8th International Conference on BUSINESS Management and Finance

ICBMF
27 - 29 March 2025
Oxford, UK

Driving Sustainable Performance: Analyzing the Effects of Corporate Governance and Stock Liquidity on Financial Metrics

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Abstract

This study investigates the effects of corporate governance practices and stock liquidity on sustainable performance, specifically Return on Assets (ROA) and Return on Equity (ROE), using a dataset of 250 observations. The primary objectives are to analyze how corporate governance and liquidity influence sustainable performance and to understand how liquidity affects corporate governance practices. The regression analysis reveals that shareholder activism positively impacts ROA, while stock liquidity negatively affects ROA, indicating that increased shareholder engagement is beneficial, whereas higher liquidity may hinder asset returns. Conversely, the effects of corporate governance practices, such as board size, board structure, and CEO duality, on ROE are not statistically significant. In liquidity analysis, a model with an R-squared of 0.8166 indicates that stock liquidity is significantly influenced by board size and structure, and shareholder activism, while other governance variables show less impact on sustainable performance. This research contributes to the understanding of how corporate governance and liquidity interact and affect firm sustainable performance, providing insights for policymakers and practitioners aiming to enhance financial outcomes through governance reforms and liquidity management.

Keywords: Sustainable Performance, Corporate Governance, Stock Liquidity, Return on Assets (ROA), Return on Equity (ROE), Shareholder Activism, Board Size, Board Structure