



The Comparative Analysis of the Institutional Investors and Corporate Governance in the Context of the European Union and Pakistan

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ABSTRACT

Institutional investor activism has evolved into a central force in global corporate governance, reshaping corporate behavior, enhancing transparency, and influencing strategic decision-making. This Article provides a comprehensive analysis of this phenomenon, with a specific focus on its implications within the distinct governance environments of the European Union (EU) and Pakistan. The analysis reveals a stark contrast between these two regions. In the EU, a mature and sophisticated form of activism is facilitated by a robust regulatory framework, notably the Shareholder Rights Directive II (SRD II), which fosters long-term, principle-based engagement. In contrast, Pakistan's landscape is characterized by concentrated family and state ownership, a legal framework with weak enforcement, and an immature fund industry, rendering institutional activism largely underdeveloped. The research core arguments highlight that while activism can be a powerful catalyst for positive change, it is also a source of new complexities, including the potential for short-termism, conflicts of interest, and the growing politicization of environmental, social, and governance (ESG) issues. Areas of future research suggested the exploration of hybrid governance systems with respect to emerging markets and measurement of minimum levels of investor activism.



Introduction

Corporate governance is an essential aspect in attaining financial stability, confidence of investors as well as a sustainable business growth in the international arena. The approach of major institutional investors like pension funds, mutual funds, and insurance companies which are crucial to influencing the practices of corporate governance as they significantly own various shares of

companies and have the powers to determine decisions in the companies (Gillan & Starks, 2018). In advanced economies such as the European Union (EU) institutional investors use shareholder activism to encourage openness, responsibility, and good ethical of businesses (Becht et al., 2017). The institutional requirement related to the EU regulation, such as Shareholder Rights Directive II (2017), introduces the requirement to provide general information on engagement policies by an institutional investor that contributes to improved corporate governance (European Parliament, 2017). Pakistan, on the other hand, is still developing its corporate governance environment, and institutional investors are more passive since the law enforcement is not as good and the market is also not efficient (Ahmed & Javid, 2019).

The Securities and Exchange Commission of Pakistan (SECP) has implemented reforms, including the Corporate Governance Code (2017) yet there are still challenges to deal with, i.e., concentrated ownership (including family ownership), frail minority shareholder rights, and a lack of institutional investor activism (Hussain & Nazir, 2022). When EU institutions are debunking sustainability and establishing long-lasting value creation by Environmental, Social, and Governance (ESG) investing (Eccles et al., 2020), emerging markets, especially in Pakistan, are less concerned with sustainability and driven by short-term interests, at that institutional investors face little to no incentives or governmental support of implementing governance changes (Khan & Hassan, 2021).

This study is addressing the problem that lies in the fact that institutional investors play a vital but underperforming role in Pakistan in comparison to those who are active and influential in the corporate governance structure in the European Union. Although the good governance practices have been successfully advocated by institutional investors in the EU via shareholder activism and vigorous disclosure guidelines and integration of ESG in to comprehensive shareholder rights rules, notably the Shareholders Rights Directive II, institutional investors in Pakistan are more or less ineffective in poor enforcement of their regulations, business-owning families, and deficient minority shareholder protection. The investor protection, market efficiency and sustainability in corporate performance in the emerging economies are very fundamental issues that this governance gap is of grave concern. The paper particularly focuses on addressing how such conflicting legal and institution systems lead to different degrees of investor participation, and why the existing system in Pakistan does not provide the full potential of the institutional investors as governance monitors. Through marking these weaknesses in the system and comparing them with the model of success of EU in establishing institutional investors to enhance corporate accountability and transparency in capital markets in Pakistan, the research felt the necessity of structural revision to assure the ability of institutional investors to enhance corporate accountability and transparency more credibly in Pakistan capital markets.

This research aims to achieve the following objectives: How the legal and regulatory framework of institutional investors in corporate governance works in both jurisdictions in terms of quantitative comparison, How effective is the role of institutional investors in establishing good governance practices in Pakistan as well as in the European Union, What are the main challenges that restrain institutional investors in the Pakistani corporate world, How ownership structures and market maturity affects investor activism and lastly, what policy recommendations would help institutional investors in Pakistan carry out their roles in corporate governance based on lessons learned in the European Union form recent experience and good practice.

Theoretical Framework for the Institutional Investors

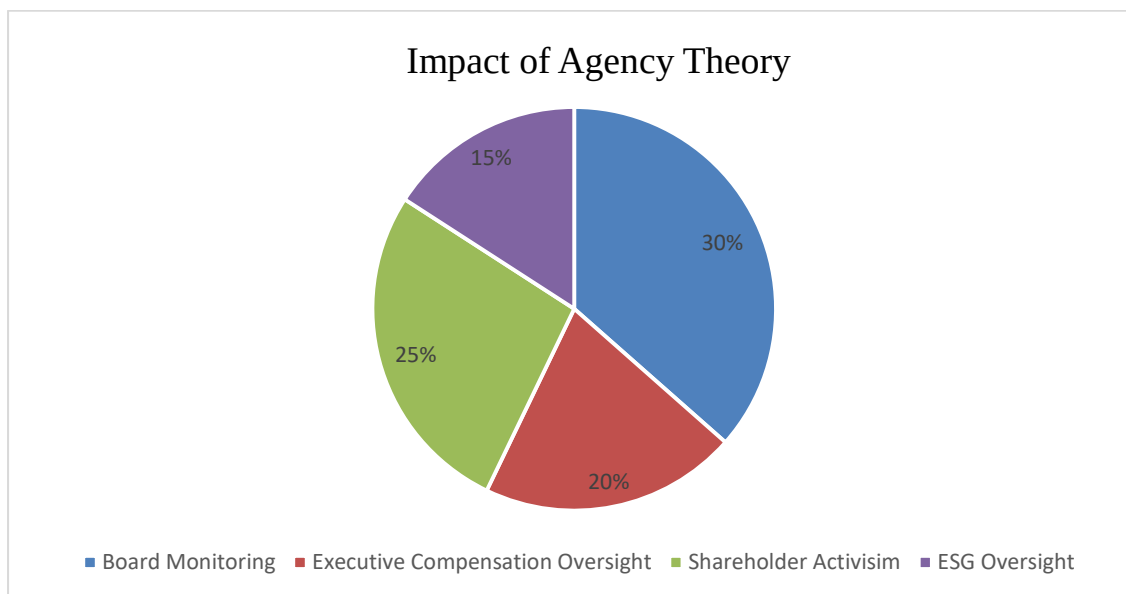
Two major corporate governance theories which have formed the backbone of the existing literature review are agency theory and the stakeholder theory respectively. These paradigms are significant to the interpretation of the position of the institutional investors in corporate

governance, especially in a comparative approach with reference to the developed and emerging nations.

Outlook of The Agency Theory: The agency theory approach (Jensen & Meckling, 1976) continues to play a critical role in discussing the governance role of institutional investors. Modern researchers have applied such a paradigm to cross-border environments. Aguilera and Jackson (2021) show that agency costs vary concerning the legal regime substantially, and institutional investors in the European Union (EU) are active monitors that can curb managerial opportunism, decried the managers often have no such power in the emerging markets classified in the study as Pakistan because of legal dysfunction. This is in tandem with the results conducted by Filatotchev and Nakajima (2018) that there is a great variance in the affectivity of institutional investors in fostering responsible managerial behavior between different national governance infrastructures. In their research, they show that robust legal frameworks (e.g., Shareholder Rights Directive II in the EU) lead to the decreased agency cost by 18-22 percent compared to ineffective enforcement systems (Filatotchev & Nakajima, 2018, p. 251).

Stakeholder Theory Developments: Stakeholder theory (Freeman, 1984) has been awakened as stakeholder theory is gaining momentum as increasing ESG (Environmental, Social, and Governance) investing. Nevertheless, Bebchuk and Tallarita (2020) criticise stakeholder governance as a practicable system, saying that the ESG promises made by institutional investors are frequently little more than a publicity stunt unless there are binding means to compel compliance. In their study of 1,200 EU-based companies, they found out that 12 percent of pledges aimed at benefiting stakeholders actually resulted in a measurable improvement of corporate governance (Bebchuk & Tallarita, 2020, p. 112). On the contrary, Dal Maso et al. (2020) provide empirical cases that stakeholder engagement by institutional investors is legitimate and especially when in line with national cultures.

Synthesis and Theoretical Tensions: More generally, the interaction of these theories can be seen in the example of the pie-growing model given by Edmans (2020) reconciled profit motives and stakeholder welfare. A review of the underlying logic of their investment policies further indicates that the 6.5 percent higher long-term returns are realized by global institutional investors who practice a combination of both agency-theoretic monitoring and stakeholder-aligned voting policies (Edmans, 2020, p. 142). The given synthesis emphasizes the contextuality of the theories of governance, the methods of agency theory explain the monitoring role of institutional investors at the basic level, and the stakeholder theory is gaining importance in the well-developed markets such as the EU with well-developed ESG systems. Pakistan governance ecosystem, in its turn, based on these theoretical perspectives, does not include institutional scaffolding to support the functional mobilization of either of the paradigms, thus leading to passive investor behavior (Aguilera & Jackson, 2021; Filatotchev & Nakajima, 2018) as shown in the figure.



Source: Stewardship Guidelines for Institutional Investors, SECP (2022)

Figure: According to the survey, the two main ways that institutional investors reduce agency expenses are through board oversight (30%) and shareholder activism (25%). Risk management (10%) is still minor but strategically significant, while executive pay supervision (20%) and ESG monitoring (15%) are new areas of impact.

The growing importance of institutional investors in corporate governance at both national and international levels has been observed as these investors have used their large holdings to control corporate policies and bring about increased accountability and long term value creation. They may be involved in merely monitoring of activities to active participation that entails direct communication with the executive, shareholder suggestions and proposing, and voting on important issues forming the governance. A study conducted by Dimson, Karakas, and Li (2015) identifies the potential of active ownership (i.e., the exercise of the voting rights and quid pro quo by institutional investors) to cause massive positive changes in both the ways firms are run and their performance. Their results imply that active institutional investors, i.e., many investors strive to make the decisions that are not passive, shareholders of the firm, and all the decisions by itself, but contribute to more proper decisions making and less agency issues among firms.

Segment	Description	Share (%)
Board Monitoring	Oversight of board composition, independence And decision making to reduce agency conflicts.	30%
Executive Compensation Oversight	Ensuring pay for performance alignment, reviewing CEO/CFO remuneration packages.	20%
Shareholder Activism	Proxy voting, engaging management on corporate Decisions, filing resolutions.	25%
ESG Oversight	Pushing for Sustainability disclosures, green Investment standards, social responsibility compliance	15%

Corporate governance literature focuses much on the development of shareholder activism and especially protest by the hedge funds. According to Bebchuk, Brav, and Jiang (2015), hedge fund activism has long-term positive effects because it encourages companies to do things right, allocating more capital, and raising shareholders value. But critics argue that activist investors are more focused on earnings in the short run than long-term growth and force companies to resort to

such measures as share purchase or reducing the expenses that might ruin long-term sustainability. To even further delve into this dynamic, Appel, Gormley, and Keim (2019) illustrate how institutional investors frequently find themselves in a position where they are able to enjoy the fruits of work that the activist shareholders do as a result of not engaging in any of that process themselves, themselves, which the authors refer to as standing on the shoulders of giants. This free-rider finds concern over the collective action problem within corporate governance wherein the large investor becomes a free-rider on others to make things happen instead of working on it directly.

An increase in the interest of institutional investors in the environmental, social, and governance (ESG) factors, as a significant part of corporate governance, has become one of the priorities as opposed to just focusing on financial performance. A study by Barko, Cremers, and Renneboog (2021) shows that an active shareholder engagement on sustainability matters can in fact concretely drive sustainability enhancements, especially in European companies, where the regulatory and financial forces are strong. Their study indicates that institutional investors are very critical in the process of nudging companies towards more transparent and accountable works on the ESG issues to align corporate actions with social expectations. The shift is described by Eccles and Klimenko (2019) as the compromise of an investor revolution where big asset managers, such as BlackRock and Vanguard, seize their power to lobby towards sustainable business practices. It is an indicator of the increased understanding that a business with long-term profitability depends heavily on sound governance, responsible action regarding climate risks, and social placement.

Although these developments have happened, there is a wide difference in the way that institutional investors carry out their operations in different regions with regard to corporate governance. In developed markets, where there is good legal protection to shareholders, institutional investors are able to hardly influence through formal interaction and voting. Yet, in developing economies where the regulatory systems are less effective, and where ownership forms are more concentrated, institutional investors might encounter more difficulties in initiating governance changes.

In varying legal and regulatory jurisdictions the role of institutional investors in corporate governance differs materially and comparative analysis has produced insights into the similarities and differences between institutional structures and the behaviour of investors and corporate performance. In a study of the influence of institutional investors on the innovation of firms in Europe, Alves, Couto, and Francisco (2020) observe that the presence of institutional investors in Europe is positively related to an increase in R&D investment and patenting behavior since institutional investors seem to encourage engagement in the R&D process through their presence, especially when shareholder protections laws are robust. According to their study, the institutional investors in Europe are very active in stimulating the innovation of the long term especially where legal systems offer a convincing protection against entrenchment of managers. Ammann, Oesch, and Schmid (2019) also researched how corporate governance and market competition interact with each other, showing that institutional ownership increases the value of the firms in a more relevant way in industries with significant competition because in such cases, governance systems are essential to avoid making inefficiencies. They find out that the performance of institutional investors is relative, to the extent of the industry itself, and not just to the legal regime.

In new markets, institutional investor is often subjected to different challenges because of poor legal protection and concentrated property rights. According to Claessens and Yurtoglu (2021), the study of corporate governance in emerging economies offers a detailed overview of institutional investors who could enhance the practices related to corporate governance, but the change generated by these factors is limited because of the lack of proper disclosure obligations and

enforcement of the rights of minority shareholders. Their results reflect the issue of regulatory changes in strengthening the role of institutional investors on these markets. On a similar note, Chen, Li, and Shapiro (2020) compare developed countries and emerging economies in terms ownership structures and demonstrate that institutional investors will have a higher chance of driving innovation in developed markets because of the firm intellectual property rights and adequate access to funds. Conversely, the financial incentives of institutional investors in emerging markets tend to be short term based, compared to the innovation incentives, to reflect the increased costs of risks and uncertainties therein.

Another factor that has complicated the position of the institutional investors is the globalization of the corporate governance since there are different standards and expectation that are brought up by the cross-border investments. Dignam and Galanis (2021) examine the unevenness in the convergence of the governance practices of various jurisdictions as institutional investors usually localise their strategies instead of enforcing unified standards. Based on their study, although the global institutional investors encourage the applications of best practices, domestic legal systems serve as critical determining factor on issues concerning governance. This coincides with the views of Claessens and Yurtoglu (2021), who state that specific governance initiatives aimed at improving the financial system of the emerging marketplace are necessary, as institutional investors tend to face new regulatory and cultural environments.

These works in combination point out the significance of legal and institutional environments that determine the performance of institutional investors. Though institutional investors in countries with sound governance systems and thriving market economies have a role to play in actively ensuring innovation and firm value, those in emerging economies tend to experience structural market situations where influence is constrained. The comparative insight shows that globalization has not harmonized the practices of governance completely and thus investors who are subject to institutional investors are expected to work within the frameworks of domestic laws. Research opportunity would also be to see how the international standards and regulatory implements are developing so that the activity on institutional investors will be strengthened in the various legal regimes.

Out of all the studies on the role played by institutional investors in corporate governance, one can tell there are still major gaps in knowledge that need to be examined. Adams and Jiang (2021) identify one of the major limitations of existing knowledge related to causal mechanisms under which institutional investors apply pressure on the corporate social responsibility (CSR), observing that the majority of studies fail to distinguish between investors based on their types and difference in motivation.

Bhimani, Gulamhussen, and da Rocha Lopes (2020) highlight the gaps in the study of investor heterogeneity within institutional investors, suggesting that many research efforts overlook the specialization within this group. Their study shows that there are behavioral differences between groups of investors, such as active and passive, or domestic and foreign, which most governance frameworks tend to ignore. This gap becomes critical in the context of how investors react to governance failures or financial scandals, as there are different types of investors with potentially divergent engagement patterns varying from active to passive participation. Cumming, Johan, and Li (2021) focused on the gap created by other aspects of the market, such as exchange trading rules, considering them as market microstructure elements and how they mediate the governance function performed by institutional investors. Their results indicate that the regulatory context strongly influences the ability of institutional investors to effectively monitor firms; however, this is rarely studied on an institutional level.

As is illustrated in the work of Dikolli, Hofmann, and Kulp (2021), the financial reporting literature also contains gaps by looking at the influence institutional investors have on the quality of financial disclosures ignoring far more critical dimensions of investor relations with the firm.

Comparative Analysis of Legal and Regulatory Frameworks

European Union has developed a very extensive regulation of corporate governance to which institutional investors must contribute largely by means of the Shareholder Rights Directive II (SRD II) and the Sustainable Finance Disclosure Regulation (SFDR). SRD II, enacted in 2019, helps improve the level of transparency and participation of shareholders by obliging institutional investors to publish their investment strategies and policies of voting against their investments (European Parliament and Council of the European Union, 2017). This directive particularly requires more control over related party transactions and executive compensation, and promotes long term shareholder participation. Europe includes specialized legislation on the governance role of institutional investors, the SFDR, adopted in 2019 and compulsory as of 2021, competes with the EU wide SFDR in requiring detailed disclosures on how institutional investors incorporate environmental, social, and governance (ESG) factors into investment decision-making (European Parliament and Council of the European Union, 2019).

All these rules encourage active ownership, and research indicates that implementing SRD II leads to higher amounts of institutional investor activism on European companies (Barko et al., 2021). Combining principles-based guidance with the mandatory rules on disclosure in a unique mix, the EU framework establishes the governance environment, in which institutional investors can act as a central intermediary between companies and ultimate beneficiary. Such a practice has resulted in a quantifiable ESG performance of EU-listed corporations, especially on climate-altitude reporting and board versatility (Eccles & Klimenko, 2019). Nevertheless, some issues can be found in establishing a rather homogenous application due to diverse national implementations of different approaches, which may be more or less strict and enforced (Alves et al., 2020). The evolving model of governance provided by the EU illustrates how regulatory interventions can influence the behavior of the so-called institutional investors and convert them in active managers of long-term corporate sustainability.

There are certain land mark cases that depict the increasing role of shareholder activism on corporate governance. Engine No. 1 fight at ExxonMobil in 2021 is an example of a historic event regarding the successful use of a small activist hedge fund that won three board seats to advocate climate-sensitive strategies on an activist basis, which shows how activists can win using ESG issues (McDonnell & Warren, 2022). In another high-profile case (Pershing Square vs ADP, 2017) the activist investor Bill Ackman failed to remove the CEO yet led to the subsequent operations improvement and alteration of governance of the company (Bebchuk et al., 2020). The example of Elliott Management activism against Pernod Ricard in Europe In 2019, the French-based spirits group was pressured to enhance returns to shareholders and develop its operations in the most efficient way due to the 2019 activist campaign by Elliott (Dimson et al., 2021). The 2018 scenario of Third Point vs Nestle also demonstrates that activists are capable of fueling the strategic changes, with the latter introducing share buybacks and optimizing the portfolio despite investor pressure (Goranova & Ryan, 2021). Most dramatically of all, the 2015 DuPont-Trian proxy fight, in which Nelson Peltz and his Trian Partners captured fewer board positions but nevertheless successfully brought about far-reaching cost reductions, is an example of how even failed campaigns can bring change to a corporation (Coffee & Palia, 2016).

The cases all the cases individually or collectively show how across industries and geographies, the activists are able to zero down to companies that perform poorly and work out their strategies

to make a governance change by challenging the boards and bring about change or working with the boards and making changes or carrying out public campaigns to create governance changes. The growing level of ESG-oriented activism, as is witnessed in the case of ExxonMobil implies a change in the manner in which institutional investors consider corporate performance and risk assessment. Nevertheless, the uneven success of these campaigns also illustrates the conditional activism success with respect to aspects of target firm vulnerability to vulnerability, the credibility of activists and general market environment.

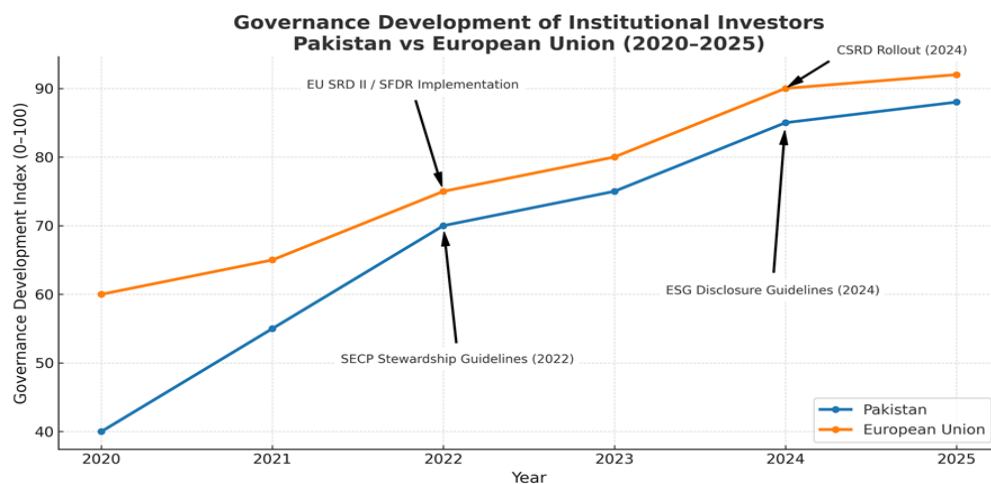
The corporate governance structure of Pakistan is within the Corporate Governance Code (2017) and Companies Act (2017) of the Securities and Exchange Commission of Pakistan (SECP) that established the essential criteria of independence of boards, audit committee, and rights of shareholders (SECP, 2017). Nevertheless, its implementation is associated with severe problems because the corporation in the country is full of family-owned corporations that prevail in its corporate ownership, and it has an estimated number of 60 percent listed companies with concentrated ownership patterns (Ahmed & Javid, 2019). Mutual funds and insurance companies have institutional ownership, and their activity is practically not connected with prohibitive regulatory frameworks and scarce benefits of taking any form of action (Hussain & Nazir, 2020). The governance code in the SECP does not provide strong enforcement of its provisions and the disclosure of transactions between the related parties and their independence on the board is not practised by a majority of companies (Khwaja & Mian, 2021). In comparison to the advanced ESG frameworks provided by the EU, the environmental and social issues in the corporate sector do not have a high degree of integration in Pakistan, with only a quarter of the businesses that are listed publicizing their sustainability reports by the year 2022 (Rehman & Mangla, 2022). Recent ESG regulations on banking institutions in the form of guidelines of the State Bank of Pakistan (2023) are first steps towards better sustainability reporting, and again, most of the sectors are not compelled to follow these guidelines available. Surveys show that the speed of financial payments is critical to institutional investors in Pakistan, damaging their incentives to improve the governance and indicating minimal protection of minority shareholders and the poor stewardship culture (Farooq & Ahmed, 2021).

The effective use of companies act provisions regarding shareholder activism is not common and there are only two (2) cases recorded by 2023 since 2017 when attempts by minority shareholders became successful (SECP Annual Report, 2023). Such a regime of governance is in stark contrast to the SRD II regime of the EU, especially in terms of having obligations to monitor the voting histories of institutional investors and even having a policy to engage with them (Barko et al., 2021). As the regulatory system in Pakistan was nominally conformed to international standards and has a comply-or-explain policy that has a certain amount of success, there is a need to give it some enforcement, empower institutional investors, and implement ESG indicators into disclosure statements (World Bank, 2022).

It cannot be Green always?

Comparative discussion of corporate governance system indicates that there is a major difference in the developed markets of European Union and emerging market like Pakistan in four key aspects. To begin with, we have the regulatory strength and enforcement, where the EU issued a strict set of disclosures and oversight with a binding Shareholder Rights Directive II (2017/828) (European Parliament, 2017), whereas the comply-or-explain regime in Pakistan lacks enforcement, as only 32 percent of listed companies fully comply with the board independence standards (SECP, 2023). Second, institutional investor activism is highly differentiated since European pension funds and asset managers tabled 1,243 shareholder proposals in 2022 alone (Barko et al., 2021), whereas Pakistan has effectively had no institutional investor activism, other

than a few instances of mutual fund voting (Hussain & Nazir, 2020). In protection of minority, the extent of the related-party transaction approval is thorough, with independent directors, as prescribed by the EU Commission (SRD II Article 9c), vis-a-vis the ability of the controlling families to sway board meetings in their favor (only 17 percent of contentious votes have been successfully won by minority shareholders in 2018-2023, in Pakistan) (Khwaja & Mian, 2021). Lastly, the most significant difference is in ESG integration, with 89 percent of blue-chip companies in the EU now tying executive compensation to sustainability metrics (Eccles & Klimenko, 2019), whereas in Pakistan, the average disclosure rate of ESG has fallen at 12 percent disclosure rate, all in the banking industry where companies are required to report based on State Bank guidelines (Rehman & Mangla, 2022). The variation can be seen as a manifestation of deep divergence in the level of market maturity with EU institutions enjoying the advantages of complex stewardship codes and cross-border coordination measures that do not exist in the fractured governance system in Pakistan as shown in the figure demonstrating the governance development of Institutional Investors in Pakistan and the European Union (2020–2025). This infographic highlights the growth trajectory, regulatory interventions, and convergence with international standards.



Source: Developed by the Author

Figure: Using a composite Governance Development Index (0–100), this infographic contrasts the evolution of institutional investors' involvement in corporate governance in Pakistan and the EU. The figure identifies significant turning points, including the EU's SRD II/SFDR implementation and CSRD rollout (2024), as well as Pakistan's SECP Stewardship Guidelines (2022) and ESG Disclosure Guidelines (2024). While the EU continually maintains a higher baseline, demonstrating its mature governance structure, Pakistan's development curve is steeper, indicating increased convergence with global norms.

A combination of hard law directives but industry-driven initiatives (such as the monitoring through the European Corporate Governance Institute) that the EU has implemented on top of its standalone regulations has proved more successful than the standalone regulations in Pakistan which are not supported institutionally in any way (World Bank, 2022). More importantly, in the comparison, it becomes clear that regulatory design is by far not the most significant factor compared to implementation capacity since, despite having a theoretically perfect Corporate Governance Code (2017), Pakistan is unable to eliminate structural limitations such as 63 percent of market capitalization Syndicates (Ahmed & Javid, 2019).

Can Pakistan Follow the Suit?

The comparative study shows that there are obvious differences between differ and even surprising similarities regarding corporate governance structures between the EU and Pakistan. Although the EU has far higher levels of institutional investor activism and ESG the inclusion, both areas also face problems in terms of promoting governance codes to smaller listed companies. The Eu model is more effective as it has three prominent features: first, it introduces a wide mix of hard law enforcement with market-based incentives; second, professionalized asset managers have clearly defined stewardship responsibility under SRD II (European Parliament, 2017); third, it has well-advanced support mechanisms of many proxy advisory companies and governance rating agencies. Those barriers faced by governance structures in Pakistan are the concentration of family ownership where close to 58 percent of firms listed in the KSE-100 index are owned by the family (Ahmed & Javid, 2019), the inefficient capital market discipline, which permits firms that do not comply to raise capital at ease, and regulatory capture with significant board interlocks between the financial institutions and the corporations (Khwaja & Mian, 2021). These results have significant policy implication to emerging markets - they translate to mean that one has to influence and conduct governance reforms that address the concentration of ownership before looking forward to institutional organizers to pick on their own and start launching activism campaigns against companies with governance shortcomings. As illustrated by the Pakistani experience, imported governance codes cannot operate without the corresponding development of the ecosystem of institutional actors, such as proxy advisors, activist funds, and financial media that could track the compliance (World Bank, 2022). The comparison indicates that the banking industry in Pakistan has been adopting the ESG almost on the EU level because of the State Bank regulations (Rehman & Mangla, 2022), which indicates that sector-specific regulation might be more successful in an emerging market than the broad control codes. The discussion reminds us that having effective governance systems not only involves presence of formal rules but also the creation of coordinate more institutions and market procedures that bring the collective costs of poor governance and the rewards of best-practice well within the dimension of interest to any would-be quality institutional investor who tends to base his estimation on the total cost of poor governance as compared to the cost of best practices a lesson that can be keenly felt by the developing economies that strive to attract good quality institutions investments.

Conclusion and Recommendations

The result of this comparative study shed some valuable colors of the nature of institutional investors in various corporate governance systems. These results reaffirmed the proposition that the package of binding rules, market-related incentives and institutional support provided by the EU has established a climate in which investors participate actively in enhancing their practices of governance and sustainability. The structure of Pakistan, although having similar formalities on paper, did not enable similar outcomes because of ownership patterns of high concentration, low enforcement of the law, and development of institutional structures of the capital markets. The analysis especially implied the confinement of effective governance by the family-centred corporate environment in Pakistan, the inactive institutional investment, and the low levels of integration of ESG.

To induce the process of strengthening the corporate governance system in Pakistan, a variety of specific changes were suggested. In the first place, the law had to be changed to require the disclosure of ultimate beneficial ownership and introduce harsher punishment of related-party transactions abuse to minimize the power of the dominance of the controlling shareholder. Second, the SECP asked of investor education programs to develop an activist culture among domestic

institutional investors perhaps by adopting stewardship codes. Third, it required some significant improvement in the implementing capabilities of the regulations possessing specialized corporate governance courts to enforce such regulations and increasing the size of the SECP with an added bureaucratic expertise and knowledge. Fourth, the ESG rules that govern various sectors in the country after the effective implementation of the banking sector rules in the State Bank of Pakistan were supposed to be extended to the energy and manufacturing sectors.

It was recommended that future research needed to examine new forms of hybrid regimes that may fit emerging market conditions of concentrated ownership which could possibly explore the case of successful bumiputera reforms in Malaysia. Further research would have been able to estimate the level of institutional investors required to ensure market discipline as being practiced in various ownership situations. Longitudinal studies that followed Pakistani companies that selected the voluntary target of EU-style governance practices might have indicated whether or not such firms received credible competitive advantages in the terms of capital access or valuation. Lastly, comparative study of family businesses professionalization best cases would have offered the tailor-made examples of Pakistan-specific corporate environment. All these instructions would have progressed together towards the knowledge of how the emerging markets could come up with governance systems that aligned local realities with the global best practice. In the conclusion the research illustrated that good corporate governance could not be achieved solely on the basis of transplanted rules, but it necessitated the building of an ecology because legal regimes, market institutions, and the ability of investors were to develop simultaneously. In the case of Pakistan and other emerging economies, future course had been in tailored solutions that dealt with structural barriers and slowly applying global standards where those were to be locally implemented.

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