CHAPTER 5
FINDINGS, CONCLUSIONS
AND SUGGESTIONS
Based on the empirical analyses of the BSE-500 companies from the index constituents of December 8, 2005, this study analyses the influence of corporate governance disclosures on corporate performance in selected sectors as per the sampling procedure for five years from 2001-02 to 2005-06 in the Indian context. It utilizes the corporate governance disclosure index (CGI) constructed for the purpose of this study. Technical analyses are conducted using descriptive statistics, correlations and regression analyses in SPSS 11.01 software.

The hypotheses is testified using linear multiple regression techniques at 5% significance level to analyse the relationship between corporate performance and corporate governance. To obtain such evidence, all measures of performance are regressed on CGI variables as per the estimated regression models.

This analysis helps us to develop a statistical model that can be used to predict the value of a dependent variable based on the values of multiple variables. We testify the hypotheses of this study with four multiple regression models. The model that explains the maximum variability in the dependent variable is selected to interpret the hypotheses. These validations of the findings help us to draw conclusions and ratify our theory on the impact of corporate governance on corporate performance.

5.1 MAJOR FINDINGS
The major findings of this study are discussed with reference to the independent variable, dependent variable and the sectorial analysis.
5.1.1 Independent variables

I Company's philosophy

The results in this study provide evidence of the significance of this variable in the metal, metal products & mining sector. Companies in this sector practice the ethos of upholding the health and welfare of employees as a foundation of success. Similarly, the capital goods sector mainly consists of public sector undertakings which lay emphasis on the welfare of employees for smooth functioning of its day to day activities. Thus the company's philosophy on governance causes an increase in productivity and performance. However, the capital goods sector provides evidence at 10% level of significance against the 5% criteria and therefore it has not been considered.

In the agriculture and finance sectors, the analysis reveals that company's philosophy has a negative association with the performance variable. Companies that practice corporate social responsibility and uphold humane philosophies see a gradual reduction in their book profit. This holds true for the agriculture sector which has adapted various rural development schemes for the benefit of farmers and themselves. The finance sector, also promotes various rural development schemes such as rural banking, rural education and various loan schemes for the welfare of farmers. However, it has a 10% significance level against the 5% criteria and hence the hypothesis in this sector is rejected.

Results do not testify to the importance of this variable in the chemical & petrochemical, information technology, oil & gas, transport equipments and the total sample sectors. Companies while providing disclosure on their philosophy of governance, explains it as an abstract term applicable to companies other than themselves. They disclose their understanding of governance by quoting various definitions of
the same. They fail to disclose the efforts and steps they would undertake to provide good governance. Although, these abstract philosophies increase their disclosure scores, it fails to impact performance and thus shows a lack of significance for this variable.

II - Board of directors

In this study we find that the board of directors positively influences performance in finance, oil & gas and transport equipments sectors, indicating that these sectors have the appropriate board structure, productive meetings and sufficient policy changes causing this influence. On the other hand, it has a negative influence in agriculture and chemical & petrochemical sectors as a result of unproductive meetings and insufficient policy changes.

The board of directors shows no significance in capital goods, information technology, metal, metal products & mining and the total sample sectors. The main reason for this is the rapid global expansion, technology changes and increase in research and development by utilisation of business revenues. The only exception to this is the capital goods sector which is dominated by public sector undertakings having unsteady boards. The boards are subject to regular retirement of directors by rotations and depend on the government of India for fresh recruitments. The board members have a short tenure and board positions remain vacant for three to four months in a year resulting in lack of significance.

III - Audit committee

The audit committee mainly performs the function of overseeing the company’s financial reporting process and the disclosure of financial information to ensure that the financial statements are correct, sufficient and credible. It also makes recommendations to the board
after reviewing various reports and statements. It is indirectly linked to performance and shows a lack of significance across all sectors.

The chemical & petrochemical sector is the only exception to this behaviour. This sector is one step ahead than other sectors in assessing performance against the audit committee and testifies to a significant relationship. It utilizes the concept of ‘audit committee performance measurement’ which is still in its infancy. The nature of infancy is ascertained by its negative association with performance.

IV Risk management committee

Risk management is relevant for mitigating the effects of various risks. Unmanaged business risks have several consequences such as shareholders wealth erosion and lack of viability and goodwill. Improper management results in time wastage and financial losses. The importance of this variable is evident in the oil & gas and transport equipments sectors. Its negative association with the performance variable in the finance and total sample sectors indicate that improper management has resulted in time wastage and financial losses.

On the other hand, there is a total absence of disclosure with regard to the risk management committee in the chemical & petrochemical, information technology and metal, metal products & mining sector and an incomplete disclosure practice in agriculture and capital goods sectors.

V Management committee

The management committee consists of senior management personnel who are members of its core management team excluding the board of directors. This comprises of members of management one level below the executive directors, including the functional heads. They make
disclosures to the board relating to all material, financial and commercial transactions, where there is a personal interest, which may have a potential conflict with the interest of the company at large [clause 49(IV)(F)].

It negatively influences performance in the agriculture, chemical & petrochemical, transport equipments and the total sample sectors. This association clarifies the present role of the management committee as being unproductive and need to be developed to its full potential. Adversely it will affect the performance and an additional cost is incurred in accommodating such management.

There is a total absence of disclosure with regard to the management committee in the capital goods, metal, metal products & mining and oil & gas sectors and an incomplete disclosure practice in finance and information technology sectors.

VI Directors' committee

The directors' committee is constituted to consider and recommend to the board matters regarding annual operating plans, business restructuring proposals, acquisitions, disinvestments, business and strategy review, long term financial projections, introduction of new products, sale of companies' investments and raising of finance.

The agriculture, finance and the total sample sectors experiences a negative association between the directors' committee and performance as it plays an unproductive role and needs to be developed to its full potential. Adversely it will affect the performance and an additional cost is incurred in accommodating such directors.
There is a total absence of disclosure with regard to the capital goods, chemical & petrochemical and transport equipments sectors and an incomplete disclosure practice in information technology, metal, metal products & mining and oil & gas sectors.

VII  **Remuneration committee**

The remuneration committee formulates the remuneration policy and details of remuneration paid to all the directors. The criteria of making payments to non-executive directors and the number of shares and convertible instruments held by them are also monitored. Policies and procedures followed in making payments to directors influences their individual performance and thereby the performance of companies at large.

The importance of this committee is testified in the total sample sectors which positively affects performance. In the metal, metal products & mining and oil & gas sectors there is a negative influence on performance as a result of the unproductive role played by the remuneration committee. In rest of the sectors including the agriculture, capital goods, chemical & petrochemical, finance, information technology and transport equipments sectors, it plays an inadequate role and is not yet developed to its full potential.

VIII  **Shareholders/investors' grievance committee**

The purpose of the committee is to look into the redressal of investors' complaints. The procedures followed are mainly administrative in nature and have little influence on performance. On the other hand, policies adapted impact the attitude of shareholders and thereby the performance at large. This committee experiences a complete disclosure practice indicating that companies follow the required procedures.
The results in the agriculture sector provide evidence of the significance of this committee which positively affect performance. This sector follows the required procedures of this committee and is initiating policy changes that are impacting the attitude of shareholders and thereby influencing performance. As against this, capital goods, finance, metal, metal products & mining and transport equipments sectors have a negatively influence on performance. Although these sectors follow the required procedures of this committee and are initiating policy changes, they are yet to impact the attitude of shareholders as these changes are initiated only during the latter part of this study. The chemical & petrochemical, information technology, oil & gas and the total sample sectors does not experience the importance of this committee. These sectors follow the required procedures of this committee but fail to have policies that impact the attitude of shareholders.

IX General body meetings

Procedures relating to general body meetings and the use of postal ballots are investigated. The regression analysis does not provide evidence of its significance. The main reason for this is the inadequate use of postal ballots across all sectors.

The only exception is the capital goods sector which has a negative association with performance. This sector follows the required procedures and is initiating appropriate policies relating to postal ballots. But these changes are yet to impact the attitude of shareholders as they are initiated only during the latter part of this study.
X  Related party transactions and penalties
Disclosed related party transactions and penalties for non-compliance imposed by SEBI or any statutory authority on any matter related to capital markets negatively impacts performance in the metal, metal products & mining sector. The negative association is aptly justified as penalties involve payments of huge amount of fines to the respective stock exchanges and related party transactions cause conflicts with the interests of the company thereby reducing performance. This variable proves insignificant in other sectors. The main reason for this is the inadequate contribution from companies towards this disclosure.

XI  Means of communication
The influence of means of communication on performance is analysed. Existing and potential shareholders exhibit confident in the business of companies in this sector and are therefore satisfied with current financial results and events such as the quarterly and annual financial results, official news releases, presentations made to institutional investors or analysts and information furnished to any business/market analyst. These are easily accessible through newspapers and internet. Results testify to the significance of this variable in promoting companies to potential shareholders, creditors and the consumers and thus influencing performance in agriculture, chemical & petrochemical, finance, metal, metal products & mining, oil & gas, transport equipments and the total sample sectors.

The means of communication relates to the current financial results and events. In case of industries undergoing expansion, globalisation and transformation, shareholders are keen to know more about the history of the companies and their previous performances. They look at wider and more detailed information. Short term or current year's
information does not impact them. This is evident for the information technology sector which has seen recent and rapid growth, proving a lack of significance for this variable. Similarly, the capital goods sector is dominated by public sector undertakings, with the government of India having major shareholdings. The shareholding pattern is not impacted by this disclosure, nor is the performance thus testifying to a lack of significance.

XII General shareholder information

Information provided to the general shareholder is studied in relation to its influence on performance. This disclosure is required mainly by the existing shareholders and has been provided by the companies long before the corporate governance norms came into existence. We therefore notice a greater contribution by companies towards this disclosure.

Aging companies have a strong shareholder base, market base, product recognition, brand recognition research and development, finance availability, loans from creditors and financial institutions and government backing. Little needs to be done in terms of wooing the shareholders, creditors and the consumers. Shareholders are already familiar with the information provided and therefore tend to have a laid back, taken for granted and over confident attitude. They show poor levels of participation towards growth and expansion of their companies. These factors contribute to the lack of significance of this variable in agriculture, capital goods, chemical & petrochemical, metal, metal products & mining, transport equipments sectors.

On the other hand, companies undergoing expansion, globalisation and transformation and/or experiencing a tremendous growth in terms of number of branches, customer size, nature of services and
market awareness benefit from this disclosure. The shareholders, potential shareholders, creditors and the consumers of these companies are impacted by this disclosure. They analyse this information more closely and are more critical, pushing the performance level even higher, thereby positively influencing performance. We find evidence of this behaviour in the finance, information technology, and the total sample sectors.

The oil & gas sector is experiencing a shift in management from public sector undertakings to non-public sector undertakings with the government of India giving up its majority stakes to other financial institutions and the public at large. This phase of transformation has resulted in a negative influence on performance.

XIII Non-mandatory disclosures

The non-mandatory disclosures such as benefits to non-executive directors, specific remuneration packages for executive directors, training provided to directors in the business model and risk profile of business parameters, clearly defined responsibilities as directors and peer group evaluation mechanism of their performance are factors that influence the performance of companies. Similarly, a regime of unqualified financial statements, mechanism for employees to report unethical practices and direct access to the chairperson of the audit committee are steps taken by responsible companies. Half-yearly declaration of financial performance and summary of significant events in the last six months being sent to shareholders increases the role played by them. These disclosures are investigated and their influence on performance analysed and interpreted.

We find evidence of the importance of this variable in metal, metal products & mining and the total sample sectors. The regression result
in agriculture, capital goods, chemical & petrochemical, finance, information technology, oil & gas and transport equipments sectors does not provide evidence of the significance of this variable. The main reason for this is the inadequate contribution from companies towards disclosure of training to directors, their clearly defined responsibilities and peer group evaluation mechanism of their performance, a regime of unqualified financial statements and mechanism for employees to report unethical practices.

XIV Other items included in the annual report

Other items such as the management discussion and analysis report, certificate of compliance of code of conduct from board members, directors, senior management personnel, brief resume of directors and senior management personnel, pecuniary relationships and transactions of non-executive directors, certification by the CEO and CFO, signature of compliance officer or the chief executive officer, quarterly compliance report submitted to stock exchange and certificate of compliance obtained from its statutory auditor or company secretary are all examined along with the annual report. This variable helps us to understand the attitude of the management, policy decisions and various strategies that impact performance.

We find evidence of the importance of this variable in agriculture, capital goods, finance, and metal, metal products & mining sectors. The regression result in chemical & petrochemical, information technology, oil & gas, transport equipments and the total sample sectors does not provide evidence of the significance of this variable. The main reason for this is the inadequate contribution from companies towards disclosure on various certificates of compliance.
5.1.2 Dependent variables

We testify the hypotheses of this study with the four regression models developed for the purpose of this study. The model that explains the maximum variability in the dependent variable is selected as our final multiple regression model. The accounting-based performance measures—such as return on equity (ROE), return on net worth (RONW), return on capital employed (ROCE) and return on assets (ROA) are the four dependent variables used in the regression models.

The final model that is selected for testifying the hypotheses in the agriculture, chemical & petrochemical, information technology, metal, metal products & mining, oil & gas and transport equipments sectors have return on equity (ROE) as its dependent variable. While the final regression model in the capital goods sector has return on capital employed (ROCE) as its dependent variable. The maximum variability in the dependent variable return on assets (ROA) has been explained in the finance and the total sample sectors.

5.1.3 Sectorial analysis

1. Agriculture sector

The regression results in the agriculture sector provide evidence of the significance of disclosures on shareholders/ investors' grievance committee, means of communication and other items included in the annual report and its influence on performance. It is negatively associated with companies' philosophy on governance, board of directors, management committee and directors' committee. The analysis reveals in a lack of significance for audit committee, risk management committee, remuneration committee, general body meetings, related party transactions and penalties, general shareholder information and non-mandatory disclosures.
i) This sector looks into the redressal of investors' complaints through shareholders/ investors' grievance committee. It follows the required procedures of this committee and is initiating policy changes that are impacting the attitude of shareholders and thereby influencing performance.

ii) Means of communication provide insights into the interest shown by existing and potential shareholders, small investors, creditors, consumers and such other stakeholders in current financial results and events and thus testify to the expansion of these industries from investments made by new and potential investors.

iii) The confidence of stakeholders is further boosted by the various certificates of compliance provided in the annual report thereby increasing performance.

iv) Companies adapt the philosophy of corporate social responsibility by adopting various rural development schemes for the benefit of farmers and themselves causing a gradual reduction in their book profit.

v) Board of directors has a negative influence on performance as a result of unproductive meetings and insufficient policy changes.

vi) The management and directors' committees have a negative influence on performance as these committees are unproductive and need to be developed to its full potential.

vii) Risk management is relevant for mitigating the effects of various risks and its improper management results in time wastage and financial losses. This sector does not recognise the benefits of the risk management committee.

viii) The remuneration committee formulates the remuneration policy and details of remuneration paid to all the directors. Policies and procedures followed in making payments to directors influences their individual performance and thereby the performance of companies at large. Yet it proves insignificance due to the inadequate role played by this committee.
ix) The inadequate disclosures are provided with regard to the use of postal ballots.

x) The disclosure on the general shareholder information is required mainly by the existing shareholders. Shareholders of aging companies are already familiar with the information provided and therefore tend to have a laid back, taken for granted and over confident attitude. They show poor levels of participation towards growth and expansion of their companies. These factors contribute to the lack of significance of this variable.

xi) There is an inadequate contribution from companies towards disclosure of training to directors, their clearly defined responsibilities and peer group evaluation mechanism of their performance, a regime of unqualified financial statements and mechanism for employees to report unethical practices in the non-mandatory disclosures category.

2. **Capital goods sector**

The regression results in the capital goods sector provide evidence of the significance of disclosure on other items included in the annual report. It is negatively associated with shareholders/ investors' grievance committee and general body meetings. The analysis results in a lack of significance for company's philosophy, board of directors, audit committee, risk management committee, remuneration committee, related party transactions and penalties, means of communication, general shareholder information and non-mandatory disclosures. There is a total absence of disclosure for management committee and directors' committee.

i) The disclosure on various certificates of compliance, reflecting the attitude of the management positively impacts performance.

ii) The redressal of investors' complaints by shareholders/ investors' grievance committee has a negatively influence on performance in this
sector. This committee experiences a complete disclosure practice indicating that companies follow the required procedures, but lack policy changes that impact the attitude of shareholders.

iii) Similarly, it follows the required procedures and is initiating appropriate policies relating to postal ballots. But these changes are yet to impact the attitude of shareholders as they are initiated during the latter part of this study.

iv) This sector mainly consists of public sector undertakings which lay emphasis on the welfare of employees for smooth functioning of its day to day activities. Thus the company’s philosophy on governance causes an increase in productivity and performance. However, the capital goods sector provides evidence at 10% level of significance against the 5% criteria and therefore it has not been considered.

v) This sector is dominated by public sector undertakings having unsteady boards. The boards are subject to regular retirement of directors by rotations and depend on the government of India for fresh recruitments. The board members have a short tenure and board positions remain vacant for three to four months in a year resulting in lack of significance for board of directors.

vi) The audit committee performs the function of overseeing, reviewing and reporting the accuracies of various reports and statements. It is indirectly linked to performance and shows a lack of significance for the performance variable.

vii) Risk management is relevant for mitigating the effects of various risks and its improper management results in time wastage and financial losses. This sector provides incomplete disclosure of risk management committee.

viii) The remuneration committee formulates the remuneration policy and details of remuneration paid to all the directors. Policies and procedures followed in making payments to directors influences their individual performance and thereby the performance of companies at
large. Yet it proves insignificance due to the inadequate role played by this committee.

ix) Means of communication provide insights into the interest shown by existing and potential shareholders, small investors, creditors, consumers and such other stakeholders in current financial results and events. Industries benefit from investments made by new and potential investors for the purpose of expansion. This sector is dominated by public sector undertakings, with the government of India having major shareholdings. The shareholding pattern is not impacted by this disclosure, nor is the performance thus testifying to a lack of significance.

x) Disclosure on the general shareholder information is required mainly by the existing shareholders. Shareholders of aging companies are already familiar with the information provided and therefore tend to have a laid back, taken for granted and over confident attitude. They show poor levels of participation towards growth and expansion of their companies. These factors contribute to the lack of significance of this variable.

xi) There is an inadequate contribution from companies towards non-mandatory disclosures such as training to directors, their clearly defined responsibilities and peer group evaluation mechanism of their performance, a regime of unqualified financial statements and mechanism for employees to report unethical practices.

xii) There is a total absence of disclosure with regard to the management and directors' committees in this sector. These variables have therefore been deleted from the regression analysis.
3. Chemical & petrochemical sector

The regression results in the chemical & petrochemical sector provide evidence of the significance of disclosures on means of communication. It is negatively associated with board of directors, audit committee and management committee. The analysis results in a lack of significance for company’s philosophy, remuneration committee, shareholders/investors’ grievance committee, general body meetings, related party transactions and penalties, general shareholder information, non-mandatory disclosures and other items included in the annual report. There is a total absence of disclosure for risk management committee and directors' committee.

i) Means of communication provide insights into the interest shown by existing and potential shareholders, small investors, creditors, consumers and such other stakeholders in current financial results and events and thus testify to the expansion of these industries from investments made by new and potential investors.

ii) Board of directors has a negative influence on performance as a result of unproductive meetings and insufficient policy changes.

iii) The audit committee performs the function of overseeing, reviewing and reporting the accuracies of various reports and statements. It is indirectly linked to performance. In this sector performance is assessed against the audit committee and testifies to a significant relationship. It utilizes the concept of ‘audit committee performance measurement’ which is still in its infancy. The nature of infancy is ascertained by its negative association with performance.

iv) The management committee has a negative influence on performance as this committee is unproductive and needs to be developed to its full potential.

v) Companies while providing disclosure on their philosophy of governance, explains it as an abstract term applicable to companies other than themselves. They fail to disclose the efforts and steps they
would undertake to provide good governance. These abstract philosophies fail to impact performance.

vi) The remuneration committee formulates the remuneration policy and details of remuneration paid to all the directors. Policies and procedures followed in making payments to directors influences their individual performance and thereby the performance of companies at large. Yet it proves insignificance due to the inadequate role played by this committee.

vii) The redressal of investors' complaints by shareholders/ investors' grievance committee shows a lack of significance with performance in this sector. This committee experiences a complete disclosure practice indicating that companies follow the required procedures, but fail to have policies that impact the attitude of shareholders.

viii) There is an inadequate disclosure of the use of postal ballots.

ix) The disclosure on the general shareholder information is required mainly by the existing shareholders. Shareholders of aging companies are already familiar with the information provided and therefore tend to have a laid back, taken for granted and over confident attitude. They show poor levels of participation towards growth and expansion of their companies. These factors contribute to the lack of significance of this variable.

x) There is an inadequate contribution from companies towards non-mandatory disclosures such as training to directors, their clearly defined responsibilities and peer group evaluation mechanism of their performance, a regime of unqualified financial statements and mechanism for employees to report unethical practices.

xi) The disclosure on various certificates of compliance is inadequate.

xii) There is a total absence of disclosure with regard to the risk management and directors' committees in this sector. These variables have therefore been deleted from the regression analysis.
4. **Finance sector**

The regression results in the finance sector provide evidence of the significance of disclosures on board of directors, means of communication, general shareholder information and other items included in the annual report. It is negatively associated with risk management committee, directors' committee and shareholders/investors' grievance committee. The analysis results in a lack of significance for company's philosophy, audit committee, management committee, remuneration committee, general body meetings, related party transactions and penalties and non-mandatory disclosures.

i) Board of directors positively influences performance indicating that this sector has the appropriate board structure, productive meetings and is initiating appropriate policy changes to cause this influence.

ii) Means of communication provide insights into the interest shown by existing and potential shareholders, small investors, creditors, consumers and such other stakeholders in current financial results and events and thus testify to the expansion of these industries from investments made by new and potential investors.

iii) Companies undergoing expansion, globalisation and transformation and/or experiencing a tremendous growth in terms of number of branches, customer size, nature of services and market awareness benefit from the disclosure of the general shareholder information. The existing shareholders, potential shareholders, creditors and the consumers of these companies analyse this information more closely and are more critical, pushing the performance level even higher, thereby positively influencing performance.

iv) The disclosure on various certificates of compliance, reflecting the attitude of the management positively impacts performance.

v) Risk management is relevant for mitigating the effects of various risks and its improper management results in time wastage and financial
losses. Its negative association with the performance variable in this sector indicates improper management has resulted in time wastage and financial losses.

vi) The directors' committee has a negative influence on performance as this committee is unproductive and needs to be developed to its full potential.

vii) The redressal of investors' complaints by shareholders/ investors' grievance committee has a negatively influence on performance. This committee experiences a complete disclosure practice indicating that companies follow the required procedures and are initiating policy changes, but they are yet to impact the attitude of shareholders as these changes are initiated only during the latter part of this study.

viii) Companies adapt the philosophy of corporate social responsibility by adopting various rural development schemes such as rural banking, rural education and various loan schemes for the welfare of farmers and themselves causing a gradual reduction in their book profit. However, it has a 10% significance level against the 5% criteria and hence the hypothesis in this sector is rejected.

ix) The audit committee performs the function of overseeing, reviewing and reporting the accuracies of various reports and statements. It is indirectly linked to performance and shows a lack of significance for the performance variable.

x) There is an incomplete disclosure practice with regard to the management committee.

xi) The remuneration committee formulates the remuneration policy and details of remuneration paid to all the directors. Policies and procedures followed in making payments to directors influences their individual performance and thereby the performance of companies at large. Yet it proves insignificance due to the inadequate role played by this committee.

xii) The disclosure of the use of postal ballots is inadequate.
There is an inadequate contribution from companies towards non-mandatory disclosures such as training to directors, their clearly defined responsibilities and peer group evaluation mechanism of their performance, a regime of unqualified financial statements and mechanism for employees to report unethical practices.

5. **Information technology sector**

The regression results in the information technology sector provide evidence of the significance of disclosure on general shareholder information. The analysis results in a lack of significance for company's philosophy, board of directors, audit committee, management committee, directors' committee, remuneration committee, shareholders/ investors' grievance committee, general body meetings, related party transactions and penalties, means of communication, non-mandatory disclosures and other items included in the annual report. There is a total absence of disclosure for risk management committee.

i) Companies undergoing expansion, globalisation and transformation and/or experiencing a tremendous growth in terms of number of branches, customer size, nature of services and market awareness benefit from the disclosure of the general shareholder information. The existing shareholders, potential shareholders, creditors and the consumers of these companies analyse this information more closely and are more critical, pushing the performance level even higher, thereby positively influencing performance.

ii) Companies while providing disclosure on their philosophy of governance, explains it as an abstract term applicable to companies other than themselves. They fail to disclose the efforts and steps they would undertake to provide good governance, which fail to impact performance.
iii) This sector experiences a rapid global expansion, technology changes and increase in research and development by utilisation of business revenues. This policy has resulted in a lack of significance for board of directors.

iv) The audit committee performs the function of overseeing, reviewing and reporting the accuracies of various reports and statements. It is indirectly linked to performance and shows a lack of significance for the performance variable.

v) There is an incomplete disclosure practice with regard to management and directors' committees.

vi) The remuneration committee formulates the remuneration policy and details of remuneration paid to all the directors. Policies and procedures followed in making payments to directors influences their individual performance and thereby the performance of companies at large. Yet it proves insignificance due to the inadequate role played by this committee.

vii) The redressal of investors' complaints by shareholders/ investors' grievance committee shows a lack of significance with performance in this sector. This committee experiences a complete disclosure practice indicating that companies follow the required procedures, but fail to have policies that impact the attitude of shareholders.

viii) The disclosure of the use of postal ballots is inadequate.

ix) Means of communication provide insights into the interest shown by existing and potential shareholders, small investors, creditors, consumers and such other stakeholders in current financial results and events. In case of industries undergoing expansion, globalisation and transformation, investors are keen to know more about the history of the companies and their previous performances. They look at wider and more detailed information. Short term or current year's information does not impact them, testifying to a lack of significance.
x) There is an inadequate contribution from companies towards non-mandatory disclosures such as training to directors, their clearly defined responsibilities and peer group evaluation mechanism of their performance, a regime of unqualified financial statements and mechanism for employees to report unethical practices.

xi) The regression results do not provide evidence of the significance of various certificates of compliance for lack of adequate disclosure.

xii) There is a total absence of disclosure with regard to the risk management committee in this sector. This variable has therefore been deleted from the regression analysis.

6. Metal, metal products & mining sector
The regression results in the metal, metal products & mining sector provide evidence of the significance of disclosures on company’s philosophy, means of communication, non-mandatory disclosures and other items included in the annual report. It is negatively associated with remuneration committee, shareholders/ investors’ grievance committee and related party transactions and penalties. The analysis results in a lack of significance for board of directors, audit committee, directors' committee, general body meetings and general shareholder information. There is a total absence of disclosure for risk management committee and management committee.

i) Companies in this sector practice the ethos of upholding the health and welfare of employees as a foundation of success. Thus the company’s philosophy on governance causes an increase in productivity and performance.

ii) Means of communication provide insights into the interest shown by existing and potential shareholders, small investors, creditors, consumers and such other stakeholders in current financial results and
events and thus testify to the expansion of these industries from investments made by new and potential investors.

iii) We find evidence of the significance of non-mandatory disclosures such as training to directors, their clearly defined responsibilities and peer group evaluation mechanism of their performance, a regime of unqualified financial statements and mechanism for employees to report unethical practices and its influence on performance.

iv) The disclosure on various certificates of compliance, reflecting the attitude of the management positively impacts performance.

v) The remuneration committee formulates the remuneration policy and details of remuneration paid to all the directors. Policies and procedures followed in making payments to directors influences their individual performance and thereby the performance of companies at large. We find a negative influence on performance as a result of the unproductive role played by this committee.

vi) The redressal of investors' complaints by shareholders/ investors' grievance committee has a negatively influence on performance. This committee experiences a complete disclosure practice indicating that companies follow the required procedures and are initiating policy changes, but they are yet to impact the attitude of shareholders as these changes are initiated only during the latter part of this study.

vii) Related party transactions and penalties for non-compliance imposed by SEBI or any statutory authority on any matter related to capital markets has a negative impact on performance. The negative association is aptly justified as penalties involve payments of huge amount of fines to the respective stock exchanges and related party transactions cause conflicts with the interests of the company thereby reducing performance.

viii) This sector experiences a rapid global expansion, technology changes and increase in research and development by utilisation of business
revenues. This policy has resulted in a lack of significance for board of directors.

ix) The audit committee performs the function of overseeing, reviewing and reporting the accuracies of various reports and statements. It is indirectly linked to performance and shows a lack of significance for the performance variable.

x) Incomplete disclosures of directors' committee are provided.

xi) There is an inadequate disclosure of the use of postal ballots.

xii) The disclosure on the general shareholder information is required mainly by the existing shareholders. Shareholders of aging companies are already familiar with the information provided and tend to have an over confident attitude. They show poor levels of participation towards growth and expansion of their companies. These factors contribute to the lack of significance of this variable.

xiii) There is a total absence of disclosure with regard to the risk management and management committees in this sector. These variables have therefore been deleted from the regression analysis.

7. Oil & gas sector

The regression results in the oil & gas sector provide evidence of the significance of disclosures on board of directors, risk management committee and means of communication. It is negatively associated with remuneration committee and general shareholder information. The analysis results in a lack of significance for company's philosophy, audit committee, directors' committee, shareholders/ investors' grievance committee, general body meetings, related party transactions and penalties, non-mandatory disclosures and other items included in the annual report. There is a total absence of disclosure for management committee.
i) Board of directors positively influences performance indicating that this sector has the appropriate board structure, productive meetings and is initiating appropriate policy changes to cause this influence.

ii) Risk management is relevant for mitigating the effects of various risks and its improper management results in time wastage and financial losses. We find evidence of the importance of this committee in enhancing performance in this sector.

iii) Means of communication provide insights into the interest shown by existing and potential shareholders, small investors, creditors, consumers and such other stakeholders in current financial results and events and thus testify to the expansion of these industries from investments made by new and potential investors.

iv) The remuneration committee formulates the remuneration policy and details of remuneration paid to all the directors. Policies and procedures followed in making payments to directors influences their individual performance and thereby the performance of companies at large. We find a negative influence on performance as a result of the unproductive role played by this committee.

v) Companies undergoing expansion, globalisation and transformation and/or experiencing a tremendous growth in terms of number of branches, customer size, nature of services and market awareness benefit from the disclosure of the general shareholder information. The existing shareholders, potential shareholders, creditors and the consumers of these companies analyse this information more closely and are more critical, thereby influencing performance. This sector is experiencing a shift in management from public sector undertakings to non-public sector undertakings with the government of India giving up its majority stakes to other financial institutions and the public at large. This phase of transformation has resulted in a negative influence on performance.
vi) Companies while providing disclosure on their philosophy of governance, explains it as an abstract term applicable to companies other than themselves. They fail to disclose the efforts and steps they would undertake to provide good governance which fails to impact performance.

vii) The audit committee performs the function of overseeing, reviewing and reporting the accuracies of various reports and statements. It is indirectly linked to performance and shows a lack of significance for the performance variable.

viii) There is an incomplete disclosure practice with regard to the directors' committee.

ix) The redressal of investors' complaints by shareholders/ investors' grievance committee shows a lack of significance with performance in this sector. This committee experiences a complete disclosure practice indicating that companies follow the required procedures, but fail to have policies that impact the attitude of shareholders.

x) The disclosure on postal ballots is inadequate.

xi) There is an inadequate contribution from companies towards non-mandatory disclosures such as training to directors, their clearly defined responsibilities and peer group evaluation mechanism of their performance, a regime of unqualified financial statements and mechanism for employees to report unethical practices.

xii) The regression results do not provide evidence of the significance of various certificates of compliance for lack of adequate disclosure.

xiii) There is a total absence of disclosure with regard to the management committee in this sector. This variable has therefore been deleted from the regression analysis.
8. **Transport equipments sector**

The regression results in the transport equipments sector provide evidence of the significance of disclosures on board of directors, risk management committee and means of communication. It is negatively associated with management committee and shareholders/ investors' grievance committee. The analysis results in a lack of significance for company's philosophy, audit committee, remuneration committee, general body meetings, related party transactions and penalties, general shareholder information, non-mandatory disclosures and other items included in the annual report. There is a total absence of disclosure for directors' committee.

i) Board of directors positively influences performance indicating that this sector has the appropriate board structure, productive meetings and is initiating appropriate policy changes to cause this influence.

ii) Risk management is relevant for mitigating the effects of various risks and its improper management results in time wastage and financial losses. We find evidence of the importance of this committee in enhancing performance in this sector.

iii) Means of communication provide insights into the interest shown by existing and potential shareholders, small investors, creditors, consumers and such other stakeholders in current financial results and events and thus testify to the expansion of these industries from investments made by new and potential investors.

iv) The management committee has a negative influence on performance as this committee is unproductive and needs to be developed to its full potential.

v) The redressal of investors' complaints by shareholders/ investors' grievance committee has a negatively influence on performance. This committee experiences a complete disclosure practice indicating that companies follow the required procedures and are initiating policy
changes, but they are yet to impact the attitude of shareholders as these changes are initiated only during the latter part of this study.

vi) Companies while providing disclosure on their philosophy of governance, explains it as an abstract term applicable to companies other than themselves. They fail to disclose the efforts and steps they would undertake to provide good governance, which fails to impact performance and thus shows a lack of significance for this variable.

vii) The audit committee performs the function of overseeing, reviewing and reporting the accuracies of various reports and statements. It is indirectly linked to performance and shows a lack of significance for the performance variable.

viii) The remuneration committee formulates the remuneration policy and details of remuneration paid to all the directors. Policies and procedures followed in making payments to directors influences their individual performance and thereby the performance of companies at large. Yet it proves insignificance due to the inadequate role played by this committee.

ix) The disclosure on postal ballots is inadequate.

x) The disclosure on the general shareholder information is required mainly by the existing shareholders. Shareholders of aging companies are already familiar with the information provided and therefore tend to have a laid back, taken for granted and over confident attitude. They show poor levels of participation towards growth and expansion of their companies. These factors contribute to the lack of significance of this variable.

xi) There is an inadequate contribution from companies towards non-mandatory disclosures such as training to directors, their clearly defined responsibilities and peer group evaluation mechanism of their performance, a regime of unqualified financial statements and mechanism for employees to report unethical practices.
xii) The regression results do not provide evidence of the significance of various certificates of compliance for lack of adequate disclosure.

xiii) There is a total absence of disclosure with regard to the directors' committee in this sector. This variable has therefore been deleted from the regression analysis.

9. Total sample sectors
The regression results in the total sample sector provide evidence of the significance of disclosures on remuneration committee, means of communication, general shareholder information and non-mandatory disclosures. It is negatively associated with risk management committee, management committee and directors' committee. The analysis results in a lack of significance for company's philosophy, board of directors, audit committee, shareholders/ investors' grievance committee, general body meetings, related party transactions and penalties and other items included in the annual report.

i) The remuneration committee formulates the remuneration policy and details of remuneration paid to all the directors. Policies and procedures followed in making payments to directors influences their individual performance and thereby the performance of companies at large. The importance of this committee is testified in this sector which positively affects performance.

ii) Means of communication provide insights into the interest shown by existing and potential shareholders, small investors, creditors, consumers and such other stakeholders in current financial results and events and thus testify to the expansion of these industries from investments made by new and potential investors.

iii) Companies undergoing expansion, globalisation and transformation and/or experiencing a tremendous growth in terms of number of branches, customer size, nature of services and market awareness
benefit from the disclosure of the general shareholder information. The existing shareholders, potential shareholders, creditors and the consumers of these companies analyse this information more closely and are more critical, pushing the performance level even higher, thereby positively influencing performance.

iv) We find evidence of the significance of non-mandatory disclosures such as training to directors, their clearly defined responsibilities and peer group evaluation mechanism of their performance, a regime of unqualified financial statements and mechanism for employees to report unethical practices and its influence on performance in this sector.

v) Risk management is relevant for mitigating the effects of various risks and its improper management results in time wastage and financial losses. Its negative association with the performance variable in this sector indicates improper management has resulted in time wastage and financial losses.

vi) The management and directors' committees have a negative influence on performance as these committees are unproductive and need to be developed to its full potential.

vii) Companies while providing disclosure on their philosophy of governance, explains it as an abstract term applicable to companies other than themselves. They fail to disclose the efforts and steps they would undertake to provide good governance, which fails to impact performance and thus shows a lack of significance for this variable.

viii) Companies experience a rapid global expansion, technology changes and increase in research and development by utilisation of business revenues. This policy has resulted in a lack of significance for board of directors.

ix) The audit committee performs the function of overseeing, reviewing and reporting the accuracies of various reports and statements. It is
indirectly linked to performance and shows a lack of significance for the performance variable.

x) The redressal of investors' complaints by shareholders/ investors' grievance committee shows a lack of significance with performance in this sector. This committee experiences a complete disclosure practice indicating that companies follow the required procedures, but fail to have policies that impact the attitude of shareholders.

xi) There is an inadequate disclosure of the use of postal ballots.

xii) The regression results do not provide evidence of the significance of various certificates of compliance for lack of adequate disclosure.
<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Notation</th>
<th>Agriculture</th>
<th>Capital goods</th>
<th>Chemical</th>
<th>Finance</th>
<th>I.T.</th>
<th>Metal</th>
<th>Oil &amp; gas</th>
<th>Transport</th>
<th>Total Sec.</th>
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<td>65.00</td>
<td>66.00</td>
<td>80.60</td>
<td>79.40</td>
<td>81.40</td>
<td>76.60</td>
<td>84.00</td>
<td>80.20</td>
<td>77.00</td>
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<td>Board of directors</td>
<td>8</td>
<td>MDBD</td>
<td>79.03</td>
<td>76.38</td>
<td>91.25</td>
<td>77.65</td>
<td>89.00</td>
<td>84.18</td>
<td>88.55</td>
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<td>MDAC</td>
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<td>64.51</td>
<td>78.84</td>
<td>69.76</td>
<td>86.89</td>
<td>81.29</td>
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<td>77.80</td>
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<td>Risk management committee</td>
<td>6</td>
<td>MDRM</td>
<td>21.30</td>
<td>21.23</td>
<td>20.00</td>
<td>46.40</td>
<td>20.00</td>
<td>20.00</td>
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<td>21.67</td>
<td>25.10</td>
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<td>Management committee</td>
<td>3</td>
<td>MDMC</td>
<td>23.93</td>
<td>20.00</td>
<td>22.73</td>
<td>48.80</td>
<td>30.67</td>
<td>20.00</td>
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<td>22.67</td>
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<tr>
<td>Directors' committee</td>
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<td>MDDC</td>
<td>23.00</td>
<td>20.00</td>
<td>20.00</td>
<td>31.33</td>
<td>23.80</td>
<td>25.93</td>
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<td>20.00</td>
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<td>Remuneration committee</td>
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<td>MDRC</td>
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<td>50.40</td>
<td>48.05</td>
<td>35.03</td>
<td>62.90</td>
<td>46.83</td>
<td>47.35</td>
<td>47.73</td>
<td>48.10</td>
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<td>Investors' grievance committee</td>
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<td>MDIG</td>
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<td>67.86</td>
<td>84.96</td>
<td>64.20</td>
<td>93.74</td>
<td>81.32</td>
<td>76.98</td>
<td>78.38</td>
<td>76.54</td>
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<td>General body meetings</td>
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<td>MDGB</td>
<td>42.83</td>
<td>50.50</td>
<td>55.97</td>
<td>40.40</td>
<td>52.10</td>
<td>42.67</td>
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<td>44.70</td>
<td>47.57</td>
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<td>Other disclosures</td>
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<td>MDOD</td>
<td>50.60</td>
<td>44.65</td>
<td>40.60</td>
<td>42.10</td>
<td>59.35</td>
<td>48.40</td>
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<td>45.10</td>
<td>46.25</td>
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<td>51.86</td>
<td>54.91</td>
<td>47.66</td>
<td>75.14</td>
<td>68.63</td>
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<td>68.43</td>
<td>59.20</td>
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<td>MDSH</td>
<td>74.19</td>
<td>78.60</td>
<td>85.89</td>
<td>63.16</td>
<td>90.45</td>
<td>84.52</td>
<td>80.41</td>
<td>93.80</td>
<td>81.47</td>
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<td>Non-mandatory disclosures</td>
<td>10</td>
<td>NMD</td>
<td>29.86</td>
<td>27.18</td>
<td>27.88</td>
<td>29.12</td>
<td>38.86</td>
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<td>25.76</td>
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<td>28.38</td>
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<tr>
<td>Other items of disclosures</td>
<td>20</td>
<td>OID</td>
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<td>Total score</td>
<td>110</td>
<td>CGI</td>
<td>50.99</td>
<td>50.75</td>
<td>56.75</td>
<td>49.47</td>
<td>63.37</td>
<td>55.89</td>
<td>54.85</td>
<td>56.97</td>
<td>54.87</td>
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N = 75  N = 105  N = 110  N = 145  N = 105  N = 95  N = 65  N = 150  N = 850
Table 5.1.2: Summary of regression results showing estimate of beta with the level of significance per hypothesis in various sectors

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Independent/ Dependent</th>
<th>Agriculture ROE</th>
<th>Capital goods ROCE</th>
<th>Chemical ROE</th>
<th>Finance ROA</th>
<th>I.T. ROE</th>
<th>Metal ROE</th>
<th>Oil &amp; gas ROE</th>
<th>Transport ROE</th>
<th>Total Sec. ROA</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁</td>
<td>MDCP</td>
<td>-2.081*</td>
<td>0.033</td>
<td>-0.205</td>
<td>-0.006</td>
<td>1.132</td>
<td>2.199**</td>
<td>-0.032</td>
<td>-0.243</td>
<td>0.004</td>
</tr>
<tr>
<td>H₂</td>
<td>MDBD</td>
<td>-0.430*</td>
<td>0.007</td>
<td>-0.823**</td>
<td>0.003**</td>
<td>1.012</td>
<td>-0.110</td>
<td>1.230**</td>
<td>0.401*</td>
<td>-0.001</td>
</tr>
<tr>
<td>H₃</td>
<td>MDAC</td>
<td>0.228</td>
<td>0.000</td>
<td>-0.395**</td>
<td>0.000</td>
<td>-0.277</td>
<td>0.027</td>
<td>-0.441</td>
<td>-0.087</td>
<td>0.001</td>
</tr>
<tr>
<td>H₄</td>
<td>MDRM</td>
<td>-0.013</td>
<td>-0.010</td>
<td>Del.</td>
<td>-0.002**</td>
<td>Del.</td>
<td>Del.</td>
<td>3.283*</td>
<td>1.441**</td>
<td>-0.003*</td>
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<tr>
<td>H₅</td>
<td>MDMC</td>
<td>-0.811**</td>
<td>Del.</td>
<td>-0.750**</td>
<td>0.000</td>
<td>-0.402</td>
<td>Del.</td>
<td>Del.</td>
<td>-1.098**</td>
<td>-0.004**</td>
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<tr>
<td>H₆</td>
<td>MDDC</td>
<td>-0.964**</td>
<td>Del.</td>
<td>Del.</td>
<td>-0.003**</td>
<td>0.086</td>
<td>0.092</td>
<td>-1.084</td>
<td>Del.</td>
<td>-0.005**</td>
</tr>
<tr>
<td>H₇</td>
<td>MDRC</td>
<td>0.013</td>
<td>0.008</td>
<td>-0.011</td>
<td>0.000</td>
<td>0.287</td>
<td>-0.556**</td>
<td>-0.369*</td>
<td>0.010</td>
<td>0.001*</td>
</tr>
<tr>
<td>H₈</td>
<td>MDIG</td>
<td>0.223*</td>
<td>-0.023**</td>
<td>0.026</td>
<td>-0.004**</td>
<td>-0.112</td>
<td>-0.461**</td>
<td>0.285</td>
<td>-0.812**</td>
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<td>H₉</td>
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<td>-0.018</td>
<td>-0.001</td>
<td>-0.067</td>
<td>-0.187</td>
<td>-0.072</td>
<td>0.066</td>
<td>-0.001</td>
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<tr>
<td>H₁₀</td>
<td>MDOD</td>
<td>-0.103</td>
<td>-0.014</td>
<td>0.377</td>
<td>0.002</td>
<td>-0.399</td>
<td>-0.832*</td>
<td>0.382</td>
<td>-1.014</td>
<td>-0.002</td>
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<tr>
<td>H₁₁</td>
<td>MDCO</td>
<td>0.339*</td>
<td>0.002</td>
<td>0.760**</td>
<td>0.004**</td>
<td>-0.039</td>
<td>0.373**</td>
<td>1.088**</td>
<td>0.381**</td>
<td>0.001*</td>
</tr>
<tr>
<td>H₁₂</td>
<td>MDSH</td>
<td>-0.015</td>
<td>-0.001</td>
<td>0.111</td>
<td>0.002**</td>
<td>0.912**</td>
<td>0.154</td>
<td>-0.630**</td>
<td>-0.124</td>
<td>0.002**</td>
</tr>
<tr>
<td>H₁₃</td>
<td>NMD</td>
<td>0.321</td>
<td>-0.004</td>
<td>0.048</td>
<td>-0.001</td>
<td>0.131</td>
<td>0.388**</td>
<td>-1.536</td>
<td>-0.081</td>
<td>0.002*</td>
</tr>
<tr>
<td>H₁₄</td>
<td>OID</td>
<td>0.184*</td>
<td>0.007**</td>
<td>0.025</td>
<td>0.002**</td>
<td>0.155</td>
<td>0.209**</td>
<td>-0.155</td>
<td>0.073</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Notes:

** Test for significance at the 0.01 level (two-tailed)

* Test for significance at the 0.05 level (two-tailed)

Del.: Variables having constant values and missing correlations that reflect an absence of disclosure are deleted from the analysis.
5.2 CONCLUSIONS

5.2.1 Independent variables

1. Based on the results in this study we conclude that the company's philosophy on governance increases performance when companies practice the ethos of upholding the welfare of employees as a foundation of success and for smooth functioning of its day to day activities. The analysis reveals a negative association with the performance variable for companies that practice corporate social responsibility as there is a gradual reduction in their book profits. Ironically, most companies while providing disclosure on their philosophy of governance, explains it as an abstract term applicable to companies other than themselves. They fail to disclose the efforts and steps they would undertake to provide good governance.

2. The board of directors experiences a complete disclosure practice and has the appropriate board structure for good performance. Yet the various policies implemented by the board of directors fail to impact and influence performance. Policies changes, increase in the number board meetings (currently only four to five annual meetings are held) and enhanced participation of all members are urgently required. The capital goods sector needs strengthening from the government of India by providing fresh and timely recruitments to stabilise their boards. Urgent measures need to be undertaken to strengthen the boards of public sector undertakings such that it improves performance. The policies of regular retirement of directors by rotations and fresh recruitments need to be addressed. The vacancies in board positions and short tenure of directors lead to ineffective and unsteady boards.
3. Although companies provide an adequate disclosure on the audit committee, they need to adapt the concept of ‘audit committee performance measurement’ in order to influence performance. The only methods of assessments currently available are: agreed charter vs. actual achievement, subjective assessment, measure of impact, feedbacks and productivity of issues discussed.

4. Risk management is relevant for mitigating the effects of various risks and its improper management results in time wastage and financial losses. Companies are yet to understand the importance of this committee and its role in enhancing performance. Inadequate risk management procedures are currently adapted.

5. The management committee makes disclosures to the board of all material, financial and commercial transactions where there is a personal interest which may have a potential conflict with the interest of the company. Most companies do not have a management committee. Existing committees are unproductive and has not been developed to its full potential.

6. The importance of the directors’ committee cannot be underestimated. It is constituted to consider and recommend to the board matters regarding annual operating plans, business restructuring proposals, acquisitions, disinvestments, business and strategy review, long term financial projections, introduction of new products, sale of companies’ investments, raising of finance and such other important matters. It currently plays an unproductive role.
7. The remuneration committee formulates the remuneration policy and details of remuneration paid to all the directors. Policies and procedures followed in making payments to directors influences their individual performance and thereby the performance of companies. This committee does not currently formulate policies and procedures of payments to directors.

8. The purpose of the shareholders/ investors' grievance committee is to look into the redressal of investors' complaints. This committee experiences a complete disclosure practice indicating that companies follow the required procedures, but fail to have policies that impact the attitude of shareholders such that it influences performance.

9. The use of postal ballots is inadequate and fails to impact the attitude of shareholders to foster better performance.

10. Disclosure on related party transactions and penalties for non-compliance negatively impacts performance. The negative association is aptly justified as penalties involve payments of huge amount of fines to respective stock exchanges and related party transactions cause conflicts with the interests of companies thus reducing performance.

11. Means of communication is instrumental in promoting companies to existing and potential shareholders, small investors, creditors, consumers and such other stakeholders and is a useful tool for companies planning an expansion and requiring investments from new, potential and small investors.
12. The existing shareholders are already familiar with the general shareholder information and tend to be over confident. This leads to poor participation towards growth and expansion of companies. A shift in the attitude of shareholders is needed. The critical analyses of information will push the performance level higher, thereby positively influencing performance.

13. The non-mandatory disclosures are voluntary disclosures made by companies to promote transparency and business ethics. It causes them to go beyond the required norms and enhances the participation of shareholders, customers and employees. It brings about a sense of fairness and prevents fraudulent behaviour. It leads to accountability and responsibility on the part of the management resulting in performance. Yet most companies provide only the mandatory disclosures and do not go beyond fulfilling the basic norms required by stock exchanges.

14. Companies do not provide training to directors, their responsibilities are not clearly defined and there is no peer group evaluation mechanism of their performance.

15. Most companies have not moved to a regime of unqualified financial statements and do not have a mechanism for employees to report unethical practices.

16. The confidence of stakeholders is boosted by the various certificates of compliance provided in the annual report that reflect the attitude of the management, policy decisions and various strategies thereby increasing performance of companies. Most companies fail to incorporate compliance certificates in the annual report.
5.2.2 Dependent variables

The model that explains the maximum variability in the dependent variable is selected as our final multiple regression model to testify the hypotheses of this study. Based on this selection we conclude that:

i) In the study of individual sectors, we may safely use return on equity (ROE) as a performance variable.

ii) In sectors having banking assets, we need to use return on assets (ROA) as a performance variable.

iii) Sectors dominated by public sector undertakings (PSU) have return on capital employed (ROCE) as its performance variable.

iv) In the study of companies from various sectors, return on assets (ROA) may be used as a performance variable.
5.2.3 Sectorial analyses

1. Agriculture sector

i) Board of directors needs further strengthen through appropriate policy changes such that it influences performance.

ii) The management and directors' committees are unproductive and need to be developed to its full potential.

iii) The audit committee merely performs the function of overseeing, reviewing and reporting the accuracies of various reports and statements. It does not exercise statutory rights that cause fundamental policy changes in the disclosure patterns, transparency and performance enhancing procedures.

iv) This sector does not recognise the importance of the risk management committee.

v) The remuneration committee has not adapted the appropriate policies and procedures for making payments to directors such that it influences the performance of companies by influencing the individual performance of directors.

vi) The use of postal ballots needs to be increased.

vii) The existing shareholders of this sector are already familiar with the general shareholder information provided by companies and therefore have an over confident attitude. They show poor levels of participation towards growth and expansion of companies. Much needs to be done to change their attitude.

viii) Companies do not provide training to directors, their responsibilities are not clearly defined and peer group evaluation mechanism of their performance does not exist.

ix) Companies lack mechanism for employees to report unethical practices and have not moved towards a regime of unqualified financial statements.
2. **Capital goods sector**

i) Shareholders/ investors’ grievance committee lacks policies that impact the attitude of shareholders.

ii) Urgent measures need to be taken to strengthen the boards of public sector undertakings such that it improves performance.

iii) The audit committee reviews and reports the accuracies of various reports and statements. It does not exercise statutory rights that cause fundamental policy changes in the disclosure patterns, transparency and performance enhancing procedures.

iv) The importance of risk management committee is undermined.

v) The remuneration committee has not adapted the appropriate policies and procedures for making payments to directors such that it influences the performance of companies by influencing the individual performance of directors.

vi) In this sector the government of India has major shareholdings. The shareholding pattern is not impacted by the various means of communication such as newspapers and internet websites.

vii) The existing shareholders of this sector are already familiar with the general shareholder information and tend to be over confident. This leads to poor participation towards growth and expansion of companies. A change in attitude is needed.

viii) The responsibilities of directors are not defined therefore their performance cannot be evaluated and no training is provided.

ix) Companies have not moved to a regime of unqualified financial statements and there is no mechanism for employees to report unethical practices.

x) This sector has not constituted the management and directors’ committees.
3. Chemical & petrochemical sector

   i) Board of directors has a negative influence on performance as a result of unproductive meetings and insufficient policy changes.

   ii) The management committee plays an unproductive role.

   iii) The remuneration committee has not adapted the appropriate policies and procedures for making payments to directors such that it influences the performance of companies.

   iv) Shareholders/ investors' grievance committee lacks policies that impact the attitude of shareholders.

   v) The use of postal ballots is inadequate.

   vi) The existing shareholders of this sector are already familiar with the general shareholder information and tend to be over confident. This leads to poor participation towards growth and expansion of companies. A change in attitude is needed.

   vii) Directors lack training, their responsibilities are not defined nor do they have a peer group evaluation mechanism.

   viii) Employees do not have a system to report unethical practices.

   ix) Various certificates of compliance have not been disclosure.

   x) The risk management and directors' committees are not constituted.
4. **Finance sector**

i) This sector experiences improper risk management resulting in financial losses.

ii) The unproductive role of directors’ committee negatively influences performance.

iii) The audit committee reviews and reports the accuracies of various reports and statements. It does not exercise statutory rights that cause fundamental policy changes in the disclosure patterns, transparency and performance enhancing procedures.

iv) The importance of management committee is not recognised.

v) Remuneration committee has not adapted the appropriate policies and procedures for making payments to directors such that it influences performance of companies.

vi) Postal ballots are used inadequately.

vii) Directors receive inadequate training, responsibilities are not defined and peer group evaluation mechanism does not exist.

viii) Companies have not moved to a regime of unqualified financial statements and there is no mechanism for employees to report unethical practices.
5. **Information technology sector**

i) The various policies implemented by the board of directors fail to impact and influence performance.

ii) The audit committee reviews and reports the accuracies of various reports and statements. It does not exercise statutory rights that cause fundamental policy changes in the disclosure patterns, transparency and performance enhancing procedures.

iii) The importance of management and directors' committees is not recognised.

iv) The remuneration committee has not adapted the appropriate policies and procedures for making payments to directors such that it influences the performance of companies by improving performance of directors.

v) Shareholders/ investors' grievance committee lacks policies that impact the attitude of shareholders.

vi) The use of postal ballots is inadequate.

vii) Directors do not receive adequate training, their responsibilities are not defined and their performance is not evaluation.

viii) There is no mechanism for employees to report unethical practices and a regime of unqualified financial statements does not exist.

ix) Various certificates of compliance are not adequately disclosed.

x) This sector has not constituted the risk management committee.
6. **Metal, metal products & mining sector**

i) Remuneration committee lacks appropriate payments policies to directors resulting in a negative influence on performance.

ii) The audit committee reviews and reports the accuracies of various reports and statements. It does not exercise statutory rights that cause fundamental policy changes in the disclosure patterns, transparency and performance enhancing procedures.

iii) The importance of directors' committee is not recognised.

iv) The use of postal ballots is inadequate.

v) The existing shareholders of this sector are already familiar with the general shareholder information and tend to be over confident. This leads to poor participation towards growth and expansion of companies. A change in attitude is needed.

vi) This sector has not constituted the risk management and management committees.
7. **Oil & gas sector**
   
i) Remuneration committee lacks appropriate payments policies to directors resulting in a negative influence on performance.

ii) The audit committee reviews and reports the accuracies of various reports and statements. It does not exercise statutory rights that cause fundamental policy changes in the disclosure patterns, transparency and performance enhancing procedures.

iii) The importance of directors' committee is not recognised.

iv) Shareholders/ investors' grievance committee lacks policies that impact the attitude of shareholders.

v) The use of postal ballots is inadequate.

vi) Directors do not receive adequate training, their responsibilities are not clearly defined and there is no mechanism to evaluate their performance.

vii) There is no mechanism for employees to report unethical practices and a regime of unqualified financial statements does not exist.

viii) Various certificates of compliance are not adequately disclosed.

ix) This sector has not constituted the management committee.
8. Transport equipments sector
   i) The unproductive role of management committee negatively influences performance.
   ii) The audit committee reviews and reports the accuracies of various reports and statements. It does not exercise statutory rights that cause fundamental policy changes in the disclosure patterns, transparency and performance enhancing procedures.
   iii) Remuneration committee lacks appropriate payments policies.
   iv) The use of postal ballots is inadequate.
   v) The existing shareholders of this sector are already familiar with the general shareholder information and tend to be overconfident. This leads to poor participation towards growth and expansion of companies. A change in attitude is needed.
   vi) Training to directors is inadequate, their responsibilities are not well defined and there is no peer group evaluation mechanism.
   vii) A regime of unqualified financial statements and mechanism for employees to report unethical practices does not exist.
   viii) Various certificates of compliance are not adequately disclosed.
   ix) This sector has not constituted the directors’ committee.
9. **Total sample sectors**

i) The various policies implemented by the board of directors fail to impact and influence performance.

ii) The risk management procedures do not protect against financial losses.

iii) The unproductive role of management and directors’ committees negatively influences performance.

iv) The audit committee reviews and reports the accuracies of various reports and statements. It does not exercise statutory rights that cause fundamental policy changes in the disclosure patterns, transparency and performance enhancing procedures.

v) Shareholders/ investors’ grievance committee lacks policies that impact the attitude of shareholders.

vi) The use of postal ballots is inadequate.

vii) Various certificates of compliance are not adequately disclosed.
5.3 **SUGGESTIONS**

1. Companies need to go beyond the basic norms of corporate governance disclosure practices in order to achieve more transparency and higher levels of governance.

2. Companies require to practice the ethos of upholding the welfare of employees as a foundation of success.

3. Public sector undertakings have got to take urgent measures to address issues of vacancies in board positions and short tenure of directors.

4. Companies ought to implement programmes to enhance board members, investors and stakeholders' participation.

5. The audit committee has to exercise statutory rights that cause fundamental policy changes in the disclosure patterns and level of transparency.

6. The risk management committee should be constituted in order to mitigating the effects of various risks and to avoid time wastage and financial losses.

7. The various internal management committees must be formed in order to instil effective governance and have efficient and profitable corporate organisations.

8. The remuneration committee should follow appropriate policies and procedures of payments to directors.

9. Shareholders/ investors' grievance committee must play an active role in the redressal of investors' complaints.
10. Companies have to increase the use of postal ballots.

11. Companies requiring investments from new, potential and small investors are obliged to disclose information through various means of communication such as newspapers and websites.

12. Companies undergoing expansion, globalisation and transformation are required to disclose the general shareholder information for the benefit of long term investors, existing shareholders, potential shareholders, creditors and the consumers.

13. Companies are required to provide training to its directors. The responsibilities of each director must be clearly defined and their performance evaluated by their peer groups.

14. Companies must seek to move to a regime of unqualified financial statements.

15. Employees ought to have a mechanism to report unethical practices.

16. Companies should provide the various certificates of compliance in the annual report in order to boost the confidence of stakeholders.