

**Impact of Internal Mechanism of Corporate Governance on Firm
Performance: Industry-wise Empirical Analysis**

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LIST OF ABBREVIATIONS

BComp	Board Composition
CEO	Chief Executive Officer
CEOCom	CEO Compensation
CG	Corporate Governance
FPer	Firm Performance
FSize	Firm Size
Lev	Leverage
OConcn	Ownership Concentration
ROA	Return on Assets
ROE	Return on Equity
FE	Fixed Effect
RE	Random Effect

OLS

Ordinary Least Square

TQ

Tobin Q

VIF

Variance Inflation Factor

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DEDICATION

To my loving parents and dedicated teachers,

Whose everlasting support and encouragements motivated me

Get where I am today,

Who made me realize that

The price of success is hard work and determination.

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Sabahat Riaz

Declaration

I, Sabahat Riaz, declare that the MS Thesis entitled “Impact of Internal Mechanism of Corporate Governance and Ownership Concentration on Firm Performance: Industry-wise Empirical Analysis” contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.

ABSTRACT

The present study investigates the impact of some of the variables of corporate governance on firm performance. Main purpose of the study is to investigate whether corporate governance vary from sector to sector because overall results seem to be misleading on the premise that industrial norms vary from sector to sector and even firm to firm within same sector. For this purpose, a sample of 50% firms has been chosen randomly from top non-financial seven sectors of Pakistan for the years from 2008 to 2014. These sectors have significant role in KSE-100 index fluctuation. Dependent variable is firm performance measured as ROA, ROE and Tobin Q whereas independent variables of corporate governance include Board Size, Board Composition, CEO Compensation and Ownership Concentration. Overall descriptive statistics show that highest board size is 16 with minimum of 7. Board size ranges from 8 to 16 in different sectors. There are certain firms in different sectors where leverage is zero and CEOs do not draw

compensation. The empirical results of model summary reveal mixed results of the impact of corporate governance variables on different proxies of firm performance. For instance, board size does not impact firm performance in overall model whereas in engineering and chemicals sector it has positive impact and in Food sector board size has positive affect on Tobin Q & negative impact on ROE. In the same way empirical results show that Board Composition has no significant impact on firm performance in overall model whereas it has positive impact on firm performance in Chemical and Food sector and negative impact on firm performance in Engineering sector. CEO Compensation has positive significant effect on firm performance in overall analysis, Pharmaceuticals Food and Oil & Gas sectors whereas it has negative impact on Engineering and Chemical sector. Surprisingly, ownership concentration has negative impact on Oil & Gas, Cement and Chemical sector and positive impact only in Food sector which confirms agency cost issue in the above three mentioned sectors. From the above discussion we conclude that internal corporate governance mechanism affects different sectors in different way as supported by the mixed result.