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CORPORATE GOVERNANCE AS THE CATALYST FOR FIRM PERFORMANCE: A CONTEMPORARY CASE STUDY OF INDIAN NIFTY-50 COMPANIES

Raghu Katragadda[1]
[1]Research Scholar at H.B.S, GITAM University, Hyderabad & Sr. Asst. Professor., V. R. Siddhartha Engineering College, Vijayawada, India

A. Sreeram[2]
[2]H.B.S, GITAM University, Hyderabad, Telangana, India

ABSTRACT

Corporate governance signifies the set of principles, process and systems by means of which a form is directed, controlled and governed. It signifies different regulations and practices to be followed by companies to ensure transparency and optimal processes so as to achieve higher productivity. Examining the impact of various corporate governance parameters on the performance of a company can be vital to identify various key policies to assure investment security of the stakeholders. With this motivation, in this paper the impact of various corporate governance parameters on firm performance of the NIFTY-50 companies has been investigated. In this paper, an empirical study has been performed where different corporate governance variables has been examined to have impact on firm performance. The presented study has revealed that the corporate governance variables such as board of directors, audit committee, subsidiary companies, corporate governance, CEO/CFO certification and compliance, remuneration committee, nomination committee, board independence, CEO duality etc have positive relation with the firm performance. The Corporate Governance score was found to be positive and statistically significant with the performance parameter, Tobin's q, return on investment, return on assets and market value by book value etc. in addition, return on equity is found negatively correlated with the market capitalization. The payout ratio has been found positive and statistically significant. Interestingly, in this study it has been observed that the subsidiary companies and compliance are neither positive nor statistically significant to have impact on firm performance. The obtained results and their respective significances could be of paramount significance for business houses, as well as stakeholders to make optimal business decisions.

KEYWORDS— *Corporate Governance, Indian Economy, Case study, NIFTY-50 companies, firm performance.*

I.INTRODUCTION

In last few years, the widespread realization of the globalization, the liberalization, and the privatization has lead exponentially rising businesses across globe and thus inviting tremendous business communities to explore opportunities. Amongst major global economies, Indian economy has gained highest pace of cumulative growth, thus making it one of the most attractive business destinations. This as a result has strengthened Indian economy to integrate itself amongst world's economy by means of products, services, capital and labour market. However, enriching and getting a fair pace business demand certain inevitable needs including business ethics, optimal code of conduct and corporate culture. Corporate governance has emerged as a key tool and an index to maintain organizational business ethics and business prospects. Corporate governance signifies the set of principles, process and systems by means of which a form is directed, controlled andgoverned (Cadbury Committee, 1992). Corporate governance encompasses the regulatory paradigms and various management associated roles and responsibilities, organizational structure including functional and non-functional executives, board of directors, shareholders and stakeholders. It facilitates the operating guidelines that significantly intend to enhance the cumulative business prospects so as to attract long term capital, stakeholder's belief and trust, and productivity. Particularly, in case of the globalization and the privatization maintaining optimal corporate governance is must, as it is affected significantly due to numerous internal as well as external attributes. The inter-relationship among corporate governance, stock market and firm performance has emerged as one of the key area of discussion across finance, economics and law domains. In spite of such globally anticipated and widespread interest, exploring evidence that corporate governance influences firm performance and associated value often remains an open research domain across global economy.

As stated above, in last few years, Indian economy has witnessed constructive transition by achieving global stature of one of the largest and no-doubt fast growing economy, and has attracted national as well as international investors to explore business opportunities. However ensuring secure investment has always been a dominating issue for investors as well as firms. Ensuring investment security is of paramount significance for any economy, and so for Indian economy. Considering this unavoidable requirement, to ensure security of stakeholder, the Government of India (GoI) has incorporated numerous rules and regulations such as Securities and Exchange Board of India (SEBI) that monitors and controls the corporate government functioning across corporate. SEBI emphasizes on the significance of corporate governance to ensure sustainable growth of the economy and the capital market, where it focuses on three key aspects, accountability, transparency and equality for all stakeholders. In major glance, corporate governance can be visualized as an optimistically crafted and designed mechanism to assure investors security and their return on investment (ROI), return on assets (ROI), etc (Shleifer and Vishny, 1997). It is anticipated that the corporate governance model must assure that the organizations make accurate and unaltered disclosure of all information and matters associated to the corporation, comprising the financial condition, firm performance, market status, ownership pattern, and corporate governance variables of the company (OECD, 2004).

Exploring in depth, Corporate Governance can be stated as the structure as well as the process by means of which a company is managed with intend to enhance its business prosperity and responsibility, so as to ultimately improve and ensure wealth creation for the allied shareholders. In general, there are both internal as well as external variables affecting Corporate Governance and amidst those all variables, ownership pattern, control structures and the organizational setup do primarily influences the firm performance (Fernando.A.C-2009). Visualizing the evidence such as Satyam, the need of corporate governance seems inevitable in Indian economy, and its assessment at regular interval is equally significant. With these motivations, few selected literatures have discussed the efficacy of corporate governance towards firm's performance, however the sample size, type of businesses or firms, local constructs and policies have always been distinct, varying and indefinite. Considering it, in this study the efficiency of corporate governance and its impact on firm's performance, particularly Indian NIFTY-50 companies has been performed. This study targets to explore various constructs of corporate governance including board's structure, ownership patterns and their respective affect on NIFTY-50 Company's performance. To investigate the inter-relationship between the corporate governance variables and the firm performance, correlation between these variables has been estimated, where performance parameters such as book value (BV), market value (MV), return on investment (ROI), return on assets (ROA), and Tobin's Q etc are considered as dependent variable. Various corporate governance practices such as board of directors, audit committee, remuneration committee, Nomination committee, discloser, subsidiary companies, CEO/CFO certification, CEO duality, corporate governance report etc are examined to have their affect on the firm performance. Since, the presented work considers NIFTY-50 companies as the research sample, where the annual report (in conjunction with Clause 49 of SEBI), has been examined during 2011-2016.

The other sections of the presented manuscript are divided as follows. Section II presents the literature survey, followed by research methodology in Section III. Section IV discusses the data analysis and conclusion is discussed in Section V. References used in this study are presented at the end of the manuscript.

II.LITERATURE SURVEY

Considering business ethics and associated practices for their respective affect on the firm performance, a number of researches have been done to examine corporate governance variables and firm performance. Majority of the studies have found positive relation between firm performances, there has been lack of conclusive evidence on any significant connectivity and the results have been found amalgamated (Pande, 2011). Brown and Caylor (2004) found that the ownership pattern and board composition is one of the most influencing and driving factors among Corporate Governance Quotient (CGQ). Though literatures affirm the fact that that good corporate governance can lead bettealso revealed that there is the positive correlation between CGQ indices or scores and the firm performance, such as ROI, profitability, and different payouts as well as outcomes. Earlier study (Selvaggi et al., 2008) too stated the similar outcome, where authors focused on the fact that the improved and well calibrated corporate governance can enrich firm's performance, however it doesn't work vice versa. Eisenhofer (2010) found that "good corporate governance can be a driver to foster long-term benefits, where it assures to pay for investment."

In earlier studies too, authors like Cubbin and Leech (1983) found a strong relationship between ownership pattern and the profitability of the allied company. On the contrary, Demsetz and Lehn (1985) who studied the inter-relation between ownership pattern of the company and its performance, where they found that there is no any significant relationship in between these two constructs. In this connectivity only, Jensen and Murphy (1990) stated that the CEO, particularly for its explanatory ability does have minimal or even negligible impact on firm performance. Considering the significance of transparency across corporate functions, a recent study done by Subramanian and Reddy (2012) found that the appropriate and precise disclosure about the board practice and structure can play vital role in enhancing the firm's market share and growth rate. However, they found that the ownership related disclosures is adversely related to the market share.

Shahid et al. (2004) examined the relationship between the structure of corporate governance and the firm performance. Authors found that variables like block holding percentile by owners and associated family members has positively impacts the firm performance. Abatecola et al (2012) observed that the relationship between particular corporate governance component and firm performance indices can have conflicting inference; however as a cumulative factor corporate governance affects corporate performance, particularly in terms of ROC, ROA etc.

Ajay Kumar Garg (2007) examined the inter-relationship between board independence, board structure and its size, and firm performance, where authors observed mixed conclusion. They found that the independent directors are significant to enhance firm performance. Akshita Arora (2010) found that the contemporarily organizational boards are dominated mainly by executive directors, and as a constructive outcome they found that the firms held board meetings frequently that as a result constructively improve firm performance. Aman Srivastava (2011) in his research examined whether the ownership pattern and its type influences market performance of the companies. Sanan & Yadav (2011) who did study for Indian economy suggested reform in Indian corporate governance.

A recent study made by Chatterjee D (2011) observed that the top Indian Companies are facilitating bare minimum information needed as per Clause 49 of SEBI regulations. He also found that most of companies don't provide sufficient details. Further, Sarpal & Singh (2013) explored the inter-relationship between board and corporate performance, where they observed that there is no significant relationship between the two. On the contrary, Gomper et al (2003) found that there is a strong positive relationship between firm value and the rights of the share holders. Interestingly, Bauer et al (2004) observed a contrast outcome stating that there is the negative relationship between firms with high corporate governance indices and performance on the basis of earning and ROI. Bhagat & Bolton (2008) observed that corporate governance is not highly correlated to the performance of the stock market. A similar outcome was stated by Raithatha and Bapat (2012) who found that corporate governance indices and related score don't have significant impact on the different variable of financial performance. A similar result was found by Javed and Iqbal (2007) investigated the inter-relationship between CGI and the Tobin's Q. As sample they considered a total of 50 companies on the basis of these three sub-indices—Board, Shareholdings and Ownership, and Disclosures and Transparency. In their study, authors found that disclosure and transparency doesn't have any significant impact on the performance of a company.

Prasana (2013) found that facilitation or precise implementation of clause 49 of SEBI rules and regulation could bring transparency and hence can play vital role in controlling the volatility of stock market in India. Kohli and Saha (2008) also found that improved corporate governance can have significant role in increasing the market valuations. A similar result was obtained by Hermes and Katsigianni (2011) who found that improved corporate governance practice can improve financial performance of the companies. Bae and Goyal (2010) observed that the successful implementation of the Korean (south) corporate governance policies have resulted in enhanced performance, particularly equity markets and thus inviting foreign ownership. Li & Yang (2012) in their research stated that enhanced corporate governance can play vital role in reducing the cost of equity. A recent study done by Halder et al (2013) found that the functional and operative pressure of the most of the independent directors can have positive impact on the return on equity (ROE). On the other hand, they found that the size of board adversely affects the ROE and EVA. Bijalwan and Madan (2013) in their study observed that employing better corporate governance practice and following major regulations to incorporate transparency can have positive impact on the firms performs, particularly in terms of finance.

Bhagat and Black (2002) examined the performance of a company in terms of Tobin's Q, return on assets, the ratio of sales to assets, and market adjusted stock price returns. Authors stated that the corporate governance can be visualized to have its significance on firm's profitability using above mentioned parameters. On the other hand, authors like Gugler, Mueller, and Yurtoglu (2003) recommended ROI; Ross and Weill (2004) considered ROA; while Foerster and Huen (2004) used shareholder return, as the performance parameters or indicators. Those these stated parameters do signify well the firm's performance, however Brown and Caylor (2006) suggested a new score value called 'Gov- Score' by assessing annual reports of U.S. firms and stated that the Gov-Score is positively related to the Tobin's Q, and hence can be used to assess firm's performance. Klapper and Love (2004) in their research found that certain enhanced corporate governance can be supposed to be highly correlated with the firm's performance (in terms of ROA and Tobin's Q based market valuation. In addition to the above mentioned literatures, a number of researches have been done to investigate the relationship between corporate governance metrics or ratings (CGR) and the firm performance. However, considering recent development across Indian economy and rising investment in listed companies make it inevitable to examine recent patterns. In addition, as per our knowledge in last few years, very few of even no significant work has been done to examine CGR and its impact on NIFTY-50 companies of India. With this motivation, in this study we focus on examining the impact of CGR on NIFTY-50 companies of India.

III. RESEARCH METHODOLOGY

This section primarily discusses the research methodology and associated key discussions.

A. Research Questions:

The prime research question in this research of study is whether corporate governance rating (CGR) or indices do impact the firm's performance, particularly listed NIFT-50 companies of India. In addition, this study intends to explore answers for some other key questions, such as:

1. Do CG practices impact firm performance?
2. Does audit committee impact the firm performance?
3. Does board composition impact the firm performance?
4. Does discloser of the CG variables as per Clause 49 of SEBI regulations impact firm performance?
5. Does the certification of the CEO/CFO affect firm performance?
6. Is there any relationship between subsidiary company and firm performance?
7. Does CGR and code of conduct (complaints) affect NIFTY-50 company's performance?
8. Does CG presentation of the remuneration committee affect firm performance?
9. Does CEO duality impact firm performance?
10. Does board independence impact firm performance

B.Research Objective

Some of the key research objectives are given as follows:

1. To examine the inter-relation between Corporate Governance Scores and Firm Performance of the NIFTY-50 companies.
2. To identify the CGR variables having significant impact on the firm performance.
3. To study the impact of CGR on shareholder value creation.

C.Research Hypothesis

Hypothesis H_1: Corporate governance practices impacts the performance of the NIFTY-50 listed companies.

D.Research Design

The presented research work is an empirical study where the primary data has been collected from the annual reports of the NIFTY-50 companies for a defined period of time. The collected data has been processed to verify SEBI's clause 49 constructs and guidelines. To perform study, the corporate governance scores of each company is computed manually as per SEBI Corporate Governance provisions under Clause 49 where the annual reports of the considered NIFTY-50 companies are examined for years 2011- 2016. The considered CGR scores of the econometric model are the measures of Corporate Governance Disclosures practiced by NIFTY-50 companies. These variables signify the independent variables applied for study. To further examine the inter-relation between these independent variables (CRS variables and practices) and firm performance various statistical tools and techniques are used such as mean, medium, standard deviation, chronbach alpha, Pearson correlation, ANOVA etc. A well known statistical tool named Statistical Package for Social Study (SPSS) has been applied to perform statistical assessment for each variable.

E. Sample Selection

The presented study intends to examine the inter-relation between CG practices and associated scores, and the firm performance, especially NIFTY-50 companies. Hence, for study, a total of 50 companies as listed below are taken for study. In the presented case study, the data has been collected for a period of 5 years that was from 2011 to 2016. Since, the organizational structure of financial companies is different from the other industries and therefore, in this study, we have avoided financial companies listed with NIFTY-50 such as State Bank of India. Thus, a total of 40 NIFTY-50 companies are considered for the case study. These companies are as follows:

Table 1 NIFTY-50 companies

Rank	Name of the company	Sector	CGS
1	Reliance Industries Ltd.	Private	84.0
2	Oil & Natural Gas Corporation Ltd.	Public	82.0
3	Dr. Reddy's Laboratories Ltd.	Private	79.5
4	Tata Motors Ltd.	Private	79.0
5	Grasim Industries Ltd.	Private	78.0
6	Mahindra & Mahindra Ltd.	Private	76.5
7	Hindustan Unilever Ltd.	Public	76.5
8	Coal India Ltd.	Public	76.0
9	Tata Power Co. Ltd.	Private	75.0
10	Hero Moto Corp Ltd.	Private	75.0
11	Tata Steel Ltd.	Private	74.5
12	I T C Ltd.	Private	73.0
13	Bharti Airtel Ltd.	Private	71.6
14	Wipro Ltd.	Private	71.0
15	Asian Paints Ltd.	Private	71.2
16	ACC Ltd.	Private	71.0
17	Ambuja Cements Ltd.	Private	70.6
18	Infosys Ltd.	Private	70.5
19	Sun Pharmaceutical Industries Ltd.	Private	70.5
20	Idea Cellular Ltd.	Private	70.0
21	Hindalco Industries Ltd.	Private	69.0
22	Bharat Heavy Electricals Ltd.	Public	69.0
23	NTPC Ltd.	Public	68.5
24	Tata Consultancy Services Ltd.	Private	68.5
25	HCL Technologies Ltd.	Private	68.0
26	Cairn India Ltd.	Private	67.8
27	UltraTech Cement Ltd.	Private	67.5
28	Zee Entertainment Enterprises Ltd.	Private	67.5
29	Bosch Ltd.	Private	66.5
30	Bajaj Auto Ltd.	Private	65.6

31	Lupin Ltd.	Private	65.5
32	Larsen & Toubro Ltd.	Private	65.5
33	Bharat Petroleum Corporation Ltd.	Public	65.4
34	Power Grid Corporation of India Ltd.	Public	64.5
35	Tech Mahindra Ltd.	Private	64.0
36	Adani Ports and Special Economic Zone Ltd.	Private	62.8
37	Maruti Suzuki India Ltd.	Private	62.5
38	GAIL (India) Ltd.	Public	62.0
39	Cipla Ltd.	Private	60.0
40	Vedanta Ltd.	Private	44.0

F. Data Collection

In the presented study, the data is primarily collected from secondary sources. Being based on the secondary data, we have considered two kinds of secondary data, financial data and the nonfinancial data, which are collected from prowess, financial data base repositories for Monitoring Indian Economy (CMIE) and www.equitymaster.com. In addition, the annual data are obtained from companies authorized web platforms. The annual data of the each company has been obtained for the duration of five years, ranging financial year 2011-16. Furthermore, the standard policy or regulations proposed by SEBI such as Clause 49 has been obtained from SEBI authorized web portal.

Now, on the basis of SEBI regulations for corporate governance, we have selected some of the key variables. A brief of these variables are given as follows:

In this study, to examine the impact of corporate governance practices on the firm (NIFTY-50) company's performance, the corporate governance score of rating (CGR) has been estimated for different variables. Some of the key variables such as board of directors, audit committee, Discloser, subsidiary companies, CEO/CFO certification, Report on corporate governance, CG code complains, Remuneration committee, Nomination committee, CEO duality, board independence are considered as independent variables. On the other hand, the firm's performance parameters, such as market capitalization, Tobin's q value, market value by book value etc are considered as the dependent variables. In addition, the performance variables considered in our research work are sales growth, Leverage, Net profit margin, ROE, Asset, age square, log of asset, ROA and Payout. These are also stated as the control variables. A brief discussion of these independent and dependent variables is presented as follows:

I.Independent Variables

Corporate governance score

It signifies a value to be assigned for each company on the basis of the disclosure made through their annual report according to clause 49 listing agreement.

Board of directors (BoD)

It includes the optimum combination of functional executives or directors, ratio of executive as well as non-executive directors, independent directors, Non-executive director as the firm's chairman and the discloser of the board meetings.

Audit committee

It is needed to have at least three directors as committee members and the 2/3 of the total members should be independent directors. Each member should be literature and must have sound educational background in finance. Amongst all members, at least one member must have expertise in accounting or associated financial management.

Subsidiary Companies

Minimal one independent director in BoD (holding company) should be on the BoD of a material non listed Indian subsidiary firm. The necessary discloser of the audit committee supervising or reviewing financial details of the subsidiary company and the time duration of the Board meetings of the unlisted subsidiary company is needed to e mentioned or placed at the Board meeting of the listed holding company.

Disclosures

It contains the discloser on allied party transaction, various significant accounting process, risk assessment and management, various significant proceedings from the public issues, rights issues, and various preferential issues etc.

CEO/CFO certification

The key functional executives such as CEO and CFO must certify to the Board that they personally have undergone and reviewed each key financial statements and the cash flow statement for the defined time period or the year and found appropriate as per their knowledge and belief.

Report on Corporate Governance

It states that there should be distinct section on CG in the Annual Reports of the company where a detailed compliance report should be mentioned on CG.

Remuneration Committee

It refers the committee in the organization, functional towards making payments to the non-executive directors and the total number of shares. Remuneration committee also monitors the convertible instruments held individually.

Nomination committee

It provides the transparent selection of BoDs, including the chairman, and plays vital role in assessing performance of the functional bodies.

CEO duality

It examines weather there is a single Chairman /CEO, CEO/Managing director. In case of CEO duality "0" value is assigned, on the contrary with no duality case "1" value is assigned.

Board Independence

It is estimates in terms of diversity amidst various constructs such as nationality, gender and the total number of board meetings.

Control Variables

The control variables applied in this research work are given as follows:

Dividend payout ratio (DPR)

DPR signifies the fraction or the percentage of a company's annual earnings paid out as cash dividends.

Sales Growth

It can also be stated as the periodical rise in sales.

Leverage

It refers the proportion of the total debt divided by equity value.

Return on Assets (ROA)

It reflects the ability of an organization to generate return on the assets, where asset presents the total investment. ROA of the financial performance signifies the interest of all stakeholders.

Return on Equity (ROE)

The ROE indicates the shareholders return or the profit benefitted to the equity shareholders.

Net profit margin

It signifies the net profit divided by net revenues.

Ages

It indicates the years of firm establishment.

Now, to assess the impact of corporate governance on the performance of the Indian listed firms, especially NIFTY-50 companies, we have performed a number of statistical measurements, including regression analysis etc. It has been performed by controlling the impact of extraneous firm performance indicators like market capitalization, Tobin's q value and market value by book value. The mathematical expressions of these performance variables are given as follows:

Model 1

$$
\begin{aligned}
(Market\ Capitalization)\ it = {} & \alpha + \mu i + \lambda t + \beta 1\ (Corporate\ Governance\ Score)\ it + \beta 2\ (Age\ Square)\ it \\
& + \beta 3\ (Sales\ Growt\square)\ it + \beta 4\ (Net\ Profit\ Margin)\ it + \beta 5\ (Leverage)\ it \\
& + \beta 6\ (Return\ on\ Equity)\ it + \beta 7\ (payout)\ it + \beta 8\ (log\ asset)\ it \\
& + \beta 9\ (Market\ Capitalization)\ it - 1 + \varepsilon\ it
\end{aligned}
$$

$$
\begin{aligned}
(\boldsymbol{Tobin's\ q})\boldsymbol{it} = {} & \alpha + \mu i + \lambda t + \beta 1\ (Corporate\ Governance\ Score)\ it + \beta 2\ (Age\ Square)\ it \\
& + \beta 3\ (Sales\ Growt\square)\ it + \beta 4\ (Net\ Profit\ Margin)\ it + \beta 5\ (Leverage)\ it \\
& + \beta 6\ (Return\ on\ Equity)\ it + \beta 7\ (payout)\ it + \beta 8\ (log\ asset)\ it + \beta 9\ (Tobin's\ q)\ it \\
& - 1 + \varepsilon\ it
\end{aligned}
$$

$$
\begin{aligned}
(\boldsymbol{MVBV})\ \boldsymbol{it} = {} & \alpha + \mu i + \lambda t + \beta 1\ (Corporate\ Governance\ Score)\ it + \beta 2\ (Age\ Square)\ it \\
& + \beta 3\ (Sales\ Growt\square)\ it + \beta 4\ (Net\ Profit\ Margin)\ it + \beta 5\ (Leverage)\ it \\
& + \beta 6\ (Return\ on\ Equity)\ it + \beta 7\ (payout)\ it + \beta 8\ (log\ asset)\ it + \beta 9 (MVBV)\ it - 1 \\
& + \varepsilon\ it
\end{aligned}
$$

The discussion of the data analysis and resulting inferences is presented in the next section.

IV.DATA ANALYSIS

As stated, the presented research or study intends to explore the impact of corporate governance practices on the performance of NIFTY-50 Indian listed companies. Being a secondary data based analytical study, where the corporate governance metrics or variables are obtained from annual report. Based on the disclosure by companies and its compliance with SEBI clause 49, each company has been given CGR score. On the other hand, to assess performance of the considered company's different performance variables such as BV, MV, ROI, ROE, etc have been obtained for the duration of 2011-16. To examine inter-relationship between different variables at first declaring the variables and respective type is must. Though the discussion of the different research variables is already done in previous section of the manuscript, the following table presents the different independent, dependent and control variable, in terms of which the data analysis has been done.

Table 2 Research Variables

Independent Variables	Corporate governance score, Board of directors (BoD), Audit committee, Subsidiary Companies, Disclosures, CEO/CFO certification, Report on Corporate Governance, Remuneration Committee, Nomination committee, CEO duality, Board Independence.
Dependent/Control Variables	Dividend payout ratio (DPR), Sales Growth, Leverage, Return on Assets (ROA), Return on Equity (ROE), Net profit margin, Ages.

Being an explorative study, in this study the CG score for various independent variables have been estimated for the duration of recent five years (Financial year 2011-16). A total of 40 NIFTY-50 companies are selected for the case study. The list of companies is presented in above section. Now, in the presented study the CGR score is assigned for each company for individual financial years and obtaining the score for five years during 2011 to 2016, the average score for all research variables including independent as well as dependent variables has been obtained. The following table (Table 3) presents the statistical outcome (averaged CGR score for all 40 companies during 2011-16) for the defined research variables during research duration. Considering a well defined and justifiable descriptive analysis, the average CGR score for different variables has been obtained in terms of mean, standard deviation, minimum value, maximum value and median. The statistical results obtained for different CG variables are given as follows:

Table 3 Statistical results obtained for different corporate governance variables

Variable	Mean	Std. Dev.	Min	Max	Median
CG Score	68.76	7.00	44.0	84.0	69.5
Board of Directors	26.43	3.904	18.0	30.0	28.8
Audit Committee	12.85	2.842	5.0	15.0	15.0
Disclosure	25.38	6.578	11.20	40.0	25.0
Subsidiary companies	6.34	2.914	0.0	12.0	6.40
Corporate Governance	2.81	0.421	1.50	3.0	3.0
CEO/CFO Certification	2.22	1.261	0.0	3.0	3.0
Compliance	3.375	0.827	1.60	4.0	4.0
Nomination committee	7.300	2.848	2.00	10.0	8.0
Remuneration committee	8.725	2.218	5.0	10.0	10.0
CEO duality	0.65	0.474	0.0	1.0	1.0
Board independence	2.19	0.620	1.0	3.0	2.0
Market cap	8,92,145.58	7.888	226732	35,83,30	562736.58
Tobin's q value	2.490	2.828	0.24	15.22	1.895
MVBV	4.449	5.750	0.70	36.24	2.93
Age square	3449.86	3602.29	51.00	161.31	2118.00
Sales Growth	14.638	10.738	-11.78	48.65	14.584
Net Profit Margin	59.257	290.71	-0.82	1851.18	13.550
Leverage	23.430	142.48	0	902	0.278
ROE	21.198	17.921	-5.27	110.51	16.616
Payout	26.410	25.287	-42.20	102.46	21.47
Log of Assets	5.683	1.790	0.12	14.85	5.69
Debt	149942.71	2.516	0.0	1000216	10148.50
Assets	628904.44	6.728	6.21	3009045	418602
Age	48.07	25.853	7.0	107	39.0
ROA	10.551	7.277	-0.71	30.07	8.55

**Source-Primary Data*

The above mentioned table (Table 3) presents the statistical summary of the results obtained for different research variables of the corporate governance variables for the 40 NIFTY-50 companies during 2011-16. Considering individual statics for variable, the results reveals that the average corporate governance scores (CGS) for the considered sample companies is 68.76 that reflects more than average score on the scale of maximum 100. Thus, the result reveals that the NIFTY-50 companies do have satisfactory corporate governance score. On the other hand, considering the significance of the balanced BOD and their balanced or uniform organizational structure, this study revealed that the average of the BoD is 26.43. The obtained result is significant; however demands more disclosure and uniform balancing of the BoD structure. Similarly, the average audit committee score over the five years of assessment duration (2011-16) is obtained as 12.85. Audit committee, which plays significant role in enabling transparent financial processes and allied execution, has been found fair on self-defined scale. Meanwhile, the disclosure value which is higher (Mean=25.38) also reveals that most of the NIFTY-50 companies do disclose significant information to the public domain that influences investors and enables them to make proper decision. This as a result play vital role in ensuring self-controlled financial security of the investors and allied stakeholders. Considering subsidiary companies, which reflects that time that the member gives to, is also 6.34. No doubt, members tries to give fair time and involvement with the subsidiaries companies, still it reflects that BoD requires giving sufficient and transparent meeting opportunities, time etc to maintain good balance between the ownership companies or parent company and the subsidiaries company. The result reveals that the companies do declare the information related to the subsidiaries company that how much time and resources are provided to the subsidiaries. The corporate governance score is obtained as 2.81 on the scale of 5, which is 56.2% , signifies satisfactory outcome; however demands more transparency and follow up of the practices as per SEBI Clause 49 regulations. The mean of compliance with Clause 49 is also higher (3.375) that reveals transparency and responsibilities of the NIFTY-50 companies towards stakeholder's safety and investment security. The CEO/CFO certification related variable is obtained as 2.22 that demand more transparency and fulfillment. Of course, in present day scenario, majority of the companies are being lead by family ownership; however the recent development such as structural strengthening by TATA sons and Infosys gives a good hope that the companies would maintain the regulations proposed by SEBI, particularly to assess eligibility of CEO/CFO to ensure secure investment and stakeholder security. The corporate governance scores obtained for the nomination committee (Mean=7.300) and the remuneration committee (Mean=8.725) are showing a positive gesture which states that the Indian listed NIFTY-50 companies are understanding and are cautious about the global competition and management and therefore giving a good hope towards secure investment. It also reflects better resource management and responsible organizational handling. The example of recent developments such as ISRO MARS MISSION, different 104 satellites launching at very less cost (than other counterparts or competitors) justifies the results. It shows positive gesture of the corporate governance in Indian NIFTY-50 companies. The similar evidences could be found with numerous ventures in Mahindra & Mahindra, and TATA motors. The value of CEO duality where a company with CEO and managing director (MD) are assigned 0, otherwise 1, depicts that the most of the NIFTY-50 companies have distinct person chairing CEO and MD roles. The board independence also gives satisfactory result in case of Indian listed NIFTY-50 companies. Now, considering performance variables and associated control variables, it can be found that the total market capitalization of the companies is Rs. 8,92,145.58 corers (during financial year 2011-16), which indicates selected companies having higher market capitalization. A similar pattern for Tobin's q value (2.490) is obtained. The presented study also revealed that the market value to book value (MVBV) of the selected sample companies is 4.449. Here it would be interesting to note that on an average the ROA of companies by Corporate Governance is approximate 10, which signifies fair value. The average ROE of the companies is obtained as 21.198. The companies are paying dividend on an average of 26.410.

The results obtained (Table 3) reveals that the companies having mean leverage of 23.430 and are using high amount of debt capital (Rs 149942.714 Crore). The mean asset of the sample companies is obtained as Rs 628904.44 Crore. In this research duration, the sales growth of the sample companies was found to be 14.638% along with the net profit margin of 59.257. These all evidences and associated statistical outcomes reveal that the NIFTY-50 companies are practicing corporate governance regulations and standard suggestions thus making organization performing better. The higher value of performance variables or the control variables do affirm these results.

Correlation Analysis

To further examine the inter-relationship among various research variables (i.e., corporate governance variables and the firm performance), we have performed correlation analysis. The prepared correlation analysis model has been obtained by means of the conventional panel data methods (Robust random effect). In major conditions of the generalized least square (GLS) Robust-random effect models have been taken into consideration that as a result has provided robust-effects results, tabulated as follows (Table 4). In addition, to the below mentioned results, we obtained scatter diagram that signified the relationship between each independent as well as dependent variable that plays vital role in deciding whether a specific research variable to be considered as log or lag to execute the model. The scatter analysis has revealed the positive relation between the dependent variables such as Firm Value/Tobin's q, MV/BV and Market Capitalization and the corporate governance variables. In this study, the scatter analysis has also revealed that the single variable doesn't impact on the performance completely; however their impact as combined can't be ignored. It reveals that the NIFTY-50 companies cannot achieve quality corporate governance by complying merely one or two practices but requires complying all the variables as suggested in clause 49 of the SEBI regulations to achieve constructive performance of the firm. However, the results also affirm that amongst all CG variables few of them such as disclosure, audit committee, BOD, and subsidiary committees solely can have significant impact on the firm performance.

In addition, to examine the relationship between the independent and dependent variable, we have applied Pearson Correlation analysis for which multi-co linearity test has been performed, and respective degree of tolerance has been obtained. The relationship of corporate governance and firm performance was tested for the financial years ending 2011-12, 12-13, 13-14, 14-15 and 15-16. The relationship between corporate governance score, Board of Directors, Audit Committee, Subsidiary companies, CEO/CFO Certificate, Disclosure, Corporate Governance, Compliance, Nomination committee, Remuneration committee, CEO duality, Board independence were first tested as an independent variable and firm performance Market capitalization, firm value/ Tobin's q value and market value to the book value a dependent variable Age, Sales growth, Leverage, Net profit margin, ROE, ROA, Assets, Payouts, Age square, Log of Assets, Debt were then entered as control variables. The control variables were applied in such manner that the stability of the Pearson coefficients of the independent variables could be examined.

Although multiple variables are approaching their 0.01 level of significance with each other, the Pearson's correlation coefficient typically doesn't reach beyond a justifiable extent of 0.8. Therefore, it doesn't pose any issue for the multiple regression models. The Pearson's correlation coefficient between different CG variables and performance parameters are given in Table 4.

Table 4 Pearson correlation coefficients between independent and dependent variables

Variables		1	2	3	4	5	6	7	8	9	10	11	12	13
1	CG Score	1												
2	BOD	-0.286	1											
3	Audit Committee	0.410**	-0.166	1										
4	Disclosure	0.101	0.162	0.168	1									
5	Subsidiary companies	-0.204	0.331*	0.052	0.376*	1								
6	Corporate Governance	-0.027	0.074	0.046	0.152	0.099	1							
7	CEO/CFO Certification	0.562**	-0.155	0.378*	0.364*	-0.239	-0.169	1						
8	Compliance	-0.444**	0.233	-0.185	0.126	0.119	-0.097	-0.063	1					
9	Nomination committee	-0.270	0.295	0.113	0.107	0.272	0.012	-0.113	0.158	1				
10	Remuneration committee	-0.070	0.058	0.254	0.228	0.125	0.059	0.108	0.038	0.691	1			
11	CEO duality	-0.134	0.119	-0.241	0.070	0.164	0.120	-0.386*	-0.200	0.004	-0.079	1		
12	Board independence	0.042	0.234	0.113	0.005	0.113	0.113	-0.194	0.058	-0.330*	0.439**	0.267	1	
13	Age square	0.056	0.048	-0.054	-0.361*	-0.280	-0.209	0.020	-0.187	0.181	-0.11	0.278	0.374*	1

		14	15	16	17	18	19	20	21	22	23	24	25	26
14	Sales Growth	1												
15	Net Profit Margin	0.068	1											
16	Leverage	-0.097	-0.029	1										
17	ROE	0.172	-0.087	-0.118	1									
18	Payout	-0.140	-0.125	-0.111	0.374*	1								
19	Log of Assets	-0.022	-0.004	-0.502*&	-0.069	0.023	1							
20	Debt	-0.262	0.018	-0.092	-0.282	-0.308	0.160	1						
21	Assets	-0.019	0.182	0.056	0.288	0.174	-0.026	0.016	1					
22	Age	-0.254	-0.107	0.051	0.227	0.38	-0.008	0.037	-0.143	1				
23	ROA	-0.166	-0.158	0.433**	-0.035	0.224	-0.324*	0.019	0.040	0.109	1			
24	Market Cap	0.269	0.304	-0.052	0.003	-0.259	0.252	0.167	0.092	-0.145	-0.146	1		
25	Tobin's q Value	0.093	-0.083	0.092	0.608**	0.389*	-0.249	-0.390*	0.481**	0.023	0.273	-0.054	1	
26	MVBV	-0.054	-0.054	0.088	0.833**	0.402*	-0.178	-0.283	0.329*	0.303	0.033	-0.124	0.679**	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Source-Primary Data

Observing results obtained (Table 4), it can be found that the audit committees, nomination committee, ROE, ROA, age, payout variables are at its significance level. The results also reveal that almost all corporate governance variables are correlation to the performance variables. In addition, the result states that the market capitalization is significantly correlated with 6 other items, where it is correlated with the profit margin with the highest Pearson correlation of 0.304. The following Table (Table 5) presents the regression outputs between corporate governance variables and the firm (NIFTY-50) performance.

Table 5 Regression analysis of corporate governance variables and firm performance

Independent variable	Dependent Variable(Performance)		
Variables	**Market Capitalization**	**Tobin's q ratio**	**Market to Book value ratio (MV/BV)**
CG Score	-0.278 0.041	0.019 0.454	0.065 0.346
Board of Directors	0.123 0.226	0.056 0.366	0.144 0.188
Audit Committee	-0.176 0.139	0.067 0.342	0.077 0.318
Disclosure	-0.098 0.274	-0.154 0.171	0.014 0.466
Subsidiary companies	0.240 0.068	-0.135 0.202	-0.155 0.170
Corporate Governance	-0.056 0.365	-0.205 0.103	0.056 0.367
CEO/CFO Certification	-0.282 0.039	0.012 0.471	0.055 0.368
Compliance	0.429 0.003	-0.074 0.325	-0.291 0.034
Nomination committee	-0.021 0.448	0.230 0.077	0.152 0.175
Remuneration committee	0.062 0.351	0.055 0.369	0.069 0.336
CEO duality	-0.024 0.441	0.100 0.269	0.095 0.281
Board independence	-0.053 0.372	0.241 0.067	0.208 0.099
Age square	-0.124 0.224	0.282 0.039	0.198 0.110
Sales Growth	0.269 0.0 47	0.093 0.284	0.076 0.321
Net Profit Margin	0.304 0.028	-0.083 0.305	-0.054 0.371
Leverage	-0.052 0.376	0.092 0.286	0.088 0.296
ROE	0.003 0.494	0.608 0.000	0.883 0.000
Payout	-0.259 0.053	0.389 0.007	0.402 0.005
Log of Assets	0.252 0.058	-0.249 0.060	-0.178 0.136
Debt	0.167 0.152	-0.390 0.006	-0.283 0.038
Assets	0.092 0.376	0.481 0.001	0.329 0.019
Age	-0.145 0.185	0.023 0.444	0.303 0.029
ROA	-0.146 0.185	0.273 0.044	0.033 0.420
R	0.792	0.891	0.956
R Square	0.627	0.795	0.913
Adjusted R square	0.091	0.499	0.788
Standard error of estimation	7.520	2.001	2.644

** Correlation is significant at the 0.01 level (2-tailed)

Source-Primary Data

As observed from the obtained table, the value of R^2 is larger in MVBV, the final multiple regression model is the MVBV. Here, it can be found that the model characterizes 91.3% of the variability in the dependent variable. Table 6 presents the regression output of the sampled results.

Table 6 Regression Results of sampled companies

Model	Unstandardized Coefficients		Std. Coeff	t	p-value
	B	Std. Error	Beta		
(Constant)	7.369	10.696		.689	.501
CG Score	-.008	.106	-.010	-.075	.941
Board of Directors	.156	.164	.106	.947	.358
Audit Committee	-.159	.211	-.079	-.752	.463
Disclosure	-.044	.124	-.050	-.354	.728
Subsidiary companies	-.299	.241	-.152	-1.239	.233
Corporate Governance	-.843	1.634	-.062	-.516	.613
CEO/CFO Certification	.784	.716	.172	1.095	.290
Compliance	-1.679	.818	-.242	-2.052	.057
Nomination committee	.735	.456	.364	1.613	.126
Remuneration committee	-.590	.425	-.228	-1.389	.184
CEO duality	1.938	1.918	.160	1.011	.327
Board independence	-1.421	1.331	-.153	-1.067	.302
Age square	.000	.000	-.069	-.490	.631
Sales Growth	-.028	.063	-.051	-.433	.670
Net Profit Margin	.003	.002	.156	1.388	.184
Leverage	.012	.005	.308	2.341	.032
ROE	.269	.036	.838	7.389	.000
Payout	.032	.027	.142	1.186	.253
Log of Assets	.066	.382	.021	.173	.865
Debt	1.871E-6	.000	.082	.624	.541
Assets	-2.235E-8	.000	-.003	-.023	.982
Age	.011	.029	.051	.394	.699
ROA	-.087	.088	-.111	-.990	.337

Source-Primary Data

The following section discusses some of the key variables and respective statistical outcomes (in terms of correlation coefficient). In the following discussion different variables and their impact on the firm performance has been examined.

The presented hypothesis covers a broad horizon, and hence different supplementary hypotheses are derived and examined in this paper.

Audit committee

Typically, audit committee emphasizes on exhibiting the function of monitoring, and observing company's financial process, reporting and financial information disclosure so as to ensure that the financial statements are correct, credible and sufficient. Audit committee also recommends the board after examining different financial statements, reports and associated information. These all significant roles make audit committee indirectly linked to performance, and realizing its significance, it has been declared as desirable code of corporate governance by SEBI. The Pearson Correlation obtained is 0.463 which is higher than the level of significance (=0.01). This signifies that the audit committee does have impact on the firm performance. Thus, the hypothesis is accepted here.

There is impact of audit committee on firm performance

Board of director

As per SEBI regulations towards corporate government, Clause 49(I) (A) facilitates declaration of the board composition and structure, where it recommends optimal and balanced combination of executive, non-executive and independent directors. No doubt, such optimal combination enables optimal decision processes and leadership for the company. The correlation between BOD and its impact on the firm performance revealed that the Pearson correlation is obtained 0.358>0.01(significant level), and hence affirms positive relation. Thus, the result obtained confirms the acceptance of the hypothesis, stating:

There is impact of Board Composition on firm performance

Disclosure

As already stated disclosure plays a vital role in companies and functions as a trustworthy and confidence building factor motivating investors or allied stakeholders to associate. It also discloses the significant statements such as transactions with associated parties. This study revealed that the correlation between disclosure and firm performance is 0.728, which is much higher than the level of significance (i.e., 0.01) and hence it confirms a strong positive relation. This is because disclosing various factors including audit details, transaction statements, and other associated variables makes entire processes transparent. This as a result boosts firms procedural activities and hence performance. Therefore, the hypothesis is accepted, as

There is impact of firm Disclosure on firm performance.

CEO/CFO certification

This compliance suggests that the CEO/CFO or the allied MD or managers appointed as per Companies Act, 1956, require submitting the certified repot on the reviewed financial statements and the different associated cash flow statement, transactions, thus establishing and maintaining transparent internal monitoring and control. With intend to examine the impact of CEO/CFO certification on the firm performance, in this paper the Pearson correlation is obtained as 0.291, which is higher than the level of significance. It affirms that CEO/CFO has the impact on the firm performance.

There is impact of CEO/CFO certification on firm performance

Report on Corporate Governance

According to Clause 49 (VI), it is mandatory to have distinct section on CG in the Annual Reports of the company, where the detailed discussion of the CG compliance must be mentioned. The Noncompliance of any inevitable need of this clause with reasons thereof and the extent to which the non-mandatory requirements have been adopted should be specifically mentioned. To examine its impact on firm performance, in this study it has been found that this variable gives correlation value more than the level of significance and therefore, it justifies the hypothesis:

There is association between report on Corporate Governance and firm performance.

Subsidiary companies

As already discussed in previous sections that the discloser about the subsidiary companies does have direct relation with firm performance, in this study for these associated variable Pearson correlation has been obtained. This study revealed the correlation coefficient of 0.233, which is higher than the level of significance (p=0.01). It affirms the acceptance of the hypothesis.

There is association between subsidiary companies and firm performance

Remuneration committee

As per Clause 49(IV)(E) it is mandatory for a listed company to have the remuneration committee for formulating the remuneration policy. It is responsible to deal with the remuneration paid to all the directors. Various remunerations paid to the executive, non-executive directors etc and their form such as shares etc are needed to be overseen. Remuneration committee has the responsibility to deal with this practice. No doubt, the remuneration paid to the individual affects overall company performance. In this study, the Pearson correlation between remuneration committee and the firm performance is obtained as 0.184, which is higher than the level of significance. Therefore, it confirms the following hypothesis.

There is impact of remuneration committee on firm performance

Nomination committee

It deals with the selection of BoDs, comprising chairman, in certain transparent approach, which obviously affects the internal as well as external processes of the company. Thus, it directly or indirectly affects the performance of a firm. To examine its relationship with firm performance, we have estimated the Pearson correlation which is obtained as 0.126 ($p>0.01$). Thus, it confirms the acceptance of the hypothesis.

There is impact of nomination committee on firm performance.

CEO duality

It states the leadership structure of the board, especially to examine whether the CEO and the chairman is the same person or not. The Pearson correlation between the CEO duality and the firm performance reveals that coefficient value of 0.322, which is higher than the significant level ($p=0.01$). Thus, it states that there exist strong positive relation between CEO duality and firm performance. Hence, the hypothesis is accepted as:

There is impact of CEO duality on firm performance.

Board independence

Board independence is allied with the distinct leadership structure. It is estimated by the fraction of the independent directors with regard to the total board size (more than 50%). It results in better monitoring and overseeing and therefore boosts the firm performance. The presented study has revealed that the Pearson correlation between board independence and firm performance has been found 0.302, which is higher than the level of significance ($p=0.01$). Thus, the presented study confirms the following hypothesis:

There is impact of board independence on firm performance.

Thus, based on the above discussed data analysis and associated statistical significances the answers of all the targeted research questions could be retrieved.

V.CONCLUSION AND DISCUSSION

In last few years, Indian economy has witnessed constructive transition by achieving global stature of one of the largest and no-doubt fast growing economy, and has attracted national as well as international investors to explore business opportunities. However ensuring secure investment has always been a dominating issue for investors as well as firms. Ensuring investment security for each stakeholder is of paramount significance for any economy. Corporate governance refers various regulations and standard practices to be followed by companies to ensure transparency and optimal process to achieve higher productivity. With this motivation, in this study the impact of various corporate governance variables on firm performance of the NIFTY-50 companies has been investigated. This research presented an empirical or analytical descriptive research which applied the annual report of the sample Indian listed NIFTY-50 companies for the duration of 2011-16. Observing overall research it has been found that the different corporate governance variables including board of directors, audit committee, subsidiary companies, corporate governance, CEO/CFO certification and compliance, remuneration committee, nomination committee, board independence, CEO duality etc have positive relation with the firm performance. The return on equity (ROE) was found to negative with market capitalization. The payout ratio has been found positive and statistically significant. In addition, the log of asset has been found positively related and statistically significant for all the models. Thus, the results affirm in relation to the work by Black (2001) and La Porta et al. (2002), which is found positive and has significant impact on firm performance and market capitalization. The Corporate Governance score was found to be positive and statistically significant with the performance parameter, Tobin's q. Board of Directors, Audit Committee, Corporate Governance and Compliance were also found to be positive and statistically significant at 5% level of significance with Tobin's q. The CEO/CFO Certificate and Subsidiary Companies had positive impact on Tobin's q but not statistically significant. The results are similar to (Black, et al., 2002) where they found a moderate 10 point increase in the Corporate Governance index predicts a 5% increase in Tobin's q. A worst to best change in the index predicts a 38% increase in Tobin's q. The effect in their study is also statistically strong and robust to choice of performance variable and to specification of the Corporate Governance index. The Corporate Governance score was found to be positive but not statistically significant with Market/Book value as shown in above table. Board of Directors, Audit Committee, Corporate Governance and Compliance were also found to be positive but not statistically significant where as the subsidiary companies and compliance was neither positive nor statistically significant. The results were similar to (Black, et al., 2002) in terms of positive impact of Corporate Governance parameters on Market/ Book ratio. The results of (Black, et al., 2002) show that 10 point increase in the CG index predicts a 14% increase in Market/Book ratio in OLS regressions and a worst to best change in the index predicts a 105% increase in Market/Book ratio. But the effect is statistically strong and robust in case of (Black, et al., 2002) findings where as in the present study the impact of Corporate Governance with Market/Book is not statistically significant except Return on equity which was positive and statistically significant at 5%. Thus empirically it was found that the company performance measured in terms of Market Capitalization and Tobin's q is influenced by overall Corporate Governance score, Board of directors, Audit Committee, Disclosure, Corporate Governance and Compliance of the company. Thus, it can be concluded that better overall Corporate Governance practices as per the Clause 49 of the Listing Agreement will results into better performance. According to the general theory of finance, leverage should result into increasing the returns to shareholders and the sign of leverage is expected to positive. To support this argument, controlled variable like leverage and return on equity are found to be positive and statistically significant. The empirical results of the present study are very useful to investors. The obtained results and their respective significances could be of paramount significance for business houses, as well as stakeholders to make optimal business decisions. The results are also useful to management of the companies, regulators and policy makers.

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