

Abstract

The importance of corporate governance became very clear as a result of many corporate scandals, failures, frauds, bankruptcies and disasters took place around the world in recent times. These incidents led to ruin shareholders wealth, loss of thousands of jobs, criminal investigation against executives, and a lot of bankruptcy filings in the United States of America, the United Kingdom, Japan, East Asian countries and all other parts of the world. These issues have raised concerns about the reform of corporate governance practices throughout the world. It is generally believed that a lack of sound corporate governance practices was one of the major reasons for these economic crises. With this backdrop there has been increased public and academic discussion of issues related to corporate governance in most countries with active capital markets. Also, corporate governance issues have recently received much attention from policy-makers, regulators and the public. Globalization and transformations in the ownership structure of firms have increased the need for more effective monitoring mechanisms improve corporate governance systems.

This study was designed mainly to answer the question of whether corporate governance practices mediate the relationship between ownership types and corporate performance. Also, the relationships between (i) ownership types and corporate performance, (ii) ownership types and corporate governance practices and (iii) corporate governance practices and corporate performances were studied. Two broad categories of ownership types as widely-held and closely-held were identified based on the voting rights of the shareholders and it was understood that different ownership types may results in different corporate governance practices and also different levels of performance.

The agency theory of Jensen & Meckling (1976) was chosen as the base theory for the purpose of this study. The conceptual model was developed using ownership types as the independent variable, corporate governance practices as the mediator and corporate performance as the dependent variable. Four hypotheis were developd based on the conceptual model. This study was conducted as a quantitative study by collecting data on ownership types, corporate governance practices and corporate performance from the

annual reports of the sample companies for the period from 2009-2013. Then, panel data regression analysis and Sobel-Goodman test were used to test the hypotheses

In conclusion, the study suggested that corporate governance practices mediate the relationship between ownership types and corporate performance. Also, the study suggested a significant negative relationship between ownership types and corporate performance, a significant negative relationship between ownership types and corporate governance practices and a significant positive relationship between corporate governance practices and corporate performance.