

Corporate Governance and Firm Performance: An Empirical Study from Pakistan

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Abstract : This study empirically inspects the corporate governance and firm performance, and attempts to analyze the corporate governance and control related variables which are hypothesized to have effect on firm's performance. Current study attempts to assess the mechanism and efficiency of corporate governance to achieve high level performance for the listed firms on the Karachi Stock Exchange (KSE) for the period 2005 to 2008. To evaluate the firm performance level this study investigate the firm performance using three measures; Return on assets (ROA), Return on Equity (ROE) and Tobin's Q. To check the link between firm performances with the corporate governance three categories of corporate governance variables are tested which includes governance, ownership and control related variables. Fixed effect regression model is used to examine the relation among governance and corporate performance for 267 KSE listed Pakistani firms. The result shows that governance related variables like block shareholding by individuals have positive impact on firm performance. When chief executive officer is also the board chairperson then it is observed that performance of firm is adversely affected. Also negative relationship is found between share held by insiders and performance of firm. Leverage has negative influence on the firm performance and size of firm is positively related with performance of the firm.

Keywords : corporate governance, agency cost, KSE, ROA, Tobin's Q

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