

## EFFECT OF FIRM PROFITABILITY ON CORPORATE GOVERNANCE PRACTICES

<sup>1</sup>TARIQ AZIZ, <sup>2</sup>MUHAMMAD ABDUL MAJID MAKKI, <sup>3</sup>SADIA MAJEED,

<sup>4</sup>SABA SALEEM & <sup>5</sup>MUHAMMAD USMAN

<sup>1,3,4,5</sup>MS Scholar Department of Management Sciences, The Islamia University of Bahawalpur, Pakistan

<sup>2</sup>Asst.Prof. Department of Commerce, Baghdad Campus, The Islamia University of Bahawalpur, Pakistan

### ABSTRACT

**Purpose** – The purpose of this paper is to investigate the impact of prior year firm performance on corporate governance practices

**Design/methodology/approach** – A random sample of 40 companies listed on Karachi Stock Exchange of Pakistan was taken to test the hypothesis using SEM by using PLS Graph Software.

**Findings** – The results show that prior change in firm performance is significantly related to the improvement in corporate governance practices.

**Research limitations/implications** – The sample size used in this study was relatively smaller focusing on six manufacturing sector firms, thus the findings may not apply to all sectors other than those used in the sample.

**Originality/value** – The study is a pioneering attempt examining the impact of change in prior year firm performance on corporate governance practices in Pakistan

**KEYWORDS:** Corporate Governance, Performance