

**Impact of Internal Mechanism of Corporate Governance on Firms Financial
Performance: Evidence Form non-Financial sector listed at PSX**



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ENROLMENT NUMBER : 01-297152-004

DISCIPLINE : MS- Finance

SESSION : 2015-2017

**Impact of Internal Mechanism of Corporate Governance on Firms Financial
Performance: Evidence Form non-Financial sector listed at PSX**

By

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A thesis presented to Bahria University, Islamabad in partial fulfilment of the
requirements for the degree of MS FINANCE

November 2017

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List of Abbreviations

PSX Pakistan Stock Exchange

ROA Return on asset

WTO World trade organization

SECP Security Exchange commission of Pakistan

ROE Return on Equity

KLSE Kuala Lumpur Stock Exchange

BSE Bombay Stock Exchange

FTSE Financial Times and the London Stock Exchange (UK stock index)

BS Board Size

BM Board meeting

BI Board Independence

CEO Chief executive officer

FA Firm age

FS Firm Size

LN Log natural

VIF Variance Inflation Factor

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Acknowledgement

All praises are solely for the Almighty Allah, whose blessings have enabled me to complete the research work and to prepare this Thesis for the degree of MS in Finance from Bahria University Islamabad campus.

I would like to express my sincere gratitude to Sir Shahzad Butt and Dr. Abdul Sattar for their brilliant suggestions, supervision, constant support, patience, and knowledge regarding my dissertation. Their guidance helped me throughout the process of research and writing of this thesis.

Last but not least, my deepest gratitude goes to my beloved parents and also for their endless love, prayers and encouragement. I would also like to express gratitude to all those who indirectly contributed in this research your kindness means a lot to me. Thank you.

Dedication

I would like to dedicate this thesis to my beloved parents. Today I am at this stage of my life due to their dedication to me in every field of life.

Abstract

Corporate governance system consists of two perspectives, the internal and the external mechanism, both perspectives make the firm accountable in front of its stakeholders. The purpose of this study is to check the impact of internal mechanism of corporate governance on firm performance as the corporate governance become more crucial since rapid fluctuations in terms of financial and technological system in product as well as in service industry.

This study investigated the impact of internal mechanism of corporate governance on firm performance taking non-financial firms listed at Pakistan Stock Exchange. We have taken data set of 10 years from 2006 to 2015 of the non-financial firm and data collected from annual reports of the listed companies in Pakistan stock exchange and from the balance sheet analysis of non-financial sector conducted by the State Bank of Pakistan. Whereas, firms selected from each sector according to the number of companies in particular sector and their market capitalization. In order to check the impact of internal mechanism of corporate governance variable including CEO duality, Board size, Board independence, Board meeting along with controlling variable including firm age and firm size on firm performance which is measured by ROA. I have applied multiple linear regression technique further Panel least square method employed. As there is certain assumption for employing this technique they have also observed while carrying out the estimations for results.

The findings of this study revealed that CEO duality have negative and significant impact on firm performance (ROA) While Board size has negative impact on firm performance, its mean that larger board size have negative impact on firm performance and smaller board size is better for high financial performance. Board independence has positive impact on firm performance, its mean that if board of director consist of more independent directors it would have positive impact on firm performance Last core independent variable is Board meeting which have insignificant impact on firm performance. Additionally control variable, firm age have negative impact on firm performance like older firm doesn't perform well and vice versa and firm size has positive impact on ROA, greater the firm better will be the firm performance in term of ROA.

Key words: Corporate governance, Firm performance, Board meeting, CEO duality, Board size, Board independence.