.EVA</i> /	<i>Coef.</i>	<i>Std. Err.</i>	<i>t</i>	<i>P> t </i>	<i>[95% Conf. Interval]</i>	
BINDEX D1.	-2.39e+07	7.73e+07	-0.31	0.758	-1.79e+08	1.31e+08
PFEM D1.	1.51e+09	1.22e+09	1.24	0.219	-9.29e+08	3.95e+09
SIZE D1.	4.66e+08	2.92e+08	1.59	0.117	-1.21e+08	1.05e+09
BCHARD1.	2.67e+08	1.50e+09	0.18	0.859	-2.73e+09	3.27e+09
SALES D1.	.1047773	.0965831	1.08	0.283	-.0891213	.298676
AGE D1.	-6.94e+08	4.24e+08	-1.64	0.108	-1.55e+09	1.58e+08
Prob > F =		0.0020				

The p value from the Wooldridge test strongly rejects the null hypothesis that there is no serial correlation, hence steps must be taken to correct the existing autocorrelation.

Table VI
Model 1 Regression (EVA)
Feasible Generalized Least Squares (FGLS)

BINDEX	6.35e+07	1.43e+07	4.43	0.000	3.54e+07	9.16e+07
SIZE	2.12e+08	1.70e+08	1.24	0.214	-1.22e+08	5.46e+08
PFEM	-1.28e+08	4.27e+08	-0.30	0.764	-9.65e+08	7.08e+08
BCHAR	-1.19e+08	1.77e+08	-0.67	0.501	-4.67e+08	2.28e+08
SALES	.005059	.0173206	0.29	0.770	-.0288887	.0390066
AGE	-33225.66	8639445	-0.00	0.997	-1.70e+07	1.69e+07

The BINDEX has a strong positive relationship with EVA at the 0.05 significance level. Even though not significant, BCHAR is negative with regards to EVA, the same is the case for PFEM. Other than BINDEX, none of the other variables has a significant relationship with EVA in this model.

Model 2 Regression (ROA)
Feasible Generalized Least Squares (FGLS)

ROA	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
BINDEX	-.0000704	.0006299	-0.11	0.911	-.0013051	.0011642
SIZE	-.0037695	.0058532	-0.64	0.520	-.0152416	.0077026
PFEM	.0792476	.0262501	3.02	0.003	.0277984	.1306969
BCHAR	-.0150832	.0125205	-1.20	0.228	-.039623	.0094566
SALES	1.04e-12	5.87e-13	1.77	0.077	-1.13e-13	2.19e-12
AGE	.000098	.0004122	0.24	0.812	-.0007098	.0009058

There is no significant relationship between ROA and BINDEX. However, PFEM has a strong positive relationship with ROA. All the other variables do not have a significant relationship with ROA.

Model 2 Regression (ROE)

Feasible Generalized Least Squares (FGLS)

roe	Coef.	Std. Err.	Z	P> z	[95% Conf. Interval]
index	-.0126126	.0041092	-3.07	0.002	-.0206666 - .0045587
size	.0009445	.0308995	0.03	0.976	-.0596174 .0615064
women	.0483871	.1151101	0.42	0.674	-.1772246 .2739989
busy	.0082747	.1665393	0.05	0.960	-.3181364 .3346858
sales	5.69e-12	5.69e-12	1.00	0.317	-5.46e-12 1.68e-11
age	.0253492	.0603965	0.42	0.675	-.0930258 .1437241

ROE has a significant negative relationship with the index which is contradictory to expectations. All the other variables however have no relationship with the ROE.