Foreign Literature Review

Disclosure

Graham et.al.(2004) surveyed 401 financial executives using data from NYSE and NASDAQ. The study was conducted in New York City in 2003. Comparison is based on variables such as sales, debt-to-assets, and dividend yield, earnings per share, credit rating, book-to-market and price-earnings ratio. Average, median and Pearson Correlation Coefficients are used for analysis. It is found that managers make voluntary disclosures to reduce information risk associated with their stock but try to avoid setting a disclosure precedent that will be difficult to maintain.

Anderson (2005) examines annual reports from corporations listed on the Stockholm stock exchange to develop a Corporate Governance disclosure index and to measure 15 characteristics, derived from the agency theory and two control variables. The data is analyzed in SPSS, using both linear and multiple regressions. The analysis shows that role duality actually measure if a corporation has a foreign parent company. Therefore, it is possible to conclude that corporations are influenced by the origin of the parent company and the size of the corporation to disclose corporate governance information.

Corporate Performance

Scarborough (2003) uses corporations listed on the New York stock exchange, NASDAQ, and the American stock exchange and a sample of companies whose corporate secretaries are members of the American society of corporate secretaries. Survey data from 135 corporate secretaries and data from Compustat are used. Multiple regression analyses are used to test the hypothesized relationships between board attributes and firm performance.

The antecedents of board activism: directors' knowledge domains, independence, and effort norms, and the moderating effects of duality are used as variables. Findings suggest that there is a consistent and practically significant relationship between board attributes and firm performance.

Oricesek (2004) uses a self-administered questionnaire, sent out to the CEOs of 32 US companies. The period of study is 2001-02 and the selection of companies was based on RQ ranking. Findings suggest
that the components of the organizational structure, leadership structures at the top level and resource allocation decisions affect corporate reputation.

**Board of Directors**

Webb (2003) uses a sample of 394 socially responsible firms and 394 non-socially responsible firms in the Domini social index (DSI) as of Nov 2001. Univariate and multivariate analyses are used to test hypothesis that socially responsible boards are stronger than non-socially responsible boards. Logistic regression is used to examine the relations between firm type and board structure. It is observed that the socially responsible firms have characteristic associated with effective board structures. They have a larger proportion of outsiders and women on the board and are less likely to have a CEO who is also the chairman of the board.

Fich (2005) analysis 1,493 first-time director appointments at 432 U.S. companies to Fortune 1000 boards during 1997-99, to investigate whether certain outside directors are better than others. The data is collected from annual reports, centre for research on security prices (CRSP) and Compustat. Mean, median, standard deviation, correlations, t-test, Wilcox on rank-sum tests, multiple regression analysis, univariate analysis and multivariate analysis are used. The control variables are board characteristics and sales.

The study concludes that reactions to director appointment are higher when appointees are CEOs of other companies than when they are not. CEOs are more likely to obtain outside directorships when the companies they head perform well. Well-performing CEOs are also more likely to gain directorships in organizations with growth opportunities. CEOs are sought as outside directors to enhance firm value.

**Indian Literature Review**

**Disclosures**

Arora et.al. (2005) analysis the Corporate Governance system in five housing finance companies (HFC's) namely: Housing development and Finance Corporation (HDFC), ICICI home finance limited, LIC home finance limited, GIC home finance limited, and BHW Birla home finance limited. The authors compare (I) The Company's philosophy (II) Composition of The board (III) Various committees and (IV) Reporting of these companies. The analysis is based on the corporate governance reports of all five companies for
the year 2004-05. The study which is conducted in India concludes that there is a dire need to create a more standardized performs for writing corporate governance report of company and to create an efficient communication channel to reach the stakeholders.

**Gupta et.al. (2006)** based on content analysis, this paper examines Corporate Governance reporting by thirty Indian companies, which form the BSE Sensex as on 26th May 2003. The annual reports for the year 2006-2007 are used for analysis. The corporate governance section is extracted either from the annual reports downloaded from the company’s website or from prowess database of CMIE. Using the regulation of securities and exchange of board of India, the findings indicate- that though the firms are providing information related to all the nine dimensions of corporate governance reporting, yet a deeper analysis indicates that the disclosures are still inconclusive. Using ordinary least squares regression method, the significant determinants of disclosures are size of the company, number of independent directors and overseas listing status.

**Corporate Performance**

**Panchali (1999)** investigates the relationship between ownership structure and financial performance on the basis of accounting variables. The data of 990 publicly traded Indian firms is obtained from CIMM database for period of six years form 1990-1995. Ownership structure is analyzed through shareholding pattern and performance is analyzed from two aspects i.e. growth in terms of gross fixed assets, sales and profit after tax and second profitability (profit before depreciation, interest and taxes PBDIT). Techniques of coefficient of correlation, regression coefficient and ordinary least square (OLS) regression analysis are used for interpretation. The study suggests that there is a relationship between ownership structure and financial performance but with mixed evidences. The ownership of corporate bodies shows consistently positive relationship with profitability, while FI’s equity holdings show positive relationship with asset creation.

**Kakani et.al (2005)** uses financial statement and capital market data of 566 large Indian firms listed either with BSE or NSE, having an average market capitalization of more than Rs. one crore. The period of study is eight years divided into two sub-periods Viz. 1992-96 and 1996-2000. The study focuses on the financial performance across dimensions such as shareholders value, accounting profitability and its components, growth and the risk of the- sample firms. The financial statement and capital market data are obtained from CMIE prowess database and capitaline database. Econometric analysis is done in
SPSS version. Techniques are Pearson correlation Matrix and linear multiple regression coefficients. The study reveals that the determinants of market based performance measures and the accounting-based performance measures differ due to influence of capital market conditions. Size, marketing expenditure, and international diversification had a positive relation with a firm's market valuation.

**Mohanty (2005)** Studies a sample of 113 non-finance companies from prowess database for the period from April 1998 to March 2000 using corporate governance index containing nineteen measures. Simple OLS regression is used to observe the relationship between financial performance and institutional stake. Simultaneous equation method is used to find out whether the institutional investors have invested in companies with good governance practices. Findings reveal that corporate governance index is positively associated with financial performance. Development financial institutions have lent money to companies with better corporate governance measures. Mutual funds have invested money in companies with better corporate governance record. The positive association is because the mutual funds and development financial institutions have invested/lent money in companies with good governance records and their investment has caused the financial performance of the companies to improve.

**Board of Directors**

**Kathuria et.al.(1999)** examines the association between board size and corporate financial performance using CIMM database for the year 1994-95 of 504 corporations belonging to 18 industries in India. Profitability is calculated as the return on assets. Mean standard deviation and estimated coefficients are used in the analysis. The results suggest that the size of the board plays an important role in influencing the financial performance of corporations. Performance improves if the board size increases, but the contribution of an additional board member decreases as the size of the corporation increases.

2. Andersons, Maria and Daoud, Manal, Corporate governance disclosures by Swedish listed corporations, International Business School, 2005
5. Webb, Elizabeth Roberts, Corporate governance in socially responsible forms, Drexel University, 2003
8. Gupta, Anil and Nair, Ajit P, Corporate governance reporting by Indian companies: A content analysis study, ICFAI Institute for Management Teachers, Hyderabad, 2006
11. Mohnaty, Pitabas, Institutional investors and corporate governance in India, NSE paper 42, National stock exchange of India limited, 2005