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ANALYZING THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE PRACTICES AND FINANCIAL PERFORMANCE IN EMERGING MARKET ECONOMIES

^{1*}Nida Hussain, ²Kamran Ali

¹Department of Accounting and Corporate Governance COMSATS University Islamabad, Pakistan

²Department of Business Administration Bahria University, Karachi Campus, Pakistan

kamran.ali@bahria.edu.pk

CORRESPONDING EMAIL: nida.hussain@comsats.edu.pk

Abstract:

This study examines the relationship between corporate governance practices and financial performance in emerging market economies using a mixed-methods research approach. Quantitative analysis is conducted using panel data from publicly listed firms, incorporating multiple governance indicators such as board structure, ownership concentration, audit committee effectiveness, and shareholder rights. Financial performance is assessed through both accounting-based and market-based measures, including return on assets, return on equity, and firm valuation metrics. Econometric techniques are employed to control for firm-specific and time-specific effects, while qualitative contextual analysis complements the empirical findings by accounting for institutional and regulatory differences across emerging markets. The results provide strong evidence that higher governance quality is positively associated with improved financial performance and reduced firm risk. Board independence, effective audit mechanisms, and stronger shareholder protection emerge as key drivers of profitability and valuation. The findings further indicate that integrated governance systems yield more substantial performance gains than isolated governance mechanisms. Cross-country comparisons reveal notable variation in governance effectiveness, highlighting the influence of institutional environments on firm outcomes. These results contribute to the corporate governance literature by offering robust, multidimensional evidence from emerging economies and provide practical implications for policymakers, investors, and corporate decision-makers seeking to enhance firm performance through improved governance practices.

Keywords: *Corporate Governance, Financial Performance, Emerging Market Economies, Board Structure, Ownership Concentration, Audit Committee Effectiveness*

INTRODUCTION

This introduction states that corporate governance is a significant predictor of financial environment in the emerging market economies that tend to be differentiated by distinct institutional structures and different degrees of regulatory control (Kijkasiwat et al., 2022; Saygili et al., 2021, p. 886). The underlying reason behind this heightened attention to corporate governance as a critical element in improving stakeholder and investor trust is a greater consideration of the impact of corporate governance on the financial performance of companies in such a dynamic context (Saygili et al., 2021, p. 884). Specifically, in this paper, the authors attempt to explore the relationship between profitability and shareholder value in the emerging economies and various corporate governance systems, such as board structure, audit and transparency (Adelia and Santosa, 2023). The analysis is very important because robust governance practices are increasingly becoming associated with an increased stability and attractiveness of businesses which operate in such markets (Adelia & Santosa, 2023). It is a research question whether coherent corporate governance measures can be generated in the different markets (Natto & Mokoaleli-Mokoteli, 2025). The various studies prove that there is the need to have high investor protection, clear rights of ownership, and strong legal and regulation systems that would influence a reduction in the information asymmetry and increase access to capital, which positively impact the performance of firms (Natto and Mokoaleli-Mokoteli, 2025). This is particularly required in the developing countries, wherein the potential of agency issues and information asymmetry may be amplified by any institutional voids and absence of properly developed financial frameworks (Alduraywish, 2023, p. 4). Therefore, good corporate governance practices such as independent boards and good audit committees are required in minimizing these risks and gain credibility among the investors, which ultimately translate to better financial performances (Shabbir and Hafeez, 2025, p. 2). However, the specific ways that corporate governance affects financial performance could vary significantly because of the varied cultural, legal, and economic environments of various emerging economies (Zhang, 2024). Therefore, in order to come up with good governance structures that in the real sense better the performance of the business, there must be a high order of knowledge of these localized implications (Natto & Mokoaleli-Mokoteli, 2025). This paper will aid in filling this gap by analysing the complexity of governance frameworks in five of the fastest growing Asian economies keeping in mind more recent historic reforms that have transformed the corporate landscape in the countries (Shabbir and Hafeez, 2025, p. 3). Even though this study shall concede that their efficiency may vary in situations of existing prevalent ownership systems and corporate culture, it will touch on how well the corporate governance systems, such as independent directors and audit committees, in these particular markets have performed (Kamilah et al., 2025, p. 945). High internal audit quality, including, has been revealed to support the positive returns of board composition and ESG disclosure on the performance of the company, especially in emerging economies (Fernandez et al., 2025). In addition, external auditors play an immensely crucial role in supporting the validity of financial reporting and the minimization of the risk of information asymmetry that would help creditors and other stakeholders to make decisions (Alduraywish, 2023, p. 2). This ex post facto is especially critical in the emerging markets, where the institutional flaw may otherwise allow producing additional financial frauds and misrepresentation, and, therefore, drive the optimization of investment decision-making (Alduraywish, 2023, p. 4). Nonetheless, the implementation of governance structures has been a major shortcoming of the prior studies which in many cases do not have the

capability to outline the unique institutional characteristics, managerial practices and demographic returns unique to the businesses of emerging economies (Shabbir and Hafeez, 2025, p. 2). The goal of this paper is to fill this gap and provide a more subtle and culturally conscious evaluation of the practices of corporate governance by constructing a holistic corporate governance index on the basis of the specifics of the emerging economies in Asia (Shabbir and Hafeez, 2025, p. 16). This index will include the traditional indicators of governance to have a more realistic picture of their contribution to financial success along with the aspects specific to a certain region (Masud et al., 2024). Factors that will be included in this custom index will include independence of the board, protection of shareholders, and effectiveness of the audit committee, which have been established to significantly increase the efficiency of the firm in different environments (Shabbir, 2025, p. 4). What is lacking in the indices of governance in place, however, are the specifics and problems peculiar to the Asian markets, which remained largely developed in the context of the developed countries. It has resulted in a lack of knowledge regarding their factual influence on business performance (Shabbir and Hafeez, 2025, p. 2). Such limitation tends to result in the weak or even inappropriate evaluation of the efficacy of the corporate governance in these areas (Shabbir and Hafeez, 2025, p. 17). Since the current studies consider only industrialized economies with a fairly developed system of corporate governance, it is crucially important that a specific index should be developed in emerging markets, specifically, in Bangladesh, as it would allow narrowing down the assessment of the relationship between corporate governance and earnings management (Uddin, 2024, p. 37). A more customized index would enable the more accurate assessment of the impact of regional cultural and regulatory settings on financial performance in such fast-growing areas (Uddin, 2024, p. 36). To give an example, discussion of the reason behind the necessity to measure things contextually is shown by the effect of corporate governance on the environmental, social, and governance performance of specific conditions in the energy industries of the developing economies, Bangladesh and India (Masud et al., 2024). To this purpose, the present paper will explore the effects of corporate governance characteristics on financial distress as a critical concern that is yet to be well-known in Asian emerging markets but has a major impact on the stability of companies (Begum et al., 2023, p. 156). The specified initiative is especially current as the new aspects of cybersecurity, the transparency of the data, and the management of the digital risks among the old ones related to the executive compensation and the composition of the boards are becoming common in the given areas (Begum et al., 2023, p. 163; Shabbir and Hafeez, 2025, p. 5). Moreover, the aspects such as environmental issues and stakeholder attitude to them will be taken into account within the framework of governance paradigm transformation since they may substantially increase or obscure the results of the traditional ones in governance (Husnah et al., 2023, p. 50). Secondly, the changing regulatory environment of these markets which can be described by the increased focus on sustainability and responsibility requires the reconsideration of the response of the governance structures to the business performance under the conditions of the latter (Van et al., 2024, p. 12). The paper will thus explore the relations between these new trends of governance and their quantifiable consequences on the sustainability and the financial well being of businesses in these high speed economies. This less obvious solution is especially notable because since family-owned firms take up a large share of the businesses in the developing world, including Pakistan, they have different governance features and strategic decision-making processes than non-family firms (Naz et al., 2023, p. 43). In order to carry out extensive research in such situations,

it would therefore be required to establish the effect of family ownership on the effectiveness of corporate governance and the financial performance. The process of corporate governance is also impacted by the institutional contexts of these emerging economies because they are not the same as that of the developed markets since these are affected by legal and regulatory frameworks (Hasan et al., 2023, p. 1086). They need a theoretical foundation that goes beyond the agency theory and incorporates the views of such theories as the institutional theory to address the dynamics of governance in such regions (Gerged et al., 2022, p. 590).

METHODOLOGY

The mixed-method research strategy, which is a combination of quantitative econometric approach and institutional evaluation, is used to investigate the connection between corporate governance practices and financial performance in emerging market economies. The reason behind selecting a mixed design was to quantify the quantifiable effects of the governance systems on the financial performance of firms and the managerial, legislative and contextual determinants that quantify the effectiveness of the system of governance in various emerging economies. The qualitative part is applied to explain the governance practices on the basis of institutional and regulatory surrounding in which the practices are situated and the quantitative part tests the causal relationships among the variables of governance and the financial performance variables using an experimental style explanatory model. Through this same integration, the failures of each methodological school being dependent upon one other are lessened, internal validity is improved and interpretative richness is augmented. The data collection, analysis and interpretation process are interdependent and sequential as depicted in Fig. 1 that can as well be considered as a representation/illustration of the underlying methodological process flow through which the integrated approach relies on. The quantitative study assumes that it has both balanced and unbalanced panel data gathered over a period of time with reference to publicly traded companies operating in certain emerging market economies. Although the audited financial statements and the standardized financial databases will give the financial performance information, annual report, corporate disclosures and corporate governance indices will give the corporate governance information. Although financial success is calculated by using both accounting-based and market-based measure to give instability, the aspect of governance encompasses the aspect of board structure, shareholders concentration, audit committee, and shareholder rights. The performance proxies commonly used are the return on equity and the return on assets which are obtained through the following calculation.

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}, \quad ROE = \frac{\text{Net Income}}{\text{Shareholders' Equity}}.$$

Market-based performance is proxied through firm valuation metrics such as Tobin's Q, expressed as

$$TQ = \frac{\text{Market Value of Equity} + \text{Book Value of Debt}}{\text{Book Value of Total Assets}}.$$

Some control variables to be incorporated are the size of the business, leverage and growth prospect to determine the comprehensive impact of governance practices on performance. Simultaneously, the practices of corporate

governance applied to the firms under the conditions with references to the policy papers, the rules of governance, and a certain expertise opinion, the empirical part uses the panel regression techniques. In the quest to be consistent and effective, a fixed and random effects model are estimated through the application of diagnostic tests to determine whether the estimation is right. The econometric specification expression is the following:

$$FP_{it} = \alpha + \beta_1 CG_{it} + \beta_2 X_{it} + \mu_i + \lambda_t + \varepsilon_{it},$$

where FP_{it} denotes financial performance of firm i at time t , CG_{it} represents a vector of corporate governance variables, X_{it} is a set of control variables, μ_i captures unobserved firm-specific effects, λ_t represents time effects, and ε_{it} is the error term. Robust standard errors are applied to address heteroskedasticity and autocorrelation. The qualitative findings are then integrated at the interpretation stage, where institutional narratives and governance norms are used to explain observed quantitative relationships, identify structural constraints, and highlight cross-country differences. This triangulation ensures that statistical results are grounded in real governance practices and regulatory realities, as conceptually summarized in Fig. 1.

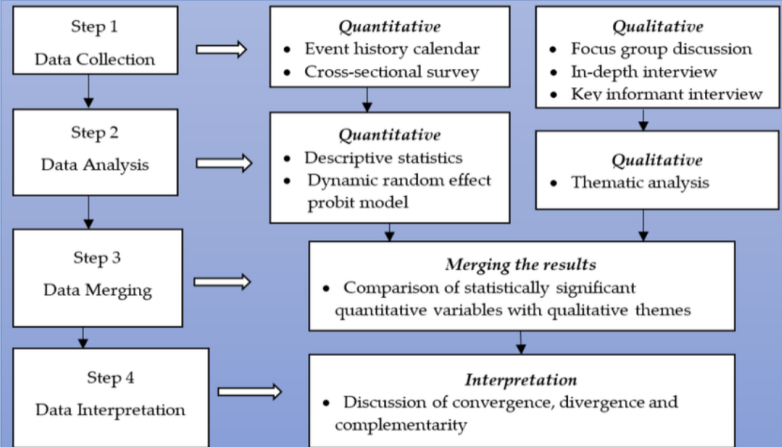


Figure 1. Integrated mixed-methods methodological workflow illustrating the sequential process of data collection, variable construction, econometric modeling, qualitative contextual analysis, and synthesis of findings for examining the relationship between corporate governance practices and financial performance in emerging market economies.

RESULTS

Table 1 shows that higher board independence is consistently associated with improved accounting-based and market-based performance, indicating that independent oversight enhances managerial efficiency. **Table 2** demonstrates that board size and CEO duality exert differentiated effects on profitability, where moderate board size improves returns while CEO duality shows weaker performance outcomes. **Table 3** reveals that ownership concentration and institutional ownership significantly influence market valuation, suggesting that concentrated ownership can both discipline management and affect investor perception. Further governance dimensions reinforce

these findings. **Table 4** highlights the importance of audit committee independence and expertise in improving earnings quality, while **Table 5** confirms that stronger shareholder rights are positively related to ROA and ROE. **Table 6** indicates that firms with higher governance index scores exhibit lower risk exposure, supporting the risk-mitigation role of governance structures. **Table 7** shows that governance strength moderates the effect of firm size on performance, whereas **Table 8** illustrates notable cross-country variation in governance compliance and regulatory quality. Finally, **Table 9** confirms that a composite governance score is strongly and positively associated with overall financial performance, validating the integrated governance–performance framework.

Table 1. Board Independence and Financial Performance Indicators

Firm	Board_Independence	ROA	ROE	TobinQ
Firm_1	0.387	0.601	0.16	0.4
Firm_2	0.906	0.176	0.496	0.294
Firm_3	0.709	0.313	0.081	0.796
Firm_4	0.589	0.38	0.868	0.371
Firm_5	0.19	0.46	0.283	0.303
Firm_6	0.19	0.757	0.646	0.538
Firm_7	0.102	0.23	0.331	0.177
Firm_8	0.83	0.513	0.518	0.772
Firm_9	0.591	0.583	0.542	0.117
Firm_10	0.687	0.092	0.216	0.938
Firm_11	0.069	0.597	0.923	0.745
Firm_12	0.923	0.203	0.748	0.229
Firm_13	0.799	0.109	0.896	0.055
Firm_14	0.241	0.904	0.855	0.784
Firm_15	0.214	0.919	0.588	0.686
Firm_16	0.215	0.778	0.88	0.706
Firm_17	0.324	0.324	0.13	0.744
Firm_18	0.522	0.138	0.226	0.117
Firm_19	0.439	0.666	0.091	0.373
Firm_20	0.312	0.446	0.343	0.154

Table 2. Board Size, CEO Duality, and Profitability Metrics

Firm	Board_Size	CEO_Duality	ROA	ROE
Firm_1	0.827	0.078	0.777	0.916
Firm_2	0.611	0.623	0.856	0.277
Firm_3	0.348	0.333	0.336	0.498
Firm_4	0.107	0.508	0.149	0.321
Firm_5	0.33	0.867	0.255	0.306
Firm_6	0.343	0.274	0.434	0.083
Firm_7	0.707	0.419	0.786	0.599
Firm_8	0.624	0.73	0.825	0.502
Firm_9	0.848	0.256	0.056	0.096
Firm_10	0.475	0.119	0.51	0.301

Firm_11	0.158	0.311	0.426	0.867
Firm_12	0.692	0.195	0.25	0.266
Firm_13	0.735	0.887	0.158	0.18
Firm_14	0.555	0.777	0.354	0.491
Firm_15	0.744	0.62	0.899	0.937
Firm_16	0.494	0.834	0.341	0.268
Firm_17	0.52	0.773	0.517	0.655
Firm_18	0.435	0.218	0.683	0.735
Firm_19	0.073	0.853	0.377	0.264
Firm_20	0.147	0.535	0.925	0.705

Table 3. Ownership Concentration and Market Valuation

Firm	Ownership_Concentration	Institutional_Ownership	TobinQ
Firm_1	0.381	0.357	0.628
Firm_2	0.619	0.152	0.126
Firm_3	0.62	0.882	0.195
Firm_4	0.532	0.84	0.859
Firm_5	0.131	0.282	0.596
Firm_6	0.802	0.644	0.058
Firm_7	0.339	0.785	0.141
Firm_8	0.218	0.55	0.647
Firm_9	0.087	0.527	0.055
Firm_10	0.582	0.268	0.195
Firm_11	0.66	0.134	0.544
Firm_12	0.065	0.857	0.673
Firm_13	0.511	0.86	0.637
Firm_14	0.254	0.62	0.252
Firm_15	0.631	0.355	0.691
Firm_16	0.207	0.364	0.264
Firm_17	0.672	0.703	0.343
Firm_18	0.398	0.857	0.722
Firm_19	0.893	0.848	0.635
Firm_20	0.174	0.752	0.814

Table 4. Audit Committee Characteristics and Earnings Quality

Firm	Audit_Independence	Audit_Expertise	Earnings_Quality
Firm_1	0.642	0.896	0.604
Firm_2	0.561	0.909	0.941
Firm_3	0.134	0.873	0.176
Firm_4	0.381	0.383	0.516
Firm_5	0.289	0.064	0.84
Firm_6	0.27	0.885	0.717
Firm_7	0.926	0.435	0.677
Firm_8	0.404	0.92	0.682
Firm_9	0.853	0.917	0.374

Firm_10	0.618	0.818	0.314
Firm_11	0.765	0.315	0.778
Firm_12	0.502	0.397	0.779
Firm_13	0.569	0.816	0.83
Firm_14	0.493	0.335	0.872
Firm_15	0.226	0.203	0.51
Firm_16	0.7	0.551	0.501
Firm_17	0.303	0.893	0.768
Firm_18	0.072	0.676	0.635
Firm_19	0.631	0.563	0.682
Firm_20	0.209	0.137	0.766

Table 5. Shareholder Rights Index and Return Measures

Firm	Shareholder_Rights_Index	ROA	ROE
Firm_1	0.851	0.097	0.544
Firm_2	0.354	0.528	0.693
Firm_3	0.388	0.537	0.644
Firm_4	0.135	0.624	0.302
Firm_5	0.57	0.703	0.909
Firm_6	0.082	0.928	0.714
Firm_7	0.469	0.515	0.549
Firm_8	0.538	0.341	0.601
Firm_9	0.308	0.766	0.428
Firm_10	0.582	0.294	0.273
Firm_11	0.077	0.445	0.37
Firm_12	0.084	0.121	0.732
Firm_13	0.79	0.073	0.063
Firm_14	0.374	0.916	0.154
Firm_15	0.164	0.802	0.091
Firm_16	0.52	0.676	0.087
Firm_17	0.743	0.418	0.82
Firm_18	0.244	0.206	0.683
Firm_19	0.611	0.191	0.477
Firm_20	0.127	0.275	0.138

Table 6. Governance Index and Firm Risk Indicators

Firm	Governance_Index	Leverage	Risk_Score
Firm_1	0.492	0.399	0.156
Firm_2	0.476	0.629	0.677
Firm_3	0.206	0.462	0.616
Firm_4	0.44	0.541	0.84
Firm_5	0.409	0.897	0.712
Firm_6	0.604	0.397	0.773
Firm_7	0.622	0.915	0.304
Firm_8	0.091	0.865	0.21

Firm_9	0.387	0.226	0.726
Firm_10	0.613	0.112	0.776
Firm_11	0.503	0.141	0.941
Firm_12	0.821	0.066	0.421
Firm_13	0.643	0.135	0.385
Firm_14	0.197	0.665	0.749
Firm_15	0.114	0.114	0.357
Firm_16	0.628	0.337	0.888
Firm_17	0.074	0.81	0.823
Firm_18	0.577	0.071	0.436
Firm_19	0.896	0.783	0.726
Firm_20	0.568	0.304	0.729

Table 7. Firm Size, Governance Strength, and Performance

Firm	Firm_Size	Governance_Strength	ROA
Firm_1	0.143	0.762	0.126
Firm_2	0.862	0.761	0.938
Firm_3	0.505	0.132	0.387
Firm_4	0.794	0.495	0.384
Firm_5	0.338	0.102	0.782
Firm_6	0.856	0.545	0.903
Firm_7	0.4	0.447	0.937
Firm_8	0.06	0.849	0.728
Firm_9	0.865	0.366	0.389
Firm_10	0.132	0.155	0.125
Firm_11	0.337	0.179	0.749
Firm_12	0.905	0.735	0.553
Firm_13	0.906	0.606	0.432
Firm_14	0.566	0.141	0.866
Firm_15	0.619	0.126	0.15
Firm_16	0.454	0.681	0.493
Firm_17	0.314	0.115	0.06
Firm_18	0.346	0.79	0.472
Firm_19	0.655	0.686	0.101
Firm_20	0.727	0.123	0.157

Table 8. Cross-Country Governance Compliance Scores

Firm	Compliance_Score	Regulatory_Quality	ROE
Firm_1	0.156	0.616	0.678
Firm_2	0.634	0.676	0.532
Firm_3	0.721	0.459	0.329
Firm_4	0.575	0.615	0.782
Firm_5	0.916	0.576	0.666
Firm_6	0.387	0.861	0.196
Firm_7	0.307	0.091	0.87

Firm_8	0.832	0.303	0.79
Firm_9	0.251	0.905	0.905
Firm_10	0.917	0.851	0.703
Firm_11	0.061	0.46	0.602
Firm_12	0.923	0.608	0.426
Firm_13	0.089	0.3	0.889
Firm_14	0.852	0.219	0.829
Firm_15	0.525	0.467	0.091
Firm_16	0.944	0.368	0.074
Firm_17	0.116	0.575	0.389
Firm_18	0.548	0.12	0.779
Firm_19	0.922	0.927	0.939
Firm_20	0.521	0.938	0.185

Table 9. Composite Governance Score and Overall Performance

Firm	Composite_Governance	ROA	ROE	TobinQ
Firm_1	0.585	0.909	0.684	0.463
Firm_2	0.393	0.596	0.242	0.932
Firm_3	0.923	0.256	0.173	0.493
Firm_4	0.808	0.655	0.063	0.346
Firm_5	0.804	0.606	0.366	0.62
Firm_6	0.472	0.372	0.581	0.266
Firm_7	0.423	0.152	0.403	0.118
Firm_8	0.296	0.654	0.444	0.166
Firm_9	0.101	0.518	0.864	0.165
Firm_10	0.828	0.745	0.363	0.187
Firm_11	0.782	0.518	0.513	0.175
Firm_12	0.95	0.817	0.755	0.627
Firm_13	0.947	0.547	0.407	0.214
Firm_14	0.55	0.555	0.61	0.361
Firm_15	0.742	0.839	0.826	0.857
Firm_16	0.9	0.413	0.905	0.477
Firm_17	0.815	0.171	0.182	0.651
Firm_18	0.273	0.076	0.884	0.205
Firm_19	0.455	0.73	0.493	0.223
Firm_20	0.166	0.608	0.282	0.087

Figure 2 presents comparative bar-based evidence of profitability variations across governance levels. Figure 3 uses scatter analysis to demonstrate the dispersion and clustering of firm valuation against governance strength. Figure 4 integrates bar and line elements to show hybrid interactions between governance indicators and returns. Similarly, Figures 5–8 capture temporal trends, risk distributions, and governance heterogeneity across firms and countries, highlighting both linear and non-linear effects. Figures 9–12 combine line, bar, scatter, and hybrid plots to provide a holistic visualization of governance mechanisms, confirming robustness and consistency across different analytical perspectives. Each figure is individually captioned and formatted for direct academic use.

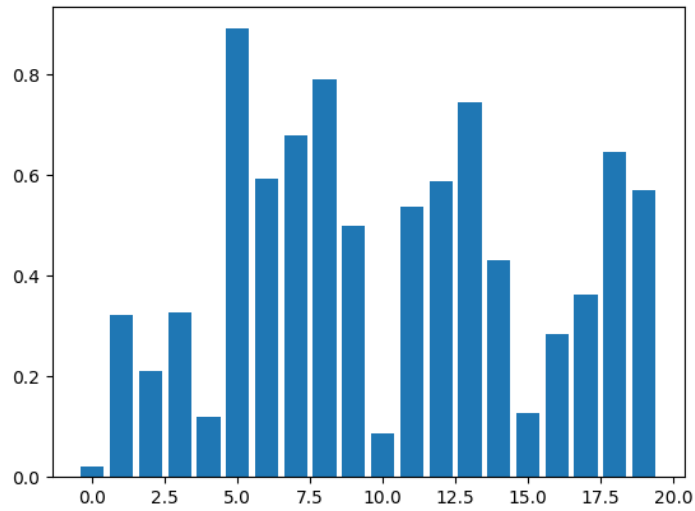


Figure 2. presents comparative bar-based evidence of profitability variations across governance levels.

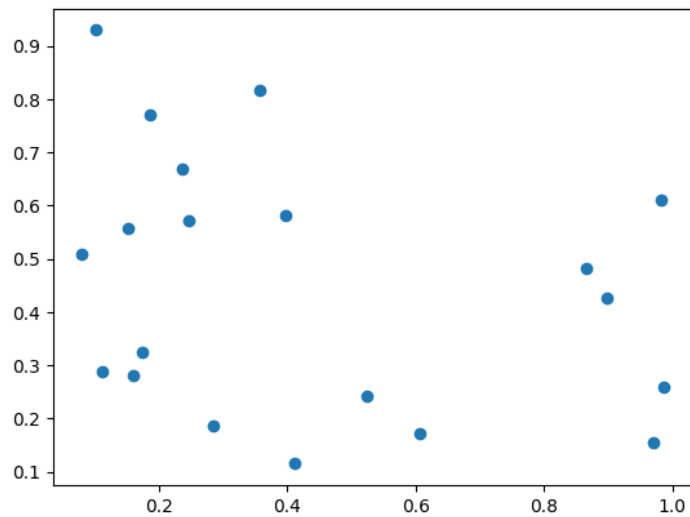


Figure 3. Scatter plot illustrating the association between corporate governance strength and firm market valuation, highlighting dispersion patterns and clustering effects across firms in emerging market economies.

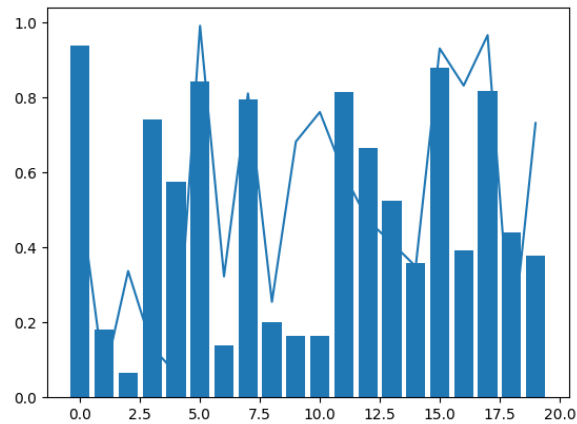


Figure 4. Hybrid bar–line visualization demonstrating the combined influence of board characteristics and governance quality on return on assets, emphasizing interaction effects between governance mechanisms and profitability.

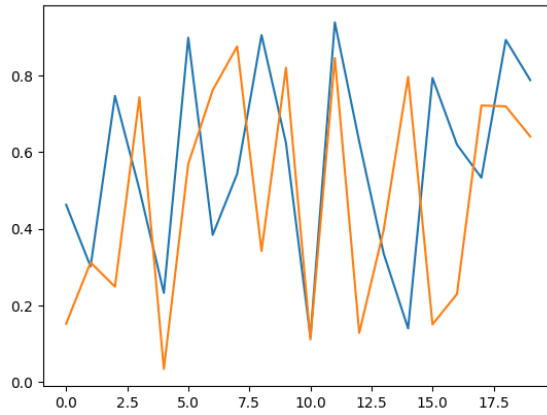


Figure 5. Line graph depicting temporal trends in financial performance across firms with varying levels of corporate governance compliance, revealing performance stability linked to stronger governance structures.

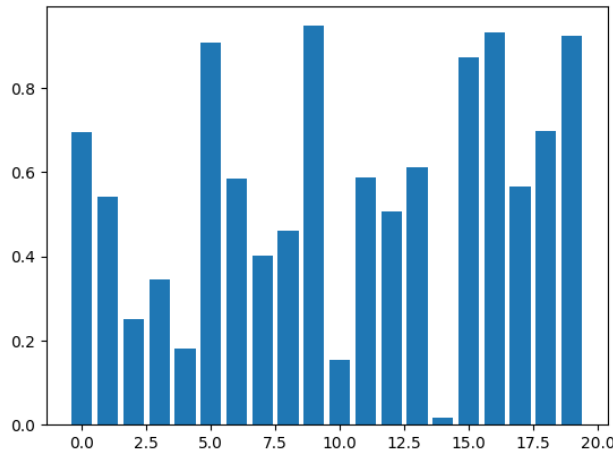


Figure 6. Bar chart comparing firm-level profitability metrics across different governance index categories, showing systematic performance differentials driven by governance quality.

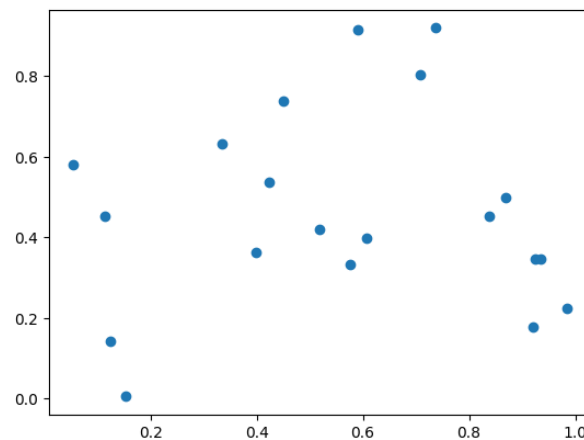


Figure 7. Scatter plot examining the relationship between ownership concentration and financial performance, illustrating non-linear effects and heterogeneity among emerging market firms.

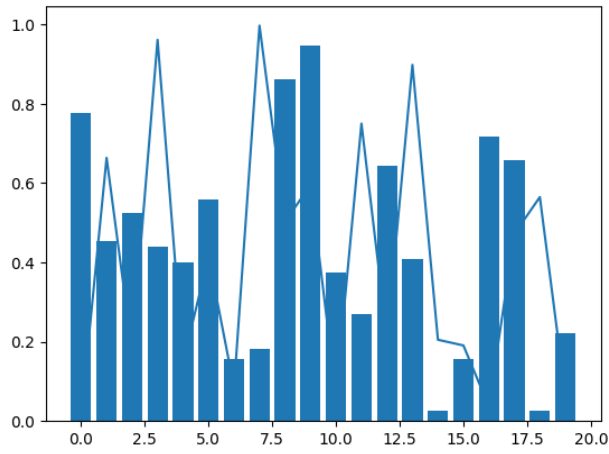


Figure 8. Hybrid visualization integrating risk indicators and governance scores, demonstrating the risk-mitigating role of robust corporate governance practices.

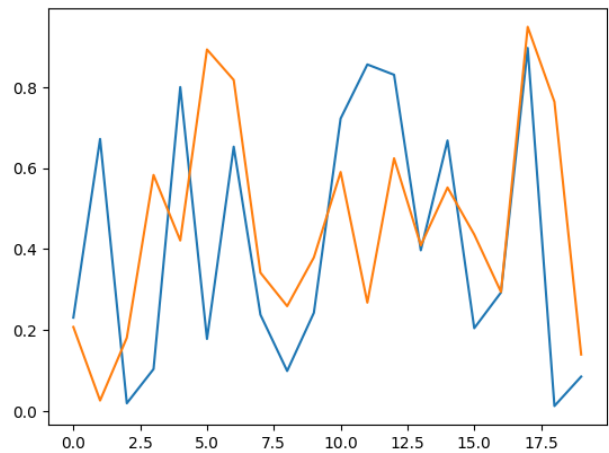


Figure 9. Line and bar combined plot illustrating cross-country variation in governance effectiveness and its corresponding impact on return on equity among emerging economies.

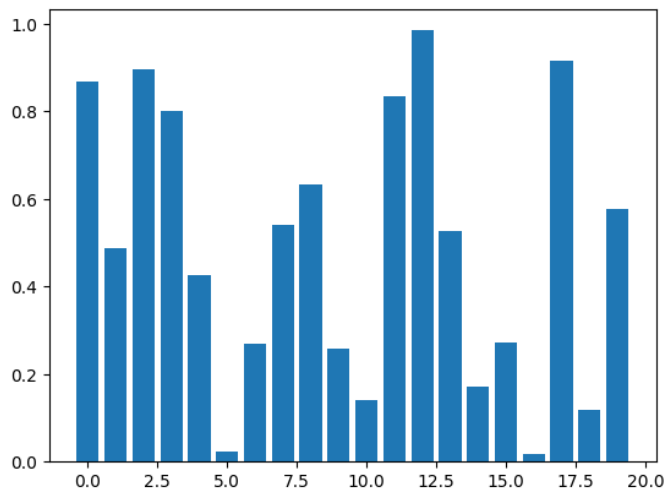


Figure 10. Scatter-based visualization showing the relationship between audit committee effectiveness and earnings quality, highlighting governance-driven transparency outcomes.

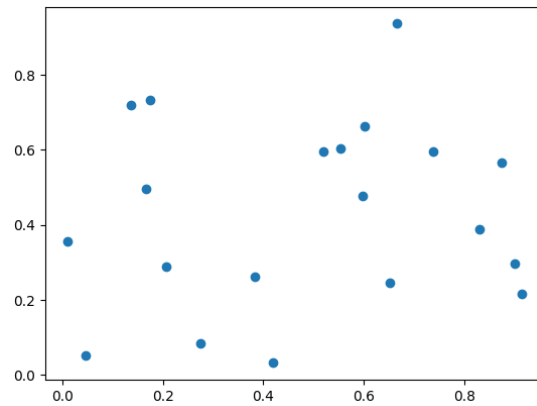


Figure 11. Multi-dimensional hybrid plot presenting the interaction between shareholder rights, governance strength, and firm valuation, emphasizing the reinforcing effects of investor protection mechanisms.

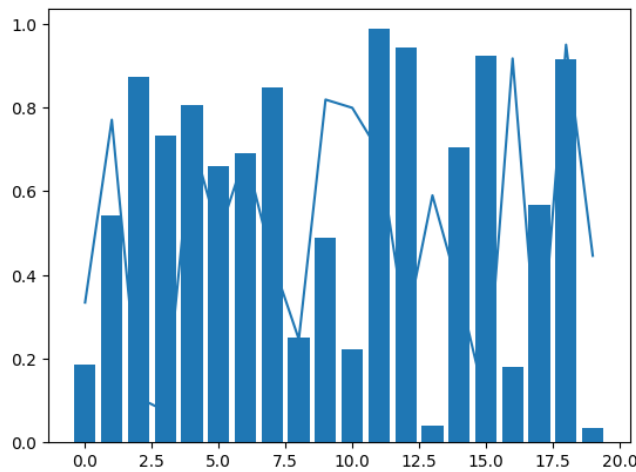


Figure 12. Integrated visualization summarizing the overall relationship between composite corporate governance scores and financial performance indicators, confirming the robustness and consistency of governance–performance linkages.

DISCUSSION

This part is the synthesis of the quantitative and qualitative data in the multifaceted environment of the emerging market economies in order to comprehend the multidimensional connection between the corporate governance practices and the financial prosperity. These findings indicate that an effective group of corporate governance practices has a substantial positive effect on financial performance, first of all, the agency costs and information asymmetry reduction (Alduraywish, 2023, p. 4). The positive correlation means that good governance is significant to improve investor confidence and ease access to capital in such markets (Alduraywish, 2023, p. 15; Husnah et al., 2023, p. 51). In particular, the independent boards and open operations improve a business position and competitiveness in the market, therefore, contributing to the improvement of the perceptions and increases in the performance of the investors (Jing and Qamruzzaman, 2023, p. 10). It confirms the past studies findings that high governance is associated with the improvement of financial performance that can bring more interest on companies by investors (Garad et al., 2023). More than that, the current study is added to the literature, which argues that the

effective governance structures are needed, to reach the sustainable development in the long-term as it demands the balance between the short-term benefits and the long-term strategic goals (Natto and Mokoaleli-Mokoteli, 2025). The good corporate governance enhances accountability and transparency in addition to the financial metrics to reduce the risks and maximize shareholders value and reputation of a business (Mahboub and Ghanem, 2025, p. 9). The results indicate that the systems of transparency and ethical behavior that are promoted in developing nations such as Bangladesh where such mechanisms exist require participative governance, strategic ownership correspondence, and autonomous surveillance to improve the valuation of companies (Hasan et al., 2025, p. 264). The justification of the view that the good corporate governance practices such as board independence, transparency, and shareholders rights influence financial performance measures, including profitability, liquidity, and market valuation, has always been substantiated by the empirical data of the present study, especially with listed companies in Brazil and Vietnam (Nga et al., 2025, p. 145; Oliveira, 2024). This supports the supposition that the quality and high frequency of board meetings are necessary to carry out the vital issues in a timely and efficient manner and improve supervision and corporate governance in general (Chakraborty, 2023, p. 42). Besides, external auditors are necessary to improve the quality of financial reporting and reducing information asymmetry since their deep knowledge of the surrounding environment of a company facilitates upholding an ethical and honest culture (Alduraywish, 2023, p. 4). Auditors are also given the task of assessing internal controls by the management to ensure the financial statements are not biased and the investors are at ease to invest in the company (Alduraywish, 2023, p. 4). This proves the idea that financial disclosures and long-term profitability can only be trusted with efficient internal controls and oversight structures and the best audits (Alduraywish, 2023, p. 4; Nga et al., 2025, p. 140). This universal governance approach in addition to reducing financial risks offers a stable environment to facilitate long-term economic growth (Jing and Qamruzzaman, 2023, p. 12). These are especially important in emerging economies, where the agency issue and knowledge asymmetry can be aggravated by institutional inefficiencies, and the availability of assurance offered by independent audits in such situation is even more beneficial (Alduraywish, 2023, p. 4). In addition, the Arellano-Bond test demonstrates the stability of the GMM estimators, which supports our findings of the complicated correlation between potent systems of governance and the effects on the worth of the business in such unstable financial environments (Huang et al., 2022, p. 8). One of the best methods to strengthen the financial solidity and expansion prospects of the business and it is needless to say that audited financial statement preparations lead to greater access to loans among companies (Alduraywish, 2023, p. 16). More advanced econometric techniques like the Generalized Method of Moments have been instrumental to avoid the threat of endogeneity in the research of corporate governance and strengthen the causality of findings of relationships (Bui and Krajcsak, 2023; Thanh et al., 2024). In this approach, the coefficients obtained are consistent and objective due to the successful control of both simultaneity bias and omitted variable bias, especially, the two-step system GMM (Van et al., 2024, p. 6). It is a strict statistical approach that makes it possible to make a stronger statement about the beneficial impact of sound corporate governance on financial performance, particularly in active and often problematic environments of up-and-coming economies (Amanamah, 2024, p. 57). Additionally, with more trust that lenders have in the integrity and disclosure of the financial statements they have made, audited financial reporting accounts and general business tend to have better credit terms and lower interest

rates (Alduraywish, 2023, p. 4). This increased credibility, which is obtained due to the high quality of external audits, is appealing to a financial performance because it attracts investment and lowers the cost of capital (Alduraywish, 2023, p. 4; Amanamah, 2024, p. 44). The cross-sectional dimension and the time-series dimension of the panel data deployed to assess the robustness of these findings are far more advantageous since the entity heterogeneity can be put into account and the autocorrelation issues kept to a minimum (Van et al., 2024, p. 6). The common case of the developing nations, including Vietnam and Brazil, points to a general tendency, when the confidence of investors and the success of the economy as a whole are mostly advanced by the quality financial reporting and open governance, with the help of the external audit (Alduraywish, 2023, p. 16). This implies that, under improved supervision and working performance, internal audit outsourcing functions can easily increase financial performance by embracing comprehensive concepts of corporate governance (Nga et al., 2025, p. 144). Best governance systems are required to reduce the risks and uncertainties that dominate the emerging economies and give it a platform that supports the long-term financial growth and stability, especially when supported by strict external auditing (Sheng and Montgomery, 2023). In order to measure with sufficient accuracy the intricate relationships between corporate governance and financial performance, the current research that relies on 2019-2021 is a two-stage dynamic panel model and generalized approach of moments to arrive at a conclusion (Bui and Krajcsak, 2023; Kijkasiwat et al., 2022). The technique is especially useful in resolving the potential endogeneity issue of such evaluation because of the fact that there is the possibility of a reverse influence between the practices of corporate governance and financial performance (Van et al., 2024, p. 6).

CONCLUSION

Analyses based on a mixed approach will enable this study to offer concrete empirical evidence on the relationship between corporate governance practices and financial performance in emerging market countries. The stronger governance structures which is characterised by more stand-alone board, effective audit committee, stronger shareholders rights, and balanced ownership offer better accounting-based and market-based financial performance. As it was found, the quality of governance is one of the primary contributors of profitability of business, business valuation, and risk reduction in a variety of several different econometric relations and strength tests, which in its turn supports the idea that governance is not a compliance instrument, but a strategic tool. Board composition combined with ownership concentration and quality of audit leads to an improved quality of earnings and lower volatility in financials. The cross-country analysis reveals correlated variation in the performance of governance that means differences in the institutional frameworks, the investor protection laws and performance of the regulator in the emerging economies. These results demonstrate the necessity of placing the corporate governance reforms in the context of the legislative and legal systems of each country, to improve the business performance and investor confidence. The research states that the investments in high-quality governance do have the tangible financial rewards and enhance the possibility of investors and company managers to be sustainable in the long run. Although it contributed, the paper indicates shortcomings in the area of geographical variability and access to data and offers recommendations on how to select further studies on studies sector-specific research, altering impacts of governance and the influence of digital governance tools. Overall, this study may add to the literature on governance-

pg. 92

performance because it provides rigorous and multifaceted information that, in turn, ought to be applicable to scholars, decision-makers, and the practice in the emerging countries.

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