

Paper # 14

The Impact of Corporate Governance on Firm Performance: Evidence From Bahrain Bourse

Abstract

Corporate governance is recognized as one of the most important implications in building marketplace confidence and attracting positive investors in the organization specifically and the economy generally. Promoting good corporate governance standards is considered to be very important in attracting investment capital, reducing risk and developing a firm's performance. The aim of this research was to examine the impact of corporate governance policies on firm performance in Bahrain Bourse. Previous literature reviews presented in the study found that corporate governance is successful in improving firm's performance. The study sample contained 42 out of 48 of Bahrain's companies which were listed in Bahrain Bourse during the period from 2007-2011. The descriptive results indicate that our sample firms fulfill corporate governance variables about 61.2% for the entire study period. The empirical results indicate that performance measures such as return on assets (ROA) and return on equity (ROE) are significantly related to corporate governance in Bahrain. However, earnings per share (EPS), as a performance measure, did not show any significant change as a result of corporate governance. Overall, this study found a positive influence of corporate governance mechanisms on performance for the entire list of firms in Bahrain Bourse.

Keywords: Corporate governance, firm performance, Bahrain bourse (BB), return on investment (ROI), return on assets (ROA), earnings per share (EPS).