Abstract of the Thesis

Corporate Governance is a recently emerged concept and has taken the attention of each and every country, investors and corporate professionals. Corporate governance in India came into picture by a spate of crises in the early 90’s as well as opening up to the forces of competition and globalization. Corporate governance is the practice, which requires transparency, accountability and good performance from the corporate executives. This thesis explains about the impact of corporate governance on the performance of listed companies in India. Reasons for selecting listed companies such as BSE listed companies, S&P CNX Nifty 50 companies which are functioning in India is to find out whether corporate governance is actually being practiced by these companies and is Corporate Governance the root cause of the performance of these listed firms.

The Introduction was on the concept of Corporate Governance. It elaborated the Corporate Governance Regulations in India for listed companies, summary of review of literature, importance of the study, objectives and hypotheses of the study. The research problems addressed in the present study were, such as: Does corporate governance affects the performance of blue chip companies in India? Is it board composition of the companies which is affecting performance of select central, private and state owned companies? What is the level of C.G disclosures in the public sector undertakings (PSU’s) of India?

The research methodology adopted for the present study was using the application of econometric modeling i.e. panel data analysis is applied using ‘STATA’ statistical package for examining the impact of corporate governance on the performance of NSE S&P CNX Nifty 50 companies (chapter 4) and Central, private, state owned companies(chapter 5) and Public Sector Undertaking (PSUs’)(chapter 6).The study was based on firm level data of all the companies across the various industries covering 24 sectors of the Indian economy i.e. secondary source was used extensively. The period of the study was 6 years that is from 2005-2011.Under Research Methodology scope of the study, limitations of the study were also discussed.

The comprehensive review of literature pertaining to corporate governance and firm performance highlighted the research gap in broad-spectrum, with special reference to India. The literature presented in the study was on corporate governance and firm performance, corporate governance guidelines.
The present study discusses about the Corporate Governance in India and various committees formed in India. The recommendations of these committees have lead to further enhancement of the SEBI guidelines. The present study described the history of all efforts made by various players in the area of corporate governance in India. The updated corporate governance guidelines issued by Securities and Exchange Board of India (SEBI) under clause 49 of the listing agreement is also discussed in detail in the study.

The impact of Corporate Governance (CG) practices on firm performance in India was studied by computing Corporate Governance scores from the annual reports of S&P CNX Nifty 50 companies as per the Clause 49 of listing agreement issued by Securities and Exchange Board of India. The data was collected for a period of five years from 2004 to 2009. Firm performance was determined by select measures such as market capitalization, Tobin’s Q and Market Value/Book Value ratio. The research hypotheses were constructed to prove that Corporate Governance scores have positive influence on firm performance. In this regard, pooled cross sectional time series analysis was used to test the hypotheses. The results proved that CG practices in India have positive relationship with firm performance. The result was highly statistically significant and survives a variety of robustness checks. A comparison was also made between the top ten scoring companies on the Corporate Governance framework with the least ten scoring companies based on their select financial characteristics such as firm value, Market Value/Book Value, Debt, sales growth, net profit margin etc and it was found that most of the important financial characteristics are superior in case of top ten scoring companies in comparison with least ten scoring companies for example top ten scoring companies have high firm value in comparison to least ten scoring companies. This study provides evidence to support the relationship between Corporate Governance and firm performance. Thus suggests that properly designed quality corporate governance can increase firm performance in an emerging market like India.

In the present study an attempt was also made to capture the significant relationship between performance of select central, private and state owned companies across the industries in India. The hypotheses of the study were that the board composition has a 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 has no influence on performance of the select Central and State owned firms across the industries.

In the present study an attempt was also made to capture the significant relationship between Corporate Governance disclosure scores and the market performance of select public sector companies in India. It has been hypothesized that Corporate Governance disclosure scores has a positive impact on the performance of companies. The sample was drawn from Bombay Stock Exchange (BSE). The study was covered for a period of five year that is from 2004-05 to 2008-09. Based on the pooled cross section time series analysis, it was proved that Corporate Governance disclosure score has positive impact on market capitalization of select public sector companies in India. The hypotheses were proved but statistically insignificant. It was evident from the results and analysis that better corporate governance disclosures result into better performance of the companies.

The major findings of the present study were that all the dependent variables i.e. firm value/Tobin Q, Market Value/Book Value and Market capitalization were positively correlated with corporate governance score of nifty 50 companies. Companies cannot achieve quality corporate governance by complying only with one or two parameters, but by complying with all the parameters on the Corporate Governance Index can help companies to maintain quality corporate governance which impacts on performance. It was also found that corporate governance disclosures facilitate the investors in making more informed decisions. The firm value and net profit margin were found to be positive and statistically significant with corporate governance.

Thus the conclusions and recommendations of the present study were that: There should be double blind auditing to avoid the chance of juggling up of financial statements. Apart from internal auditors at least two different external auditors should check the financial statement. There should be strong internal control as it plays an important role in preventing and detecting fraud. The board of directors should not be given full authority to make any investment decisions without showing the genuine proof of getting benefited from the investment to shareholders. There should be strong implementation of risk management. Very strict punishment should be given to the people involved in fraud. The present study also suggests some future research directions on this subject.