

# Corporate governance and its impact on firm risk

[Business](#), [Corporate Governance](#)



This time period was selected based on the ease of availability of data for the variables. BRIEF SUMMARY: Corporate governance measures like board structure, compensation structure and ownership structure are determined by one another, and by variables such as risk, cash flows, firms' size and regulations etc. Firm risk has a role to play in firm performance, because firms that take more risk generally have higher returns. Firms that engage in risky projects are expected to yield better returns than those which lack the appetite to take risks.

However, excessive risk taking may prove to be fatal for a firm. Family Ownership and Firm Risk - studies the impact of corporate governance (through family control, bank control and ownership concentration) on risk taking of Japanese firms. Bank Ownership and Firm Risk - Banks are expected to have low risk-taking preferences and are most likely to avoid risky ventures. Ownership Structure and Firm Risk - Managerial ownership plays a significant role in firm's risk-taking.

Lesser ownership in this regard may hold back the managers to indulge in risky projects. Board Independence and Firm Risk - Structuring of a firm's board of directors also plays a crucial role in reducing the agency costs. Therefore, the role of the executive board's structure is also crucial for the firm's value. Non-executive directors on the board of directors, acting on the part of external shareholders, are generally expected to monitor firm's strategy and decision-making in this regard.

CRITIQUE: The study on corporate governance has received considerable attention in the past decade or so due to the significant role of corporate

governance in enhancing the firms' performance. This research has investigated the impact of various corporate governance measures have been on firm performance and firm value. This study can also contribute to the corporate world by incorporate a vast range of corporate governance variables in the analysis, including bank ownership, family ownership, managerial ownership and board independence.