

# **CORPORATE GOVERNANCE AND EXPECTED RETURNS OF FIRMS**

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## **ABSTRACT**

This study discusses the implication of Pakistan as it adopts the Anglo-Saxon model of Corporate Governance. We present data and review the literature to show that Pakistan is a country much further down on the development ladder with ownership structure markedly different from the diluted ownership structure of developed countries. It explores the relationship between Corporate Governance and Expected Returns of firms in which we discussed only Manufacturing industries of Pakistan. Using twenty five measures of Corporate Governance we developed a Corporate Governance Index which we applied on thirty firms. Using cross sectional analysis approach we find that the more a firm applies Corporate Governance concept the more its risk will goes down and result of that investor will have more confidence on that firm and will expect lesser returns. The study proposes a broader paradigm that views the Governance not only as Code but also for what extend those codes beneficial for the investors.

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