CHAPTER 5: IMPACT OF BOARD COMPOSITION ON PERFORMANCE OF LISTED INDIAN FIRMS’ WITH DIFFERENT OWNERSHIP PATTERN

5.1 INTRODUCTION

Boards play a major role in Corporate Governance of the firm. According to Indian company act 1956, the Board of Directors is the ultimate governing body on company affairs. The main task of company board is to monitor and control management on behalf of owners. The board of director is top executive unit of a company and is charged with the responsibility of supervising operations of the company’s management (Hsiang and Tsai, 2005). Normally, board take up various responsibilities such as approving dividend decisions, monitoring and controlling management, deciding business policies, and facilitating development and implementations of corporate strategy. Boards need to deliberate on the strategic agenda of the company.

Nicholas Bratt, vice chairman of the Global Investment Committee of Deutsche Asset Management said “We won’t invest in companies with weak board structure however attractive the business fundamentals.” Board structure is crucial component of Corporate Governance for this reason in the SEBI Corporate Governance framework more weight is allotted to Board Composition. Board structure or composition consists of Board Size and Board Independence. Board Size refers to the number of directors on the board, whereas Board Independence indicates the
number or percentage of non-executive directors or independent directors on the board. According to Indian company act 1956, Board Size should be minimum of three directors in case of public limited companies and two in case of Private limited companies. (Hermalin and Weisbach, 2001) argue that Board Independence is an important condition for the critical evaluation and monitoring of managers’ performance as the managers who run larger firms increase opportunities so as to extract Private benefits (Murphy, 1999). Hence, Board Independence is the focus of considerable attention in present codes of best practice. (Richardson, 2006) and (Larcker, Richardson and Tuna, 2004) find that over-investment is concentrated in projects with higher free cash flows and shows that Board Composition and institutional ownership is important in explaining this firm level investment. Thus many studies have been conducted to determine the impact of Board Composition on firm performance such as (Denis and McConnell, 2003), (Rosenstein and Wyatt, 1990) etc.

### 5.2. IMPORTANCE OF THE STUDY

The companies in India either belong to Private or public sector. Companies belonging to Private sector have Private ownership where as public sector companies are government-owned corporations which are either Central or state government owned in India. In comparison to public sector companies it is observed that mainly Private sector companies have controversies and bankruptcy cases, so what is the
reason, is it Board Composition which is impacting the performance and keeping publicly-owned companies away from controversies as it is the main indicator of ownership. Board Composition shows the number of directors on the board and the level of Board Independence as it differs from company to company.

SEBI have issued identical Corporate Governance guidelines for all the listed companies irrespective of ownership pattern as already mentioned in chapter 1, i.e. any company willing to get listed on stock exchange must comply with SEBI CG guidelines. In SEBI CG framework one of the most important component is Board Composition allotted with high score. Thus this study helps in understanding the Board Composition and its impact on the performance of select companies belonging to three different ownership patterns i.e. Private ownership, Central and State government ownership.

Most empirical research has focused on links between corporate boards and performance in contrast a number of other papers has found no relationship between corporate boards and performance. Board Composition is used as a proxy for the quality of governance along with the governance index due to the importance boards have in the Spanish Corporate Governance system as an internal control mechanism (Fernandez and Arondo, 2005). (Defond, Hann and Hu, 2005) consider the cross-sectional relation between the market’s response to the
appointment of an accounting expert on the board and its Corporate Governance.

(Wymeersch, 1998) provides a wide explanation of the composition of European Board of Directors. The author reports that, in most European countries, the role of the Board is not defined by law and the shareholder wealth maximization has not been the primary goal for European boards. This varies across countries, with the British, Swiss, and Belgian systems being closer to the American model. More recently, (Franks et al., 2001) examine a sample of poorly-performing firms in the UK and find that boards dominated by outside directors actually impede discipline of poorly performing managers.

Board Composition which is measured as the number of directors and the ratio of outsiders to insiders i.e. Board Independence, have been shown to be positively related to firm performance (Rosenstein and Wyatt, 1990). (Bhagat and Black, 2002) meanwhile examined the effect of Board Composition on long-term stock market performance and report no relation between the two variables. (Fairchild and Lei, 2005), in looking at post-acquisition board structure, also found no relation between stock market performance and Board Composition. (Baysinger and Hoskisson, 1990) and (Hermalin and Weisbach, 1991) find no relationship between Board Composition and performance when both relate to the same year. Evidence that the existence of a time lag may be present, is suggested by (Baysinger and Butler, 1985) who report a ten-year lagged relationship.
However, the practical implications of such a long time lag are not clear. (Callahan et al., 2003) documented a positive relation between management participation in the director selection process and Tobin’s q. As mentioned before, Board Composition is based on Board Size and Board Independence which is individually discussed as follows:

5.2.2 BOARD SIZE:

There is no clear-cut evidence that smaller board performs more effectively than larger board. In a smaller board, members are more likely to agree on a particular outcome (Lange et al., 2000). In contrast to this view, larger boards may act as an increased pool of expertise and may have a better ability to form reasonable judgment (Goodstein, et al., 1994).

(Mak and Yuanto, 2002) find evidence of an inverse relationship between Board Size and Tobin’s q for Asian firms (Singapore and Malaysia). Similarly, (Carline et al., 2002) find that Board Size is negatively related to performance improvements after UK mergers. In Finland, (Eisenberg et al., 1998) find an inverse relation between Board Size and profitability for small businesses. (Dalton and Kesner, 1987) report a positive association between Board Size and Board Independence in the US and other countries. The natural logarithm of Board Size is also included and it is expected that larger boards have more independent directors. (Yermack, 1996) and (Eisenberg, et al., 1998) find that Board Size is inversely related to firm performance and value. More recently however, (Coles, et
al., 2008) have suggested that the optimal Board Size is related to the complexity of the firm and so more complicated firms have higher corporate value where a larger board is in place. Underlying this is the notion that to manage the different and complex parts of the firm a higher number of executives are required. A number of other studies have found no relationship between corporate boards and performance. (Lipton and Lorsch, 1992) and (Jensen, 1993) were the first to hypothesize that Board Size is an independent control mechanism. Specifically, they argue that large boards may be less effective than small boards. The underlying notion is that large boards can make coordination, communication, and decision making more cumbersome than it is in smaller groups. (Jensen, 1993) suggests an optimal Board Size of seven or eight directors. (Yermack, 1996) was the first to investigate this proposition empirically. In fact, using a sample of large U.S. public corporations, he reports an inverse relationship between Board Size and Firm Value, as measured by Tobin’s q. (Huther, 1997) confirms these findings for a sample of U.S. electricity companies. (Eisenberg, et al., 1998) also find a negative size effect for a sample of small Finnish firms. Most recently, using a simultaneous equations approach for a sample of Swiss companies, (Beiner, et al., 2004) cannot detect a significant relationship between Board Size and Firm Value. They interpret this finding as evidence that Swiss firms, on average, choose the number of board members just optimally. In fact, average
Board Size in their sample is 6.6, which is close to the optimal Board Size put forth by (Lipton and Lorsch, 1992) and (Jensen, 1993). (Anderson et al., 2004) show that the cost of debt is lower for larger boards, presumably because creditors analyze these firms as having more effective monitors of their financial accounting processes. (Brown and Caylor, 2008) show that firms with Board Sizes of between six and 15 have higher returns on equity and higher net profit margins than do firms with other Board Sizes.

5.2.3 BOARD INDEPENDENCE:-

(Bonn, 2004) found Board Size never leads to firm performance and argued that it is not Board Size, per se, that was important for firm performance but rather composition of the boards in terms of the ratios of outside directors. (Lang et. al., 1999) found inside directors generally have a greater understanding of the company’s operations. However, outside directors are more professional and are in a better position to exert control over management. On the other hand, (Anderson and Anthony, 1986) argued that board meeting is an important element in the board governance. According to (Faber, 2005), the fraud firms have poor Corporate Governance. And the firm with more outside directors has fewer propensities to commit fraud and it is often alleged that board of directors are more independent as the proportion of their outsider directors increases (John and Senbet, 1998). (Chen et al., 2006), (Oxelheim
and Randoy, 2003), report that firms in Norway and Sweden with foreign
directors have higher Tobin’s q.

In contrast, (Bebchuk and Cohen, 2005) finds that staggered boards are
negatively correlated with Tobin’s q. Future growth opportunities is
expected to have a negative sign on Board Independence because firms
with more specific operations tend to rely more on insiders to define and
assess their strategy since they require highly specialized information to
evaluate future investments (Bathala and Rao, 1995).

Similarly, (Fosberg, 1989) finds no relation between the proportion of
outside directors and various performance measures (i.e., Sales growth,
expenses, sales, number of employees, and return on equity). (Hermalin
and Weisbach, 1991) find no association between the proportion of
outside directors and Tobin’s q and (Bhagat and Black, 2002) also find no
linkage between the proportion of outside directors and Tobin’s q, return
on assets, asset turnover and stock returns. In contrast, (Baysinger and
Butler, 1985) and (Rosenstein and Wyatt, 1990) show that the market
rewards firms for appointing outside directors and (brickley, et al., 1994)
also finds a positive relation between the proportion of outside directors
and the stock-market reaction to poison pill adoptions.

The main function of outside or non-executive directors is to ensure that
the executive directors are pursuing policies consistent with
shareholders’ interests (Fama, 1980). Non-executive directors possess two
characteristics that enable them to fulfill their monitoring function. First,
their independence (Cadbury, 1992) and second, they are concerned to maintain their reputation in the external labor market (Fama and Jensen, 1983).

Although non-executive directors may possess certain characteristics such as independence and experience, the evidence relating to their impact on performance tends not to support this positive perspective. Some studies find that the presence of independent directors may actually harm performance such as (Yermack, 1996) and (Agrawal and Knoeber, 1996) find a negative relationship between the proportion of independent directors and performance. In contrast, (Shivdasani and Yermack, 1999) report a positive market reaction to the appointment of non-executive directors if the CEO had not been involved in the appointment and a negative reaction if the CEO had been.

(Hermalin and Weisbach, 1998) offer a theoretical model with a variety of predictions with respect to Board Independence. For example, their model predicts that CEO turnover is more sensitive to performance when the board is more independent and that the probability of independent directors being added to the board rises following poor firm performance. More generally, the board of directors is responsible for evaluating the senior management of a corporation and to replace it if it does not pursue shareholders’ interests because inside directors’ careers are tied to the CEO’s, they are generally unable or unwilling to remove incumbent CEOs and, hence, this task is likely to fall on outside directors.
(Rosenstein and Wyatt, 1990) provide evidence that the proportion of outside directors positively affects shareholder wealth. In fact, they document a positive stock price reaction upon announcement of the appointment of an additional outside director. Additionally, the findings of (Weisbach, 1988) suggest that firms with outsider dominated boards are significantly more likely to remove the CEO on the basis of bad performance than firms with insider-dominated boards. In a related study, (Hermalin and Weisbach, 1988) find that outsiders are more likely to join a board after a firm performs poorly or leaves an industry. Ignoring any interdependence among the different mechanisms, (Agrawal and Knoeber, 1996) find that the representation of outsiders on the board of directors, debt policy, and corporate control activity are related to Tobin’s q. When they account for the interdependences between these mechanisms in a simultaneous equations system, the percentage of outside board representation is the only control mechanism that remains significantly related to firm performance. In contrast, (Yermack, 1996), (Beiner, et al., 2004) find no relationship between the fraction of outside board members and Tobin’s q for their sample of Swiss firms. Thus, the relation between Board Size and independence and firm performance is mixed which means that it is an area for which little consensus exists and therefore requires further analysis of the impact of Board Composition on firm performance with different ownership pattern with special reference to Indian context. In this regard the following
conceptual model has been drawn to show the relationship between corporate board and firm performance which need to be examined empirically.

**Figure 5.1: Conceptual Logical Model Showing the Relationship between Corporate Board and Firm Performance**
5.3. OBJECTIVE OF THE STUDY

The objective of the present chapter is to evaluate the impact of Board Composition of Central, State and Private owned listed Indian firms’ on their performance proxied by Tobin’s q.

5.4. HYPOTHESES OF THE STUDY

It was hypothesized that Board Composition has no impact on the firm performance. For the purpose of the study Board Composition scores are quantified as per the SEBI guidelines.

The following null hypotheses were tested for the present study:

For Board Size

- $H_{1a}$: There is no significant relationship between Board Size and firm performance for Central owned Indian firms.
- $H_{1b}$: Firm performance is not influenced by Board Size of State owned Indian firms.
- $H_{1c}$: The Board Size does not affect the corporate performance of Private owned Indian firms.

For Board Independence

- $H_{2a}$: There is no significant relationship between Board Independence and firm performance for Central owned Indian firms.
- $H_{2b}$: Firm performance is not influenced by Board Independence of State owned Indian firms.
- $H_{2c}$: The Board Independence does not affect the corporate performance of Private owned Indian firms.
5.5 RESEARCH METHODOLOGY

The research methodology used in the current chapter is discussed below:-

5.5.1 DATA COLLECTION

In general there are two sources for data collection i.e. primary and secondary source. However the present study was confined to secondary data. The firm level data required for the study is collected from the annual reports of the companies. All the firms selected for the present study belong to different industries some of which are petroleum, telecom, paper etc. The list of companies selected for study is presented in chapter 1. The firm level data collected for all the variables is for a period of five year i.e., financial year 2004-2009.

5.5.2 PERIOD OF THE STUDY

The study in general carried for a period of 7 years that was from 2004 to 2011. However, the present chapter was confined to only five year that is from 2004 to 2009.

5.5.3 SAMPLE SELECTION

In the present chapter 15 companies are selected as a sample out of which 5 Central governments owned, 5 state governments owned and 5 Private owned companies are taken for the present study. It is observed that only 5 State owned companies are listed on BSE & NSE stock exchange out of which 3 belongs to Gujarat state, 1 Punjab and 1 Tamil Naidu, hence all these State owned companies were picked up. Group 'A'
companies are taken as a population for sample selection of Central and Private owned companies as it is the most tracked class of scripts consisting of about 200 companies out of which 50 companies are even listed on NIFTY 50 Index. From the total of 50 companies only 9 companies belong to public sector and remaining 41 companies are from Private sector. The main factor for classifying companies into group 'A' category is market capitalization. From this list top five best performing Central and Private owned companies are selected as a sample, where the performance was measured by Tobin’s q.
5.5.4 TOOLS OF ANALYSIS: In the present chapter econometric analysis like Panel data or Pooled Cross Section Time Series Analysis was applied for analyzing the impact of Board Composition on the firm performance and correlation is determined between the independent, dependent and controlled variables. Explanation pertaining to panel data analysis method is presented in chapter 1.

5.5.5 ECONOMETRIC MODEL SPECIFICATION

Several studies in the past have used various econometrics models such as Ordinary Least Squares Regressions model, Simultaneous Equations Approach or Framework, Strong Cross Sectional Correlation to analyze the impact of Board Composition on firm performance. In this study, panel data analysis is applied to measure both firm and year effect. The following Robust Random-effect GLS Regression models with “firm” and “year” effects was applied to analyze the impact of Board Composition on firm performance for Central, State and Private owned firms’

\[ Y_{it} (\text{Tobin's } q) = \alpha + \mu_i + \lambda_t + \beta X_{it} + \varepsilon_{it} \]

Where \( I = 1, 2 \ldots n \) (number of firms) and \( t = 1, 2 \ldots T \) (number of years). Here \( Y_{it} \) is the dependent variable i.e. Tobin’s q and \( X \) is the vector of explanatory variables, \( \beta \) is the vector of regression coefficients, \( \varepsilon_{it} \) represents the disturbance term, \( \mu_i \) represents the firm effect and \( \lambda_t \) represents the year effect. It is assumed that the errors \( \varepsilon_{it} \) follow a normal distribution is \((0, \sigma^2)\) for all \( I \) and \( t \) in all the models. This implies that the errors are serially uncorrelated and homoscedasticity
exists. The term $\alpha + \mu_i$ is the intercept for firm ‘i’. Similarly, $\alpha + \lambda_t$ is the intercept for the year $t$.

The econometric model for testing the hypotheses that there is an impact of Board Composition on firm performance for Central, State and Private owned firms’ was developed for dependent variable (Tobin’s q) using the above equation is shown below:

$$(\text{Tobin’s q})_{it} = \alpha + \mu_i + \lambda_t + \beta_1 (\text{Board Size})_{it} + \beta_2 (\text{Board Independence})_{it} + \beta_3 (\text{Firm Size})_{it} + \beta_4 (\text{ROCE})_{it} + \beta_5 (\text{Debt equity})_{it} + \beta_6 (\text{Tobin’s q})_{it-1} + \varepsilon_{it}$$

In the above model for panel data regression analysis the y-variable which is Tobin’s q (dependent variable) is regressed on the x-variables which are Board Size and Board Independence (independent variables) and the firm size is the control variable, where the change in y-variable depends upon the change in x-variables.

**5.5.6 DESCRIPTION OF VARIABLES**

In the present chapter the following variables are considered:-

**5.5.6.1 DEPENDENT VARIABLES: -** Firm Performance proxied by Tobin’s q of the select Central, state and Private owned companies’ were used as a dependent variable. Tobin’s q is calculated as

$$Q = (\text{MVE} + \text{DEBT}) / \text{TA}$$

Where MVE stands for market value of equity i.e. the total equity and total debt to the company is added and then divided by Total assets (TA) which is taken from the asset side of the balance sheet. To avoid the
effect of market volatility on analysis, the average of 365 days’ closing prices has been considered for computation of equity.

**5.5.6.2 INDEPENDENT VARIABLE:** Board Composition which is a combination of Board Size and Board Independence is the explanatory variables or independent variable for the present study. Board Size is taken as the number of sitting directors on the board of the company. Board Independence is taken as the number of non-affiliated independent directors, as defined by the SEBI guidelines.

**5.5.6.3 CONTROL VARIABLE:** In this study, based on the extant review of literature for measuring the impact of Board Composition on firm performance, return on capital employed (ROCE), debt equity (DE) and firm size proxied by log market capitalization are considered as the controlled variable.

**5.5.7 LIMITATIONS OF THE STUDY**

The present study is confined to a period from 2004 to 2009. It has focused on analyzing the impact of Board Composition on performance of Private, Central and State owned firms and other CG variables are not considered in this chapter. The term ‘firm’ and ‘company’ are synonymously used. Only few industries are considered for the study.
5.6. RESULT AND ANALYSIS:

The breakup of the firms, Board Size and Board Independence is shown in the Table 5.1.

**Table 5.1: Break-up of Firm as per the ownership pattern**

<table>
<thead>
<tr>
<th>Firm Type</th>
<th>No of Companies’</th>
<th>Board Size (Avg)</th>
<th>Board Independence (Avg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central owned</td>
<td>5</td>
<td>14</td>
<td>6.4</td>
</tr>
<tr>
<td>Private owned</td>
<td>5</td>
<td>11.4</td>
<td>6.8</td>
</tr>
<tr>
<td>State owned</td>
<td>5</td>
<td>10.4</td>
<td>4.6</td>
</tr>
</tbody>
</table>

The sample descriptive statistics such as mean, standard deviation, minimum, maximum and median is indicated by Table 5.2.

**Table 5.2: Descriptive Statistic**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobin’s q</td>
<td>73.13</td>
<td>124.70</td>
<td>0.29</td>
<td>217.11</td>
<td>1.97</td>
</tr>
<tr>
<td>Board Size</td>
<td>11.93</td>
<td>1.86</td>
<td>10.4</td>
<td>14</td>
<td>11.4</td>
</tr>
<tr>
<td>Board Ind</td>
<td>5.93</td>
<td>1.17</td>
<td>4.6</td>
<td>6.8</td>
<td>6.4</td>
</tr>
<tr>
<td>Firm Size</td>
<td>3.98</td>
<td>0.95</td>
<td>2.89</td>
<td>4.62</td>
<td>4.44</td>
</tr>
<tr>
<td>ROCE</td>
<td>0.27</td>
<td>0.16</td>
<td>0.10</td>
<td>0.4</td>
<td>0.31</td>
</tr>
<tr>
<td>DE</td>
<td>1.06</td>
<td>1.14</td>
<td>0.28</td>
<td>2.37</td>
<td>0.54</td>
</tr>
</tbody>
</table>
The correlation among the independent, dependent and controlled variables is indicated in table 5.3 above. As per the Table 5.3, the Tobin’s q is highly correlated with Board Size (r=0.93). However, ROCE is highly correlated with Board Independence (r=0.96). Interestingly, Debt-equity ratio is highly correlated only with Board Size whereas log market capitalization is highly correlated with both Board Size and Board Independence.

The panel data regression results for the three sectors are as follows:-
5.6.1 CENTRAL OWNED:

According to Table 5.4, Board Size is negative at t-statistic value of -0.02 were as Board Independence is positive at t-statistic value of 0.37 at 5% level of significance. The R² is 0.37, which means that the model is explaining 37% of the variation of firms’ performance. The explanatory variables such as Board Size and Board Independence do not have a statistically significant effect on the performance of the Central owned firms, as indicated by the p-value. Thus the null hypotheses is accepted i.e. the performance of the Central owned companies are not affected by Board Composition.

Table 5.4: Results of Panel Data Regression Analysis for Central owned Companies

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Tobin’s q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variables</td>
<td>Coefficient</td>
</tr>
<tr>
<td>Board Size</td>
<td>-8.72</td>
</tr>
<tr>
<td>Board Independence</td>
<td>124.42</td>
</tr>
<tr>
<td>Firm Size or Log Mkt Cap</td>
<td>63.77</td>
</tr>
<tr>
<td>ROCE</td>
<td>55.50</td>
</tr>
<tr>
<td>DE</td>
<td>35.89</td>
</tr>
<tr>
<td>R²</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td></td>
</tr>
</tbody>
</table>
5.6.2 PRIVATE OWNED:

It is evident from the panel data regression results that the performance of the Private owned firms were positively affected by one component of Board Composition i.e. Board Independence, as indicated by the t-statistic (0.81) where as Board Size was negative at 5% level of significance. The $R^2$ is 0.92, which means that the model is explaining 92% of the variation in firm performance. An in-depth analysis of the explanatory variables indicates that Board Size does not have a statistically significant effect on firm performance whereas the Board Independence was statistically significant in the regression model, as indicated by the p-value. In case of Private owned firms’, the performance is influenced by the Board Independence, thus the null hypothesis for Board Independence is rejected and for Board Size is accepted.

Table 5.5: Results of Panel Data Regression Analysis for Private owned Companies

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Tobin’s q</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Variables</strong></td>
<td><strong>Coefficient</strong></td>
</tr>
<tr>
<td>Board Size</td>
<td>-0.03</td>
</tr>
<tr>
<td>Board Independence</td>
<td>0.85</td>
</tr>
<tr>
<td>Firm Size or Log Mkt Cap</td>
<td>-3.09</td>
</tr>
<tr>
<td>ROCE</td>
<td>1.26</td>
</tr>
<tr>
<td>DE</td>
<td>1.06</td>
</tr>
<tr>
<td>$R^2$</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td></td>
</tr>
</tbody>
</table>
5.6.3 STATE OWNED:

According to Table 5.6, Board Size is positive at t-statistic value of 3 whereas Board Independence is negative at t-statistic value of -1.5 at 5% level of significance. The $R^2$ is 0.91, which means that the model is explaining 91% of the variation of firm performance. The explanatory variables which are Board Size and Board Independence do not have a statistically significant affect on the performance of the State owned firms, as indicated by the p-value. Thus the null hypothesis is accepted i.e. the performance of the State owned companies is not affected by Board Composition.

**Table 5.6: Results of Panel Data Regression Analysis for State owned Companies**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Tobin’s q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variables</td>
<td>Coefficient</td>
</tr>
<tr>
<td>Board Size</td>
<td>0.03</td>
</tr>
<tr>
<td>Board Independence</td>
<td>-0.02</td>
</tr>
<tr>
<td>Firm Size or Log Mkt Cap</td>
<td>0.17</td>
</tr>
<tr>
<td>ROCE</td>
<td>0.20</td>
</tr>
<tr>
<td>DE</td>
<td>0.18</td>
</tr>
<tr>
<td>$R^2$</td>
<td></td>
</tr>
<tr>
<td>$N$</td>
<td></td>
</tr>
</tbody>
</table>
5.7. SUMMARY AND CONCLUSIONS:

In this chapter, an attempt was made to capture the significant relationship between performance of select Central, Private and State owned companies across the industries in India. It has been hypothesize that the Board Composition doesn't have positive influence on the performance of the companies belonging to three types of ownership in India. Based on the panel data analysis, it may be concluded that Board Independence has positive impact on performance of the select Private owned firms across the industries, whereas the Board Composition doesn’t have statistically significant influence on performance of the select Central and State owned firms across the industries. The present study support the results of (Faber,2005) that the firm with more outside directors i.e. Board Independence has fewer propensities to commit fraud especially in case of Private sectors firms there by supporting the report by blue ribbon committee(1999) in the US which stressed on the role of independent directors. The results of the present study are useful to investors, management, regulators and policy makers. Further, similar kind of studies can be carried out with a larger data set and across the various types of companies across countries.
5.8 REFERENCES:


Note: Refer to bibliography for the full list of references