ABSTRACT

Corporate Governance refers to a set of systems, principles and processes by which a company is governed. It provides guidelines that adds to the value of the company and is beneficial to all the stakeholders. This paper examines the hypotheses that corporate governance improves liquidity, and better governance enhances valuation of firms. We use ownership structure as the corporate governance variable to examine this empirical relationship and find that a firm's ownership structure influences both its liquidity and value. We find a positive causal relationship between measures of liquidity and corporate governance. Additionally, we document the strong positive impact of corporate governance on valuation.