Executive Summary:

Empirical work in the area of Corporate Governance has undergone a remarkable growth, founded mostly on the basis of management – shareholders conflicts and to a lesser but increasing extent on the stakeholder theory. Despite the volume of empirical evidence, there has been no consensus on how to resolve the problem. The mechanism we are concerned with this study can be divided into five subareas vice, 1). Striking balance between outside and inside directors, 2). Promoting (i.e., managers and directors) insiders Shareholdings, 3). Keeping the size of the board reasonably low, 4). Encouraging ownership concentration and 5). Encouraging the firm to have a reasonable amount of leverage.

This entire thesis is organized into seven chapters. The chapters are prearranged as follows:

Chapter 1 deals with the conceptual framework of the firms’ governance and historical development of varied theories of the concept and different models of the corporate governance adopted by various countries. It contains a brief historical view on the concept of corporate governance. It explains in detail the various theories materialized and developed by the economists, researchers and experts on corporate governance. It also elaborates on the Indian Firms and its governance along with possible types of directors on board as well as committees in it. Moreover, it also outlines the basic models of corporate governance known as Anglo American model, German model, Japanese Model, Family base model and Indian model of corporate governance. This chapter ends up with discussion on these models.

Chapter 2 presents the detail outlines on the Corporate Governance codes and Regulatory Frameworks duly emerged and prevailed in diverse economies of the world. It moves further on discussing the development of codes in India including series of prescribed initiatives, guidelines and recommendations construed by various bodies and committees under the directives of Ministry of Corporate Affairs and Government of India. This chapter also focuses on provisions of mandatory and non-mandatory requirements to be complied by the Indian Corporate along with the highlights on voluntary guidelines of corporate governance duly released under clause
Chapter 3 presents the theoretical aspects of Corporate Governance Indicators and Firm Performance. It also converses on the impact of Corporate Governance Indicators on Firms Value. This chapter concludes with importance of present study on Corporate Governance and Firm Performance.

Chapter 4 undertakes detail study of review of literature. It starts with the broad observations of the area of study. The contemporary literature highlights about importance of various corporate governance for the financial performance and values of the firm. These studies so far have focused on the effect of composite corporate governance index on the firm performance. The current study attempts to find out the individual effect of each corporate governance variable on the firm performance as well as the value creation of the firms influenced by the selected and entered corporate governance indicators as independent variables. The review underlines the categorical observations from Developed Countries’ Corporate Governance System till Asian and finally Indian Corporate Governance Mechanism. Thus, the last section deals with the summary of literatures’ study.

Chapter 5 explains about the research design and methodology to be adopted in this research exertion. It outlines on the research problems and objectives first. It moves further to explain in detail about the period of the study, sample selection and data collection methods, defining the variables, developing the hypothesis and methodology of the study. Moreover, statistical techniques adopted along with the model developed for analyzing the data have also been discussed. It also details the significance and expected contributions of the study along with the limitations of the study. The chapter follows with the annexures contain list of sector wise sampled companies as well as categorical variables.

Chapter 6 illuminates on detail analysis and findings of the present study. This chapter has been divided into five sections. First section draws attention to the overall analysis of the data. The second section explains on analysis and its finding of Service Sector Firms’ governance indicators and firm performance. In the third section, the
analysis and its finding of Manufacturing Sectors Firms’ governance indicators and firm performance is carried out. In the fourth section, the analysis and its finding of All Sectors Firms’ (together) governance indicators and firm performance are carried out. Fifth section of the chapter enclosed with comparison of governance indicators and firm performance with the T–test analysis on all selected Indian Firms in the present study. With these all, the current study attempts to understand the individual and combined effects of each corporate governance indicators and with those of control variables respectively on the individual variables of the firm performance & values. Here, the firm performance and values are measured with four variables as Price Earnings (PE) Ratio, Return on Assets (ROA), Return on Net Worth (RONW), and Tobin’s Q. The corporate governance indicators of Directors Shareholdings, Size of the Board, Proportion of Outside Directors on the Board, Ownership Concentration, CEO Status along with Chairman as Duality, and presence of Foreign CEO on the Board of the firms are considered as Independent / Predictor Variables in the study. Besides these all, the variables of Leverage as Debt of the Firm, Net Sales as Size of the Firm, Age of the Firm, and Sectorial Dummy have been taken as control variables. These control variables also comprise other three dummy variables of Square of Directors Shareholdings, Square of Size of the Board, and Square of Ownership Concentration.

Chapter 7 spotlights on key empirical findings and recommendations of this study. The key findings are listed under three titles as first: The Legal Regulatory Framework Concerning Corporate Governance in Diverse Countries, second: The Legal Regulatory Framework Concerning Corporate Governance in India, and third: Effects of Corporate Governance on Firms Performance and Values in India. It summarizes further the recommendations for Indian Firms and Legislative and Regulatory Authorities and significance of setting a better monitoring mechanism as well as directive steps to be initiated by Legislative and Regulatory Authorities to strengthen the governance of the Indian Corporate. This chapter fastens with the Role of Apex Bodies and Industry-specific Associations. It also details on the contributions of the study along with the future scope of the study. This chapter end-up with an appropriate and in-depth Bibliography containing the list of referred research papers & articles, books and journals, and the websites and web-links.