Executive Summary

Good governance is the expectations of every stakeholder, specially, shareholder. Governance is related with the controlling of the activity and controlling of the corporate sector can be termed as corporate governance. But the implementation of ‘Corporate Governance’ is not that much simple as its meaning. Corporate Governance is recently emerged concept and has taken the attention of each and every country, investors and corporate professionals.

Corporate governance is the practice, which requires transparency, accountability and good performance from the corporate executives. It has, its strong base from the internal management of company, to the shareholders’ value as well as corporate social responsibility. Reasons for selecting corporate level units which are functioning in India is to find out whether corporate governance is actually being practiced by the corporate level executives or not.

The first chapter gives an overview of corporate governance. It introduces the concept of Corporate Governance in narrow as broad definitions. The corporate governance and relationship with various stakeholders is also narrated in it. The global landmarks in the history of corporate governance in the countries like USA, UK is also discussed in this chapter. Brief reports of various corporate governance committees formed at international level, OECD principles and Sorbanes – Oxley Act is also discussed in this chapter. Finally the chapter describes the history of all efforts made by various players in the area of corporate governance in India. The chapter also contains recent developments in India related to corporate governance like report of CII Task Force and Corporate Governance: Voluntary Guidelines issued by Ministry of Corporate Affairs, Government of India.

The second chapter is about the measuring financial performance. It discusses stakeholders who are interested in the financial performance. There are various techniques for analysis is discussed in this chapter like, Ratio Analysis, Du-Pont Analysis, Comparative Statement Analysis, Time Series Analysis and Inter Firm Analysis. Various types are ratios are also discussed in this chapter, including Liquidity Ratios, Leverage Ratios, Activity Ratios and Profitability Ratios.
The Third chapter is about research methodology. It includes the methodology to compute score for Corporate Governance and parameters to judge the financial performance. Researcher has selected BSE 100 Companies spread across various sectors. For the study of sample, researcher has used secondary data and for that Annual Reports of 90 companies are gathered and analyzed. Researcher has collected the data from the annual reports of the financial year 2008. The collected data are then classified and segmented into various groups. The parameters for arriving at financial corporate governance performance score and financial performance score are also discussed in this chapter.

The Forth chapter analyses the corporate governance practices in Indian companies. The sample of 90 companies is further classified into 12 sectors. The corporate governance is calculated using several parameters and is grouped into 17 different aspects having total weightage score of 100.

Average score of all sample companies in India is 67. The average score of FMCG and Information Technology sector companies is highest at 71. The lowest average score (63) is from Capital Goods sector companies. The Infosys Technologies Limited scores highest points (91), whereas Mahanagar Telecom Nigam Limited scores lowest (48) points in the corporate governance performance parameters.

The Fifth Chapter analyses the financial performance of companies. The four key parameters used to evaluate the financial performance are, EBT/Sales Ratio, Sales/Total Assets Ratio, Earnings Per Share and Price/Earnings Multiple. Further a co-relation is also established between above four financial performance parameters and four key corporate governance parameters. Four key areas of corporate governance area are: Director’s Information (DI), Board Committees (BC), Transparency & Disclosure (TD) and General Information (GI). A cross tabulation is also formed for each sector using financial performance related parameters on one axis and the corporate governance parameters on the other axis. The three hypotheses are also tested using various techniques.

The sixth chapter includes the summary of every chapter. A comprehensive data related to calculations related with Corporate Governance score and summary of financial performance is also produced in it. The Table indicated correlation and hypothesis testing is also included in the chapter.