

The Impact of Corporate Governance on Financial Performance

A Case Study of PTCL (2019–2024)



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CHAPTER ONE:

INTRODUCTION

1.1 Background of the Study

In the early 20th century, when companies grew larger, the management got separated from the ownership. There arose the agency problem between the shareholders, who were the owners of the companies, and the managers, who were the controllers of the companies, when managers started acting in their own interest instead of the shareholders. Then, the emergence of transparency, accountability, and control introduced the term Corporate Governance. Corporate governance is the set of rules and practices that defines the rights and distributes the responsibilities among the major stakeholders, such as shareholders, management, the board of directors, and other stakeholders. Good corporate governance practices lead to wealth maximization for shareholders (Alodat et al., 2022). One of the prominent advantages of good corporate governance practices is that it helps in reducing agency costs, encourages investment, and improves a firm's performance.

Like the rest of the world, Security exchange commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) also mandated the implementation of corporate governance practices in firms operating in Pakistan. It has become very critical to look at the level and intensity of corporate governance practices being followed in the firms operating in Pakistan, after the major corporate scandals in firms such as PIA, Adamjee Insurance, Masood Textile Mills, Lucky Cement, PSO, MCB Bank, AkzoNobel Pakistan, and HBL Bank. That is one of the reasons we chose PTCL, one of the leading telecommunications companies, to get to know at what level the corporate governance rules and practices are being implemented and if these practices have any influence on the financial performance of PTCL.

The project is organized as, Chapter 1 is the Introduction, and Chapter 2 is a review of past literature related to the corporate governance practices. Chapter 3 is about the methodology, such as research design, data collection sources, and the study of different corporate governance variables. Chapter 4 discusses the results. Chapter 5 explains the benefits of this project, and Chapter 6 concludes this project.

1.2 Brief introduction of PTCL

Pakistan Telecommunication Company Limited (PTCL) operated with the name Pakistan Telecommunication Department (PTD) before the establishment of Pakistan Telecommunication Corporation (PTC) in 1991. Before the establishment of PTD, the core operations of PTC included telephone, telegraph, and postal services. PTC came into existence in 1991 to bring modernization in company's operations. In 1996, PTCL was transformed into public limited company under the 1996 modernization act. PTCL enjoyed a monopoly in telecommunication field for years till the Government allowed private players to come into play. In 2006, 26% shares were sold to Etisalat

(UAE) for about 2.6 billion US \$. After this, PTCL extended its operations to fiber optics, broadband and wireless communication and formed a PTCL group by owning Ufone.

After the private competition came into play, PTCL faced significant criticism and customer dissatisfaction due to its poor service and obsolete infrastructure, which led to declining performance and stagnant revenue. PTCL debilitated its market position due to mismanagement, lack of adaptation to technological change, and lack of innovation compared to other competitors, Zong, and Jazz. Further, PTCL follows SECP 2019 regulations of the code of corporate governance and publishes a corporate governance report on an annual basis. But despite this, the study of the implementation of corporate governance practices and its effect on PTCL's financial performance becomes a point for us, and that's the reason we are conducting this study.

1.3 Problem Statement

Corporate governance plays a pivotal role in the implementation of accountability, transparency, and firms' performance in today's fast-growing business world.

In large companies, the separation of ownership and management creates the agency problem where managers may prioritize their self-interests over the interests of the shareholders. This situation weakens investor confidence, increases agency costs, and minimizes the performance of the firm. In developing countries like Pakistan, however, corporate governance still faces several challenges, such as political influence and weak oversight, especially in government-owned and semi-government firms. The struggle of firms in the implementation of corporate governance practices in Pakistan entices us to conduct a thorough study on PTCL, a semi-government firm that was once a fully government-owned company.

Despite being one of Pakistan's largest and most established telecommunication companies, Pakistan Telecommunication Company Limited (PTCL) has experienced a noticeable decline in its financial performance after 2022. This decline is reflected in reduced profitability, weaker margins, and continued pressure on revenues, even though the company operates under an established corporate governance framework and follows SECP governance requirements. The period after 2022 coincides with rising competition from private telecom operators, slow technological adaptation, increasing operational costs, and persistent customer dissatisfaction. At the same time, PTCL's semi-government ownership structure and bureaucratic decision-making processes may have limited management flexibility and timely strategic responses. These challenges raise concerns about whether existing corporate governance mechanisms at PTCL are effective in addressing performance issues or whether weaknesses in governance practices have contributed to the company's declining financial outcomes. This situation highlights the need to examine the relationship between corporate governance and PTCL's financial performance during the post-2022 period.

1.4 Gap Analysis:

Existing studies on corporate governance in Pakistan mainly focus on the banking and manufacturing sectors, while limited attention has been given to the telecommunications industry, particularly in the context of partially privatized firms. Although PTCL has been widely discussed in terms of service quality and market competition, there is a lack of focused academic analysis examining how its corporate governance mechanisms influence financial performance in recent years. More importantly, prior research has not adequately explored the period after 2022, when PTCL experienced a noticeable decline in performance amid increasing competition and operational challenges. This creates a gap in understanding whether governance structures, board effectiveness, ownership influence, and oversight mechanisms have played a role in shaping PTCL's post-2022 financial outcomes. Addressing this gap is essential to provide updated, company-specific insights that are relevant for regulators, management, and investors.

1.5 Project Objectives:

The purpose of the implementation of corporate governance rules and practices in any firm is to make sure that the management is accountable for their action, transparency is ensured, and such implementation has an effect on the firm's performance. This study aims at the understanding of the linkage between the corporate governance practices and their effect on the financial performance of PTCL. That's why, to guide this project in an organized manner, the following objectives have been formulated.

- i. To examine the existing corporate governance practices at PTCL.
- ii. To examine the financial performance of PTCL over the last.
- iii. To explore the linkage between the different corporate governance variables such as CEO/Chair Duality, ownership structure, board size, no of NED's, average number of board meeting attendance, remuneration structure, managerial ownership, audit committee, and financial performance such as ROA, ROE, Net Income.
- iv. To identify the corporate governance challenges faced by PTCL.
- v. To identify the major factors contributing to the poor and declining financial performance of PTCL during the years 2023 and 2024.

1.6 Project Questions

Based on our project objectives, we have developed some research questions that investigate the specific areas under consideration, which aim to align the analysis with the overall purpose of the topic being studied in this project. These questions uncover the different corporate governance practices, their effect on the firm's performance, challenges faced by PTCL, and the aspect of corporate governance that affects PTCL's performance the most.

Based on the objective, the following research questions have been developed.

1. What are the current corporate governance practices being implemented at PTCL?

This question helps identify the corporate governance framework of PTCL related to its policies, management structure, and level of restrictions of SECP's principles applied to the firm.

2. What is PTCL's current financial status, and how has it changed over recent years?

This question examines PTCL's financial outcomes using indicators such as Return on Assets (ROA), Return on Equity (ROE), and Net Income, to understand the firm's overall profitability and efficiency trends.

3. To explore the relationship between selected corporate governance variables, including board size, board independence, board meetings, ownership structure, audit committee, and PTCL's financial performance?

This question investigates the relationship between different corporate governance variables, such as CEO/Chairman duality, managerial ownership, board meetings, number of non-executive directors, number of board members, ownership structure, remuneration structure, and audit committee and PTCL performance (such as ROE, ROA, and Net income).

4. What are the main corporate governance issues/challenges faced by PTCL?

This question examines the barriers faced by PTCL such as poor decision making, biasness, lack of knowledge, and innovation.

5. What are the major factors responsible for the poor and declining financial performance of PTCL during the years 2023 and 2024?

This question focuses on identifying the key reasons behind PTCL's declining financial performance during 2023 and 2024. It examines whether weaknesses in corporate governance and operational challenges contributed to lower profitability and weaker financial results during this period.

1.7 Significance/Rationale of the Project

Corporate governance practices play a vital role in the improvement of efficiency, transparency and investors' confidence, but in developing countries like Pakistan, where most firms fail to implement such practices due to some influential factors like frail internal control, political domination and lack of transparency. That's why the proper implementation of corporate governance rules becomes a major point of concern which help to bring some positive results in the form of transparency in firm's operations, string internal control and firm's performance. That's why the significance of this project lies in comprehending these rules which influence the performance of PTCL, one of the leading Pakistani telecom firms.

In PTCL, once a fully government owned firm shifted to partly privatized firm in 2006, some reforms were introduced to make its service quality better and improve its performance but despite

all these reforms, PTCL failed to perform well due to its mismanagement and bad service quality which led to customers dissatisfaction which ultimately resulted in declined profitability. So, the analysis of corporate governance practices leads us to the understanding of whether such reforms have helped in the improvement of PTCL's performance or there are still some problems exist in its implementation which needs to be addressed.

This project adds value to the existing limited literature on the effect of corporate governance on Pakistani firm performance especially in telecommunication industry. This project might be helpful for:

- Managers to identify which corporate governance practice plays a significant role in affecting the performance of a firm.
- Regularity authority to know if the current governance codes are effective or if there is still room for improvement.
- Researchers to understand the practice implementation of corporate governance practices and procedures in a developing economy like Pakistan.
- Investors to get into a well-informed decision-making process.

1.8 Budget & Resources

For analyzing the impact of corporate governance on PTCL's financial performance, we are more focused on secondary data rather than primary data, so the project financial cost is low and no need of external funding. This project is feasible and the resources are primarily relying on critical thinking, strong analytical skills, and educational and research-based rather than monetary based, so this project is cost-effective and academically sound.

Resources include secondary data that was obtained from annual reports and corporate governance reports from PTCL's official website from 2019 to 2024, and corporate governance rules were obtained from SECP. For academic and research material, the Bahria university main library and HEC Digital Library were accessed for collecting published research papers, thesis, and journal articles that help us to analyze the relationship among the under-study variables and for analytical tools, Excel was on top that we used to calculate, analyze, and interpret financial ratios. Also, University support (departmental advisors, research cell supervisor) and our research supervisor played a vital role throughout the project.

CHAPTER TWO:

PROBLEM

2.1 Background of the Business Problem in the Telecom Sector

The telecommunications industry is a key part of economic and social development in any country. It supports businesses, digital services, government operations, and everyday communication. In Pakistan, the telecom sector has expanded quickly over the last decade, driven by mobile broadband, fiber internet, and digital services. At the same time, competition has increased and regulatory rules have become stricter.

Telecom firms operate in a high cost, high risk environment. They require heavy investment in infrastructure, technology upgrades, and network expansion. Because of this, sound corporate governance is essential. When governance is weak, companies may make poor investment decisions, mismanage funds, or fail to act in the interest of shareholders and customers. When governance is strong, firms are more likely to perform well, manage risks properly, and maintain stakeholder trust.

Pakistan Telecommunication Company Limited is one of the largest and oldest telecom providers in Pakistan. Despite its strong market position, PTCL has faced rising competition from private operators, changing consumer preferences, and technological disruption. These pressures have placed greater responsibility on its management and board of directors.

Scholars argue that in highly regulated industries like telecom, governance mechanisms strongly shape firm performance, transparency, and long term stability (Tricker, 2015). This makes corporate governance a central issue for PTCL and a valid focus for your project.

2.2 Nature of the Business Problem at PTCL

The main business problem in this project is whether PTCL's corporate governance practices have effectively supported its financial performance from 2019 to 2024.

Corporate governance refers to the system through which companies are directed and controlled. It defines how power is distributed between shareholders, the board, and management (OECD, 2015). At PTCL, governance issues are shaped by board composition, ownership structure, and internal control mechanisms.

One concern relates to board independence. Research shows that boards dominated by internal or affiliated members may not provide sufficient oversight, which can lead to biased decisions and weak accountability (Fama and Jensen, 1983). Over the years, changes in PTCL's board structure raise questions about how independent and effective its governance truly is.

Ownership structure is another important issue. PTCL has mixed ownership, including government and private stakeholders. According to Shleifer and Vishny (1997), state involvement in firms can

create governance challenges such as political interference and slower decision making. At the same time, private investors expect profitability, efficiency, and transparency.

Financial performance is closely linked to governance quality. If governance mechanisms are weak, management may invest inefficiently, fail to control costs, or ignore shareholder interests. These problems can reduce profitability and weaken investor confidence. The fluctuations in PTCL's financial performance between 2019 and 2024 suggest that governance factors may have played a role.

2.3 Why This Problem Matters

This governance issue is not only theoretical. It affects several stakeholders in practical ways.

For shareholders, weak governance increases risk and can lower returns. Studies show that poor governance often leads to lower firm value and higher cost of capital (Claessens and Yurtoglu, 2013).

For management, unclear governance structures can create confusion, weak accountability, and slow decision making. This can limit innovation and reduce competitiveness.

For employees, governance problems can create instability and weak leadership. Firms with poor governance often face internal conflicts and inconsistent policies.

For regulators and the government, PTCL's governance matters because the company plays a major role in Pakistan's digital infrastructure. Weak governance could affect service quality, pricing, and national connectivity goals.

For society, telecom services are essential for education, business, and public services. If PTCL underperforms due to governance failures, millions of users could be affected.

This makes the governance problem at PTCL significant not just for the company, but for the wider economy.

2.4 Link between Corporate Governance and Financial Performance

A strong link exists between corporate governance and financial performance. Jensen and Meckling (1976) explain that governance mechanisms reduce agency problems between managers and shareholders, which improves firm performance.

Well governed firms tend to have clearer decision making structures, stronger accountability, and better risk control. This often leads to higher profitability and more stable earnings.

Transparency in financial reporting is a key benefit of good governance. When firms disclose accurate and timely information, investors can make better decisions, which lowers financing costs and increases trust (OECD, 2015).

Board effectiveness also plays a major role. Independent and diverse boards are more likely to challenge management and prevent mismanagement (Fama and Jensen, 1983). This usually leads to better financial outcomes.

Internal controls and audit committees further strengthen governance. Companies with strong audit systems are better at detecting errors, controlling costs, and ensuring compliance with regulations (Tricker, 2015).

Your project applies this framework to PTCL by analyzing governance practices alongside financial performance indicators from 2019 to 2024.

2.5 Corporate Governance Framework in Pakistan

Corporate governance in Pakistan has improved over time through reforms by the Securities and Exchange Commission of Pakistan and the Pakistan Stock Exchange. The Code of Corporate Governance emphasizes board independence, audit committees, and transparent financial reporting (SECP, 2019).

However, implementation varies across firms. Many companies formally comply with governance rules but still face practical challenges such as political influence, family control, or weak internal oversight.

In the telecom sector, governance issues are complex due to high capital needs and regulatory involvement. State linked firms often struggle to balance public service goals with commercial efficiency (Shleifer and Vishny, 1997).

PTCL operates within this regulatory environment. While it follows formal governance rules, the effectiveness of these mechanisms depends on real practice, not just written policies. Your project contributes to this debate by analyzing PTCL's governance over six years.

2.6 Evidence from Previous Studies

Several studies support the link between governance and performance. Brown and Caylor (2006) found that firms with stronger governance scores tend to perform better financially.

In Pakistan, research by Shah, Butt, and Saeed (2011) shows that board structure and ownership concentration significantly affect firm performance. Companies with more independent directors generally perform better.

Other studies suggest that government involvement in firms can reduce efficiency due to political interference (Shleifer and Vishny, 1997). This is relevant to PTCL because of its mixed ownership structure.

These findings justify your project. They show that analyzing PTCL's governance in relation to its financial performance is both relevant and necessary.

2.7 Clear Statement of the Project Problem

The central problem of this project is:

PTCL has shown inconsistent financial performance from 2019 to 2024, and there is a need to examine whether strengths or weaknesses in its corporate governance practices have contributed to these changes. The project seeks to identify governance gaps and assess their impact on profitability, efficiency, and shareholder value.

Scope of the Problem

This project focuses only on PTCL and covers the period from 2019 to 2024. It does not conduct a detailed comparison with other telecom firms, although general industry context is considered.

The analysis is based mainly on secondary data from annual reports and publicly available financial statements. No interviews or internal documents were used, which limits insight into internal decision making. Despite this limitation, the project provides a meaningful evaluation of governance and performance trends using reliable data.

CHAPTER THREE:

DESIGN AND IMPLEMENTATION

3.1 Overall Project Design

This project follows a descriptive and analytical case-based design focused on Pakistan Telecommunication Company Limited (PTCL). The design is structured to examine how corporate governance mechanisms have influenced PTCL's financial performance from 2019 to 2024. Instead of treating this as a purely academic study, the project is framed as a practical evaluation of governance structures and their real financial outcomes.

The design integrates both quantitative and qualitative dimensions. The quantitative component assesses PTCL's financial performance using measurable indicators such as Return on Assets (ROA), Return on Equity (ROE), Earnings per Share (EPS), and Net Profit Margin (NPM). These indicators provide objective evidence of profitability, efficiency, and shareholder returns over time.

The qualitative component evaluates PTCL's governance structure through variables such as board size, board meetings, audit committee effectiveness, ownership structure, gender diversity, and CEO/Chair duality. These variables represent the internal governance mechanisms that guide decision-making, oversight, and strategic control within the organization.

Combining these two dimensions allows the project to go beyond simple numerical analysis. It makes it possible to interpret financial outcomes in light of governance practices, rather than viewing performance in isolation. The design is non-experimental, meaning no variables were manipulated. Instead, the project relies on historical secondary data from official and publicly available sources.

A key strength of this design is its ability to support trend analysis across multiple years. This enables the project to examine whether changes in PTCL's governance structure over time have been associated with improvements or deterioration in financial performance.

3.2 Data Sources

This project is based primarily on secondary data. Secondary data refers to information that has already been collected, verified, and published by reliable institutions or organizations. This approach is appropriate for governance and financial performance analysis because corporate reports and regulatory disclosures provide detailed, credible, and standardized information.

3.2.1 Primary Secondary Sources

The main sources of data for this project include the following:

PTCL Annual Reports (2019–2024)

These reports serve as the core foundation of the project. They provide comprehensive information on:

- Financial statements
- Board composition
- Audit committee activities
- Ownership structure
- Strategic developments and technological updates

The annual reports were used to extract both governance and financial data consistently across all six years.

PTCL Corporate Governance Reports

These documents outline PTCL's compliance with the SECP Code of Corporate Governance. They provide details on:

- Board activities
- Committee functioning
- Transparency practices
- Accountability mechanisms

These reports helped evaluate whether PTCL formally follows governance guidelines and how these practices evolved over time.

PTCL Financial Statements

The balance sheet, income statement, and cash flow statement were used to calculate key financial performance indicators, including:

- ROA
- ROE
- EPS
- Net Profit Margin

These statements ensured that all financial calculations were based on audited and official records.

Board and Audit Committee Disclosures

Information regarding:

- Board size
- Frequency of board meetings
- Audit committee structure
- Separation or duality of CEO and Chairman
- Roles was extracted from governance disclosures to analyze leadership and oversight effectiveness.

3.2.2 Supporting Secondary Sources

To strengthen the theoretical and contextual foundation of the project, additional secondary sources were reviewed:

SECP Code of Corporate Governance

This provided the national benchmark against which PTCL's governance practices were compared. It helped determine whether PTCL met, exceeded, or lagged behind regulatory expectations.

Pakistan Telecommunication Authority (PTA) Reports and Telecom Sector Reviews

These sources were used to understand PTCL's performance within the broader industry environment, including:

- Market competition
- Regulatory pressures
- Technological trends

This helped distinguish whether performance changes were driven mainly by internal governance factors or external industry conditions.

Academic Journals and Research Articles

Previous studies on corporate governance, board effectiveness, ownership structure, and firm performance were reviewed to:

- Support theoretical justification
- Guide variable selection
- Strengthen interpretation of findings

3.3 Data Collection and Variable Description

The dataset consists of two main categories of variables: governance variables and financial performance variables.

Table 3.3.1: Variables Description

Governance Variable:
They reflect the characteristic of PTCL's corporate governance, including board size, ownership patterns, gender diversity and whether (CEO/Chair duality) CEO and Chairperson Roles are combined.
Financial Performance Variables:
For quantitative data we used PTCL's financial performance such as ROA (Return on Assets), ROE (Return on Equity), NPM (Net Profit Margin) and EPS (Earning per Share).

Governance Variables (Independent Variables)

These reflect PTCL's corporate governance characteristics, including:

- Board size
- Ownership structure
- Gender diversity on the board
- CEO/Chair duality

These variables represent the internal mechanisms through which governance is exercised.

Financial Performance Variables (Dependent Variables)

These measure PTCL's financial performance using:

- Return on Assets (ROA)
- Return on Equity (ROE)
- Net Profit Margin (NPM)
- Earnings per Share (EPS)

These indicators capture profitability, efficiency, and shareholder value.

Data Accuracy and Reliability

All data were manually extracted from official PTCL documents and verified against multiple sources where possible. This careful process minimized errors and ensured that the analysis was based on accurate and credible information. The structured and systematic approach to data collection strengthens the reliability of the project's findings.

3.4 Variables of Analysis

This project categorizes variables into independent (governance-related) and dependent (financial performance-related) variables. This classification allows for a structured assessment of how governance mechanisms relate to firm performance.

3.4.1 Ratio Analysis

Ratio analysis is the primary quantitative tool used in this project to evaluate PTCL's financial performance over time. Financial ratios transform raw accounting data into meaningful indicators that enable comparison across years.

The ratios were calculated directly from PTCL's audited annual reports and analyzed on a year-by-year basis from 2019 to 2024. This method helps identify patterns, trends, and performance fluctuations, particularly during periods of decline in 2023 and 2024.

3.4.2 Profitability Ratios

Profitability ratios were used to assess how effectively PTCL utilized its resources to generate earnings.

- **Return on Assets (ROA)** measures how efficiently PTCL used its total assets to generate profit. A decline in ROA suggests inefficiencies in asset utilization.
- **Return on Equity (ROE)** reflects the return earned by shareholders. A falling ROE indicates reduced shareholder profitability and potential capital management issues.
- **Net Profit Margin (NPM)** shows the percentage of revenue that remains as profit after all expenses. A decreasing margin signals rising costs, pricing pressure, or declining operational efficiency.

3.4.3 Shareholder Performance Ratios

Earnings per Share (EPS) was used to measure the portion of profit allocated to each outstanding share. Declining EPS indicates weaker profitability and may reduce investor confidence.

Together, these ratios provide a clear financial picture of PTCL's performance and allow meaningful comparison with governance trends.

3.5 Analysis Method: Implementation Process

The analysis was conducted in sequential steps to ensure logical and systematic evaluation.

3.5.1 Data Screening and Organization

All relevant financial and governance data were carefully reviewed and extracted from PTCL's annual reports. The data were then organized in Microsoft Excel for consistency and accuracy.

Governance variables such as:

- Board size
- Number of board meetings
- Gender representation
- Audit committee activities were recorded year-wise.

Financial indicators including ROA, ROE, NPM, and EPS were extracted directly from financial statements. This structured dataset formed the basis for further analysis.

3.5.2 Descriptive Trend Analysis

Descriptive trend analysis was used to examine year-to-year changes over six years. This helped visualize:

- Movements in ROA and ROE
- Changes in net profit margin
- Trends in EPS

Similarly, trends in governance variables such as board meetings and gender diversity were analyzed. This step helped identify whether improvements in governance aligned with better financial performance.

3.5.3 Comparative Governance Analysis

PTCL's governance practices were compared with:

- SECP Code of Corporate Governance
- OECD Principles of Corporate Governance

This comparison highlighted areas where PTCL complied with, exceeded, or fell short of best practices. This qualitative analysis added depth to the project by placing PTCL within recognized governance standards.

3.5.4 Linking Governance to Performance

The core part of the analysis examined how governance changes related to financial outcomes.

For example:

- Years with more board meetings were assessed to see if they led to better performance.
- The introduction of a female director in 2023 was analyzed as part of board diversity.
- The role of the audit committee was evaluated in relation to financial transparency.

The decline in financial performance in 2023 and 2024 was examined to determine whether it resulted more from governance weaknesses, market conditions, or operational challenges.

3.5.5 Tools Used

- **Microsoft Excel** was used for data organization, ratio calculation, and trend graphs.
- **Content analysis** was applied to interpret narrative disclosures in annual reports.
- **Academic literature** was used to support theoretical interpretations and compare PTCL's results with previous findings.

This chapter explains how the project was designed and carried out in a structured, systematic, and practical manner. The combination of governance analysis and financial performance evaluation ensures that the project does not remain purely theoretical, but instead provides meaningful insights into how corporate governance affects PTCL's real financial outcomes.

CHAPTER FOUR:

TESTING AND DEVELOPMENT

This chapter presents the testing and development phase of the project. After designing the project framework and identifying governance and financial variables in Chapter Three, the next step was to test the project design using real organizational data and to develop meaningful results from that data.

Testing in this project refers to verifying whether the selected governance indicators and financial ratios accurately reflect PTCL's performance trends over the selected period. Development refers to the process of transforming raw financial and governance data into structured tables, graphs, and interpretations that support practical conclusions.

All testing and development activities are based on PTCL's audited annual reports from 2019 to 2024. No artificial data or assumptions were introduced at any stage.

4.1 Data Verification and Initial Testing

Before detailed analysis, the collected data was tested for accuracy and consistency. Financial figures extracted from income statements, balance sheets, and cash flow statements were cross checked across multiple sections of the annual reports.

Key governance data such as board composition, audit committee details, and ownership structure were verified using corporate governance disclosures included in the reports. Any inconsistencies were resolved by rechecking the original source documents.

At this stage, descriptive statistics were prepared to understand the basic behavior of the data, including minimum values, maximum values, mean values, and variation across years.

Table 4.2(a) PTCL Financial Performance Indicators (2019–2024)

Year	ROA (%)	ROE (%)	Net Profit Margin	
			(%)	EPS (Rs.)
2019	3.12	7.41	8.87	1.24
2020	2.78	6.64	8.4	1.18
2021	2.92	7.1	8.94	1.35
2022	3.28	8.72	10.85	1.78
2023	2.71	8.33	9.75	1.84
2024	1.14	4.15	4.48	0.95

This initial testing confirmed that the dataset was suitable for further analysis and that no abnormal or missing values distorted the results.

4.2 Development of Corporate Governance Results

This section presents the developed results related to PTCL’s corporate governance practices. The governance variables selected for this project include board size, board meetings, audit committee structure, ownership characteristics, gender diversity, and CEO and Chairman Role separation.

The governance tables were developed by organizing year wise data from 2019 to 2024. This allowed observation of changes and continuity in PTCL’s governance structure over time.

Table 4.3(a) Corporate Governance Variables of PTCL (2019–2024)

Year	Board Size	Board Meeting	Audit Committee Size	Audit Committee Meetings	Ownership Structure	Chair/CEO Duality	Non-Executive Directors	Gender Diversity
2019	9	8	5	5	Government + Etisalat	No	9	0 female
2020	9	7	5	5	Government + Etisalat	No	9	0 female
2021	9	8	5	5	Government + Etisalat	No	9	0 female
2022	9	5	5	5	Government + Etisalat	No	9	0 female
2023	9	8	5	5	Government + Etisalat	No	9	1 female
2024	9	9	5	5	Government + Etisalat	No	9	1 female

The table and graph together show how governance practices evolved rather than remaining static. For example, any increase in board meetings or changes in board composition can be visually observed through the graph, while exact values are confirmed through the table.

This development stage helped translate governance disclosures into measurable indicators that could later be linked with financial performance.

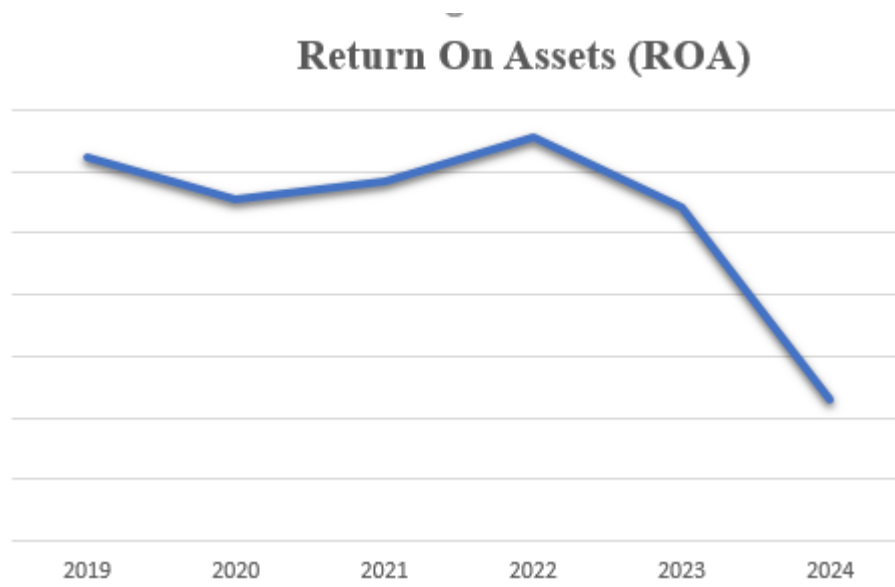
4.3 Development of Financial Performance Results

The core testing of this project lies in the analysis of PTCL’s financial performance. Financial ratios were calculated using audited financial statements and then organized into structured tables for comparison across years.

The main financial indicators used in this project include Return on Assets, Return on Equity, Net Profit Margin, and Earnings per Share. These ratios were chosen because they reflect profitability, operational efficiency, and shareholder returns.

4.4.1 Return on Assets (ROA)

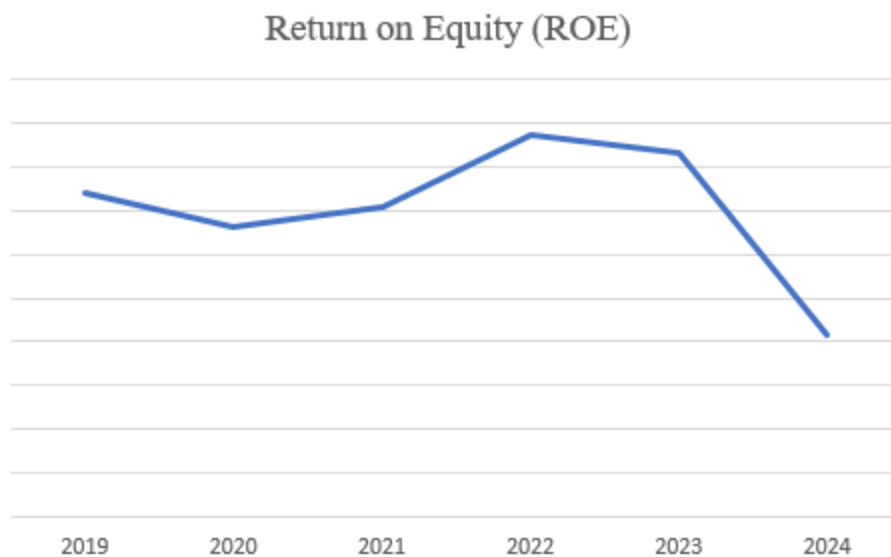
ROA was calculated to test how efficiently PTCL used its total assets to generate profit.



The table shows year wise values, while the graph visually highlights fluctuations. The development of this result makes it easier to identify periods of improvement or decline in asset efficiency.

4.4.2 Return on Equity (ROE)

ROE was developed to assess shareholder profitability and management effectiveness in using equity capital.



The testing of ROE results indicates whether shareholders received consistent returns or faced volatility during the study period.

4.4.3 Net Profit Margin (NPM)

Net Profit Margin was calculated to test PTCL’s ability to control costs and convert revenue into profit.



The development of this indicator highlights operational strengths and weaknesses, especially during years when expenses increased or revenues declined.

4.4.4 Earnings per Share (EPS)

EPS was used to test profitability from the shareholder perspective.



The development of EPS results provides insight into how PTCL’s profitability translated into value for individual investors.

4.4 Integrated Testing of Governance and Performance

After developing governance and financial results separately, the next testing stage involved linking both sets of results. This was done by comparing trends in governance variables with trends in financial performance indicators.

- Years with changes in board structure were compared with changes in ROA and ROE,
- Governance stability was assessed against profitability stability,
- Years of financial decline were examined alongside governance conditions.

Table 4.4(a) Linking governance with performance

Governance Variable	Effect on PTCL Performance	Interpretation
Board Size (constant)	Neutral	Stability but limited innovation
Board Meetings	Mixed	More meetings ≠ better performance
Audit Committee	Positive for reporting	No direct profitability impact
Gender Diversity	Long-term positive	Too recent for full impact
Ownership Structure	Mixed	Strong oversight but slow decisions
No Duality Non-Executive Directors	Good practice Strong monitoring	Does not guarantee high ROA/ROE Helps maintain governance quality

This integrated testing does not claim direct causation but helps identify patterns that suggest whether governance practices supported or failed to support financial performance.

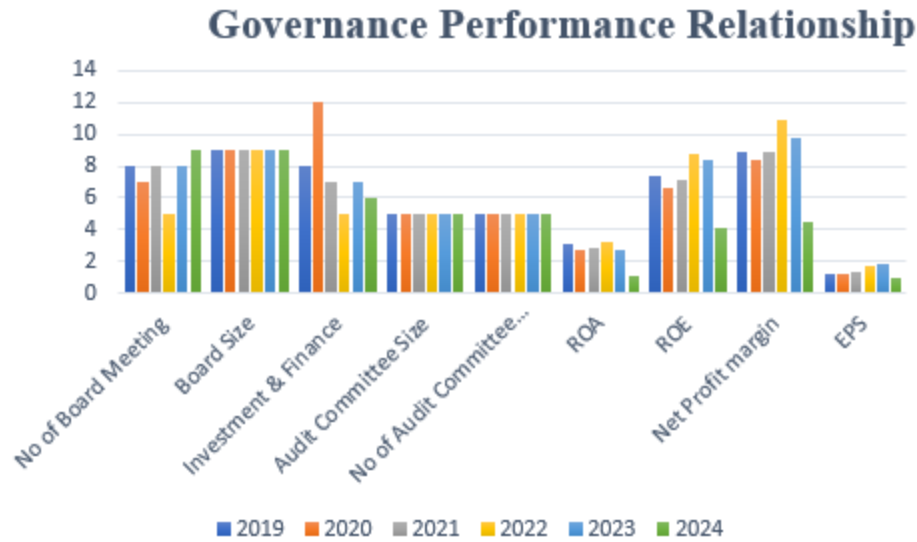
4.5 Development Insights from Testing Results

The testing and development phase generated several practical insights.

First, the use of real company data strengthened the credibility of the project. The tables and graphs clearly demonstrate how PTCL’s performance evolved over six years.

Second, the development process revealed that governance practices cannot be evaluated in isolation. Their impact becomes clearer only when viewed alongside financial outcomes.

Third, the decline observed in later years highlights the importance of timely governance responses in competitive and regulated industries like telecommunications.



These insights form the basis for the future enhancement and action plan discussed in the next chapter.

This chapter tested the project design using verified data and developed structured results through tables and graphs. The combination of governance analysis and financial performance evaluation ensured that the project moved beyond theory into practical assessment.

All tables and graphs used in this chapter are directly taken from PTCL’s annual reports and calculations based on those reports. No external manipulation or assumptions were applied.

CHAPTER FIVE:

FUTURE ENHANCEMENT AND ACTION PLAN

5.1 Introduction

This chapter outlines future enhancements and a practical action plan based on the findings developed in the testing and development phase of the project. The purpose of this chapter is not to restate results, but to translate them into realistic improvements that PTCL can consider to strengthen its corporate governance framework and financial performance.

The proposed enhancements are derived directly from the observed trends in governance practices and financial indicators from 2019 to 2024. Since this is a business project, the focus is on feasible actions rather than theoretical recommendations.

5.2 Identified Areas for Improvement

The analysis revealed several areas where PTCL can improve its governance and operational practices to support long term performance.

One major area is board effectiveness. Although PTCL follows formal governance requirements, the testing results suggest that changes in board structure and oversight did not always translate into stable financial outcomes. This indicates a need for stronger board level engagement in strategic and performance related decisions.

Another area is financial performance stability. The fluctuations observed in profitability ratios and earnings highlight the need for better cost control, performance monitoring, and strategic alignment between governance and operations.

Transparency and timely disclosure also emerged as an important area. While PTCL complies with regulatory reporting, enhanced clarity in governance and performance reporting can strengthen stakeholder confidence.

5.3 Future Enhancements in Corporate Governance

To improve governance effectiveness, PTCL can consider several enhancements.

First, strengthening board independence can improve oversight and reduce the risk of biased decision making. Increasing the proportion of independent directors with industry and financial expertise can support more informed strategic discussions.

Second, board diversity can be enhanced further. Diversity in gender, professional background, and experience can contribute to better problem solving and broader perspectives in decision making.

Third, audit committee effectiveness can be improved by ensuring more frequent meetings and deeper review of financial and operational risks. Strong audit oversight supports transparency and reduces the likelihood of financial inefficiencies.

Fourth, clearer separation of roles between the Chairman and Chief Executive Officer should be consistently maintained. This separation improves accountability and prevents excessive concentration of authority.

5.4 Future Enhancements in Financial Performance Management

From a financial perspective, PTCL can enhance performance by adopting stronger performance monitoring systems.

Regular review of profitability ratios such as ROA, ROE, and Net Profit Margin at the board level can help identify issues early and support corrective actions. Financial dashboards and performance benchmarks can make trends more visible to decision makers.

Cost management is another key area. Rising operational costs reduce profitability even when revenues remain stable. PTCL can review cost structures, supplier contracts, and operational efficiency to improve margins.

Investment decisions should also be aligned more closely with long term value creation. Large capital investments in technology and infrastructure should be supported by clear performance targets and post investment evaluation.

5.5 Action Plan for Implementation

Based on the identified enhancements, a structured action plan is proposed.

In the short term, PTCL can conduct an internal governance review to assess board composition, committee performance, and compliance with governance standards. This review can identify immediate gaps and improvement opportunities.

In the medium term, PTCL can introduce performance linked governance monitoring. This includes linking governance indicators such as board meetings and audit reviews with financial performance outcomes. Regular reporting of these links can improve accountability.

In the long term, PTCL can invest in governance capacity building. Training programs for board members and senior management on governance best practices, financial oversight, and risk management can strengthen leadership effectiveness.

The action plan should be implemented gradually to ensure sustainability and avoid disruption to ongoing operations.

5.6 Expected Outcomes of the Action Plan

If implemented effectively, the proposed enhancements are expected to produce several positive outcomes.

Improved governance structures can lead to clearer decision making, stronger oversight, and better alignment between strategy and performance.

Enhanced financial monitoring can support more stable profitability and improved shareholder returns.

Greater transparency and accountability can strengthen investor confidence and improve PTCL's reputation in the market.

Together, these outcomes support long term organizational sustainability and competitiveness in the telecom sector.

5.7 Limitations of Future Enhancements

While the proposed action plan is realistic, it also faces limitations.

Governance reforms often take time to produce visible financial results. External factors such as market competition, regulatory changes, and economic conditions can also affect performance.

Additionally, some governance improvements may require policy level or shareholder approval, which can slow implementation.

Despite these limitations, the proposed enhancements remain practical and aligned with PTCL's operating environment.

This chapter translated the testing and development results into future enhancements and a clear action plan. The recommendations focus on improving governance effectiveness, strengthening financial performance management, and supporting long term sustainability.

CHAPTER SIX:

CONCLUSION

This chapter concludes the business project by summarizing the overall purpose, approach, and key outcomes of the study. The project was designed to evaluate how corporate governance mechanisms influence the financial performance of Pakistan Telecommunication Company Limited over the period 2019 to 2024. Unlike a purely theoretical study, this project focused on practical evaluation using real organizational data, governance disclosures, and financial indicators.

The conclusion integrates insights from all previous chapters and highlights how governance practices are linked with observed performance trends.

6.1 Summary of the Project

The project began by identifying corporate governance as a critical factor affecting organizational accountability, transparency, and performance, particularly in large and partially government owned organizations such as PTCL. Chapter Two discussed the governance problem in detail, supported by theories, governance mechanisms, and previous empirical evidence from Pakistan and international markets.

Chapter Three explained the design and implementation of the project. A case based approach was adopted using secondary data from PTCL's annual reports, governance disclosures, and financial statements. Governance variables such as board size, board meetings, ownership structure, audit committee activity, and leadership structure were examined alongside financial performance indicators including ROA, ROE, Net Profit Margin, and EPS.

Chapter Four tested and developed the project outcomes by analyzing trends through tables and graphs. The analysis highlighted variations in financial performance across the selected years, particularly the decline observed in recent periods, and assessed whether governance structures were strong enough to address these challenges.

Chapter Five translated the testing results into future enhancements and a practical action plan aimed at improving governance effectiveness and financial performance sustainability.

6.2 Key Findings of the Project

The project findings indicate that corporate governance mechanisms play an important role in shaping PTCL's financial outcomes, though their impact is not always immediate or uniform.

The analysis showed that formal compliance with governance codes alone does not guarantee improved financial performance. Despite regular board meetings and established committees,

PTCL experienced declining profitability in later years, suggesting that governance effectiveness depends on the quality of oversight rather than the existence of structures alone.

Board composition and independence emerged as significant governance factors. While PTCL maintains a structured board, the results suggest that stronger independence, diversity, and strategic engagement are needed to translate governance into performance improvements.

Audit committee oversight contributed positively to transparency and reporting quality, but financial results indicate that operational and cost related challenges continued to affect profitability.

Ownership structure, particularly government involvement, influenced strategic flexibility and decision making. This structure provides stability but may also slow responses to competitive and technological changes in the telecom sector.

6.3 Achievement of Project Objectives

The primary objective of the project was to assess the relationship between corporate governance mechanisms and financial performance at PTCL. This objective was achieved through structured analysis using real data and governance disclosures.

The project successfully identified governance variables relevant to PTCL and evaluated their association with financial indicators over time. It also highlighted periods where governance practices did not sufficiently mitigate performance decline.

Another objective was to provide practical insights rather than theoretical conclusions. This was achieved by proposing realistic future enhancements and an action plan based on observed results.

6.4 Practical Implications of the Project

The findings of this project offer practical value for PTCL's management, board members, and regulators.

For management, the results emphasize the need to align governance practices with operational performance and cost management strategies.

For the board of directors, the project highlights the importance of active oversight, strategic involvement, and performance focused governance rather than procedural compliance.

For regulators and policymakers, the project reinforces the need to encourage not only governance compliance but also governance effectiveness, particularly in large listed and government influenced firms.

6.5 Limitations of the Project

This project is subject to certain limitations. The analysis relied entirely on secondary data, which restricts the ability to capture internal managerial perspectives or informal governance practices.

The project focused on a single organization, which limits generalization of results to other firms or industries. External factors such as market competition, regulatory changes, and technological disruption were not quantitatively measured, although they may have influenced performance outcomes. Despite these limitations, the project provides a realistic and data driven assessment suitable for undergraduate level business analysis.

6.6 Concluding Remarks

In conclusion, this business project demonstrates that corporate governance is a necessary but not sufficient condition for improved financial performance. Effective governance requires active oversight, strategic alignment, and responsiveness to organizational challenges.

For PTCL, strengthening governance quality, improving financial monitoring, and aligning board level decisions with long term value creation can support sustainable performance in a competitive telecom environment.

The project fulfills its purpose by converting governance concepts into practical evaluation and actionable insights, making it suitable as a final year business project rather than a theoretical thesis.

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APPENDICES



Bahria University
Islamabad Campus

RC-04

1st Half Semester Progress Report

Name of Student(s)	NIDA KHATOON
Enrollment No.	01-111221-200
Thesis/Project Title	THE IMPACT OF CORPORATE GOVERNANCE ON FIRM PERFORMANCE (A CASE STUDY OF PTCL)00

Supervisor Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	09Sep,2025	Supervisor office, Bahria university.	Topic discussion.	
2	29Sep,2025	Supervisor office, Bahria university.	Project discussion & Outline.	
3	06Oct,2025	Supervisor office, Bahria university.	Introduction & Discussion on problem.	
4	13Oct,2025	Supervisor office, Bahria university.	Requirement analysis in detail.	

Progress Satisfactory

Progress Unsatisfactory

Remarks: Student's progress is satisfactory so far.

Signature of Supervisor:

Date: 17/12/2025

Name: Dr. Nudrat Fatima Note:

Students attach 1st & 2nd half progress report at the end of spiral copy.



2nd Half Semester Progress Report & Thesis Approval Statement

Name of Student(s)	NIDA KHATOON
Enrollment No.	01-111221-200
Thesis/Project Title	THE IMPACT OF CORPORATE GOVERNANCE ON FIRM PERFORMANCE (A CASE STUDY OF PTCL)

Supervisor Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	18Nov,2025	Supervisor office, Bahria university.	Firm Performance Analysis	
6	09Dec,2025	Supervisor office, Bahria university.	Project outcome & result Discussion.	
7	15Dec,2025	Supervisor office, Bahria university.	Conclusion.	

APPROVAL FOR EXAMINATION

Candidates' Name: Nida Khatoon Enrollment No: 01-111221-200

Project/Thesis Title: The Impact of Corporate Governance on Firm (A Case Study of PTCL)

I hereby certify that the above candidates' thesis/project has been completed to my satisfaction and, to my belief, its standard appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at 18% that is within the permissible limit set by the HEC for thesis/ project BBA/MBA. I have also found the thesis/project in a format recognized by the department of Business Studies.

Signature of Supervisor: Date: _____

Name: Dr. Nushat Fatima

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ORGANIZATION VISIT LETTER



Bahria University
Discovering Knowledge
Islamabad Campus

To
PTCL Company
Ufone Tower, Blue Area
Islamabad.

Subject: Request for Student Visit from Bahria University to PTCL for FYP Interview

Dear Sir,

I hope this letter finds you in good health. A student, Nida Khatoon, at Bahria University E-8 Islamabad, is pursuing her studies in BBA Finance. She has keen interest in visiting PTCL Company as part of her Final Year Project (FYP) on the company.


We are highly motivated to learn about the telecommunication industry, and PTCL has always been a company that we admire for its innovation, cutting-edge technology, and commitment to providing excellent services.

During the visit, I hope to gain practical knowledge about the latest advancements in the field of telecommunications, understand the company's operations, and interact with professionals who are pioneers in their respective fields.

I kindly request your permission to visit PTCL as students from Bahria University. The visit is intended to take place in December 2025.

Thank you for your time and consideration.

Sincerely,


Dr Qazi Abdul Subhan
Head of Department
Marketing & Business
Bahria Business School
Bahria University Islamabad
Email: hodmb.buic@bahria.edu.pk



FINANCE

Sr. No: BBA7

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BBA

THESIS

PROJECT

Topic of Research/Project: The Impact of Corporate Governance on Financial Performance: A Case Study of PTCL (2019–2024)

Name:

Enrollment:

NIDA KHATOON

(01-111221-200)

Class/Program: Bachelors of Business Administration (BBA 4-Years)

MISS RABIA UMER

Dr.Nudrat Fatima

Examiner Name

Name of Supervisor

Date:

Date.....

<i>No.</i>	<i>Corrections required (Suggested by Examiners)</i>	<i>Amendments made</i>	<i>Located on Page</i>
Chapter 1			
Chapter 2			
Chapter 3			
Chapter 4			

Chapter 5			
Executive Summary/Abstract			
General Comments			

