Impact of corporate governance on capital structure of Pakistan

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IMPACT OF CORPORATE GOVERNANCE ON CAPITAL STRUCTURE OF PAKISTAN

BACKGROUND

Corporate Governance-CG is a mechanism that protects the interest of all stakeholders specially shareholders in a modern economic and corporate world that is responsible for economic growth of an economy.

Data was collected from the annual reports of the firms listed at KSE-100index to analyzed the relationship between corporate governance and capital structure.

Ordinary Least Square model is used to analyze the data. The econometric model of the study is as follows:

\[ TDR_{it} = \beta_1 + \beta_1 BS_{it} + \beta_2 OD_{it} + \beta_3 OC_{it} + \beta_4 MOWN_{it} + \beta_5 CD_{it} + \beta_6 PROF_{it} + \beta_7 LIQ_{it} + \mu_{it} \]

METHODOLOGY

Ordinary Least Square model is used to analyze the data. The econometric model of the study is as follows:

FINDINGS

Capital structure is one of the weightiest decision that effects the performance of the firm. This study empirically finds how corporate governance practices impact the capital structure of the firm.

SIGNIFICANCE

Firstly, this study will fill the gap in corporate governance and capital structure in Pakistan. Secondly, this study helps managers and shareholders of Pakistan in decision making. Thirdly, it will benefit the policy makers to take necessary actions to improve corporate governance mechanism in Pakistan.