

# Impact Of Corporate Governance On Firm's Financial Performance (A Comparative Study Of Developed And Non Developed Markets)

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## Abstract

The study has been conducted to compare the impact of corporate governance on firm's financial performance between USA (Developed Country) and Pakistan (Developing Country). The corporate governance is measured by Board's Ownership, Effectiveness, Size and Structure, Its Independency, CEO Duality and Board's education and Experience whereas the firm's financial performance is measure by the Return on Asset and Return on Equity. A sample of 100 listed companies from Karachi Stock Exchange of Pakistan and New York Stock Exchange of USA has been investigated to analyze the relationship during the period 01 Jan 2010 to 31 Dec 2015 regarding their comparative firm's financial performance in respect of Corporate Governance. The impact of corporate governance in the 100 listed firms that are taken in the sample from Pakistan and USA were analyzed through collection primary data by floating the questionnaire physically in Pakistan and online for USA. The internal and external performance of firm's for both countries was measured by taking Return on Asset (ROA) and Return on Equity (ROE) as internal performance measure and Market to Book Value Ratio, of Tobin's Q and Marris, for measuring the external performance. From the study it has been found that corporate governance codes are being followed in both countries but it is better in the developed countries. In Pakistan, due to most family owned business there exists some conflicts exists between the corporate governance codes drawn by SECP with their already drawn already set procedure whereas in USA strict Corporate Governance codes are being followed. The variables like Board ownership, Board Education & Experience, effectiveness and CEO Duality has positive relationship with the firm's performance but Board Size has negative correlation. The study also found that there is no relationship between independency of director with firm's performance.

**Keywords:** Corporate Governance, Performance, Tobin's Q, ROA, ROE.



**Journal of Business  
Management and  
Economic Research**  
Vol.2, Issue.1, 2018  
pp.15-30

Doi:

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**Suggested Citation:** Suresh Muhammad Ali (2018) Impact Of Corporate Governance On Firm's Financial Performance (A Comparative Study Of Developed And Non Developed Markets), Journal of Business Management and Economic Research, Vol.2, Issue.1, pp.15-30

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