

Contents

List of Figures — IX

List of Tables — XI

Chapter 1

Introduction — 1

1.1 Introduction — 1

Chapter 2

Pakistani Context — 5

2.1 Introduction — 5

2.2 Historical Background — 5

2.2.1 Pakistan's Independence — 7

2.2.2 Pakistan's Political History — 10

2.2.3 Geography and Population — 13

2.2.4 Administrative Set-up — 14

2.3 Pakistan's Economic Situation — 14

2.3.1 The Agriculture Sector — 16

2.3.2 The Service Sector — 16

2.3.3 The Industrial Sector — 18

2.3.4 China-Pakistan Economic Corridor (CPEC) — 18

2.4 Legal and Regulatory System in Pakistan — 19

2.4.1 The State Bank of Pakistan and Capital Law Authority — 20

2.4.2 The Securities and Exchange of Pakistan (SECP) — 20

2.4.3 The Pakistan Institute of Corporate Governance (PICG) — 21

2.4.4 The Pakistan Stock Market — 22

2.4.5 Ownership Structure — 25

Chapter 3

Corporate Governance in Pakistan — 27

3.1 Introduction — 27

3.2 Corporate Governance in Pakistan — 27

3.2.1 The Board of Directors — 29

3.2.2 Board Committees — 29

3.2.3 The Audit Committee in Pakistan — 30

3.2.4 The Remuneration and Human Resource Committee — 30

3.2.5 Compliance with the Code of Corporate Governance — 31

3.2.6 Shareholder Rights in Pakistan — 31

3.3 Corporate Governance Failures in Pakistan — 33

3.3.1 Mehran Bank Scandal — 33

- 3.3.2 Privatisation of Pakistan Telecommunication Company Limited (PTCL) — **34**
- 3.4 Previous Research on Corporate Governance in Pakistan — **36**

Chapter 4

Corporate Governance in Emerging Markets — 38

- 4.1 Introduction — **38**
- 4.2 The Corporate Governance Notion — **38**
- 4.3 Models of Corporate Governance — **41**
 - 4.3.1 Ownership Structure — **41**
 - 4.3.2 Legal Framework — **42**
- 4.4 Mandatory Versus Voluntary Compliance of Corporate Governance — **43**
- 4.5 Corporate Governance in Emerging Markets — **44**
 - 4.5.1 Drivers of Corporate Governance in Emerging Markets — **45**
 - 4.5.2 The Legal Framework and Ownership Structure in Emerging Markets — **46**
 - 4.5.3 Corporate Governance Reforms in Emerging Markets — **48**
 - 4.5.4 Corporate Governance Compliance in Emerging Markets — **49**
 - 4.5.5 Challenges to Corporate Governance Development in Emerging Markets — **49**
 - 4.5.6 Political and Legal Influences on Corporate Governance in Emerging Markets — **50**
 - 4.5.7 Social and Cultural Influences on Corporate Governance in Emerging Markets — **51**
 - 4.5.8 Corruption and Governance Weaknesses in Emerging Markets — **52**
- 4.6 Shareholder Activism and Whistle Blowing in Emerging Markets — **54**

Chapter 5

Theoretical Framework — 56

- 5.1 Introduction — **56**
- 5.2 Institutional Theory — **56**
- 5.3 Institutional Theory Development — **56**
 - 5.3.1 New Institutional Sociology — **57**
 - 5.3.2 Institutional Isomorphism — **58**
- 5.4 Corporate Governance from an Institutional Theory Perspective — **60**
 - 5.4.1 Governance and Institutions — **60**
 - 5.4.2 Political Institutions — **61**
 - 5.4.3 Legal Institutions — **62**
 - 5.4.4 Religious Institutions — **62**
 - 5.4.5 Family Institutions — **63**

Chapter 6**Research Methods and Methodology — 64**

- 6.1 Introduction — **64**
- 6.1.1 Assumptions about the Nature of Social Science Research — **64**
- 6.1.2 “Order” and “Conflict” Theories about the Nature of Society — **67**
- 6.2 Research Paradigms — **67**
- 6.3 Research Methods — **70**
- 6.3.1 Questionnaires — **70**

Chapter 7**Empirical Findings and Discussions — 73**

- 7.1 Introduction — **73**
- 7.2 Questionnaire Administration — **73**
- 7.2.1 Questionnaire Response Analysis — **74**
- 7.2.2 Significance Testing — **75**
- 7.2.3 Reliability and Validity of Questionnaire Responses — **75**
- 7.3 Results — **76**
- 7.3.1 Analysis of Demographic Information — **76**
- 7.3.2 The Concept of Corporate Governance — **79**
- 7.3.3 Defining Corporate Governance — **82**
- 7.3.4 Suitability of Western Corporate Governance Codes in a Pakistani Context — **84**
- 7.4 Drivers of Corporate Governance in Pakistan — **86**
- 7.5 Perceptions Regarding Corporate Governance Compliance and the Implications of Improved Practices — **88**
- 7.5.1 Mandatory Compliance with Corporate Governance in Pakistan — **91**
- 7.5.2 Role of Improved Corporate Governance Practices in Addressing Corporate Failures and Practices in Pakistan — **91**
- 7.5.3 Foreign Direct Investment and Corporate Governance — **92**
- 7.5.4 Board Evaluation and Corporate Governance — **93**
- 7.6 Institutional Factors Driving Corporate Governance Failures and Scandals in Pakistan — **94**
- 7.6.1 Political Factors — **94**
- 7.6.2 Legal and Regulatory Factors — **96**
- 7.6.3 Corruption and Bribery — **97**
- 7.6.4 Family Ownership — **97**
- 7.6.5 Competence, Education and Experience — **98**
- 7.6.6 Institutional Investors and Corporate Governance — **99**
- 7.6.7 Social, Cultural and Ethical Factors — **99**
- 7.6.8 Other Factors — **100**
- 7.7 Corporate Governance Benefits — **100**

- 7.8 Possible Actions and Suggestions to Improve Corporate Governance
Moving Forward — **104**
- 7.9 Summary — **111**

Chapter 8

Conclusion, Recommendations, Limitations and Future Research — 113

- 8.1 Introduction — **113**
- 8.2 Summary of the Book — **113**
- 8.3 Main Findings — **114**
 - 8.3.1 Isomorphic Forces and Corporate Failures and Scandals in
Pakistan — **114**
 - 8.3.2 Learning from the Failures and Moving on with Institutional
Changes — **117**
 - 8.3.3 Recommendations and Policy Implications — **117**
- 8.4 Contributions to Knowledge — **120**
- 8.5 Limitations and Avenues for Further Research — **122**

Reference List — 125

Appendices — 139

Index — 167