

## Corporate Governance and Firm Performance in the UAE

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**Abstract :** We investigate the relationship between corporate governance, leverage, risk, and firm performance. We use a firm level panel that spans the period 2008 to 2012 of all listed firms on Abu Dhabi Stock Exchange and Dubai Financial Market. After constructing an index of corporate governance strength, we find a negative effect of corporate governance on firm performance. We, however, discover that corporate governance strength indirectly improves the negative influence of leverage on firm performance in normal times. On the contrary, the results completely reversed when there is a black swan event. Corporate governance strength plays a significantly negative role in moderating the relationship between leverage and firm performance during the financial crisis. We also reveal that corporate governance strength increases firms' risk and deteriorates performance during crisis. Results provide evidence that corporate governance indirectly plays a completely different role in different time periods.

**Keywords :** corporate governance, firm performance, risk, leverage, the UAE

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