

Research Project for Degree of L.L.B.

**EFFECTIVENESS AND ROLE OF CORPORATE GOVERNANCE IN
PROTECTION OF MINORITY SHAREHOLDER RIGHTS**



Research Project Supervisor Ma'am Maleika Farah Deeba

**This research project is submitted in partial fulfillment of the requirements for the
Degree of LL.B**

Submitted By

Waheed ur Rehman Qureshi
{01-177112-024}

Ali Adnan Qureshi
{01-177112-003}

Rana Saeed Ahmad
{01-177112-019}

Submission

May 2016

**Department of Law
Bahria University, Islamabad**

Research Project for Degree of LLB

Supervisor Approval

I hereby, forwards this work done by
Waheed Qureshi, Saeed Ahmad and Ali Adnan
to the Research Committee for the final Evaluation

Supervisor Name: Maleika Farah Deeba

Supervisor Signature: _____

MAY 2016

Department of Law
Bahria University, Islamabad

Declaration of Ethical Conduct in Research

We, as a student of Bahria University, hereby declare that firstly, we have abided by the research ethics while writing this research project.

Secondly, we have not committed any acts that may discredit or damage the credibility of my research. These include, but are not limited to: falsification distortion of research findings or plagiarism.

Thirdly, we need to go through a plagiarism check before submitting this research project.

Date: MAY 2016

Degree: LL.B.

Department: Law

Supervisor Name: Maleika Farah Deebea

Name & Signature of Student: Waheed Qureshi

Saeed Ahmad

Ali Adnan Qureshi

ACKNOWLEDGEMENTS

First and Foremost, we would like to thank Allah Almighty and then our supervisor Ma'am Maleika Farah Deeba for her utmost support and encouragement. She has served as a mentor for us and always helped us in every possible way regardless of her busy schedule. Her grip over the subject of corporate governance is exceptional and without her guidance we would not be able to complete this thesis. Thus we express our sincere appreciation for her patience, support and knowledge. We could not have imagined having a better supervisor and mentor for LLB thesis.

Secondly, we are grateful to Mr. Nasir Hayat Khan who is currently serving as Manager of Summit Bank for his valuable advises and providing us the idea of this topic that how much banking sectors benefit from corporate governance principles.

Thirdly, we are grateful to Mr. Adnan Khan for giving us time, support and providing us the reading material. They were very useful.

Fourthly, we are thankful to Mr. Azam Khan and Mr. Masood Bhatti for their valuable ideas and suggestions. They gave our ideas a new dimension which was really required at one stage.

Last but not the least; we are grateful to our parents who supported us through thick and thin in writing this thesis. Without their love and support we would not be standing at the stage where we are today.

DEDICATION

This thesis is a result of collective work and contribution, thus first of all it is dedicated to our beloved parents who raised us and made us achieve this place and the faculty of LLB Department of Bahria University.

Abstract

Corporate Governance is about alignment of interest of managers with the shareholders, to ensure that the managers do not pursue their own interest. Studies have shown that the countries with stronger protection of minority shareholder rights have stronger equity market and after implication of CG principles the ratio of corporate scandals has drastically decreased as it helps restore investor's confidence because it has lower risks and few unexpected events.

In Pakistan Security and Exchange commission of Pakistan and Pakistan Institute of Corporate Governance are working in collaboration to promote the awareness of CG Two surveys have been conducted in this regard by the World Bank and International Finance Corporation in 2005 and 2006-007 respectively.

Result of CG have proved to be fruitful for many countries and not just the corporate sector but banking and financial sector even the non government organization follow the principle of CG

TABLE OF CONTENT

CHAPTER No. 1 INTRODUCTION

1 Introduction.....	2
1.1 Background of Corporate Governance.....	3
1.2 Objectives of the Research.....	4
1.3 Literature Review.....	5

CHAPTER No. 2 CORPORATE GOVERNANCE

2. Pillars of Corporate Governance.....	7
2.1 Transparency.....	8
2.2 Accountability.....	8
2.3 Fairness.....	9
2.4 Independence.....	10
2.5 Why corporate governance is receiving more attention lately.....	11
a) Corporate Governance provides Economic equilibrium.	12
b) Corporate governance provides an alternate for privatization of state owned entities.....	12
c) Minority share holder rights are secured by following this structure.....	13
d) Investor confidence.....	13
e) Corporate governance and stake holders.....	13
2.6 Corporate Governance in Pakistan.....	14
2.7 Role of SECP.....	16

CHAPTER No. 3 MINORITY SHARE HOLDER PROTECTION

3 Share holder and Stake holder.....	18
3.1.1 Shareholder theory.....	18
3.1.2 Stakeholder theory.....	19
3.3 How corporate governance protects the rights of minority share holders.....	21
3.4 Protection granted by Law.....	23
3.5 Comparison with US and other countries.....	25
A. Cadbury Report (1992).....	26
B. Sarbanes–Oxley (SOX).....	27
3.6 Comparison of UK and US with Pakistan’s code of corporate governance.....	29

CHAPTER No. 4 CORPORATE GOVERNANCE AND ECONOMY OF STATE

4.1 What is the impact of corporate governance on economy of state.....	31
---	----

CHAPTER No. 5 CONCLUSION AND RECCOMMENDATIONS

5.1 Conclusion.....	38
5.2 Recommendation.....	40

BIBLIOGRAPHY.....	43
-------------------	----

List of Abbreviations

CG	Corporate Governance
PICG	Pakistan Institute of Corporate Governance
SECP	Security and Exchange commission of Pakistan
IFC	International Finance Corporation
UK	United Kingdom
USA	United States of America
FDI	Foreign Direct Investment
SOX	Sarbanes Oxley
SOE	State owned Entity
ICAP	Institute of charter Accountant of Pakistan
CFO	Chief Finance officer
BOD	Board of Director
PCAOB	Public company accounting oversight board
ROSC	Report on observance of standards and codes
EVA	Economic Value Added
MCR	Minimum Capital Requirement
CAR	Capital Adequacy Ratio