

Paper # 1

Corporate Governance and Firm Performance: Evidence from Saudi Arabia

Abstract

This study aimed to measure the impact of Corporate Governance on Firm performance of listed companies in Saudi stock exchange. The study methodology was a pooled data collected from the Saudi stock exchange (TADAWUL) for the period from 2012 to 2014. The study sample is 171 listed companies. The study independent variable is Corporate Governance principals. The dependent variable is Firm performance which was measured using ROA, ROE and Tobin's Q. The study also utilized five control variables in order to help measuring the relationship between Corporate Governance and Firm Performance. In conclusion, the study found that the governance level was 61.4% in Saudi stock exchange which is considered high compared to previous studies. The results of the study test indicate that there is no significant impact for corporate governance adoption on firm's operational and financial performance in the listed companies in Saudi stock exchange. By testing the Tobin's Q model the study also concluded that there's no significant impact for ownership of the largest shareholder and independency of Board of Directors on firm's market performance. Significant impact was found for the ownership and the size of the Board of Directors on firm's performance.

Keywords: Corporate Governance, Firm performance, Agency Theory, Saudi Arabia.