

ABSTRACT

This research investigated the empirical potency, cogency and validity of claims that ownership structure and quality of corporate governance influences the corporate efficiency and performance using a cross-section of 101 listed firms in Pakistan's equity market during a period of 2006 to 2013. Therefore, researcher adopted panel EGLS (with cross-sections weights) for this purpose. "Clustered Robust" standard errors had also been estimated, with Panel EGLS, which is named as "white cross section standard errors". Firm performance was measured by Tobin's q, ownership structure estimated by- shareholdings of foreign, government, institutions, public, and sponsor director and quality of corporate governance evaluated by corporate governance index (CGI), with six sub-indices: financial transparency and disclosure, board composition, audit committee, remuneration committee, protection of shareholder's rights, ownership and shareholders, in contrast to conventional governance indicators. Results indicated a strong positive association between firm performance and corporate governance index. It showed that corporate governance matters in Pakistan's equity market. Among the ownership structures, foreign shareholding was positively associated with corporate performance. This finding suggested the presence of low agency issues among minority shareholder and corporate managers. But public, sponsor director and government shareholding had negative relationship with firm performance. The major ownership concentration group was public and the presence of concentrated ownership showed the poor legal protection to investors, it improved the internal governance mechanism and reduced the agency cost.

JEL classification: G32; G34

Keywords: Ownership Structure, Corporate Governance, Firm Performance