

This study aims to highlight the empirical evidence whether risk taking mediates the relationship between dimensions of corporate governance and firm performance. Corporate governance dimensions used in the study are managerial ownership, institutional ownership, foreign ownership, government ownership, ownership concentration, board size, board independence, audit committee independence, CEO remuneration and CEO / Chairman duality. Performance measures used in the study are ROA, ROE and EPS. Data has been collected from 67 listed financial institutions of Pakistan for a period of 12 years (i.e. 2003 – 2014). OLS regression in E-views (version 7.0) has been applied to investigate the nature of relationship between corporate governance, risk and firm performance. In addition, path analysis in AMOS (version 21), using Preacher and Hayes (2008) approach, has been used to analyze whether risk taking mediates the relationship between corporate governance and firm performance. Study findings are that managerial ownership, foreign ownership, ownership concentration, board size, audit committee independence, firm size and growth opportunities have positive while institutional ownership, CEO / Chairman duality, CEO remuneration, leverage and ratio of fixed to total assets have negative relationship with performance of financial institutions of Pakistan. Managerial ownership, foreign ownership, ownership concentration, board size, audit committee independence, firm size and current has negative while institutional ownership, CEO / Chairman duality, CEO remuneration, leverage and ratio of fixed to total assets have positive relationship with risk. Moreover, risk acts as a partial mediator between foreign ownership and firm performance as well as board size and firm performance of financial institutions in Pakistan.

In commercial bank sector, managerial ownership, ownership concentration, board size, board independence, audit committee independence, size growth opportunities and current ratio have positive relationship while institutional ownership, CEO remuneration, leverage and ratio of fixed to total assets have negative relationship with performance of commercial banks of Pakistan. Managerial ownership, ownership concentration, board size, board independence, audit committee independence, size growth opportunities and current ratio have negative relationship while institutional ownership, CEO remuneration and leverage have positive relationship with risk faced by commercial banks of Pakistan. Moreover, managerial ownership, ownership concentration, board independence and audit committee independence affect the performance of commercial banks of Pakistan through risk. In insurance sector, foreign ownership, ownership concentration, board independence, audit committee independence, board size and firm size have positive while institutional ownership, leverage and ratio of fixed to total assets have negative relationship with firm performance. Foreign ownership, ownership concentration, board independence, audit committee independence, board size and firm size have negative while institutional ownership, leverage and ratio of fixed to total assets have positive relationship with risk faced by insurance companies. Moreover, risk acts as a partial mediator between foreign ownership and firm performance of insurance companies in Pakistan.

In investment bank sector, managerial ownership, foreign ownership, ownership concentration firm size and growth opportunities have positive while institutional ownership, government ownership, CEO remuneration, firm leverage and ratio of fixed to total assets have negative relationship with firm performance. Managerial ownership, foreign ownership, ownership concentration firm size and growth opportunities have negative while institutional ownership,

government ownership, CEO remuneration, firm leverage and ratio of fixed to total assets have positive relationship with risk. Moreover, risk acts as a complete mediator between managerial ownership and firm performance of investment banks in Pakistan.