Impact of Corporate Governance and Financial Sustainability on Shareholder Value

HAMID GHAZI H SULIMANY¹, SURESH RAMAKRISHNAN², ASIM ALI CHAUDHRY³,
AYMAN HASSAN BAZHAIR⁴

¹PhD student at Azman Hashim International Business School (AHIBS), UNIVERSITY TEKNOLOGI MALAYSIA (UTM), MALAYSIA. E-mail: hgsulimany@tu.edu.sa

²Faculty of Azman Hashim International Business School (AHIBS), UNIVERSITY TEKNOLOGI MALAYSIA (UTM), MALAYSIA.

³PhD student at Azman Hashim International Business School (AHIBS), UNIVERSITY TEKNOLOGI MALAYSIA (UTM), MALAYSIA.

⁴Faculty of Business Administration College, Department of Economic and Finance, TAIF UNIVERSITY (TU), SAUDI ARABIA. E-mail: abazhair@tu.edu.sa

ABSTRACT

Good corporate governance can play a significant role for the company's financial sustainability and share price. Over the last few decades, administrators, researchers, and educators constantly focused on the role of corporate governance. However, studies that have been emphasized on the relationship between corporate governance, financial sustainability, and shareholder value are scant. The main purpose of this study is examined good corporate governance and financial sustainability are predictor variables that helps companies to maximize share price in food & beverage sector in Saudi Stock Exchange. The data was collected from annual reports, DataStream and Saudi Stock Exchange (Tadawul). This study employs balanced panel data and statistical techniques like descriptive statistics, correlation matrix, pooled ordinary least square and mediation techniques (Baron & Kenny and Bootstrap Approach) was tested. The author used Stata 15 software for this analysis. The results reveal that financial sustainability mediates the relationship between corporate governance (board size) and shareholder value (share price) of companies in Saudi Arabia. This study contributes by adding mediator financial sustainability between board size and share price in a developing market with particular reference to food & beverage sector in Saudi Stock Exchange.

Keywords: corporate governance, shareholder value

JEL Classification: G3, G1

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1. Introduction

Maximizing the shareholder value is fundamental for the company's management, thus the management must consider the interests of shareholders while making decisions (Chaudhry & Ramakrishnan, 2019). Therefore, increasing the shareholder value indicates more benefits will accrue for the firms and management (Shen & Chih, 2007). According to (Stout, 2013) the shareholder wealth is a value that transferred to shareholders regarding to the successful business operation and management's capability to grow profits, share price and dividends. Additionally, shareholders demand from the directors and executives to maximize shareholder value measured via share price (Hillman & Keim, 2001).

Corporate governance drives to increase the shareholders' value and is an effective monitoring tool ethically, legally and as a fundamental for sustainability (Gul, Chen, & Tsui, 2003). This can limit the illegal activities in the companies and enhance the shareholder wealth (Hashim & Devi, 2008). (Farber, 2005) argued that the corporate governance's role is highly significant to assure maximizing the shareholder value. In addition (Ali Shah, Butt, & Hassan, 2009) confirmed, the investors and creditors might be interested to invest in the companies which have an active governance, thus, the relationship between corporate governance and shareholder value attributes is essential (Watts & Zimmerman, 1986), for improving shareholder value (Gul et al., 2003). Additionally (Kusi, Gyeke-Dako, Agbloyor, & Darku, 2018) stated that, corporate governance covers a group of relations among a firm's management, its shareholders, board and other stakeholders. Therefore, the corporate governance germinate as a strength mechanism for accelerating shareholders value (Aggarwal, Erel, Ferreira, & Matos, 2011; Jadhav & Katti, 2012). According to (Abdullah, 2004; Shleifer & Wolfenzon, 2002), as corporate governance in the companies are active, that will lead the companies to create a perfect corporate atmosphere and this will discourage managers and others from looking for their own interest. This will also reduce the mismanagement and thus enhances the shareholders' value. This fact, confirmed by (Epps & Cereola, 2008; Judge, Naoumova, & Koutzevol, 2003) that, corporate governance structures works as deterrent measure that guides the corporates leading to maximize shareholders wealth.

Sustainability implies the ability of the companies to preserve its status over a long period (Bowman, 2011). (Lisa, Lynette, & Kristy, 2012) demonstrate that financial sustainability is the capability of the company to preserve and sustain financial ability for a longer period. Additionally (Okoye, Erin, Ado, & Isibor, 2017a) mention that, the most important feature of financial sustainability is the strength and ability of the company to exercise financial self-sufficiency without compromising governance mechanism and its operations. According to (Adeyemi, 2019; Chenuos, Mohamed, & Bitok, 2014) that the persistent failure of the companies' collapse resulting from poor internal control mechanism, weak management and lack of adequate risk management that has necessitated the need for applied good corporate governance structure and improvement in financial sustainability (Adeyemi, 2019; Chenuos et al., 2014). Therefore, (Helms, 2006; Siele, 2009) believe that the ultimate goal for corporate governance is to achieve financial sustainability for companies. Thus, many studies confirmed the relationship and the impact of corporate governance on financial sustainability (Alakeci & Al-Khatib, 2006; Bashiti, 2006; Okoye et al., 2017a; Qureshi, Muhammad Imran, et al. 2020).

Moreover (Kocmanová, Hřebíček, & Dočekalová, 2011) demonstrate that the financial dimension of the corporate sustainability is the business approach focused on long-time creation of the value for the owners. Furthermore, (Chenuos et al., 2014) indicates that promoting shareholder value by boosting institutional financial sustainability as this send a positive indication to futuristic shareholders and investors. The rest of the study is organized in the following way, theories in perspective of variables such as corporate governance, shareholder value and financial sustainability. The hypothesis development related to the conceptual framework and the conclusion has been made.

2. Theories in perspective of corporate governance - financial sustainability and shareholder value

2.1. Agency theory

(Jensen & Meckling, 1976) addressed an agency theory to describe the conflict between shareholder (owner) and managers (agent). Agency theory demonstrates the determination of the relationships between the principle which represents the shareholders, and the agent who perform as a managers who have the authority of monitoring and guide the resources in the company (Fama & Jensen, 1983). The agency theory argues to convince the leaders to rise the shareholders' interests and the firms profits instead of their own advantage's (Cohen & Hanno, 2000). Based on agency theory, owners authorize their companies governance to the directors, however sometimes directors do not consider the owners' favor which will cause the agent problem and moral risk (Pham, Ho, Pham, & Nguyen, 2020). According to (Adams & Ferreira, 2009) the agent problem and moral risk is hard to detect since the directors are more informed than shareholders over firm operations. Thus, the agents/directors might tend to benefit themselves more than the shareholders by utilizing the economic resources information' (Dzingai & Fakoya, 2017; Hussain, Rigoni, & Orij, 2018).

According to (AICPA, 1994) increasing the shareholder value is the major target for any company. Therefore, the short-term's profits are the usually investments path for managers, and neglecting the firm's interests for the long-term, in another word, they incline toward the separated incomes leading to reduce the shareholders' welfare and interest value. The empirical studies focused on the agency theory because it completely matches with perspective of corporate governance and shareholder value (Abdullah, 2004; Keenan, 2004; Mensah & Abor, 2014; Singh & Davidson III, 2003). Agency theory is applicable to board leadership structure in connection to the value of shareholder (Daily & Dalton, 1997). Many studies have used agency theory in relationship between shareholder value maximization and corporate governance practices (Mohd Yusoff Ibrahim, Ahmad, & Khan, 2017; San Martin-Reyna & Duran-Encalada, 2012). . Finally, (Mohd Yusoff Ibrahim et al., 2017; Kusi et al., 2018; Kyereboah-Coleman, 2007) have used the agency theory in their studies to explain the effect of CG on value of shareholder.

2.2. Stakeholder Theory

The scholars of stakeholder theory confirmed that corporate governance structures should consider to maximize stakeholders who have an interest in the companies (shareholders, tax agencies, government, society, employees, creditors, etc.) instead of just the shareholders. This indicates that the good corporate governance not enhance only the value of shareholders but also assists to maximize all stakeholders. The stakeholder theory appeared to support the theoretical aspect of corporate governance regarding shareholder value (Kusi et al., 2018). Although the shareholders are the owners of the companies, the stakeholder theory mentions that the managers have vast responsibilities to any person or entity that can affect or affected by the firms' actions. The classifications for differentiating among stakeholder and shareholder value consists of the governance process, governance structure, residual risk holders, performance metrics and the purpose. Thus, the stakeholder theory has established on a team production structure or model (Kusi et al., 2018).

According to (Dahya & McConnell, 2005), the stakeholder theory stresses that fair division of value produces commitment among multiple stakeholders. Under the stakeholder, all stakeholders are the risk holders. Therefore, stakeholder concept indicates that when the corporate governance structure is improved, ultimately the shareholder and stakeholder value increases. Moreover, the stakeholder framework of corporate governance could assist companies preventing crises or recovering from them most successfully (Alpaslan, Green, & Mitroff, 2009; Daily, Dalton, & Cannella Jr, 2003).

In consistence with stakeholder approach, corporate governance boost shareholder value as a result of the effective containment of damage. Therefore, (Michelon & Parbonetti, 2012) stakeholder theory argue that good corporate governance enhances firm–stakeholder relationships by fostering corporate sustainability including financial sustainability. They consider good governance and

sustainability as complementary mechanisms for better stakeholder management. Furthermore, they note that stakeholder theory provides a link between governance mechanisms and sustainability initiatives for aligning long-term management–stakeholder goals. Therefore, (Gupta & Bailey, 2001b) have theoretically alluded the influence of corporate governance mechanism on financial sustainability. However, (Okoye et al., 2017a) clearly established the significance of the corporate governance – financial sustainability relationship.

Moreover, financial sustainability considers as a crucial factor that affects the share price (Rezaee, 2017). Stakeholder theory confirms the relationship between financial sustainability and shareholder value. Analysis of the literature suggests that financial health of a company is an important indicator of the long-term survival of companies (Hasan, Omar, & Hassan, 2018b). The analysis also suggest that financial sustainability contributes to the enhancement of shareholder value (Creixans Tenas & Arimany-Serrat, 2018; El Mir & Seboui, 2008; Kyereboah-Coleman, 2007; Liang & Pathak, 2018). These studies collectively indicate that companies can generate greater value for shareholders when they report strong financial indices. According to (Effiong, Oti, & Akpan, 2019) the higher significant effects of finance-related indices on the economic value, market value, and cash flow return on investment of the firms. Thus, theoretically and empirically, it is postulated a positive relationship between financial sustainability and shareholder value.

3. Hypothesis Development

3.1. Relationship between corporate governance and shareholder value

According to (Al-Gamrh, Ismail, Ahsan, & Alquhaif, 2020) the weakness' of corporate governance affected the investment opportunities in the worldwide. Recently, the concept of corporate governance is continuously being developed in the global business. In common, corporate governance is a tool to control and oversee the firms as well as, a tool to determine and monitor the relations between a company and its shareholders (Royae & Dehkordi, 2013). According to (Committee, 1999) corporate governance is an activity that embraces generating economic returns for owners, conducts daily business operations, and protects shareholders' interests.

Shareholder value is the most significant part in evaluating firm performance and a firm has been successful when it creates and increase shareholder wealth (Alsoboa, 2017). According to (Okafọ & Obioma, 2020), shareholder value is a business term that guarantees the ultimate measure of a company's success enriching its shareholders. In addition, the shareholder value is defined as the value that a company generates for its shareholders caused by maximizing the share price and dividend yield. (Benz, Paulus, Rohleder, & Wilkens, 2020) emphasize that, the exclusive purpose of companies is maximizing shareholder value.

Based on the literature, the corporate governance highlights on developed economies, which have specific traits in terms of the institutional environment, social and economic cultures, legal and market structure that built over many centuries (Al-Faryan, 2019). In relation to developed and developing markets, over the past decades' researchers have focused on developed markets such as United State of America, United Kingdome, Japan and Europe for such investigations (Blair, 2003; Dockey, Herbert, & Taylor, 2000; El Mir & Seboui, 2008). Studies in developed markets indicates that well-governed companies are expected to have higher valuations, higher profits, less bankruptcy risks, and pay more profit to their shareholders. However, there has been little discussion about shareholder value in developing markets such as Malaysia, Africa, Pakistan, Ghana (Mohammed Yussoff Ibrahim, Ahmad, & Khan, 2016a; Khan, Khan, & Liaqat, 2017; Kusi et al., 2018; Kyereboah-Coleman & Biekpe, 2006). The scholars of developing markets found that shareholders should consider corporate governance in their investment decisions. Moreover, scholars emphasized that markets around the world are becoming more globalized and integrated. A lack of understanding of these developing markets featured a missing part of the literature (Nasser, 2019). Thus, conducting this study will provide additional insight for expanding the literature of developing countries.

According to (Al-Gamrh et al., 2020), shareholders are looking for a high investment opportunities in the firms which have an strong and suitable governance mechanisms to assure their interest. The investors will sell their stocks if they are not satisfied with governance in the companies (Srivastava & Kathuria, 2020). (Chenuos et al., 2014) described the corporate governance as a significant way to increase shareholder value and satisfy other stakeholders. Additionally, (Thraya, Lichy, Louizi, & Rzem, 2019) demonstrates the corporate governance should use as a way to protect the assets and resources. (Alobari, Igbara, Tordee, & Domale, 2019) explained that good corporate governance is a positive sign in terms of profitability and maximizing the shareholder value. Thus, the core of corporate governance is the alignment of various interests such as society, company and individual in term of achieving the organization's aims of enhancing the shareholder value (Okoye et al., 2017a).

According to (Mohammed Yussoff Ibrahim, Ahmad, & Khan, 2016b) corporate governance mechanism has an impact on the shareholder wealth. It found positive link between board size and shareholder wealth. In addition (Saleh, Iskandar, & Rahmat, 2005) confirmed that, corporate governance is considered as a significant factor to maximize shareholder wealth. On the other hand, (Lang & Stulz, 1994) indicates that the corporate governance mechanism has a negative effect on shareholder value. Finally, the studies have confirmed that the independent chairman has a strong positive relationship to maximize shareholder value (Mohd Yussoff Ibrahim et al., 2017). Additionally (Kusi et al., 2018) illustrates positive correlations between the proportion of non-executive directors and shareholders' value.

Furthermore, (Julizaerma & Sori, 2012; Nazir & Alam, 2010) demonstrate that, different factors of corporate governance, for instance board size, board independence, managerial ownership, audit committee independence, CEO duality, gender diversity and others having direct or indirect impact of the companies' profit, operating efficiency, and shareholder wealth. The study of (Kusi et al., 2018) confirmed the extreme large board size will reduce shareholder value, likewise (Chenuos et al., 2014) recommended small and odd board size to avoid deadlock when votes decided. In addition, (Khan et al., 2017) found negative relationship between the board size and shareholder wealth. (Kyereboah-Coleman, 2007) studied the relationship between corporate governance and shareholder value, and confirmed the board size has a positive impact on maximizing shareholder wealth. Moreover, (Ezzine, 2012) indicates there is an inverse relationship between the executive director, separation of the positions of chairman of the board and the board size with the share price.

According to (Al-Jaifi, Al-rassas, & Al-Qadasi, 2017), corporate governance could establish an efficient monitoring and reducing the management' opportunistic behavior that might impact negatively shareholders. Further (Faruqi, Ahsan, Mirza, & Rao, 2019) confirmed that, corporate governance assist in stable the companies' performance and assure accountability and transparency. Thus, the relationship between corporate governance and shareholder value is consistent with agency theory. As the companies' practice a good corporate governance, then the shareholder value will be increased.

H1: There is a positive relationship between corporate governance and shareholder value.

3.2. Relationship between corporate governance and financial sustainability

(Shrivastava & Addas, 2014) explained the sustainability as providing the needs of the current generation without excessive and jeopardizing resources for the future generation to enable them also to meet their own needs. The financial pillar is based on the necessary retaining of ordinary capital with all the business activities performed, and use of only the generated profit (Kocmanová et al., 2011). The sustainability is a critical and fundamental tool for the company to success in long-term (Klettner, Clarke, & Boersma, 2014). According to (La Porta, Lopez-de-Silanes, Shleifer, & Vishny, 2000), corporate governance as a summation of tools assist to protect the external investors. In addition, good corporate governance considers as a perfect tool to achieve the capital, reducing risk, and enhancing work performance (Pham et al., 2020).

Various studies have been conducted in developed and developing markets to identify the significance of corporate governance on financial sustainability (Aras & Crowther, 2008; Chenuos et al., 2014; Kocmanová et al., 2011; Okoye et al., 2017a; Watsisi, 2018). The attention of the focus on financial sustainability becomes very important across developing countries while having diminutive impact on developed markets (Crifo, Escrig-Olmedo, & Mottis, 2019). A review of the literature shows, several studies have been conducted on a concept of corporate governance and financial sustainability although little has been accomplished in relating the two variables (Watsisi, 2018), therefore future studies are required on this concept. The issue of corporate financial sustainability is a challenge and a concern to all the nature and sizes of companies as it influences the overall financial system (Acemoglu, Ozdaglar, & Tahbaz-Salehi, 2015; Dahash & Al-Dirawi, 2018).

According to (Chenuos et al., 2014) the influence of the board size on financial sustainability is a positive sign, with an average of eight members of the board and suggested the board size should not be less than seven members. Moreover, (Alakeci & Al-Khatib, 2006) confirmed the positive and significant relationship between board size function and financial sustainability. Finally (Okoye et al., 2017a) found also a considerable effect of board size on financial sustainability. Moreover, (Reddy, Locke, & Scrimgeour, 2010) indicates that in an agency theory context, a small board size is more likely to grant members to involve in genuine debate and interaction. Additionally, these researchers mention that a large board may derive to a negative and insignificant effect on investment returns (Tai, 2015). A small board is becoming more effective in the management process and mitigates the agency problem, while the board becomes more symbolic when the board members grow too big (Vintila & Gherghina, 2012). In conclusion, if the companies applied the corporate governance' standards, then the companies will be financially sustainable. Thus, the stakeholder approach strongly emphasizes the relationship between corporate governance and shareholder value.

H2: There is positive relationship between corporate governance and financial sustainability.

3.3. Relationship between financial sustainability and shareholder value

The concept of sustainability development became major attention by think-tankers and policymakers from all over the world (Naciti, 2019). Every manager's aim is to grow firm in order to increase the value of the firm (Ashta, 2008). However, growth must be sustainable in order to get benefits for long term. Therefore, financial sustainability (FS) is an integral part of corporate sustainability. Financial sustainability is defined as; it is long-term compatibility between the growth of revenue and established operational and financial plans. Therefore, it is necessary for companies to sustain itself for the long-term and company should trade-off between high growth and high financial risk.

Previous studies have documented that a company's financial sustainability affects its financial performance in both developing and developed markets (Amouzesh, Moeinfar, & Mousavi, 2011; Laskar & Maji, 2018; Przychodzen & Przychodzen, 2013; Rahim, 2017; Subbareddy & Reddy, 2017). Moreover, developing markets as compared to developed markets are less efficient and have weaker, riskier, and more volatile regulations (Edwards & Lawrence, 2010). Furthermore, the problems associated to financial sustainability may seem more acute when it comes to developing markets. The financial, political, and social dynamics of developing economies differ from those of advanced economies (Manrique & Martí-Ballester, 2017).

In addition, (Kyereboah-Coleman, 2007) demonstrates shareholder value maximization as long-term decision and its success in general depends on management practice. Therefore (Block, Hirt, & Danielsen, 1994; Brealey, Myers, Allen, & Mohanty, 2012) illustrate that, shareholder value maximization must be the overall aim for each company. According to (Woods & Randall, 1989), generally accept shareholder value as the gross market value of the common shares which in turn is supposed to be the present value of the cash flows which accrue to shareholders discounted at their required rate of return on equity.

According to the best knowledge of the author, no study has been published which directly assess the relationship between financial sustainability and share price of the firm. However, by critically reviewing the related studies, it is shown that financial sustainability is one of the important factors that affects the share price of the firm. The prior studies documented that financial sustainability of the firm affects their financial performance (Amouzesh et al., 2011; Przychodzen & Przychodzen, 2013; Rahim, 2017; Subbareddy & Reddy, 2017). Moreover, (Przychodzen & Przychodzen, 2013) examined the influence of corporate sustainability practices on the stock price volatility. The result of these studies demonstrates that the non-sustainable growth of firms may exert tremendous pressure on the firm's operational and financial characteristics, which consequently affect the stock price of the firm. Furthermore, (Rezaee, 2017) suggested that examining the impact of financial sustainability on market performance (stock prices) can be beneficial for the companies.

Based on the discussions, the shareholder value will be increased when the companies are financially sustainable. Therefore, stakeholder approach strongly asserts the relationship between financial sustainability and shareholder value.

H3: There is positive relationship between financial sustainability and shareholder value.

3.4. Mediating role of Financial Sustainability between Corporate Governance and Shareholder Value

The past decade has been considered to increased interest in corporate governance by many companies in an effort to enhance financial sustainability (Kakumba, 2012). According to (Helms, 2006) corporate governance aimed to reach the company's objectives, which leads to the financial sustainability of the companies (Chenuos et al., 2014). (Manson & O'Neill, 2007) confirmed that applying corporate governance increasingly boosts firms' financial sustainability. Furthermore, (Przychodzen & Przychodzen, 2013) investigated the effect of corporate sustainability on stock price volatility. The results of these studies indicate that the unsustainable growth of companies may put tremendous pressure on the operating and financial components of the company, which may lead to an impact on the company's share price. In addition, it was suggested by (Rezaee, 2017) that studying the impact of financial sustainability on market performance (stock prices) could be beneficial to firms.

According to (Michelon & Parbonetti, 2012) good corporate governance strengthens relationships between a company and its stakeholders by promoting sustainability. This study highlights better sustainability and governance will improve stakeholder management. Furthermore, the study observed that the stakeholder theory gives a connection between sustainability initiatives and governance mechanisms to align long-term stakeholder goals. (Gupta & Bailey, 2001a) highlight the effect of corporate governance on financial sustainability. However, (Okoye, Erin, Ado, & Isibor, 2017b), clearly identified the importance of corporate governance in the relationship with financial sustainability.

The literature indicates that the company's financial health is an essential indicator of the companies' long-term survival (Hasan, Omar, & Hassan, 2018a). Additionally, the analysis indicates and extends that financial sustainability contributes to enhancing shareholder value (Creixans Tenas & Arimany-Serrat, 2018; FOO & Pathak, 2016). These previous studies clearly mention that firms can produce shareholder value as they report strong financial indicators. Moreover, recent literature indicates that financial sustainability underlies the relationship between corporate governance and shareholder value. However, to what extent it mediates the relationship is required to be explored between corporate governance and shareholder value. The study suggests that financial sustainability will mediate the relationship between corporate governance and shareholder value. Hence, to bridge the knowledge gap, the objective of the present study is to examine the mediating role of financial sustainability in the relationship between corporate governance and shareholder value. Consequently, this research examines the effect of corporate governance on shareholder value by presenting financial sustainability as a mediator.

In conclusion, regarding the literature discussed earlier, it is clear that financial sustainability could be a mediator in the relationship between corporate governance and shareholder value because it has a significant connection with both independent (corporate governance) and dependent (shareholder value) variables.

H4: The financial sustainability mediates between corporate governance and shareholder value.

4. Theoretical Framework

Figure 1 Framework of the study

Based on the entire discussions in figure 1 in this study, there is a relationship between corporate governance and shareholder value that are intermediated by financial sustainability. The stakeholder context strengthens the relationship between corporate governance, financial sustainability, and shareholder value. That indicates, when the companies are financially sustainable, then the shareholder value will be maximized. In addition, agency theory strongly supports the direct relationship between corporate governance and shareholder value.

To sum up, the theory that provides the connection between corporate governance and shareholder value is agency theory. Agency theory supports that, the employees should work in the favor of shareholders in order to maximize the shareholder value. On the other hand, stakeholder theory will take a place among the relationship between corporate governance, financial sustainability, and shareholder value. The stakeholder theory is connecting between corporate governance and financial sustainability by supporting good corporate governance to make the companies financially sustainable. As employees ensure that the stability of their jobs and increase their allowances in the event that the companies are achieving annual revenues continuously. Additionally, the stakeholders are, any person or entities who are affected or the companies can be affected by them.

5. Research methodology

The current study explores the effect of board size and financial sustainability on the share price of food & beverages of Saudi stock exchange (Tadawul). The current study employs secondary data and analytical in nature. It comprises of 12 listed food & beverages companies in Saudi Arabia. The data is collected from different sources such as Tadawul, DataStream and annual reports of these companies. This study uses ten years unbalanced panel data ranging from 2010-2019. The year-end closing share prices are gathered from Tadawul and DataStream. The data analysis is performed in this study by employing descriptive statistics, correlation matrix, pooled ordinary least square, (Baron & Kenny, 1986), and (Preacher & Hayes, 2004) bootstrap approach to examine the empirical link and draw a conclusion, which would be the most suitable method for such type of data. Thus, the STATA 15

software will be used in this analysis. Furthermore, share price is used as a dependent variable, board size is independent variable and financial sustainability as a mediator.

5.1. Variables Measurement

The basic measurement of the selected variables in this study have been depicted as under.

Table 1 Variables measurement

Sr. No	Variables	Type	Measurement	Previous studies
1	Share Price	Dependent	Annual closing market price of share	(Dyl & Elliott, 2006; Glezakos, Mylonakis, & Kafouros, 2012; Menike & Prabath, 2014; Steenkamp, 2017)
2	Board Size	Independent	Signifies the total number of board members	(Al-Kahmisi & Hassan, 2018; Bokpin, 2011; Dimitropoulos, 2014; Mehdi, Sahut, & Teulon, 2017)
3	Financial Sustainability	Mediator	Return on assets (ROA)	(Al-Manaseer, Al-Hindawi, Al-Dahiyat, & Sartawi, 2012; Khidmat & Rehman, 2014; Okoye et al., 2017a; Oyewale & Adewale, 2014; Uwuigbe & Olusanmi, 2012; Yameen & Pervez, 2016)

5.2. Model Estimation and Specification

The equations to be estimated as follows.

$$SP_{it} = \beta_0 + \beta_1 BS_{it} + \varepsilon_{it} \quad (1)$$

$$FS_{it} = \beta_0 + \beta_1 BS_{it} + \varepsilon_{it} \quad (2)$$

$$SP_{it} = \beta_0 + \beta_1 FS_{it} + \varepsilon_{it} \quad (3)$$

$$SP_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 FS_{it} + \varepsilon_{it} \quad (4)$$

Where,

SP = Predicted Variable (Share Price)

β_0 = β_0 is the intercept of an equation

CG_{it} = Predictor Variable (Corporate Governance)

FS_{it} = Mediator Variable (Financial sustainability)

β_1 = coefficient assigned to the predictor variable

ε_{it} = standard error of estimates

6. Empirical Results

6.1. Descriptive Statistics

The study uses a data-set of 12 listed companies of food & beverage sector on Saudi Stock Exchange for the period of 2010 to 2019. Table 2 shows the detailed description of the descriptive outcomes of the variables employed in the research over a period of time. Share price shows the mean value of 3.491 which represents higher mean whereas financial sustainability has indicated minimum level of mean with a value of 2.043.

Table 2 Descriptive statistics of variables

Variables	Mean	Standard Deviation	Minimum	Maximum
SP	3.491	0.648	2.219	5.104
FS	2.043	9.944	-34.94	24.14
BS	7.57	1.732	5	11

SP= Share Price, FS= Financial Sustainability, BS= Board Size

6.2. Correlation Matrix

In this research paper, the correlation matrix was developed to check the probability of multi-collinearity. Table 3 depicts the findings of correlation matrix, which is employed to determine the extent of association among the variables studied. Multi-collinearity of more than or equal to 70 percent between two variables is usually a matter of concern (Drury, 2008). In current study, the maximum correlation coefficient is 53 percent between share price and financial sustainability as shown in table below.

Table 3 Correlation matrix for variables

Variables	SP	BS	FS
SP	1.0000		
BS	0.4504	1.0000	
FS	0.3514	0.2585	1.0000

SP= Share Price, BS= Board Size, FS= Financial Sustainability

6.3. Determinants of share price

Hypothesis H4 indicates that financial sustainability mediates the relationship between corporate governance and share price under the stakeholder approach. To test this hypothesis study calculated the indirect effects of the path BS→FS→SP. Table indicated that the direct effect without entering the financial sustainability in the model is 0.12 with t-value 4.01 and p-value less than 0.05. This mentions the significant direct effect of board size on share price in food & beverage companies. At next step mediating variable financial sustainability were entered in the model and direct effect of BS→SP is tested. The path coefficient is 0.09 and t-value 3.26 and p-value less than 0.05. Thus, the mediation is partial as coefficient decreases (Baron & Kenny, 1986). The next stage of the mediation analysis is to calculate the indirect effects of the path BS→FS→SP through bootstrap approach. Further, to test whether the path is significant or not. Researcher used (Preacher & Hayes, 2004) bootstrapping with 5000 iteration to test the p-values. P-value of the indirect path is 0.013. this value is lower than the 0.05. Moreover, the lower confidence interval is .008049 and the upper confidence interval is .0665832 and it does not contain zero between lower and upper confidence interval. Then, the H4 had been accepted. Similarly, H2 has a path coefficient 1.14 with t-value is 2.22 and p-value less than 0.05. Then, H2 had been accepted. Likewise, H3 has a path coefficient 0.03 with t-value 6.96 and p-value less than 0.05, thus H3 also accepted.

Table 4 Results of pooled OLS regression

Variables	Coefficient	t-value	P-value	F-statistics
BS→SP	0.129	4.01	0.000***	16.06
BS→FS	1.148	2.22	0.028**	14.92
FS→SP	0.035	6.96	0.000***	48.40
BS→FS→SP	0.092	3.26	0.001***	31.50

SP= Share Price, BS= Board Size, FS= Financial Sustainability

Note: 1% ***, 5% **

Table 5 Results of bootstrap approach

Hypothesis	Path	Coefficient	Lower CI	Upper CI	F-statistics
H4	BS→FS→SP	0.0366	.008049	.0665832	0.013 **

Note: 1% ***, 5% **

7. Discussion and Conclusion

This study examines the effect of different determinants such as board size and financial sustainability on dependent variable share price in Saudi Stock Exchange food & beverage sector companies. The current research employs balanced data comprising of annual data of 12 firms for the period of ten years from 2010 to 2019. The statistical analysis techniques like descriptive statistics, correlation matrix, pooled ordinary least square and mediator techniques including Baron & Kenny and

bootstrap approach is tested. Based on testing, the findings reveal that financial sustainability mediates the relationship between board size and share price, which recommends that these two variables are the major factors of share price of companies listed in food & beverages sector on the Saudi Stock Exchange (Tadawul). According to (Chenuos et al., 2014) corporate governance is a significant way to increase shareholder value and satisfy other stakeholders. Furthermore, (Julizaerma & Sori, 2012; Nazir & Alam, 2010) indicates that board size having direct or indirect impact of the companies' profit, operating efficiency, and shareholder wealth. . Moreover, (Alakeci & Al-Khatib, 2006) confirmed the positive and significant relationship between board size function and financial sustainability. In addition, (Przychodzen & Przychodzen, 2013) demonstrates that that the sustainable growth of firms affect the stock prices in a positive way which ultimately increase shareholder value.

This research is of great help to policy-makers and shareholders because it permits them to make decision related to profitable investment. Furthermore, the findings of this study could also be helpful to shareholders and portfolio managers in terms of managing risk by identifying the vital factors that derive to share price fluctuations. Moreover, future research can be carried out by considering other macroeconomic and microeconomic factors. Additional research on this framework can be conducted by considering market as a whole or in different sectors.

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