

Remuneration Committee, Remuneration of Executives and Firm Performance: An Empirical Study from Pakistan

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Abstract

Pakistan is in the process to update the role of the remuneration committee, however, little is known about the role of the remuneration committee in Pakistan's non-financial listed firms. This study investigated the impact of the remuneration & HR committee on the remuneration of the CEO, directors, executives, all (CEO, directors, executives), and auditor. Further, this study also explores the influence of the remuneration & HR committee on firm performance. This study used data between 2009 and 2017. For analysis, this study used OLS regression with cross-section fixed effects. Our findings suggest remuneration in presence of remuneration & HR committee, minimizes the conflict of interest between management and shareholders, further remuneration payments impact positively on firm performance. This study reveals the role of the remuneration & HR committee, which suggest incorporation improves the corporate governance and firm performance in Pakistan.

Keywords: Remuneration, Remuneration committee, Firm performance, OLS

Introduction

Major international corporate scandals (WorldCom, Enron, and Satyam) force policymakers to protect shareholders' rights. Because most emerging economies want to attract foreign investment, these economies and policymakers update their corporate governance code from time to time which encourages investors to invest in these economies. Pakistan's economy is emerging, which updated its corporate governance codes three times since 2002. Pakistan's first corporate governance code is implemented in 2002, then in 2012, and lastly in 2017. These corporate governance codes are progressing with international standards and trying to cover the loopholes in updated codes of previous ones.

Agency theory address the conflict of interest between the CEO, directors & executives, and shareholders. This conflict of interest leads the CEO, directors & executives of the firms toward their benefits

instead of shareholder benefits. These personal benefits are salaries, bonuses, and other fringe benefits which can reduce the wealth of shareholders. This conflict of interest can be reduced through fair remuneration of the CEO, directors, and executives.

This is questionable who is impartial and responsible for the fair remuneration of the CEO, directors, and executives? Corporate governance code 2002 of Pakistan clause (viii)(e) gives this power to the board of directors. Corporate governance code 2012 of Pakistan clause xxv declares that voluntarily any firm can formulate its remuneration and HR committee, which is responsible for fair remuneration of CEO, directors, and executives. Corporate governance code 2017 of Pakistan clause 4 enforced, it is mandatory for every listed firm to formulate the remuneration and HR committee. Additionally, the corporate governance code 2017 of Pakistan, enforces firms that the chairman of the committee must be an independent director. The code declares that the committee must meet once a year. If the CEO and HR head are not members of the committee, they can attend meetings only at the invitation of the committee. The remuneration and HR committee can recommend the policy which determines the remuneration of directors and executives to the board.

Carter et al. (2010) suggest that it is the responsibility of the board for monitoring, control, and link companies with their external environment. The Board of directors delegates some of its powers to the specific committee for better control of the board. For protecting the shareholders' rights, specialist committees are important corporate governance mechanisms that provide independent opinions on the various activities of the firms and executives (Harymawan et al., 2020). Agyemang-Mintah (2016) argues that without a specific committee, controlling firm activities is difficult. The specific committee can improve the control of the board over executives and other activities.

The role of a specific committee, such as remuneration is very important. The remuneration committee recommends a policy that encourages CEO, directors, and executives for the benefit of shareholders. Fair remuneration of CEO, directors, and executives is a key which reducing the conflict of interest between shareholders and CEO,

directors, and executives. Kraft and Niederprüm, (1999) argued that higher compensation improves the firm performance due to the harmonization of interest between shareholders and management of the firm based on agency theory. Jiang et al. (2009) show that CEO compensation is positively related to firm performance. Barron and Waddell (2008) recommend that to align the interests of management with the company's long-term interest, managers must be compensated. Ahmed (2010) shows that the establishment of a remuneration committee can monitor and advise executive management on salary decisions that reduce agency costs and should ultimately lead to better performance. Jaafar et al. (2015) and Harymawan et al (2020) find a positive relationship between remuneration committees and remuneration which suggests the effectiveness of the committee in reducing agency problems and motivating managers to perform.

In this study, we are exploring the effect of a specific committee (remuneration and HR committee) on the remuneration of the CEO, directors, executives, total & auditor and its effect on firm performance. This is the first study from Pakistan, which explores the role of the remuneration committee in the context of the remuneration of directors, executives, CEO, and auditors and its impact on firm performance.

The Reminder of the paper discusses the hypothesis development, methodology, findings, and conclusion of the study

Hypothesis development

Conflict of interest between shareholders and managers is the key assumption of the agency theory. This conflict of interest between managers and shareholders can be reduced through fair remuneration for the management (Jenson and Meckling, 1976). Jaafar et al. (2015), Chou & Buchdadi (2018), and Harymawan et al (2020) explored the significant and positive association between the remuneration committee and remuneration. These studies suggest, that remuneration without the influence of the board can affect positively remuneration, which can reduce the conflict of interest between managers and shareholders.

H1. There is a positive relationship between remuneration & HR committee and remuneration.

Remuneration and HR committee play important role in motivating management through incentives which ultimately reduce the agency conflict between shareholders and management.

Agyemang-Mintah (2016), Ahmed (2010), and Harymawan et al (2020) show that with the establishment of the RCs, the committee will monitor and advise executive management on salary decisions that can reduce agency costs and ultimately lead to better performance. Thus, Harymawan et al (2020) predict that the existence of the remuneration &HR committee can improve firm performance.

H2. The remuneration &HR committee are positively related to firm performance.

Data, Variables, and Methodology

Data

In this research, we used the data of non-financial listed firms on the Pakistan Stock Exchange (PSX). We used 173 firms' data out of 369 listed on PSX from 2009 to 2017. Following previous studies, we exclude the firms with negative equity, missing data, and service sectors from our analysis. For the objective of this study, we collected data on variables from annual reports published by firms except for market share price data, which we collected from publications of the PSX.

Variables

Table I discuss the variables investigated in this study. This study followed the work of Harymawan et al (2020), Harymawan and Nowland (2016), Fieldand Mkrtychyan (2017), Muttakin et al (2015), and Cashman et al (2012).

Table I: Definition of variables

Variable	Proxy	Definition
Remuneration committee	COM	Dummy variable assigned 1 if the existence of remuneration & HR committee, zero otherwise.
Remuneration Variables		
Chief executive remuneration	REMCHEX	Natural logarithm of remuneration of chief executive officer in Pak thousands of rupees.
Executive remuneration	REMEEX	Natural logarithm of remuneration of executive in Pak thousands of rupees.
Director remuneration	REMDR	Natural logarithm of remuneration of directors in Pak thousands of rupees.
Remuneration all	REMAL	Natural logarithm of the total remuneration of chief executive officer, executive directors , and directors in Pak thousands of rupees.
Auditor remuneration	REMAUD	Natural logarithm of remuneration of auditor in Pak thousands of rupees.
Performance variables		
Tobins'Q	TBINQ	The Market value of equity plus total liabilities aredivided by total assets.
Return on Assets	ROA	EBIT divided by total assets.
Return on equity	ROE	Net income divided by total equity.
Control variables		
Total directors	TDIR	Total numbers of directors on the board.
Independent directors	IND%	The ratio of independent directors on the board.
Executive directors	EXD	Numbers of executive directors on the board.
Non-Executive directors	NEXD	Numbers of non-executive directors on the board.
CEO duality	CEOD	Dummy variable, 1 if the CEO is also chairman or managing director of the firm, zero otherwise.
Size	SIZE	Natural logarithm of total assets.
Age	AGE	Natural logarithm of firm years since establishment.
Capital intensity	CAPINT	Fixed assets divided by total assets
Cash holding ratio	CHR	Cash plus bank balance divided by total assets

Methodology

This study used OLS regression with cross-section fixed effects. We used equation 1 for exploring the impact of remuneration & the HR committee on the remuneration of the chief executive officer, directors, executives, total (chief executive officer, directors, and executives), and auditor.

$$\text{REMUNERATION}_{it} = \text{COM}_{it} + \text{TDIR}_{it} + \text{CEOD}_{it} + \text{EXD}_{it} + \text{IND\%}_{it} + \text{NEXD}_{it} + \text{AGE}_{it} + \text{CAPINT}_{it} + \text{CHR}_{it} + \text{SIZE}_{it} + \mu_{it} \dots\dots\dots 1$$

This study employed equation 2 to investigate the impact of remuneration & the HR committee on firm performance.

$$\text{PERFORMANCE}_{it} = \text{COM}_{it} + \text{TDIR}_{it} + \text{CEOD}_{it} + \text{EXD}_{it} + \text{IND\%}_{it} + \text{NEXD}_{it} + \text{AGE}_{it} + \text{CAPINT}_{it} + \text{CHR}_{it} + \text{SIZE}_{it} + \mu_{it} \dots\dots\dots 2$$

For confirming the findings from equation 2, we used equation 3 that firm with remuneration & HR committee has a significant impact on firm performance compared with those firms that have no remuneration & HR committee. For capturing the effect of remuneration on firm performance in the presence of remuneration & HR committee, we used the interaction term of remuneration and remuneration & HR committee.

$$\text{PERFORMANCE}_{it} = \text{COM}_{it} + \text{REMUNERATION}_{it} +$$

$$\text{COM}_{it} * \text{REMUNERATION}_{it} + \text{TDIR}_{it} + \text{CEOD}_{it} + \text{EXD}_{it} + \text{IND\%}_{it} + \text{NEXD}_{it} + \text{AGE}_{it} + \text{CAPINT}_{it} + \text{CHR}_{it} + \text{SIZE}_{it} + \mu_{it}$$

Findings

Descriptive statistics

Table II discusses the descriptive statistics of the study. The mean of remuneration & HR committee is 0.68, which indicates that 68 % of the sample firms have a remuneration & HR committee. The average remuneration of the CEO is 13637.910 thousand Pak rupees. The average directors' remuneration is 10401.290 thousand rupees. The mean of executives is 267674.200 which indicates, on average executives of Pakistani listed firms take 267674.200 thousand Pak rupees. Auditor's average remuneration is 2021.905 thousand Pak rupees. In 13.10 % of sample firms, the CEO is also chairman or managing director of the firm. On average, every firm's board has approximately 2 executive directors. Descriptive statistics show sample firms have 14 % independent directors on the board. On average, the number of total directors is 8 on the board. The mean return on assets is 11.3%. On average return on equity is 5%. The mean of TobinQ is 1.136. The average size is 15.47. The average age is 3.266. On average, every firm has 53 % fixed assets of total assets. The mean cash holding ratio is 4%.

Table II: Descriptive statistics

Variable	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
COM	0.686	1.00	1.000	0.000	0.464	1548
REMCHEX	13637.910	7488.000	535995.000	0.000	22734.690	1548
REMDR	10401.290	4022.260	290416.700	0.000	21498.540	1548
REMEX	267674.200	35551.550	12620756.000	0.000	889493.700	1548
REMAUD	2021.905	1204.000	39812.000	3.019	2708.724	1548
CEOD	0.132	0.000	1.000	0.000	0.339	1548
EXD	1.922	2.000	7.000	0.000	1.320	1548
IND%	0.141	0.125	1.286	0.000	0.174	1548
TDIR	8.080	7.000	16.000	4.000	1.577	1548
ROA	0.113	0.102	1.139	-0.600	0.117	1548
ROE	0.052	0.072	2.471	-3.685	2.384	1548
TBINQ	1.316	0.919	25.425	0.228	1.450	1548
SIZE	15.476	15.263	20.257	12.096	1.448	1548
AGE	3.266	3.219	4.220	0.693	0.521	1548
CAPINT	0.532	0.541	1.000	0.000	0.210	1548
CHR	0.039	0.012	0.433	0.000	0.067	1548

This table presents the descriptive statistics of the study, Remuneration of CEO, Directors, Executives, and auditors is reported in Pak thousands of rupees instead of natural logarithms.

Correlation analysis

Table III presents the correlation analysis of the study. The remuneration & HR committee has a positive & significant relationship with the CEO, executives, auditors, and all remuneration. The remuneration & HR committee has a

positive & a significant relationship with TbinQ and a negative & significant relationship with ROA. This analysis suggests that the Remuneration & HR committee has a positive relationship.

Table III: Pearson Correlation

	COM	REM CHEX	REM DR	REM EX	REM AUD	REM AL	AGE	CAPINT	CHR	CEO D	EXD	IND %	TDIR	NEX D	SIZ E	RO A	ROE	TBIN Q
COM	1																	
REM CHEX	0.141***	1																
REM DR	-0.0349	0.221**	1															
REM EX	0.193***	0.386**	0.04	1														
REM AUD	0.215***	0.440**	0.145***	0.606***	1													
REM AL	0.229***	0.576**	0.181***	0.824***	0.756***	1												
AGE	0.166***	0.059*	0.035	0.068***	0.079***	0.081***	1											
CAPINT	-0.067***	-0.093**	-0.037	-0.138***	-0.267***	-0.158***	-0.0104	1										
CHR	0.043*	0.152**	0.053**	0.140***	0.249***	0.184***	0.052**	-0.336***	1									
CEOD	-0.175***	-0.038	0.017	-0.098***	-0.092***	-0.104***	0.000	0.165***	-0.034	1								
EXD	0.108***	0.056*	0.355***	-0.030	0.053**	0.037	0.042*	0.035	0.020	0.121***	1							
IND%	0.060**	0.087**	-0.083***	0.096***	0.084***	0.125***	0.049*	0.053**	0.017	-0.021	-0.195***	1						
TDIR	0.128***	0.255**	0.016	0.280***	0.274***	0.339***	0.030	-0.061**	0.019	0.158***	0.044*	0.133***	1					
NEX D	-0.104*	-0.187	-0.072*	-0.075*	-0.096*	-0.095*	-0.080**	0.054*	-0.202*	0.081**	-0.033	-0.060*	-0.021	1				
SIZE	0.189***	0.344**	0.023	0.601***	0.755***	0.722***	-0.004	-0.054**	0.142***	0.090***	-0.007	0.139***	0.354***	-0.027	1			
ROA	-0.067***	0.225**	0.076***	0.149***	0.262***	0.256***	-0.109***	-0.237***	0.271***	-0.041	0.071***	0.024***	0.088***	-0.324**	0.192***	1		
ROE	0.034	0.037	0.0348	-0.005	0.023	0.016	-0.045*	-0.046*	0.046*	0.011	-0.037	0.029	0.059**	-0.08624*	-0.015	0.149	1	
TBIN Q	0.129***	0.179**	0.073***	0.189***	0.235***	0.263	0.011	-0.181***	0.238***	-0.030	0.132***	0.024	0.117***	0.004	0.137***	0.443***	0.081***	1

Notes: “*” Presents least to most “****” significant level.

Regression analysis
Table IV: Regression result of equation 1

Dependent variable	REMAL	REMEX	REMAUD	REMCHEX	REMDR
COM	0.117* (0.069)	0.220* (0.125)	0.026 (0.026)	0.111 (0.127)	-0.190 (0.182)
TDIR	0.058 (0.037)	0.264*** (0.067)	0.000 (0.014)	0.190*** (0.068)	0.232** (0.097)
CEOD	-0.123 (0.097)	-0.202 (0.177)	0.031 (0.037)	-0.361** (0.179)	-0.275 (0.256)
EXD	0.048** (0.024)	0.078* (0.044)	0.012 (0.009)	0.020 (0.044)	0.343*** (0.064)
IND%	-0.377* (0.197)	-0.917** (0.358)	0.155** (0.075)	0.307 (0.364)	0.080 (0.519)
NEXD	-0.022 (0.018)	-0.001 (0.032)	0.018*** (0.007)	-0.019 (0.033)	-0.130*** (0.047)
AGE	1.158*** (0.220)	1.015** (0.399)	0.669*** (0.084)	0.437 (0.404)	0.356 (0.578)
CAPINT	-0.274 (0.228)	-0.669 (0.414)	-0.110 (0.087)	-1.197*** (0.419)	-1.520** (0.601)
CHR	-0.061 (0.507)	-1.700* (0.919)	-0.385** (0.193)	-0.275 (0.931)	-3.050** (1.334)
SIZE	0.935*** (0.082)	1.112*** (0.148)	0.355*** (0.031)	1.169*** (0.150)	0.575*** (0.215)
C	-7.743*** (1.290)	-12.350*** (2.336)	-0.587 (0.490)	-12.521*** (2.369)	-4.427 (3.388)
R- squared	0.872	0.821	0.895	0.796	0.74
Adj- R-squared	0.855	0.797	0.881	0.769	0.70
F-statistic	51.75***	34.75***	64.85***	29.485***	21.837***

Notes: “*” Presents least to most “***” significant level.

Table IV shows the regression results of equation 1. Study key variable is remuneration & HR committee. The remuneration & HR committee has a positive & a significant relationship with remuneration all (CEO, directors, and executives) and remuneration executives.

This finding supports our hypothesis 1 that remuneration & HR committee has a positive relationship with management remuneration. Key determinants of remuneration are total directors, independent directors, firm age, cash ratio, and size of the firm.

Table V: Regression result of equation 2

Dependent variable	ROA	ROE	TBINQ
COM	0.002 (0.007)	0.366* (0.198)	0.352*** (0.061)
TDIR	-0.0121*** (0.003)	-0.071 (0.106)	-0.035 (0.033)
CEOD	0.006 (0.009)	0.226 (0.279)	0.131 (0.087)
EXD	-0.001 (0.002)	-0.216*** (0.069)	-0.049** (0.021)
IND%	-0.018 (0.019)	0.111 (0.565)	0.193 (0.176)

Dependent variable	ROA	ROE	TBINQ
NEXD	-0.001 (0.001)	0.035 (0.051)	0.003 (0.016)
AGE	-0.072*** (0.022)	-0.974 (0.630)	0.166 (0.196)
CAPINT	-0.137*** (0.023)	-0.036 (0.654)	-0.153 (0.203)
CHR	0.237*** (0.051)	-0.067 (1.452)	1.460*** (0.451)
SIZE	-0.012 (0.008)	0.426* (0.234)	0.300*** (0.073)
C	0.717*** (0.130)	-2.814 (3.689)	-3.767*** (1.147)
R-squared	0.552	0.135	0.77
Adjusted R-squared	0.493	0.120	0.744
F-statistic	9.329***	1.179*	25.958***

Notes: "*" Presents least to most "****" significant level.

Table V displays the regression result of equation 2. The remuneration & HR committee has a positive relationship with TbinQ and ROE, this finding supports our hypothesis that the existences of the remuneration & HR committee

improve the firm performance. Key determinants of firm performance are executive directors, cash holding ratio, and size.

Table VI: Regression result of equation 3

ROA					
COM	-0.121*** (0.025)	-0.115*** (0.040)	-0.028** (0.013)	-0.003 (0.011)	-0.072*** (0.015)
REMAL	-0.005* (0.003)				
REMAL*COM	0.012*** (0.002)				
REMAUD		0.004 (0.008)			
REMAUD*COM		0.016*** (0.005)			
REMCHEX			0.000 (0.001)		
REMCHEX*COM			0.004*** (0.001)		
REMDR				0.001 (0.001)	
REMDR*COM				0.000 (0.001)	
REMEX					-0.006*** (0.001)
REMEX*COM					0.008*** (0.001)
TDIR	-0.011 (0.003)	-0.011*** (0.003)	-0.012*** (0.003)	-0.012*** (0.003)	-0.010*** (0.003)

CEOD	0.006 (0.009)	0.004 (0.009)	0.008 (0.009)	0.007 (0.009)	0.007 (0.009)
EXD	-0.000 (0.002)	-0.000 (0.002)	-0.000 (0.002)	-0.002 (0.002)	-0.000 (0.002)
IND%	-0.020 (0.019)	-0.024 (0.019)	-0.022 (0.020)	-0.019 (0.019)	-0.020 (0.019)
NEXD	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.001 (0.001)	-0.000 (0.001)
AGE	-0.072 (0.022)	-0.080*** (0.022)	-0.071*** (0.022)	-0.072*** (0.022)	-0.069*** (0.022)
CAPINT	-0.134 (0.022)	-0.134*** (0.023)	-0.131*** (0.023)	-0.134*** (0.023)	-0.136*** (0.022)
CHR	0.225 (0.050)	0.230*** (0.051)	0.236*** (0.051)	0.242*** (0.051)	0.233*** (0.050)
SIZE	-0.020 (0.008)	-0.021** (0.008)	0.016** (0.008)	-0.014* (0.008)	-0.016* (0.008)
C	0.892 (0.135)	0.840*** (0.135)	0.778*** (0.132)	0.744*** (0.132)	0.807*** (0.132)
R-squared	0.560	0.557	0.556	0.554	0.562
Adj. R-squared	0.501	0.498	0.496	0.494	0.504
F-statistic	9.523***	9.394***	9.337***	9.278***	9.600***
Notes: "*" Presents least to most "****" significant level.					

Table VI presents the regression result of equation 3. The dependent variable is ROA Interaction term of remuneration and HR committee with remuneration all (CEO, directors, and executives), CEO remuneration, executive remuneration, and auditor remuneration have a

positive and significant relationship on return on assets. This finding hypothesis 2 that in the presence of remuneration and HR committee, payment of remuneration improves firm performance.

Table VII: Regression result of equation 3

TBINQ					
COM	-0.992*** (0.223)	-1.345*** (0.359)	-0.086 (0.118)	0.227** (0.096)	-0.293** (0.136)
REMAL	-0.059** (0.026)				
REMAL*COM	0.131*** (0.021)				
REMAUD		-0.177** (0.074)			
REMAUD*COM		0.245*** (0.051)			
REMCHEX			-0.045*** (0.015)		
REMCHEX*COM			0.058*** (0.013)		
REMDR				0.003 (0.012)	
REMDR*COM				0.020* (0.012)	

REMEX					-0.046*** (0.014)
REMEX*COM					0.070*** (0.013)
TDIR	-0.031 (0.032)	-0.022 (0.032)	-0.036 (0.032)	-0.045 (0.033)	-0.026 (0.032)
CEOD	0.130 (0.085)	0.108 (0.086)	0.140 (0.086)	0.143 (0.086)	0.143* (0.086)
EXD	-0.042** (0.021)	-0.040* (0.021)	-0.043** (0.021)	-0.058*** (0.021)	-0.041* (0.021)
IND%	0.176 (0.173)	0.156 (0.175)	0.170 (0.175)	0.185 (0.175)	0.183 (0.174)
NEXD	0.006 (0.015)	0.003 (0.016)	0.004 (0.016)	0.005 (0.016)	0.007 (0.016)
AGE	0.162 (0.195)	0.2097 (0.199)	0.191 (0.194)	0.169 (0.195)	0.176 (0.194)
CAPINT	-0.121 (0.201)	-0.136 (0.202)	-0.108 (0.203)	-0.131 (0.203)	-0.140 (0.201)
CASHRATIO	1.332*** (0.446)	1.261*** (0.451)	1.436*** (0.448)	1.478*** (0.452)	1.436*** (0.448)
SIZE	0.209*** (0.076)	0.257*** (0.076)	0.291*** (0.074)	0.274*** (0.073)	0.259*** (0.074)
C	-1.853 (1.183)	-2.145* (1.188)	-3.409*** (1.155)	-3.325*** (1.164)	-2.873** (1.164)
R-squared	0.780	0.778	0.779	0.775	0.779
Adj. R-squared	0.751	0.748	0.749	0.745	0.749
F-statistic	26.585***	26.192***	26.274***	25.820***	26.335***
Notes: "*" Presents least to most "****" significant level.					

Table VII presents the regression result of equation 3. The dependent variable is TbinQ. The interaction term of remuneration and HR committee with remuneration all (CEO, directors, and executives), CEO remuneration, director's remuneration, executive remuneration, and auditor remuneration have a positive and significant relationship on return on assets. This finding hypothesis 2 that in the presence of remuneration and HR committee, payment of remuneration improves firm performance.

Table VIII presents the regression result of equation 3. The dependent variable is the return on equity. The interaction term of remuneration and HR committee with remuneration all (CEO, directors, and executives), CEO remuneration, executive remuneration, and auditor remuneration have a positive and significant relationship on return on assets. This finding hypothesis 2 that in the presence of remuneration and HR committee, payment of remuneration improves firm performance.

Table VIII: Regression result of equation 3

ROE					
COM	-1.782** (0.727)	-1.667 (1.164)	-0.254 (0.385)	0.262 (0.311)	-0.480 (0.442)
REMAL	-0.101 (0.086)				
REMAL*COM	0.210*** (0.068)				
REMAUD		-0.010 (0.239)			

REMAUD*COM		0.292* (0.165)			
REMCHEX			-0.081 (0.051)		
REMCHEX*COM			0.084* (0.044)		
REMDR				0.044 (0.041)	
REMDR*COM				0.018 (0.038)	
REMEX					-0.055 (0.047)
REMEX*COM					0.092** (0.042)
TDIR	-0.065 (0.106)	-0.055 (0.106)	-0.070 (0.106)	-0.089 (0.107)	-0.061 (0.106)
CEOD	0.223 (0.279)	0.192 (0.280)	0.237 (0.281)	0.247 (0.279)	0.242 (0.279)
EXD	-0.204*** (0.069)	-0.207*** (0.070)	-0.205*** (0.070)	-0.238*** (0.070)	-0.206*** (0.070)
IND%	0.082 (0.565)	0.036 (0.566)	0.050 (0.570)	0.100 (0.565)	0.103 (0.566)
NEXD	0.038 (0.051)	0.031 (0.051)	0.034 (0.052)	0.041 (0.052)	0.0402 (0.051)
AGE	-0.975 (0.635)	-1.058 (0.645)	-0.924 (0.632)	-0.987 (0.630)	-0.967 (0.631)
CAPINT	0.013 (0.653)	0.005 (0.654)	0.010 (0.659)	0.045 (0.655)	-0.015 (0.654)
CHR	-0.272 (1.450)	-0.227 (1.460)	-0.112 (1.456)	0.072 (1.456)	-0.090 (1.453)
SIZE	0.287 (0.248)	0.303 (0.247)	0.438* (0.241)	0.380 (0.236)	0.368 (0.241)
C	0.200 (3.844)	-0.757 (3.846)	-2.622 (3.752)	-2.238 (3.748)	-1.584 (3.775)
R-squared	0.141	0.137	0.137	0.137	0.138
Adj. R-squared	0.025	0.022	0.021	0.022	0.022
F-statistic	1.224***	1.191*	1.189*	1.191*	1.194**
Notes: “*” Presents least to most “***” significant level.					

Conclusion

This study investigated the impact of remuneration & the HR committee on the remuneration of the CEO, directors, executives, all (CEO, directors, executives), and auditor. Further, this study also explores the influences of the remuneration & the HR committee on firm performance. Based on agency theory, this study's findings suggest that remuneration & HR committee has a positive relationship with remuneration of CEO, directors, executives & auditor, and firm performance. Our findings suggest remuneration

in presence of remuneration & the HR committee, minimize the conflict of interest between management and shareholders and remuneration payments impact positively on firm performance.

This study assists firms to maintain a fair remuneration scheme for executives, directors, and auditors which can impact positively on firm performance. This study contributes to the literature that the remuneration committee plays an important role to eliminate the agency problem between shareholders and managers, in the context of Pakistan.

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