CHAPTER 2
REVIEW OF LITERATURE

This chapter is an endeavor to review the literature related to corporate governance practices, disclosures, board structure, ownership structure, financial and non financial performance variables, theories, models, and corporate governance mechanisms. This review is to find out the research gap by scrutinize what has already been done on the corporate governance practices and its related issues and also to give a deep insight and clear perspective of the overall corporate governance practices and mechanism adopted by the listed companies. The review of various studies on corporate governance practices provides broad continuum about various aspects of corporate governance and helps in formulation of appropriate methodology and base to the present study on corporate governance practices in automobile industry. The chapter is organized on the basis of review of literature in the following areas:

2.1 Corporate Governance Practices
2.2 Corporate Governance Disclosure & Transparency
2.3 Corporate Governance Index
2.4 Corporate Governance and Firm Performance
2.5 Corporate Board Structure (CBS)
2.6 Corporate Board Activity (CBA)
2.7 Corporate Remuneration (CRM)
2.8 Shareholding Pattern (SHP)
2.1 Corporate governance Practices

Efficient, effective and standard corporate governance practices are essential for achieving and maintaining public trust and confidence in any organization. It is linchpin in those companies where public money is involved, as a result it is important for the economy of a country. (Lipunga, 2014). A standard framework to analyze corporate governance practices is provided by the OECD principles. These principles acknowledge not only the importance of legal protection, but also of other mechanisms of corporate governance practices such as shareholders rights, equitable treatment, role of stakeholders, board responsibilities and disclosure & Transparency (OECD, 2004).

The corporate governance practices are about the maintaining an effective channel of information disclosure, building credibility, ensuring transparency and accountability that would foster the corporate performance. (Onakoya, Ofoegbu, & Fasanya, 2012) Many researchers have been investigating the relationship of corporate governance practices and the corporate performances. Some of the studies show a positive and significant relationship and some studies shows a negative and insignificant relationship, and some studies even show a mixed result for the link between corporate governance practices and corporate performance therefore to get a deep insight and clear perspective and extensive review of literature is conducted in this section of the study.

In an study (Neelam Bhardwaj, 2014) examines the corporate governance practices in Indian firm. Researcher stats that the corporate governance is both a science and art. Revised clause 49 of the listing agreement taken as the benchmark for the study. The study examines the 50 CNX Nifty Index companies. The data collected from the annual report of two years 2010-11 and 2011-12. The corporate governance score is created on the basis of information disclosed by the companies in their annual report. The researchers concludes that the mandatory provisions of revised Clause 49 are followed by most of the
companies, however the need to extend the scope of mandatory disclosure requirement is proposed.

A study by (Vijayalakshmi, 2013) examines the corporate governance practices of Andhra Bank by using the content analysis. The annual reports from 2004-05 to 2011-12 are analyzed with respect to board composition and various mandatory and non-mandatory committees. Corporate governance scores are used for analyzing the governance practices adopted by the bank. As per clause 49 of the listing agreement corporate governance scores are calculated for the years 2004-2005 to 2011-12 to know the extent of corporate governance practices adopted by bank. The researcher concludes by saying that overall corporate governance practices of Andhra Bank are good. The scores are increasing year on year from 2004-05 and consistent in the last four years and it is a sign good governance.

In an study in Poland context (Aluchna, 2009) examines the relationship between compliance with corporate governance best practice and corporate performance within Poland. The data for the year 2004 to 2006 for Polish public listed companies is considered for the study. For the analysis regression analysis is performed. The result indicates that complying with corporate governance best practice in Poland is associated with lower return on investment when whole data set taken together, where as positive but statistically insignificant when only rated companies are included in the research sample. The researcher also found that the relationship between proxy of Tobin’s q and corporate governance rating remains statistically insignificant and is negative for the whole sample and positive for first and third year as well as for rating companies.

In an study in IT companies (Subramanyam & Dasaraju, 2014) analyse the level of disclosure of corporate governance practices of 6 major IT companies in India for the period from 2004-05 to 2011-12. Score card method is used for
analyses using the Standard & Poor's score card. The result of the study supports the theoretical arguments that the corporate governance disclosure practices increases firm's performances. study also support that the companies' disclosure level is highly affected by the countries legal, political and the market environment. study recommends that the for an efficient and effective corporate governance disclosure practice system good legislation and a corruption free environment is essential. study also supports that the corporate governance disclosure practices also contributes in increasing the profitability of company.

Similarly (Bishnoi & Godara, 2015) compared the corporate governance practices between IT sector and Real estate sector. Panel data for the period of 10 years from 2001 to 2010 has been considered for the study. corporate governance disclosure practices adopted by both the sectors is measured by using the scorecard method. Scorecard capturing both mandatory and non mandatory disclosure information is used, and score secured by both the sector companies is compared to reach the conclusion regarding the corporate governance disclosure practices adopted by the sectors. By using the difference of mean test, study concluded that corporate governance disclosure practices in both the sector are insignificantly different but by using score card method and analyzing the mean a significant difference is found and concluded that IT sector performs better that Real sector in terms of corporate governance disclosure practices.

(Madhani, 2015) investigated the corporate governance and disclosure practices and found a significant relationship between the two. In the study on MNC subsidiaries and cross-listed firms found that the corporate governance and disclosure practices of MNC subsidiaries are weaker as compared the disclosure practice adopted by the cross-listed firms. the research also finds that corporate governance and disclosure practices of domestic firm in the US are better than the European firms due to the legal and institutional environment.
US observe high standards of corporate governance practices and disclosure than the Europe. The study reveals that domestic cross-listed firms disclose more information than MNC subsidiaries listed only in host country.

A study by (Brahmbhatt, Patel, & Patel, 2012) attempts to examine and compare corporate governance practices of private and public bank. Study also examines the importance of governance parameters from investors and financial advisors perspective. For examining the corporate governance practices in banks score card method is used. A primary data is also collected by way of interview for understanding the criteria’s and perspective of investors, fund managers and broking channel members which they consider with respect to investments and financial advisory. Score secured by the banks on the score card is used for the comparison purpose. Researcher found the existence of difference between adherence to corporate governance rate of private and public sectors banks. The result also reflects that the different parameters are have been given importance by different private and public sector banks and even difference exist within same sectors too. Researcher also found that there is exists ambiguity in correlation between compliance of corporate governance parameters and net profit. Researcher concluded that the Clause 49 as per SEBI rule is not been able to provide numerical value of importance to each parameter as it is debatable issue over years.

In and study on insurance companies (Tornyeva & Wereko, 2012) suggested that the insurance companies should adopt good corporate governance practices to improve their financial performance, it is also suggested by the researcher that most importantly the regulatory authorities must ensure compliance with good governance and apply the appropriate sanctions for non compliance to help the growth and development of the insurance industry.

(Rejeb & Frioui, 2012) examines the corporate governance practices in Tunisian context. The association between good corporate governance
practices and stakeholder’s satisfaction in Tunisian listed companies was studied with a specific aim to demonstrate that the good governance practices are a driver of stakeholder’s satisfaction and therefore a factor of a sustainable competitive advantage development in the developing economies that do not have active markets and sound external institutions with the power to establish good corporate governance practices. The stakeholder’s satisfaction is considered as dependent variable and the four principles of corporate governance (responsibility, transparency, fairness, accountability), the monitoring role, the strategist role and the prerequisites are considered as the independent variables. The company age, size and state ownership are used as control variables. To gather the data on the variables structured questionnaire is used which contains 38 items under 8 categories. The result of regression analysis shows that the stakeholder’s satisfaction is significantly related to the pre-requisites, the responsibility, the transparency as well as the accountability. However the researcher did not find statistically significant associations between the stakeholder’s satisfaction and the Fairness, the board monitoring role and the board strategist role.

2.1.1 Summary
The above review of literature reveals that the research in the field of corporate governance practices vary from country to country and from researcher to researcher and even from industry to industry. There is no fix generalized pattern for the corporate governance practices. The common and important thing is that good corporate governance practices are important for the companies wherein the public money is involved. Most of the studies are conducted on the publicly listed companies whether in conducted in Indian context or in foreign context. In India corporate governance practices revolves round the clause 49 listing agreement, company law and the other related legislation along with the corporate governance best practices code suggested and recommended by various organization. The researcher have used different-different approach for the corporate governance practices.
### 2.1.2 Brief Literature Review: Corporate Governance Practices

<table>
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<tr>
<th>Title</th>
<th>Author</th>
<th>Objective</th>
<th>Period of Study</th>
<th>Conclusion/Outcome of the study</th>
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<tr>
<td>Comparative Analysis of Corporate Governance Practices between IT and Real Estate Sector of India</td>
<td>Dr. N.K. Bishnoi, and Sunita Godara (2015)</td>
<td>Objective is to compare corporate governance practices between IT and Real Estate Sector of India</td>
<td>2001-2010</td>
<td>The corporate governance score of sampled IT firms is found to be insignificantly different from the sampled Real Estate firms on the basis of CGI method. Whereas in case of Scorecard method the corporate governance score is found to be significantly high for IT sector firms than Real estate sector firms. Practical</td>
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<td>Corporate Governance Practices in Commercial Banking Sector of Malawi: Evidence from Annual Reports</td>
<td>Lipunga, Andrew Munthopa (2014)</td>
<td>Objective to examines corporate governance practices of commercial banks by measuring the level of corporate governance related disclosures in the annual reports Using Corporate Governance Disclosure Index</td>
<td>2011</td>
<td>Using a corporate governance disclosure index the study results give an overall disclosure score of 0.69 indicating that on average 69% of the items of disclosure were actually disclosed in the annual reports of the sampled banks. The overall score is a comforting and good sign of progress by the banks.</td>
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<td>Corporate Governance and</td>
<td>Subraman yam, M Dasaraju,</td>
<td>1) To study Corporate Governance</td>
<td>2004-2012</td>
<td>The results of the study support theoretical arguments that corporate</td>
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<td>Disclosure Practices in Listed Information Technology (IT) Companies in India</td>
<td>Himachal m (2014)</td>
<td>practices in IT companies. 2) To dwell upon Corporate Governance disclosure practices in select IT companies in India.</td>
<td>governance disclosure increases performance. Also a country’s government environment—especially legal and market infrastructure—highly affect the companies’ rate of disclosure which then increases profitability.</td>
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<td>Corporate Governance and Disclosure Practices of MNC Subsidiaries and Cross-Listed Firms: An Institutional Environment Perspective</td>
<td>Pankaj M Madhani (2015)</td>
<td>study seeks to measure the overall corporate governance and disclosure practices of MNC subsidiaries and cross-listed firms to identify whether corporate governance and disclosure practices of MNC subsidiaries and cross-listed firms are significantly different</td>
<td>Study finds that there is significant relationship between corporate governance and disclosure practices of firms. MNCs disclose more as compared to domestic firms. the research finds that corporate governance and disclosure practices of MNC subsidiaries are weaker than such practices of cross-listed firms. Similarly, the research also finds that corporate governance and disclosure practices of domestic firms listed in the US are better than such practices of firms listed in Europe. It is because, the institutional and legal environment of US and Europe is different with US having higher standards of corporate governance and disclosure as compared to Europe. Hence, this research supports the bonding hypothesis as a driver for</td>
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<td>Study Title</td>
<td>Authors/Institution</td>
<td>Research Objective</td>
<td>Year(s)</td>
<td>Findings</td>
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<td>Corporate Governance Practices in India - A Case Study</td>
<td>Ms. Neelam Bhardwaj and CMA Dr. Batani Raghavendra Rao</td>
<td>To benchmark the corporate governance practices of CNX Nifty 50 companies with the revised Clause 49</td>
<td>2010-11 and 2011-12</td>
<td>The results of the study reveal that the mandatory provisions of revised Clause 49 are followed by most of the companies. However, there is a need to extend the scope of existing mandatory requirements of revised Clause 49 further.</td>
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<td>An Empirical Investigation of Corporate Governance Scenario in Public Vs Private Banks in India</td>
<td>Mamta Brahmbhatt, Rashesh Patel, and Swati Patel, (2012)</td>
<td>To study the major difference between corporate governance practices in Private and Public sector banks</td>
<td>2008-09 to 2010-11</td>
<td>Researcher found the existence of difference between adherence to corporate governance rate of private and public sectors banks. The result also reflects that the different parameters are have been given importance by different private and public sector banks and even difference exist within same sectors too. Researcher also found that there is exists ambiguity in correlation between compliance of corporate governance parameters and net profit. Researcher concluded that the Clause 49 as per SEBI rule is not been able to provide numerical value of importance to each parameter.</td>
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2.1.3 Research Gap

From the above literature review it is very clear that there are many questions unanswered with the corporate governance practices in the Indian context. There are no studies conducted separately on Automobile Industry which shows the corporate governance practices adopted by the Indian automobile Industry. Questions arises what practices are adopted by the publicly listed automobile companies in India. Does the corporate governance practices are same across all the companies ? Do the corporate governance practices are in line with the rules and regulation? Do the company follow the guidelines and suggestions and recommendation given by the Industry and other organization for the best practices on corporate governance? These are questions which are still to be answered which bring out the gap in the research studies and this gap becomes an objective for this research study.

2.2 Corporate Governance Disclosure

According to (Healy & Palepu, 2001) Corporate disclosure is critical for the functioning of an efficient capital market. Corporate firms provides disclosure through regulated communication and through voluntary communication. Regulated communication includes mandatory disclosure through regulated reports, financial statements, management discussion and analysis and other regulatory filing such as filling of annual reports or under listing agreements. Voluntary communication includes management forecasts, analyst presentation, press releases, through web sites, conferences and others. The other type of disclosure are disclosure made by the outsiders about the firm such as financial analysts, industry experts, press and other intermediaries.

(Verrecchia, 2001) Provides a comprehensive review of theoretical research on disclosure-related issues over the last two decades. In his study three broad category of disclosure research i.e. association based disclosure, discretionary
based disclosure, efficiency based disclosure. Surveys and empirical studies are evident to the fact that making the disclosures and adhering to all the mandatory requirements in line with the legislative and regulatory guidelines and voluntary disclosures help in reducing the agency cost or contracting cost. It helps in evaluating the actual market value of the firm’s securities, which further helps in reducing the cost of the capital. He recommend that the information asymmetry reduction is linchpin for a comprehensive theory of disclosure it also increasing the, efficiency of disclosure, motivation for disclosure and in development of endogenous capital market process for the diverse investors.

(Botosan, 1997) examine the association of disclosure level based on the amount of voluntary disclosure by 122 manufacturing in their annual reports and the cost of equity for the year 1990. By regressing firm-specific estimates of cost of equity capital on market beta, firm size and a self-constructed measure of disclosure level found that firms with low analyst following indicate the association of greater disclosure with lower cost of equity capital. however the firm with the high analyst following the study revels no evidence on association between the measure of disclosure and cost of equity capital.

(Lang; & Lundholm, 1993) stats that the annual reports are the means of corporate reporting and disclosure, serves as good proxy for the level of voluntary disclosure provided by firm for across all the disclosure avenues. The study investigates the Determinants of Analyst rating of corporate disclosure and the relationship between the disclosure score and firm characteristics found that the annual report scores are most strongly associated with structural variables, the investor relation score are strongly associated with performance variable and other publication variables are strongly associated with offer variables. The disclosure score are higher for the firm that perform well particular for large firm this is because annual report disclosure levels are positively correlated with the amount of disclosure provided via other media.
Similarly (Cohen, Krishnamoorthy, & Wright, 2004) in an study on corporate governance mosaic and financial reporting quality asserted that one of the most important function of corporate governance is to ensure the quality of financial reporting process. Financial information disclosure are the first source of independent and true communication about the financial performance of the company, it is the primary source to judge how well the corporate manager are performing their task. The researcher discusses on the role, interactions and collective influence of the board of directors, audit committee, external and internal auditors in attaining high quality financial reporting. researcher conducted the comprehensive review of literature on the subject and found that more knowledgeable audit committee leads to greater cooperation between the auditor and audit committee members of their clients. Final outcome of the study is that audit committee plays an important role in the financial reporting. and for effective reporting and management audit committee must have sufficient expertise and power.

In and another study on the disclosure practices in India (Sanan & Yadav, 2011) researcher uses the event study method for examining the disclosure practices. Taking implementation of revised clause 49 listing agreement in year 2006 as an event researcher conducted a pre and post event analysis. researcher through analysis tried to through light on the level of corporate governance disclosure practices adopted by 30 listed companies in India. study indicates that there are important issued on corporate governance on which information disclosure is not a widespread practice yet. Information on business operation is short, detail earning forecast, non-financial detail of CEO compensation, age limit of directors and definition of independent directors are not seen in many reports. Researcher also found that the Ethical code of conduct follows only a reporting format. Researcher also found that the overall information disclosure has improved by 45% since 2001-02 and among three main components of
corporate governance score, disclosure for financial and operating information are highest among the sample companies.

(Bushman & Smith, 2001) acknowledging the importance of publicly reported financial accounting information, emphasized on the use of use of such data in promoting efficient corporate governance. Further, they refer to the dual role of financial accounting systems. Financial accounting system provides direct inputs to corporate control mechanisms as well as it allows indirect inputs into corporate control mechanisms. Researcher discuss research on the use of financial accounting in managerial incentive plans and explore future research directions. Researcher also proposes cross-country research to investigate the effect of financial accounting information on economic performance through corporate governance.

(Subramanian, 2006) examines the differences in the disclosure level of 90 Indian companies excluding financial services companies from BSE 100. The disclosure level of companies were measured using Standard and Poor's transparency and disclosure index. Public Sector Undertakings (PSUs-owned and controlled by the government), Private Sector Companies and the subsidiaries of Multinational Companies (MNCs) are examine. Researcher found that there is no significant difference between PSUs and private companies in their disclosure scores. The disclosure score under the financial transparency and information disclosure category are found to be lower for MNC as compared with the score of the other companies.

In an another study (Hassan Che Haat, Abdul Rahman, & Mahenthiran, 2008) aims at investigating the relationship between corporate governance, transparency and firm performance. Researcher focuses on examining the effect of good corporate governance practices on the corporate transparency and performance of the 142 companies listed on the Malaysian Stock Exchange. For the empirical analysis, as a market performance measure
Tobin’s Q is used as the dependent variable and the seven corporate governance characteristics, viz., board independence, board leadership or role duality, quality of directors, insider ownership, foreign ownership, debt financing and audit quality, are taken as the independent variables. The result of the study reveals that corporate governance components have strong predicting power on the company’s performance. The relationship between audit quality and performance of the firm was found to be negative. The findings further suggest that firm performance is insignificant and not related to the components of transparency, viz., level of disclosure and timely reporting. It further propounds that disclosure and timely reporting are not significant contributing factors in the relationship between corporate governance and firm’s market performance.

In an another study by (Collett & Hrasky, 2005) researcher has examines the relationship between the voluntary disclosure of information about corporate governance practices and the intention to raise external finance. This relationship is examined by using corporate governance disclosures in the annual reports of Australian companies in 1994. Data from this year are used because in subsequent years Australian Stock Exchange regulations influenced listed companies to make disclosures about their corporate governance practices. Regression analysis indicates that the voluntary disclosure of corporate governance information is positively associated with the intention to raise equity capital, but not with the intention to raise debt capital.

2.2.1 Summary

From the above literature review it is not clear that what constitute the disclosure nor it is clear that that disclosure has impact on firm performance or not even how to measure the corporate governance disclosure is also not clear, even what effect on what is not clear as it is evident from the review that on the one hand few studies support the relationship of disclosure with corporate
performance and on the other hand few do not. Just to summarise the few, study by (Botosan, 1997) concluded that disclosure have a positive effect on cost of capital, but not on market liquidity. (Bushman & Smith, 2001) have conceptualized and reported that financial accounting information can affect the investments, productivity and value-addition of firms. (Subramanian, 2006) disclosure score under the financial transparency and information disclosure category are found to be lower for MNC. (Sanan & Yadav, 2011) study indicates that there are important issued on corporate governance on which information disclosure is not a widespread practice yet. However one thing is reflected in all studies is that disclosure practices are adopted by every company, but the information disclosed by the companies differs.

### 2.2.2 Brief Literature Review: Corporate Governance Disclosure

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<tr>
<th>Title</th>
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<th>Objective</th>
<th>Period of Study</th>
<th>Conclusion/Outcome of the study</th>
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<tbody>
<tr>
<td>Disclosure Level and the Cost of Equity Capital</td>
<td>Christine A Botosan (1997)</td>
<td>Objective is to study the association between the Disclosure level and the Equity capital.</td>
<td>1990</td>
<td>The study provides direct evidence on association between the disclosure and cost of equity. evidence suggested that greater disclosure is associated with lower cost of equity. firm with low analyst following disclosure of forecast information, non financial and in case of high analyst disclosure of historical summary is beneficial.</td>
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<tr>
<td>Cross-Sectional Determinants of Analyst Rating of Corporate Disclosure</td>
<td>Mark Lang and Russell Lundholm (1993)</td>
<td>Objective is to investigate Determinants of Analyst rating of Corporate disclosure. to investigate</td>
<td>1985-89</td>
<td>The annual report scores are most strongly associated with structural variables, the investor relation score are strongly associated with performance variable and other publication variables are strongly associated with offer variables. The disclosure score are higher</td>
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<td>Study Title</td>
<td>Author(s)</td>
<td>Objective of the Study</td>
<td>Time Period</td>
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<td>The corporate governance mosaic and financial reporting quality</td>
<td>Jeffrey R Cohen, Ganesh Krishnamoorthy And Arnold Wright (2004)</td>
<td>The objective of the study is to understand the corporate governance mosaic and its impact on financial reporting quality.</td>
<td>1987 - 2004</td>
<td>Majorly covered studies between 1999 and 2002. The results imply that for the audit committee to play an important role in the financial reporting process, the audit committee must be given sufficient power and it must have sufficient expertise to monitor over management action.</td>
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<tr>
<td>Corporate Governance Reforms and Financial Disclosures: A Case of Indian Companies</td>
<td>Neeti Sanan, and Sangeeta Yadav (2011)</td>
<td>To study implementation of modified clause 49 of listing agreement has impact on the corporate governance disclosure practices of the sample companies.</td>
<td>2001-02 to 2008-09</td>
<td>The results of this study clearly indicate that though corporate governance disclosures have improved. The overall information disclosure has improved by 45% since 2001-02, yet the overall disclosures of the Indian companies are only moderate.</td>
</tr>
<tr>
<td>Manageme nt Control and Differences in Disclosure Levels: The Indian</td>
<td>S.Subramaniam (2006)</td>
<td>Objective is to examine disclosure levels of the Indian PSUs are different from that of</td>
<td>2003-04</td>
<td>The outcome of the study is that there is no significant difference between PSUs and private companies in their disclosure scores. another outcome of the study is that the disclosure scores of MNCs in the</td>
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<td>Scenario</td>
<td>Objective</td>
<td>Year</td>
<td>Conclusion</td>
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<td>Corporate governance, transparency and performance of Malaysian companies</td>
<td>Objective is to examine the effect of good corporate governance practices on corporate transparency and performance of Malaysian listed companies</td>
<td>2002</td>
<td>The study concluded that the Corporate governance factors have a strong predicting power on company performance, mainly due to debt monitoring and foreign ownership. The study finds a significant negative relation between audit quality and performance. The results revels that the performance is not associated with the level of disclosure and timely reporting. The results also indicates that disclosure and timeliness are not significant contributing factors in the relationship between corporate governance and market performance.</td>
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<tr>
<td>Voluntary disclosure of corporate governance practices by listed Australian companies</td>
<td>To examine relationship between the voluntary disclosure of information about corporate governance and the intention to raise external finance.</td>
<td>1994</td>
<td>No significant association was found between debt raising intentions and voluntary corporate governance disclosures. but found a voluntary disclosure of corporate governance information is positively associated intentions to raise equity capital.</td>
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2.2.3 Research Gap

From the above literature review it is very clear that there are many questions unanswered with the corporate governance disclosure practices in the Indian context. There are no studies conducted separately on Automobile Industry which shows the disclosure practices of automobile companies. Questions arises how publicly listed automobile companies in India discloses corporate governance practices adopted by them. Does the corporate governance disclosure practices are same across all the companies ? What are the all information disclosed by the automobile companies? These are questions which are still to be answered which bring out the gap in the research studies and this gap becomes an objective for this research study.

2.3.0 Corporate Governance Index

In order to determine the Corporate Governance status of the firm, a composite Corporate Governance Index is better than individual indicators (Bishnoi & Godara, 2015). with this notion in this section literature review on the corporate governance index construction, corporate governance score, corporate governance evaluation method and its relation with the performance is discussed in detail. A table of various parameter used by the previous researcher in construction and measurement of corporate governance is created for the better understanding and getting the deep insight on the corporate governance index development.

(P. Klein, Shapiro, & Young, 2005) have use the corporate governance indices constructed and published by the globe mail, report on business the indices was developed on the tough set of best practices of corporate governance guidelines and recommendation of US and Canadian regulators. according to the researcher the overall corporate governance index (CGI), has a maximum value of 100. Value is obtained by summing four sub-indices: (A)
Board composition, (B) Shareholding and compensation policies, (C) Shareholder rights policies and (D) Disclosure policies. In compiling the overall index, the ROB weighted the sub-indices as 40, 23, 22 and 15 per cent, respectively. Each sub-index was in turn comprised of a series of factors with arbitrary weights. The board composition sub-index captures in all 11 questions first four related to the board structure and independence, then question relating to CEO duality, relationship among board members, system of evaluation of board and board meeting are considered and a arbitrary weights are assigned to the factors under each question. Shareholding and compensation policies comprise the second sub-index, the purpose of which is to measure the degree to which managers and the board have incentives that align their interests with those of shareholders. The third sub-index measures shareholder rights. The major components are the existence of employee stock options and subordinate shares that dilute ownership and voting rights. The final sub-index deals with disclosure. It attempts to measure a company’s public commitment to good governance.

Further (Gurarda, Ozsoz, & Ates, 2016) in their study used the corporate governance index developed and implemented in Turkey. The corporate governance was launched initially with the inclusion of five companies later on other companies joined the index. It is based on the corporate governance rating by borsa Istanbul published rules on corporate governance. The companies listed are rated by five rating agencies licensed by the CMB. A minimum corporate governance rating of 7 out of 10 as a whole or minimum of 6.5 for each evaluation category is required to be listed in Borsa Istanbul's corporate governance index. The main evaluation categories and weights for each category in terms of percentage are shareholders (25%), disclosure and transparency(35%), stakeholders (15%) and board of directors(25%). the study found that the firm with high corporate governance index also have higher earnings. the researcher concluded that the firm's profitability impacts the corporate governance rating.
In a study (Halimatusadiah, Sofianty, & Ermaya, 2015) has measured the firm performance variable on corporate governance perception index (CGPI). For CGPI score the author has used the assessment aspect used by The Indonesian Institute for corporate governance (IICG). The measure covers 12 indicators: Commitment, Transparency, Accountability, Responsibility, Independence, Justice, competence, leadership, ability to cooperate, Vision, Mission and Values, morals and ethics, and Strategy. The CGPI research includes four stages with different values: Self assessment (15%), complete document (25%), paper report reflect good governance system and practice (12%) and observation (48%). The next stage is the Ranking. In ranking 6 levels are given on the basis of score: Very reliable (85-100), reliable (70-84), Insignificant (55-69), Minimally unreliable (40-54), unreliable (25-39) and Very unreliable (10-24). Firm performance is measured on the ROA, ROE, ROI and EPS. The result indicates that the implementation of CGPI that is measured through CGPI increased and decreased, although in general it increased. The result also shows that the profitability that is measured through ROA increased. Based on the result the researcher concluded that the implementation level of Good Corporate Governance has a positive 19.8% effect on the company's profitability measured by return on assets.

Further (J. Sarkar, Sarkar, & Sen, 2012) examines the correlation between the Corporate Governance Index and the market performance of the Indian Researcher construct a Corporate Governance Index for measuring corporate governance practices for 500 large listed firms in the Indian corporate sector for the period 2003 to 2008. The index is constructed by using information on four important corporate governance mechanisms namely, the board of director, ownership structure, audit committee, and the external auditor. The sub index for all is created, in the board of directors ten sub points are considered for constructing the sub index these are: Board size, Percentage of outside directors, Percentage of independent directors, Presence of nominee
directors, Presence of non-executive or promoter chairman, Presence of promoter on board, Total number of directorships held by independent directors, Number of board meetings held, Percentage of board meetings attended by independent directors, Percentage of independent directors who attended AGM. In the ownership index Percentage of promoter ownership, Percentage of foreign institutional ownership, Percentage of domestic financial institution ownership, Percentage of dispersed ownership are considered. In the Audit committee index Size of audit committee, Percentage of independent directors, Presence of executive directors in audit committee and the number of meetings held are considered and In Audit index Percentage of non-audit fees to total payment to auditors, Top auditor in terms of audit fees, Top auditor in terms of audit clients and the change in auditor from last year are considered. Each attribute is scored on a scale of 0 to 5. The researcher finds an increasing trend in the governance index of Indian companies. The result of examination of the relationship reveals that the corporate governance index of Indian Companies has a strong association with the better governance structure and the performance of the company.

A study in Indian context (Bijalwan & Madan, 2013) examine the impact of corporate governance on firm’s financial performance in the Indian context. Researcher for measuring corporate governance developed a corporate governance score. The corporate governance score is computed by using structured questionnaire. The corporate governance score was developed on the basis of Standards & Poor’s (S&P) Governance, Management, Accountability Metrics and Analysis (GAMMA). GAMMA scores attempt to assess the effectiveness of individual company’s governance practices as a system of interaction among a company’s management, board, shareholders and other stakeholders aimed at building company value and ensuring fair distribution of its earnings. The annual corporate governance reports were carefully and extensively reviewed for the study. The score is computed on the basis of the information provided by the companies in their annual reports. The corporate
governance is considered on two broad categories Transparency and Shareholder rights, corporate governance police and practices these two are taken as independent variables and their effect on the firm performance measured by return on capital employed, profit after tax, return of equity and return of assets is measured. The result shows that a positive and significant relationship between the level of transparency and firm’s financial performance. Similarly, corporate governance policies and practices of the firm are also found to be positively related to firm performance. The researcher suggest that corporate governance policies and transparency and disclosure are positively and significantly correlated.

Further (Gompers, Ishii, & Metrick, 2003) Using the incidence of 24 governance rules, construct a “Governance Index” to proxy for the level of shareholder rights at about 1500 large firms during the 1990s. These governance index components are divided into five groups tactics for delaying hostile bidders (Delay); voting rights (Voting); director/officer protection (Protection); other takeover defenses (Other); and state laws (State). The Delay includes: Blank Check, Classified Board, Special Meeting and Written Consent. The Protection includes: Compensation Plans, Contracts, Golden parachutes, Indemnification, Liability and Severance. The Voting includes: Bylaws, Charter, Cumulative Voting, Secret Ballot, Supermajority, Unequal Voting. The Other includes: Antigreenmail, Directors’ Duties, Fair Price, Pension Parachutes, Poison Pill, Silver Parachutes. The State includes: Antigreenmail Law, Business Combination Law, Cash-Out Law, Directors’ Duties Law, Fair Price Law, Control Share Acquisition Law. Using the corporate governance Index analysis is done by the researcher and it is concluded that firm with stronger share holder right had higher firm value, higher profits, higher sales growth, lower capital expenditures, and made fewer corporate acquisitions.
Further (Brown & Caylor, 2004) Measured corporate governance on eight broad categories audit, board of directors, charter/bylaws, director education, executive and director compensation, ownership, progressive practices and state of incorporation and created a governance score (Gov-Score) and relate this governance score with firm performance which is measured on Operating performance, Valuation and shareholder payouts. It is concluded that better governed firms are relatively more profitable, more valuable and pay outs more cash to their share holder. They also concluded that good governance as measured using executive and director compensation is most highly associated with good performance. They also further concluded that good governance as measure using charter/bylaws is most highly associated with bad performance. Finally comparing governance score (Gov-Score) based on 51 sub factors with that of 24 governance factors of G-Index developed by GIM, stated and documented that Governance score (Gov-Score) is better linked to firm performance that is G-Index developed by GIM.

In a study (Bhagat & Bolton, 2008) while studying relationship between corporate governance and firm performance after taking into account G-index and Governance score find that stock ownership of board members and CEO chair separation is significantly positively correlated with better contemporaneous and subsequent operating performance. Second finding is contrary to claim of GIM and BCF who says that none of governance measure are correlated with future stock market performance. Researcher concluded that stock market performance and governance relationship do depend on whether or not one takes into account the endogenous nature of the relationship between governance and stock market performance. Third conclusion again against the GIM that better governed firms less likely to experience disciplinary management turnover in spite of their poor performance, Sanjai concluded that given poor firm performance, the probability of disciplinary management turnover is positively correlated with stock ownership and board member and board independence.
Das, 2008) has developed a criterion for evaluation of corporate governance standard and practices for measuring the quality of corporate governance standards and present practices. The corporate governance parameters used in the evaluating the corporate governance practices is used for evaluation of the textile, synthetics and petrochemical industry in India, based on the annual report of Reliance Industries Limited (RIL). The corporate governance is measured by using 17 broad categories with sub parameters, for each category weight is assigned and the points are assigned to sub parameters in all 100 points are assigned to the parameters. The companies were ranked on the basis of the score obtained by them. Excellent for score between 86-100, very good for 71-85, good for 56-70, average for 41-55 and poor below 41. The results reveals that RIL has shown `very good' performance with a score of 72 points. It also reveals that RIL in particular, and the textile, synthetics and petrochemical industry in general, have exhibited `very good' performance in maintaining the standards and attaining the quality of governance practices.

Sharma, 2013) examines the corporate governance practices of automobile Industry in India. To ascertain the compliance of governance standard a point value system is used. In all the 15 broad categories with sub points are has been used to measure the corporate governance practices quantitatively. Weights are assigned for sub categories and in turn to broad categories, in all a total 100 points are assigned. The ranking were given to the companies on the basis of score obtained. The data for the analysis is obtain from the various sources more specifically for the annual reports of the companies for the period of 5 years from 2003-04 to 2007-08. In all 12 Auto companies are taken for the study. A comparison of score obtained by the companies before 2005 and after 2005 is done. On the basis of result obtained by overall ranking given to the companies on the basis of corporate governance score secured by them and the comparison of the score before and after 2005, researcher has concluded that most companies adhere to compliance of mandatory requirements of corporate
governance codes and standards as per Clause 49 of Listing agreement. As far as non-mandatory requirements are concerned companies are reluctant to abide by them.

(Shukla, 2008) examines the corporate governance reporting practices of Indian companies considered clause-49 of listing agreement as benchmark. Data 130 companies for the year ending on 31 March 2006 was considered for the study. Using non-probability sampling technique data was collected and on the basis of paid up capital data was divided into three groups. Researcher has considered Company’s philosophy on corporate governance, Code of Conduct, Composition of Board of Directors, CEO duality, Board Balance, Board Meeting, Specialized Committees, as major parameter for examining the corporate governance reporting practices.

(Ammann, Oesch, & Schmid, 2011) examines the relation between the firm level corporate governance and firm value. The level of corporate governance is measure by using a set of 64 individual governance attributes under 6 broad categories: Board accountability (20 sub attributes), Financial disclosure and internal control (8 sub attributes), Shareholder right (6 sub attributes), Remuneration (11 sub attributes), Market for control(9 sub attributes), Corporate Behavior(9 sub attributes). Researcher construct two alternative additive corporate governance indices with equal weights attributed to the governance attributes and one index derived from a principal component analysis. Researcher found a strong and positive relation between firm level corporate governance and firm valuation for all the three indices. Further researcher investigated the effect of the governance attributes on the firm value using the Tobin's Q , attributes exhibited a positive and significant effect on firm value. further researcher found that the result are robust to alternative calculation procedures for the corporate governance indices and to alternative estimation techniques.
2.3.1 Summary

The above review of literature on the corporate governance index it is clear that there exist no standard mechanism to measure the corporate governance of any company. Review of literature clearly reflects that the every research study either conducted in the Indian context or in foreign context all have used different different parameters for measuring the corporate governance of firm, not only this the difference lies in the process of scoring and evaluating too. Just to quote few (Das, 2008) has used 17 broad categories and sub parameters under each category and has given weight but no logic for assigning the weigh is given. The (Sharma, 2013) following almost all similar parameters has used 15 out of 17 parameters and has changed the weight even for some parameters but no logical reason is given. Similarly the (Gompers et al., 2003) has developed and use index using 24 parameter of corporate governance, (Brown & Caylor, 2004) has used 51 parameters, (Ammann et al., 2011) has used 64 parameters. This clearly shows the disagreement between the researcher on the point of corporate governance index construction and measurement of corporate governance score and its evaluation.

2.3.2 Brief Literature Review: Corporate Governance Index

<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
<th>Components used for Corporate Governance Index/Score</th>
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<tbody>
<tr>
<td>Corporate Governance Practices , Transparency and Performance of Indian Companies</td>
<td>Jyotsna Ghildiyal Bijalwan and Pankaj Madan (2013)</td>
<td>Structure Questionnaire: In all 26 questions are included and major Transparency, Shareholders’ Rights and Firm Performance Corporate governance codes and initiatives taken by the company. The corporate governance score developed on the basis of Standards &amp; Poor’s (S&amp;P) Governance, Management, Accountability Metrics and Analysis (GAMMA)</td>
</tr>
<tr>
<td>A Corporate Governance Index for Large Listed</td>
<td>Jayati Sarkar, Subrata Sarkar (2012)</td>
<td>Four broad categories with sub index. 1) Board of Directors: includes 10 sub points Board size, Percentage of outside directors, Percentage of independent directors, Presence of nominee directors, Presence of non-executive or promoter chairman, Presence of promoter on board, Total number of</td>
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</table>
| Companies in India. | | directorships held by independent directors, Number of board meetings held, Percentage of board meetings attended by independent directors, Percentage of independent directors who attended AGM.  
2) Ownership index: Percentage of promoter ownership, Percentage of foreign institutional ownership, Percentage of domestic financial institution ownership, Percentage of dispersed ownership  
3) Audit committee index: Size of audit committee, Percentage of independent directors, Presence of executive directors in audit committee and the number of meetings held  
4) Audit index: Percentage of non-audit fees to total payment to auditors, Top auditor in terms of audit fees, Top auditor in terms of audit clients and the change in auditor from last year are considered |
| Corporate governance, family ownership and firm value: the Canadian evidence | Peter Klein, Daniel Shapiro and Jeffrey Young (2005) | Corporate governance index (CGI), comprises of four major sub indices they are:  
(A) Board composition: The board composition sub-index captures in all 11 questions first four related to the board structure and independence, then question relating to CEO duality, relationship among board members, system of evaluation of board and board meeting are considered and a arbitrary weights are assigned to the factors under each question.  
(B) Shareholding and compensation policies, Shareholding and compensation policies comprise the second sub-index, the purpose of which is to measure the degree to which managers and the board have incentives that align their interests with those of shareholders.  
(C) Shareholder rights policies: The third sub-index measures shareholder rights. The major components are the existence of employee stock options and subordinate shares that dilute ownership and voting rights.  
(D) Disclosure policies: The final sub-index deals with disclosure. It attempts to measure a company’s public commitment to good governance |
| Corporate Governance and Equity Prices | Paul A. Gompers, Joy L. Ishii and Andrew | Using the incidence of 24 governance rules, construct a “Governance Index” Components of Governance Index  
Delay: Blank Check, Classified Board, Special Meeting, Written Consent  
Protection: Compensation Plans, Contracts, Golden |
| Corporate Governance and Firm Performance | Lawrence D. Brown and Marcus L. Caylor (2004) | Developed a corporate governance score (Gov-Score) based on 51 sub categories divided into eight broad categories they are: audit, board of directors, charter/bylaws, director education, executive and director compensation, ownership, progressive practices and state of incorporation. |
The level of corporate governance is measured by using a set of 64 individual governance attributes under 6 broad categories: Board accountability (20 sub-attributes), Financial disclosure and internal control (8 sub-attributes), Shareholder rights (6 sub-attributes), Remuneration (11 sub-attributes), Market for control (9 sub-attributes), Corporate Behavior (9 sub-attributes).

### 2.3.3 Research Gap

From the above literature review, it is very clear that there are many questions unanswered with the development of corporate governance index as well as on the point of scoring and evaluation of the score. There are few studies conducted on the automobile industry using the corporate governance index and score, but most of the studies are conducted in the past or by using the previously developed index by one or the other researcher with some modification. There are no studies conducted in the contemporary circumstances which are in special context of the Indian automobile industry. There is no such standard index available for the measurement of the corporate governance practices exclusively for the automobile industry. Therefore the questions arise: how corporate governance can be measured for the publicly listed automobile companies in India? Do the corporate governance index score have any relation with the corporate governance practices? Do the corporate governance score is same across all the companies in the automobile companies? Does the corporate governance Index have any impact on the firm performance? Does the high score or low score of the index have any relation with the firm performance. These are questions which are still to be answered which bring out the gap in the research studies and this gap becomes an objective for this research study.
2.4 Corporate Governance and Firm Performance

This section literature review is dedicated to the review of literature relating to the corporate governance and firm performance. This review is carried out with a specific aim to develop a deep understanding on the various aspect of corporate governance and firm performance and their relation. This review will help in understanding about corporate governance variables and firm performance variables used as the independent, dependent and controlled variables used by the researcher in India as well as other foreign countries in examining the relationship between the corporate governance and firm performance.

A study by (D. H. Vo & Nguyen, 2014) in Vietnam on public listed firms is conducted to examine the relationship between corporate governance and firm performance. Board size, dual role of CEO, board independence, ownership concentration are the variable used for corporate governance and for firm performance return on assets (ROA), return of equity (ROE), Tobin's Q, and Z-score by Altman are used. The research supports the stewardship theory as researcher also concluded that the same person serving as CEO and chairperson improves the firm performance. No empirical evidence found which confirms the relationship between Board size and firm performance. Board independence is found to have significant negative correlation and Z-score found to have significant positive correlation. Board ownership is found to be positively correlated with firm performance as measured on return on assets and return on equity. study concludes that the to be more focus and for good management and monitoring CEO and chair person should be the same person study also suggest that the board ownership should be keep lower to align its interest with the interest of the company.

Another study from Vietnam by (D. Vo & Phan, 2013) examines the relationship between corporate governance and the performance of firms in
Vietnam. researcher found positive effect of presence of female member on the board, CEO duality, Board members compensation and working experience on the firm performance measure return on Assets (ROA). Researcher finds negative effect of board size on return on assets. result also revels non liner relationship with firm's performance.

In an study in Jordan context (Zedan & Nassar, 2014) examines the relationship between corporate governance and firm performance using Return on Assets, Return on Equity, Total Assets Turnover ratio and Inventory Turnover ratio as performance measures. Data for 69 manufacturing companies listed in the Amman stock exchange for a period of five years from 2005-2009 is considered. The analysis is done using the Panel data by applying multiple regression and OLS method. Researcher finds that corporate governance mechanism has significant positive effect on the firm performance measured by return on assets, return on equity, total turnover ratio and inventory turnover ratio. The results of the study revealed that the performance of the companies measured by Return on Assets, Return on Equity, Total Assets Turnover and inventory turnover ratio is significantly positively affected by the corporate governance mechanisms.

A study in Thai context (Connelly & Limpaphayom, 2004) examines the relation between board characteristics and firm performance for the life insurance companies in Thailand. The sample of 24 life insurance firms registered and operating in Thailand were considered. Data for the year 2000-2001 for two years for all sample companies were collected. Regression result indicates that board composition has a positive relation with overall profitability, as measured by return on assets, and a negative relation with the risk taking behaviour of life insurance firms. It is also found that Board size does not have any relation with firm performance, the result also suggest that outside directors benefits the firm even for firms with limited managerial discretion. Both regressions for the cost measures are found significant overall.
The results for the cost measures indicate that board composition is not related to the levels of expenses, as measured by the expense ratio. In contrast, board composition is negatively related to the ratio of commissions paid to net premiums. Firm size is negatively related to both cost measures, as with the risk measure. This relation implies that large firms have an advantage over smaller firms.

A study in Australian context (Kiel & Nicholson, 2003) examines the relationships between board demographics and corporate performance for Australia’s largest publicly listed companies. To find out the relationship between board composition and corporate performance data collected on 348 listed Australian companies were considered. Researcher used Return on Assets as accounting based performance and Tobin’s Q as market based variables for measuring the corporate performance. They concluded that the Firm Size is positively correlated with both, CEO duality is not correlated with both, Proportion of outside director are correlated with Tobin's Q but not with ROA Board Size is highly correlated with the Tobin's Q but not with ROA

In an study in on Indian IT sector (Vishwakarma & Kumar, 2015) examines the relation between various internal governance aspects and performance of IT companies. The secondary data extracted from annual reports of the companies available on their website. The data extracted for the period of 5 years i.e. from 2010 to 2014 which for Top 10 IT companies based on their market capitalization. The corporate governance aspects considered as independent variables are Size of Board of Directors, number of Female board, proportion of Independent Directors, number of Board meeting, Chief Executive Officer Duality and Board committee. The performance is measured by Return on assets, Return on equity and Return on capital employed. Multiple regression is used for the analysis. From the analysis of the result researcher finds that the sizes of board of directors, Independent directors and board committees have significant effect the IT companies. Researcher finds no any significant impact
of female board and board meeting on financial performance. Researcher concluded that the board independence and Board committee are most important factors for IT sector.

In an another study in Indian context (Aggarwal, 2013) examine the impact of corporate governance on financial performance of firm in an Indian context. researcher has considered return on assets, return on equity, return on capital employed and profit before tax for measuring the financial performance and for corporate governance, corporate governance rating is used along with the size, board committees, CEO duality, and number of independent directors. however the researcher has not demonstrated the result of independent item used but over all concluded that corporate governance rating has impact on the firm performance.

(Makki & Lodhi, 2014) develops a structural model linking corporate governance, intellectual capital efficiency and financial performance then verifies it through structural equation modeling based on partial least square method. Corporate governance is measured by considering the chief executive officer's duality, proportion of non executive director on the board, directors' ownership, executives remuneration, and number of shareholders. Financial performance is measured through return on investment, return of equity and profit after tax. The researcher finds significant correlation between the corporate governance measures and performance measures, but the researcher found that overall corporate governance has no impact on financial performance variable directly, good corporate governance has impact on intellectual capital as it is observed by the researcher that companies who have good corporate governance tends to have higher intellectual capital and it is the efficiency of intellectual capital that improves the performance of the firm.

A study in Iran context (Imani, Homayoon, & Zamani, 2016) investigated the effect of CEO duality, proportion of non-executive director on the board,
ownership concentration, Institutional ownership, chief executive officers' influence on board independence on the financial performance. Return on Equity, Net profit after tax, Return on Investment are the major performance variables considered by the researcher. Data is collected for a sample period of 5 years from 2010 to 2014 for 95 firms listed in Tehran Stock Exchange. To verify the hypotheses, multiple regression analysis is used. The results indicate that there exist significant correlation between the CEO duality, concentration of ownership, institutional ownership, and the independence of the Board with financial performance measured by net profit after tax of the firms. The results also indicate that there is a significant correlation between the ownership concentration, institutional ownership and CEO influence with financial performance measure return on investment of the firms. The result of regression reveals that except for Institutional ownership and CEO Influence all other CEO duality, ownership concentration, board independence found to have no significant impact on the ROE. In case of Return on investment as performance measure, except for CEO duality, board independence all other Independent variables found to have significant impact on ROI. In the case of Net profit after tax as performance variable except for CE duality and CEO influence all other independent variable found to have significant impact on Net profit after tax.

In an another study in Indian context (P. Sarkar & Samanta, 2015) examines the nature of alignment between corporate governance and firm performance. The study is conducted on 30 S&P BSE sensex companies in India. Using factor analysis researcher has identified the most important dimensions of the corporate governance. The factors so extracted were used for examining the relationship between these factors of corporate governance and firm performance using. The firm performance is measured by Tobin‘s Q. Researcher could not find any direct relationship between the corporate governance and firm performance using the regression analysis. therefore the alternative method is used by the researcher, the authors have mapped and
analyzed the positions of the companies on a two-dimensional space involving corporate governance and financial performance as the two dimensions and found that some companies have high performance and high corporate governance but few not.

In an another study in Malaysian context (Molla, Miraz, & Habib, 2016) analyze the different empirical and theoretical contributions in establishing the relationship between corporate governance and firm performance. The study reviewed the articles published in referred journals for last 10 years from 2006 to 2015. The review is done in context of Malaysia an concluded that there are several limitation in the studies such as single period study, non-segregation of financial and non financial companies limited data or not specifically measuring the impact of corporate governance mechanisms on firm performance. The researcher opined that because of these limitations, the country cannot provide meaningful and relevant suggestions for the development and protection of the different firms. Therefore Malaysia needs to keep in line with the corporate governance practices in the developed countries. In all researcher has concluded that there exist the need to conduct a systematic study in the field of corporate governance.

A study in Indian context (Swamy, 2011) the impact of corporate governance aspects of Unlisted Family Owned Firms (UFOFs). The study is based on the primary data collected through questionnaire using survey method. A balance panel data for 83 SMEs of 18 states from 5 different regions of India are considered for the study. Researcher by pooling the cross sectional observation for 15 parameters for the three years from 2008 to 2010 is considered for analysis. The researcher has examined corporate governance mechanisms, family ownership, board size, outside directors, audit committee , outsiders in audit committee and family CEO together. The result of study shows that the family ownership has significant influence on ROA, board size is strongly correlated with the firm performance factor ROE, Audit committee is found to
be positively significant with the performance of firm. It is also found that the outsider in the audit committee are positively and significantly related with the performance. It is also found that the family CEO has a positive effect on the firm performance.

In an recent study by (Roy, 2016) propose to study whether firm level good corporate governance lead to better firm performance and higher value creation in the form of share price returns. The researcher used a panel data of 58 top Indian listed companies selected on the basis of market capitalization. Data for five year for the period from 2007 -08 to 2011-12 has been considered for the study. Researcher has used PCA to identify the dimensions of CG and determine which indicators are associated with each factor. Researcher divide the selected CG parameters into two separate and distinct sets. In all 24 variables are considered in both the sets only one variable ROCE is used extra in set A. Indicators of CG includes indicators of directors, boards committees, audit considerations, ownership and capital structure characteristics, and control variables. The two measures of firm performance, Market to Book Value Ratio (MTBVR) and Return on Equity (ROE) are used. by applying the principal component analysis researcher identified the underlying dimensions of CG and determined which indicators are associated with each factor. The result of regression analysis shows that. MTBVR resulted in an R-square of 34.9 per cent and has a strong association with five factors. ROE resulted in an R-square of 48.6 per cent and was significantly influenced by the five factors. Researcher finds that five CG factors help in explaining the association to future firm performance measured by MTBVR while five CG factors are associated with historical performance measured by ROE. The researcher also concluded that the analysis approach adopted has sufficient power to detect the association between firm level CG and firm performance measured by MTBVR and ROE.
2.4.1 Summary

The above literature review clearly indicates that there are several studies conducted on the relationship between corporate governance and firm performance. Some studies shows that the corporate governance contributes to the companies operating performance and preventing fraud. Some studies shows the evidenced that the performance of a firm are directly related to good corporate governance. Some researcher also opine that companies with better corporate governance have better operating performance than those companies with poor corporate governance some believe that good corporate governance helps to generate investor goodwill and confidence. The review of literature suggest that corporate governance and firm performance has relationship but there is exits huge difference among researcher so far as the parameters of the corporate governance and the firm performance variables are concern. The common factors used by the researcher, found from the literature review are Board Structure, Board activity, Corporate Remuneration, Corporate ownership , Independence of board, Role of auditors and other. So far as performance is concern the above review reflects that the common measures are ROA, ROE, ROI, Tobin's Q, Asset turnover ratio, EPS, Net profit , Market to book value and other or in nutshell these measures are of two types accounting based and market based measures. The above review of literature also reveals that the difference lies in the methodology as well as in the approach for measuring the corporate governance and firm performance.

2.4.2 Brief Literature Review: Corporate Governance and Firm Performance

<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
<th>Objective</th>
<th>Period of Study</th>
<th>Conclusion/Outcome of the study</th>
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<tbody>
<tr>
<td>The impact of corporate governance on firm performance</td>
<td>Duc Hong Vo. &amp; Tri Minh Nguyen (2014)</td>
<td>To study the effect of corporate governance on firm</td>
<td>2008-2012</td>
<td>For corporate governance variable dual role of CEO study finds that firm performance is better when same person is serving on</td>
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<tr>
<td>Study Title</td>
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<td>Study Period</td>
<td>Findings</td>
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<tr>
<td>Empirical study in Vietnam performance</td>
<td>Duc Vo and Thuy Phan (2013)</td>
<td>2006-2011</td>
<td>Study seeks to quantify the relationship between corporate governance and the performance of firms in Vietnam. A study indicated that corporate governance variables such as the presence of female board members, CEO duality, work experience of board member and compensation paid to board members have a significant positive effect on the performance of firms measured by ROA. However, board size has a negative effect on the ROA and it is also concluded that ownership has a non-linear relationship with the firm's performance.</td>
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<tr>
<td>The Effect of Corporate Governance on Operating Performance of Jordanian Manufactur</td>
<td>Hala I. Zedan, Mohammed Abu Nassar (2014)</td>
<td>2005-2009</td>
<td>Examines the relationship between corporate governance mechanisms and firm performance using the analysis of the performance of Jordanian manufacturing companies. The study revealed that the performance of the companies measured by Return on Assets, Return on Equity, Total Assets Turnover and inventory turnover ratio is significantly positively affected by the corporate governance mechanisms.</td>
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<td>Title</td>
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<td>Investigating Companies: Evidence from Amman Stock Exchange</td>
<td></td>
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<td>Return on Assets, Return on Equity, Total Assets Turnover ratio and Inventory Turnover ratio as performance measures</td>
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<tr>
<td>Does Corporate Governance Increases Firm Performance of IT Industry?</td>
<td>Ms. Rachana Vishwakarma and Alok Kumar (2015)</td>
<td>2010-2014</td>
<td>To ascertain the effect of corporate governance aspects on the performance of selected IT companies in India</td>
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<tr>
<td>Impact of Corporate Governance on Corporate Financial Performance</td>
<td>Priyanka Aggarwal (2013)</td>
<td>2010-2012</td>
<td>To examine the impact of corporate governance on financial performance of firm in an Indian context through</td>
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<tr>
<td>Impact of corporate governance on intellectual capital efficiency and financial performance</td>
<td>Muhammad Abdul Majid Makki and Suleman Aziz Lodhi (2014)</td>
<td>2005-2009</td>
<td>Investigate the impact of CG measures on IC efficiency and to Determine structural linkages</td>
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<td>corporate governance has no impact on financial performance variable directly, good corporate governance has impact on intellectual capital and it the efficiency of intellectual capital that improves the financial performance of the firm</td>
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<tr>
<td>Title</td>
<td>Author(s)</td>
<td>Methodology</td>
<td>Time Period</td>
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<tr>
<td>The Effect of Corporate Governance on Financial Performance of Listed Firms in Tehran Stock Exchange</td>
<td>Zekvan Imani, Ali Homayoon, Ebrahim Zaman (2016)</td>
<td>investigate the effect of corporate governance on financial performance of listed firms on the Stock Exchange in Tehran.</td>
<td>2010-2014</td>
<td>In case of Return on investment as performance measure, CEO duality, board independence found insignificant with ROI. In the case of Net profit after tax as performance variable except for CE duality and CEO influence all other independent variable found to have significant impact on Net profit after tax.</td>
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<tr>
<td>Board composition and corporate performance: How the Australian experience informs contrasting theories of corporate governance</td>
<td>Geoffrey C. Kiel, Gavin J. Nicholson</td>
<td>examine the relationships between board demographics and corporate performance</td>
<td>1996-1998</td>
<td>Firm Size is positively correlated with both, CEO duality is not correlated with both, Proportion of outside director are correlated with Tobin's Q but not with ROA Board Size is highly correlated with the Tobin's Q but not with ROA</td>
</tr>
<tr>
<td>Board characteristics and firm performance: Evidence from the life insurance industry in Thailand</td>
<td>J. Thomas Connelly, Faculty Piman Limpaphayom</td>
<td>examines the relation between board characteristics and firm performance among life insurance companies in Thailand.</td>
<td>2000-2001</td>
<td>found that Board size does not have any relation with firm performance, the result also suggest that outside directors benefits the firm even for firms with limited managerial discretion, result indicates that board composition has a positive relation with overall profitability, as measured by return on assets</td>
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<tr>
<td>Alignment between Corporate</td>
<td>Dr. Partha Sarkar</td>
<td>To analyse the nature</td>
<td>2012-2013</td>
<td>Researcher could not find any direct relationship between the corporate governance and firm</td>
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<td>Governance and Firm Performance: A Study on the Indian Perspective</td>
<td>and Dr. Pradip Kumar Samanta Associate of alignment between corporate governance and firm performance</td>
<td>performance using the regression analysis. Therefore, the alternative method is used by the researcher and found that some companies have high performance and high corporate governance but few not.</td>
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<td>Corporate Governance and Firm Performance in Unlisted Family Owned Firms</td>
<td>Vighneswara Swamy (2011) investigates the impact of corporate governance aspects of Unlisted Family Owned Firms</td>
<td>family ownership has significant influence on ROA, board size is strongly correlated with the firm performance factor ROE, Audit committee is found to be positively significant with the performance of firm. It is also found that the outsider in the audit committee are positively and significantly related with the performance. It is also found that the family CEO has a positive effect on the firm performance.</td>
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<tr>
<td>Corporate Governance and Firm Performance: A Study of Indian Listed Firms</td>
<td>Amitava Roy (2016) to study whether firm level good corporate governance lead to better firm performance and higher value creation in the form of share price returns.</td>
<td>2008-2012 MTBVR resulted in an R-square of 34.9 per cent and has a strong association with five factors. ROE resulted in an R-square of 48.6 per cent and was significantly influenced by the five factors. Researcher finds that five CG factors help in explaining the association to future firm performance measured by MTBVR while five CG factors are associated with historical performance measured by ROE.</td>
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2.4.3 Research Gap

From the above literature review it is very clear that there are many questions unanswered with the corporate governance and firm performance. There are some studies conducted on the automobile industry measuring the corporate governance and firm performance but most of the studies differs on various aspects of corporate governance and firm performance, even the findings and results vary to a great extent. Some found positive relation some negative some on one variable some on the other. Therefore the questions arises how corporate governance and firm performance are associated in case of publicly listed automobile manufacturing companies in India. Do there is any relationship between the corporate governance and firm performance? do the relationship is same across all the companies in automobile industry? Does there is any impact of corporate governance on the firm performance variables? These are questions which are still to be answered which bring out the gap in the research studies and this gap becomes an objective for this research study.

2.5 Corporate Board Structure

Composition of corporate board structure has been debated among the both researcher and the practitioners since long. (Raheja, 2005). The structure of the modern corporation have distinguishing feature of separation of ownership and control. Shareholder being the principles hired rational executives with the expertise to manage the companies on their behalf. These share holder elects the board of directors. (Puni, Osei, & Ofei, 2014). legislation of the country also plays an important role in the composition of board structure. In India clause 49 listing agreement have suggested mandatory and non-mandatory provisions for the composition of the board of directors. There are researcher who have different view on this point such as (Bhagat & Black, 1999) suggested that firms with supermajority-independent boards are less profitable than other firms therefore it may be useful for firms to have a moderate number
of inside directors (say three to five on an average-sized eleven member board). whereas (Prasanna, 2006) expresses that the inclusion of the independent directors on corporate boards is an effective mechanism to reduce the potential divergence between corporate management and shareholders. researcher (Dhawan, 2006) expresses that skill and knowledge of board members are more important than the size of the board.

Therefore with this background that different authors, researchers, practitioners and even legislation have different views on the corporate board structure. In this section a thorough review of literature is done on the corporate board structure. In this section literature relating to the board size, Independence of board, chief executive officer dual role, busyness of director and chairman with other companies, optimum combination of number of executive, non executive director and Independent director on the board and other aspects of corporate board structure is reviewed.

In an study on determining optimal corporate board structure (Raheja, 2005), derived a model. The model predicts the optimal board structure under various condition i.e. what would be the optimum size of the board when project verification cost are high and it varies from industry to industry. That is to say that the model is based on the fact that independent member on the board will verify the project because their reputation will be on stake if they fail to reject a bad project. The another fact is that insider will also provide information about the bad project to the board because of their own interest in CEO succession. This verification involves the cost and this cost varies from the industry to industry. so depending the type of the industry the model also predicts the optimal board size to monitor firm and maximize shareholder value and also tells the optimum size of the board with the change in the industry characteristics. Researcher was able to predict the board size and composition of insider and outsider for the probability of passing of bad project is minimum. Thus the chances of verifying and passing the good project by the board will increase and it will lead to increase in the firm performance. Hence the researcher
concluded that the board size and structure of the board has effect on the firm performance.

Mohamed Belkhir (2008) investigated the relationship between the board size and performance. Using the panel data for a period of 8 years for 174 banks and savings and loan holding companies found a positive association between the board size and performance. The analysis is conducted on the data available in the Research Insight database of Standard and Poor's. The bank who have a total asset book value of $1 billion or more in at least for last four year were taken into consideration. Study adopted two measure of performance viz. Tobin's Q and the Return on Assets (ROA). Researcher found that board size is positively related with both performance measure Tobin's Q and the Return of Assets. Researcher also finds that the number of directors leaving board and the number of new joining on the board for the first time increase following a poor performance. Research also conclude that the board size performance relationship goes from board size to performance and that the calls to reduce the number of directors in banks might have adverse effects on performance.

In an study (Dhawan, 2006) examines the role of the Board of Directors in the CG of the large listed firms of India. Primary data collected from 89 companies through structured questionnaire administered personally at the corporate or registered offices of the companies. To assess the impact of financial, non-financial and respondent related parameter on the various aspects and practices of corporate governance the data gather from various sources has been analyzed. Size of board, directors age, board meetings, decisions at board level, board quality and core competencies and evaluation of board are the board characteristics considered in the study. Researcher concluded that the size of board increases with the turnover to a certain level later on increasing turnover doesn't influence the size of the board. It is also concluded that the skill and knowledge of board members are more important that the size of the board. Researcher also concluded that he informal meeting is not required.
also opine that along with the honesty and integrity, the core competency, strategic thinking and leadership qualities of directors are important qualities of directors.

In an study conducted in Netherlands by (Ees, Van Ees, Postma, & Sterken, 2003) researcher addresses the nexus between board characteristics and firm's performance. The standardized arithmetic mean of return on assets, sales, equity and the market-to-book ratio was used as the measure for firm's performance. and corporate board characteristics such as board size, board remuneration, board composition are considered for the analysis. Researcher found that the size of board has no impact on the firm performance, more particularly supervisory board and number of outsider negatively impacts the board performance. it was also found that the equity ownership and the remuneration of supervisory board has no relation with the performance, whereas the management board remuneration was found to have a little positive relation with performance.

(D. K. Dey & Chauhan, 2009) analyzes the relationship between board composition and firm performance of stand-alone and group firms in India, along with firm performance of public owned and foreign subsidiaries firms and their board composition in India. Study period is 2006-2007. Board Size and Number of Independent directors on the board are taken as independent variables and Tobin's Q as dependent variables. Return on capital employed, Debt to Equity Ratio, firm size and Growth opportunities are taken as control variables. Using the regression analysis found that the board size is significantly significant and board independence does not have a statistically significant effect on the firm performance variables for private stand alone firms and group affiliated firms. Result for public sector units revels that both board size and board independence does not have a statistically significant effect on the firm. However for foreign subsidiaries board size is significantly significant but board independence does not. Researcher finally concluded that
in case of PSU larger boards are effective but not in case of other Indian firms, It is also concluded that the board independence is insignificant across all categories.

Similarly in a study by (Mohamed, Ahmad, & Khai, 2016) in Malaysian context researcher have used the Board Size and Board Independence. The study focuses on corporate governance practices among Top 100 public listed companies in Bursa Malaysia. To test the hypothesized relationship, between the corporate governance and firm performance, two corporate governance indicator Board Size and Board Independence were chosen and for measuring the firm performance, return on asset (ROA) and return on equity (ROE) were considered. Descriptive and correlation analysis were used to examine the hypotheses in this study. The result showed that board size has significantly weak negative relationship with ROA but it was found to be insignificant to ROE. The other finding indicated that there was no relationship between board independence and firm performance. Researcher concluded that the smaller boards are better than the larger board. Researcher also concluded that the presence of independent non-executive directors in board does not have any significant relationship with firm performance.

In an study by (Adjaoud, Zeghal, & Andaleeb, 2007) on board quality considered four board characteristics viz. composition of the board, compensation of board members, shareholder rights, and disclosure. The performance of firm is measured by using traditional accounting based measures such as Return on Investment (ROI), Return on Equity(ROE), Earning per share(EPS), and Market-to-book ratio and value creation-based measures such as EVA(R) and MVA. The quality of board was calculated by awarding marks to each of the board characteristics and then summing up the marks. The study found no significant relationship between the board characteristics measured by the traditional accounting base measures. however
for market value added and the economic value added the relationship was found significant.

In an factor analysis (Prasanna, 2006) suggested that the independent directors contribute to effective board functioning, and lead the governance committees effectively this increases the brand credibility and better governance. It is also expressed by the researcher that both investor and the regulators both have increasing expectation from the independent directors. The researcher tried to establishes the professional belief in the board independence. Researcher also confirms the two major recommendations of Irani committee that only one third of the board need to be independent and nominees should not be taken as independent directors.

Further (Arslan, Karan, & Eksi, 2010) in an study in Turkey attempts to analyze the impact of various attributes of board structure on accounting and stock market performance. The data collected for the period from 1995 to 2006. The analysis is conducted through binary logistic method. The result revels that the board ownership does not have any impact on accounting performance but it was found positive on the stock market performance. It is also found that the chief executive officer of a firm if he is in dual role i.e. he is also chairman of the board has no impact on the corporate performance. it is also found that the board independence do not have any effect on the accounting performance, whereas the board size is found to have positive impact on both the accounting and stock market performance.

(Beasley, 1996) has empirically tested 75 fraud and 75 no-fraud firms to find that the larger proportion of outside directors on the board significantly reduces the likelihood of the financial statement fraud. The logit regression analysis is used for the data collected. The result revels that the no-fraud firms have board with significantly higher percentage of outside members that the fraud firms. It is also found that the audit committee has no significant effect on the likelihood
of financial fraud, whereas the number of outside directorships in other firms held by outside directors decreases the likelihood of financial fraud.

(Levrau & Berghe, 2007) has presented a process-oriented model for board effectiveness by relying on the corporate governance literature and the literature on group effectiveness. Researcher follow the input-process-output approach to extract the significant variables from the literature and tried to integrate them in his research framework. Researcher identified three intervening variables viz. cohesiveness, debate and conflict norms. These three variables according to researcher belief mediate the effect of board characteristics on board performance. Rational given by the researcher for including these variables is that the interactions and relationships among board members determine to a large extent the collective outcome of the board of directors. Researcher has argued that the inconsistency in the result of the traditional model i.e. finding direct relationship among the board characteristics and firm performance, may be because that ‘traditional’ board research has been neglecting potential intervening variables.

(Pathan, Skully, & Wickramanayake, 2007) in a study on the local commercial banks of Thailand, examines the impact of board size and independent directors on the performance. The period of study covers a period from 1999-2003. The panel fixed-effect regression model is used to analyze the relationship between the variables. Return on Equity, Return on Assets and the Sharp Ratio are considered as the dependent performance measure and the board size, number of independent directors on board, leverage and ratio of non-performing loan are considered as independent variables. The result of study shows a statistically significant negative relation between the board size and the firm performance. The researcher also found a statistically significant positive relationship between the proportion of independent directors on the board of the bank and the performance.
In an study in Chinese context (Peng, 2004) examines the outside directors and firm performance. The study is conducted on publicly listed firm in china. The performance is measured by using two performance measures i.e. return on equity (ROE) and the sales growth. The corporate governance variables as independent variable considered are Firm size, firm age, CEO duality, Inside director share, outside directors share, state share, state directors and Industry dummies. The result of analysis revels that the firm size and age are inversely related to firm performance, suggesting that larger and older firms may have more agency conflicts. Researcher also finds that the outside directors do not appear to have any significant impact on ROE. The result also shows that the proportion of non-affiliated directors continues to have little impact on sales growth. It is also found that the proportion of affiliated (mostly institutional) outside directors is significantly and positively correlated with sales growth. The researcher concluded and also document a bandwagon effect behind the diffusion of the practice of appointing outsiders to corporate boards.

(Amba, 2013) examine the effect of CEO duality in two ways one CEO as the member of the board and the CEO as the chairman of the board. The two performance variables return on assets and return on equity are considered as the measure of firm performance. Data of companies listed in Bahrain Bourse is collected for 39 companies for the three years. The analysis is done by using correlation and liner regression analysis. Researcher finds that the CEO as a board member is positively related with ROE and Asset turnover Ratio but CEO as chairman of board is negatively related with the performance. Regression analysis reveals that CEO duality has no significant effect on firms performance measured by ROA,ROE and asset turnover.

In an study in Indian context (Jackling & Johl, 2009) examines the relationship between the internal board structure and financial performance. Return on Assets and Tobin's Q is used to measure the financial performance. Internal board structure is measured by using board size, board composition,
and other aspects of board leadership such as duality and board busyness. The data collected for top 180 Indian for one year 2005-2006 on the basis of market capitalization. The data is analyzed by using three stage least square method. the result of study shows that the greater proportion of outside directors on boards were associated with improved firm performance. The researcher concluded that the notion of separating leadership roles in a manner consistent with agency theory was not supported. The statistical finding suggest that larger board size has a positive impact on performance thus supporting the resource dependence view that greater exposure to the external environment improves access to various resources and thus positively impacts on performance. The study does not found any association between the frequency of board meeting and performance. The Number of other directorship held by the directors i.e. business of directors is found to be not significant and negatively associated with Tobin’s Q, but with ROA it is found positive but in significant. A negative association was also found between busyness of outside directors and firm performance for both ROA and Tobin’s Q. Since the results shows that, outside directors with multiple appointments appeared to have a negative effect on performance, the researcher concluded that “busyness” did not add value in terms of networks and enhancement of resource accessibility.

(Mallette & Fowler, 1992) examined the relationships between board composition and stock ownership and the passing of "poison pill" takeover provisions by U.S. industrial manufacturing firms. Results indicated the subsistence of several previous circumstances to the passage of poison pills. The result reveals that the impact of board leadership on poison pill decisions depends on the number of independent directors on a board. Result also shows that the impact of tenure of chief executive officer on such decisions depends on the tenures of a firm’s independent directors. Results also suggest that equity holdings also enter into decisions to adopt poison pills. Results also suggest that when two people fill the positions of CEO and board chairperson, the
probability of poison pill adoption decreases. This shows that the CEO duality has impact on the performance of the firm.

(Pathan & Skully, 2010) examines the composition of board, size, and duality for a sample of 212 US bank holding companies. The data collected for the period of 1997 to 2004. The result shows that the bank in which outsider shareholding is low and insider shareholding is high have smaller boards. The result also shows that large and diversified bank have large and more independent board with the CEO duality. It is argued by the researcher that bank managers have less or no control over the directors’ selection, Therefore the independence of bank board should not be the outcome of negotiation with CEOs, with this view, bank CEOs are found not to affect bank board independence.

(Goyal & Park, 2002) in an study examines whether bestowing CEO and chairman duties on same individual affects a decision of board to dismiss an ineffective CEO. The data for the study is collected from Standard and Poor’s data base for the executive history for the period of 1992 to 1996. The performance variable used in the study are market-adjusted stock returns, analysts’ earnings forecast errors and industry-relative earnings. The controlling variables are CEO Age, CEO Tenure, Stock return volatility and Ownership. Independent variables include the CEO-chairman dummy (equal to 1 if the titles of CEO and chairman are vested in the same individual and 0 otherwise). The result shows that the sensitivity of top executive turnover to firm performance is significantly lower for firms that have vest the power of CEO and chairman in the same individual. It is also concluded that the board’s monitoring role is weaker in firms with a combined CEO-chairman title.

(A. Dey, Engel, & Liu, 2011) examines the leadership structure of the board of directors, through the CEO duality and the chairman of the board of directors. sample from the Corporate Library Database for the year 2001 to 2006 is
collected for the study. Researcher has classified his sample into three categories on with separate chief executive officer and chairman, second with single person on both position and third the firms who have altered the leadership structure during the sample period. Researcher finds that the firms that are larger, have stronger governance and more able CEOs are more likely to combine CEO and board chair roles (i.e., duality). Researcher also finds that the firms that split these roles have significantly lower announcement and post-announcement returns, and lower contributions of investments to shareholder wealth. The researcher concluded that the CEO duality has relation with the firm performance but it warrants a careful consideration for splitting the roles.

(Uadiale, 2010) examines the impact of board structure on corporate financial performance. four board characteristics i.e. board composition, board size, board ownership and CEO duality are considered as independent variable, financial performance variables are return on equity (ROE) and return on capital employed (ROCE). The Ordinary Least Squares (OLS) regression is used to estimate the relationship between corporate performance measures and the independent variables. Findings shows that there is strong positive association between board size and financial performance. Result also indicates that there is a positive association between outside directors sitting on the board and financial performance. whereas, a negative association is observed between directors’ stockholding and firm financial performance. Result also reveals a negative association between ROE and CEO duality and a strong positive association between ROCE and CEO duality. The researcher concluded that large board size should be encouraged and the composition of outside directors as members of the board should be sustained to enhance firm performance.

(Fich & Shivdasani, 2006) examines the effect of busy board on performance of the firm. The busy boards are those board in which a majority of outside
directors hold three or more directorships. Using the panel data regression models the researcher finds that the busy board are associated with weak corporate governance. The result also shows that firms in which a majority of outside directors hold three or more board seats have significantly lower market-to-book ratios than firms in which a majority of outside directors hold fewer than three board seats.

2.5.1 Summary

The above literature review shows that, the studies on the board characteristics remains inconclusive as some studies found positive relationship and some negative and some report no relationship of board characteristics with firm performance. The inconclusiveness on the board characteristics is also highlighted by (Finegold, Benson, & Hecht, 2007) in their review on corporate boards and company performance. Research evidence of (Fama & Jensen, 1983) supports the view that CEO and board chair positions need to be separate. Some author concluded that the duality affects the performance. Same case is with board size, according to (D. Vo & Phan, 2013) there exist two school of thoughts for board size one school suggest that smaller board are more effective and have firm having smaller board shows better performance. Second school of thought says that firms with large board performs better. Mohamed Belkhir (2008) found positive effect of board size on ROA and Tobin's q but study conducted by (Mohamed et al., 2016) found board size has significant weak negative relationship with ROA. Similarly difference reflected by the study of (D. K. Dey & Chauhan, 2009) who found board size has no significant effect on ROA. (Dhawan, 2006) found that board size increases with the increase in the turnover but to a certain level only thereafter it has no effect. Same case is with board independence though SEBI has incorporated through listing agreement and Clause 49 stipulations about the board independence, there is still ongoing debate and differences in opinions among various subsequent governance committees. This shows robust evidence that
corporate board structure specifically the board size, board independence, chief executive officer role, number of other directorship hold by the directors and other members of the board are few important factors needs to be considered for the study as they impact in some or the other way on the corporate governance and performance.

2.5.2 Brief Literature Review: Corporate Board Structure

<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
<th>Objective</th>
<th>Period of Study</th>
<th>Conclusion/Outcome of the study</th>
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<tbody>
<tr>
<td>Board of Directors' Size and Performance in the Banking Industry</td>
<td>Belkhir, Mohamed (2008)</td>
<td>Study focuses on the relationship between board size and performance in banking.</td>
<td>1995-2002</td>
<td>Board size is size is positively related with both performance measure Tobin's Q and the Return of Assets. Researcher also finds that the number of directors leaving board and the number of new joining on the board for the first time increase following a poor performance. Research also conclude that the board size performance relationship goes from board size to performance and that the calls to reduce the number of directors in banks might have adverse effects on performance</td>
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<td>Board of Directors and Corporate Governance in Large Listed Firms in India</td>
<td>Jyoti Dhawan (2006)</td>
<td>The paper identifies the role of Board of Directors in CG in large listed firms of India. Review</td>
<td>1993-2002 (8 Year)</td>
<td>Size of board increases with the increase in the turnover but after certain level turnover becomes in effective and has no effect on the size of the board. Important qualities of directors for the better performance of the board are honesty, integrity and with these two the strategic thinking and leadership</td>
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</table>
| Board Composition and Performance in Indian Firms: A Comparison | Dipanjan Kumar Dey and Yogesh Kumar Chauhan, (2009) | to study the relationship between board composition and firm performance of stand-alone and group firms in India, along with firm performance of public owned and foreign subsidiaries firms and their board composition in India | 2006-2007 | Board size has a significantly impact on performance measured by Tobin's q with respect ot public sector undertaking but insignificant for foreign subsidiaries, private stand alone firms and group affiliated firms. The independence of the board is found statistically in significant across all the firms. researcher concluded that concluded that larger boards are less effective in Indian firms, except in the case of PSUs.

<p>| Corporate Governance Practices and Firm Performance: Evidence from Top 100 Public Listed Companies in Malaysia | Shafie Mohamed Zabria, Kamilah Ahmadb, and Khaw Khai Wahc, (2016) | To study corporate governance practices indicated by board size and board independence and firm performance measured by Return on Assets | 2008-2012 | Study concluded that the board size has significantly weak relationship with the Return of Assets and insignificant relationship with the return of equity. for board independence researcher found no relationship with return on assets as well as return of equity. researcher concluded that smaller board are better than the large boards. It is |</p>
<table>
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<th>Study Title</th>
<th>Authors</th>
<th>Year</th>
<th>Summary</th>
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<tr>
<td>The Effect of Board ’ s Quality on Performance : a study of Canadian firms</td>
<td>Fodil Adjaoud, Daniel Zeghal and Syed Andalee</td>
<td>2007</td>
<td>To study the Impact of board quality on the firm performance</td>
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<td>Study found the significant relationship between the board characteristics and performance measures MVA and EVA. However no significant relationship is observed between the board characteristics and ROI,ROE, EPS and Market to book value ratio.</td>
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<td>Does CEO Duality Enhance Firms Business Performance ? Empirical Evidence from Bahrain</td>
<td>Sekhar Muni Amba</td>
<td>2010-2012</td>
<td>CEO as a board member is positively related with ROE and Asset turnover Ratio but CEO as chairman of board is negatively related with the performance. Regression analysis reveals that CEO duality has no significant effect on firms performance measured by ROA,ROE and asset turnover.</td>
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<td>Board size, independence and performance: an analysis of Thai banks</td>
<td>Shams Pathan, Michael Skully and J. Wickramanayake</td>
<td>1999-2003</td>
<td>a statistically significant negative relation between the board size and the firm performance. a statistically significant positive relationship between the proportion of independent</td>
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<td>2007</td>
<td>The impact of board structure on performance of local commercial banks in</td>
<td>Olayinka Marte Uadiale</td>
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### 2.5.3 Research Gap

From the above literature review it is very clear that there are many questions unanswered with the corporate board structure in the Indian context. There are no studies conducted separately on Automobile Industry which shows the Board Size, Number of independent director on board, CEO duality, Number of other directorship held by directors, chairman and other members have any relationship with the performance of automobile companies. Questions arises that corporate board structure in publicly listed automobile companies in India have any effect on their performance. Does the board size is same across all the companies in automobile industry or it differs? Does the Number of independent directors on the board, CEO duality, and the busyness of the members of the board with other companies has any relation or impact on the firm performance of the automobile companies? These are questions which are
still to be answered which bring out the gap in the research studies and this gap becomes an objective for this research study.

2.6 Corporate Board Activity

In this section of literature review the literature relating to the Corporate Board Activity is reviewed and discussed. This review includes the review of literature on the corporate board meetings, attendance at board meetings, formation of committees by the board, impact of corporate board activities on the performance of the board. This comprehensive review of literature is necessary for the better insight on the one more element the corporate governance i.e. corporate board activity for consideration in the study.

According to (Tornyeva & Wereko, 2012) Annual general meetings are the linchpin to the good corporate governance. Annual general meeting enhances the transparency process. Directors present their report to the shareholder in annual general meeting. All major decision are taken at annual general meeting. Researcher while investigating the relationship between corporate governance and the financial performance of insurance companies in Ghana using the secondary data collected from the national insurance commission and the primary data through the administration of interview questionnaires found a positive relationship between the Annual general meeting and firm performance measured by return on assets and return on equity. Researcher also found positive relationship of other independent variables, large board size, board skill, management skill, longer serving CEOs, size of audit committee, audit committee independence, foreign ownership, institutional ownership, and dividend policy with the financial performance of insurance companies in Ghana.

In an another study by (Dar, Naseem, Rehman, Niazi, & Rehman, 2011) Annual general meeting is considered as an independent variable along with
other three independent variables viz. board size, chief executive status, and audit committee. The return on equity and profit margin are considered as the firm performance measure. Oil & gas firm listed in Karachi stock exchange were considered and data for the period of 2004-2010 was collected. Multiple regression analysis is used to examine the significance of the variables. The panel and OLS method of estimation was used. The result shows the positive and significant effect of return on equity on board size and annual general meeting, whereas for the audit committee and CEO has negative relationship with the return of equity but the effect was found significant. Further positive relationship was found between the profit margin and board size and annual general meeting but they have no significant effect. The profit margin and CEO status has significant effect but a negative relationship was found between the two.

Further (Johl, Kaur, & Cooper, 2013) examine the impact Board Meeting along with the other independent variable board independence, board size and directors expertise in accounting on the firm performance. The researcher has used both financial and non-financial data for the year 2009 for 700 public listed companies in Malaysia. The result shows that the board meeting is found to have adverse effect on the firm performance. It is also found that the board size and board expertise in accounting are positively associated with the performance of the firm.

In an study in South African context (Ntim & Osei, 2011) investigate the impact of corporate board meetings on corporate performance. Analysis is done using a sample of 169 companies listed in South Africa. The period of study is from 2002-2007. The result suggest a statistically significant and positive association between the frequency of corporate board meetings and corporate performance. The researcher in further investigation found a significant non-monotonic link between the frequency of corporate board meetings and corporate performance, suggesting that either a relatively small or large number of corporate board meetings impacts positively on corporate performance.
Further in an another study (Danoshana & Ravivathani, 2013) examine the Frequency of board meeting, size of the board, and audit committee as variable to measure corporate governance. Researcher used Return on equity, Return on assets as the performance variable. The data for twenty five listed companies for the period of 2008-2012 is considered for the study. Result of study revels that corporate governance significantly impact on firm’s performance and board size and audit committee size have positive impact on firm’s performance. However, board meeting frequency was found to have negative impact on firm’s performance.

(Adams & Ferreira, 2009) in an study on women on the board analyze the relationship between gender diversity and several measures of board behavior, study also focuses on director attendance behavior at board meetings, director pay and the number of board meetings, relationship between gender diversity and measures of corporate performance. Researcher finds that the gender diversity has significant effects on board governance, women appear to behave differently than men with respect to attendance behavior. Study reveals that women are less likely to have attendance problems than men. The researcher also finds that finds that firms with more diverse board have more board meetings.

(Francis, Hasan, & Wu, 2015) finds that during financial crisis firm with poor board attendance at board meeting performance worse that the board with good attendance at the board meeting. Researcher investigated the effects of academic directors on corporate governance and firm performance. Researcher also finds that companies with directors from academia are associated with higher performance, it also finds that academic directors play an important governance role through their advising and monitoring functions. The result of study shows that presence of academic directors is associated with higher acquisition performance, higher number of patents and citations, higher stock
price, lower discretionary accruals, lower CEO compensation, and higher CEO forced turnover-performance sensitivity, means overall academic director are valuable and effective monitors.

Forming various committee is an integral activity of the board. (Puni et al., 2014) in a study considered the audit committee and nomination committee as the independent variables along with the other variables. The other variables are inside director, outside director and CEO duality. The performance is measured by return on assets and return on equity. Using the static panel regression researcher tried to assess the effect of corporate governance variables on the firm performance. The data is collected from the annual report of 5 years from 2006 to 2010 for 29 companies. The results shows that the inside directors had positive effects on ROE and the outside directors showed negative effect on both ROA and ROE. It is also found that separation of CEO and chairman of the firm do not have a statistically significant effect on corporate firm performance. It was also found that the existence of nomination committees tend to have a negative effect on corporate financial performance.

In an another study by (Al-Matari et al., 2012) examines the relationship between the the audit committee characteristics, board of directors, and the performance of the Saudi companies listed in the Saudi stock exchange (TDAWL) researcher found audit Committee size (ACSIZE) is found to have a significant relationship with firm performance. board composition measured as the ratio of non-executive directors to the total number of directors (NED), the audit committee independence, audit committee meeting was found to be insignificantly related to marketing performance Tobin's Q. The other hypothesized variables, the proportion of non-executive directors (BODCOM), CEO Duality (DUAL), Board Size (BSIZE), Audit Committee Independence (ACIND), audit committee meeting (ACMEET) were found to be as expected directions but insignificantly related to firm performance measure except the
direction of the proportion of non-executive directors (BODCOM) was opposite to the expectations.

Further in a study (Fauzi & Locke, 2012) to investigates the role of board structure and the effect of ownership structures on firm performance in New Zealand's listed firms, considered the Nomination committee, Remuneration committee, Audit committee as variable along with the other variable such as board size, female director on board, Non-executive directors on board, block ownership and concentrated ownership. For the impact dependent variable Tobin's Q and Return of assets were considered. The result reveals that board of directors, audit committee, remuneration committee, nomination committee, and managerial ownership have a positive and significant impact on firm performance. Whereas the non-executive directors, female directors on the board and block holder ownership found to have negative impact on the firm performance.

(Kajananthan, 2012) investigated the relationship between Board Committees, Board Size, Board Structure, Proportion of independent directors with the performance variable Debit Ratio. Researcher used the capital structure of 28 listed manufacturing companies listed in Colombo stock exchange. The data collected for the period of 2009 till 2001. The multiple regression analysis is used to test the variables. Result shows that corporate governance practices have 34% impact on capital structure and among the corporate governance variables board committee has a significant effect on firms’ capital structure.

2.6.1 Summary

Boards usually do most their work in committees, and data on the committee structure is generally publicly available. Some authors have used these data to draw inferences about the functioning of the board. (Adams, Hermalin,
Weisbach, & Berkeley, 2010) like the one (A. Klein, 2002) considers the relation between firm performance and board committee structures finds that, although there is no relation between overall board composition and firm performance, the number of insiders on the finance and investment committees is positively associated with better performance. Similarly study (Fauzi & Locke, 2012) also found the positive association between the board committee and the firm performance. (Francis et al., 2015) finds attendance is also an important factor, good attendance has relationship with good performance of firm. That during financial crisis firm with poor board attendance at board meeting. By (Dar et al., 2011) found negative relationship of board meeting with financial performance. The above literature review gives us the robust evidence that corporate board activity specifically the board meeting, attendance at board meeting, structure of board committees, formation and number of board committees are some of the factors which have some or the other impact on the firm performance.

2.6.2 Brief Literature Review: Corporate Board Activity

<table>
<thead>
<tr>
<th>Title</th>
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<th>Objective</th>
<th>Period of Study</th>
<th>Conclusion/Outcome of the study</th>
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<tbody>
<tr>
<td>Corporate governance and firm performance: Evidence from the insurance sector of Ghana</td>
<td>Kingsley Tornyeva and Theophilus Wereko (2012)</td>
<td>to investigate the relationship between corporate governance and the financial performance of insurance companies in Ghana.</td>
<td>2005-2009</td>
<td>findings shows that large board size, board skill, management skill, longer serving CEOs, size of audit committee, audit committee independence, foreign ownership, institutional ownership, dividend policy and annual general meeting are positively associated with the financial performance of insurance companies in Ghana.</td>
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<tr>
<td>Corporate governance and firm</td>
<td>Laib A Dar, Muhamma</td>
<td>the relationship between</td>
<td>2004-2010</td>
<td>positive and significant effect of return on equity on board size and annual</td>
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<tr>
<td>Performance: A case study of Pakistan oil and gas companies listed in Karachi stock exchange</td>
<td>Akram Naseem, Ramiz Ur Rehman, Dr. G. S. K. Niazi (2011)</td>
<td>four Corporate Governance Mechanism and Firm Performance</td>
<td>general meeting, whereas for the audit committee and CEO has negative relationship with the return of equity. The profit margin and CEO status has significant effect but a negative relationship was found between the two.</td>
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<tr>
<td>Board characteristics and firm performance: evidence from Malaysian Public listed firms</td>
<td>Satirenjit Kaur Johl, Shireenjit Kaur, and Barry J. Cooper</td>
<td>to examine the impact of board characteristics and firm performance</td>
<td>2009 result shows that the board meeting is found to have adverse effect on the firm performance. It is also found that the board size and board expertise in accounting are positively associated with the performance of the firm</td>
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<td>The impact of corporate board meetings on corporate performance in South Africa</td>
<td>Collins G. Ntim1 and Kofi A. Oseiτ</td>
<td>impact of corporate board meetings on corporate performance</td>
<td>2002-2007 result suggest a statistically significant and positive association between the frequency of corporate board meetings and corporate performance. suggesting that either a relatively small or large number of corporate board meetings impacts positively on corporate performance</td>
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<tr>
<td>The impact of the corporate governance on firm performance: A study on financial institutions in Sri Lanka</td>
<td>Ms.S.Dan oshana1 and Ms.T.Ravi vathani</td>
<td>impact of corporate governance on corporate performance of listed financial institute</td>
<td>2008-2012 that corporate governance significantly impact on firm’s performance and board size and audit committee size have positive impact on firm’s performance. However, board meeting frequency was found to have negative impact on firm’s performance</td>
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</table>
2.6.3 Research Gap

From the above literature review it is very clear that there are many questions unanswered with the corporate board activity in the Indian context. There are no studies conducted separately on Automobile Industry which shows the corporate board meetings, corporate board committees, attendance at the board meetings and committees, have any relationship with the firm performance of automobile companies. Questions arises corporate board activities in publicly listed automobile companies in India have any effect on the performance. Does the frequency of board meeting is same across all the companies in automobile industry or it differs? Does the attendance at the board meeting has impact on the firm performance of the automobile companies? These are questions which are still to be answered which bring out the gap in the research studies and this gap becomes an objective for this research study.

2.7 Corporate Remuneration

In this section of literature review the literature relating to the Corporate Remuneration is reviewed and discussed. This review includes the review of literature on the remuneration received by the directors, chairman and the overall relationship of corporate remuneration with the corporate governance and firm performance. This comprehensive review of literature is necessary for the better insight on the another element of corporate governance i.e. corporate remuneration for consideration in the study.

(Doucouliagos, Haman, & Askary, 2007) examines the relationship between directors’ pay and performance. researcher has considered the data for 1992 to 2005 period. Data on the Australian banking companies is collected and the using the panel data regression model, researcher finds that no contemporaneous relationship between director's pay and the performance of bank. However the total director's pay have a robust positive association with
earning per share and also with return on equity. Researcher also finds that there exist strong direct and positive association of CEO remuneration with the bank performance. it is also found that the CEO bonus pay is has effect on the accounting based performance measure but not with the market based performance measures.

Further (Abdullah, 2006) in Malaysian context investigated the extent to which the structure of the board, ownership and the firm performance determine the directors remuneration. Researcher considered the data for 86 non-distressed firms for the year 2001. Researcher examines the association between the performance, board independence, Ownership structure , Non-executive directors interest , Outside block holding and directors remuneration. A multiple regression analysis is carried out to test the hypothesis. The result shows that the directors’ remuneration is not associated with firm’s profitability, as measured by ROA. Result indicated a negative and significant association between directors’ remuneration and lagged ROA. Researcher also found that corporate governance, board independence and the extent of non-executive directors’ interests are have negative influence on directors’ remuneration. A positive association is found between the directors’ remuneration and the firm's growth and size.

In an study (Elloumi & Gueyie, 2001) examines the relationship between the chief executive officer's compensation, the investment opportunity set (IOS) and corporate governance mechanisms. The analysis is conducted in Canadian context and data for 415 Canadian companies for the year 1997 was collected and analyzed. The liner regression modeling is used for the analysis. The result shows that that firms with high IOS, pay higher levels of total compensation to their CEOs. It is also observed that the CEO derives a larger proportion of their compensation from performance-contingent forms of pay such as bonuses, stock option grants and long-term incentive plans. Researcher also finds that
the weak board of directors pay more compensation as compared to the powerful board.

Further in a study (Masnoon & Rauf, 2002) finds that director remuneration is statistically insignificant and negatively related to debt ratio. The research aims to find the impact of corporate governance capital structure on non-financial Pakistani firms. The study is conducted on 30 listed companies listed in Karachi Stock Exchange. The least square method is used for determining the relationship between the corporate governance and the capital structure. the variables used in the study are the ownership concentration, size of the board, board composition, CEO duality, Director's Remuneration, profitability and debt equity ratio. Result suggest that the board composition, ownership concentration, CEO duality, and profitability are negatively related and statistically significant to Debt ratio. Researcher states that if we increase any of these variables, a decrease in the debt ratio can be expected. Result also revel a positive as well as significant relationship between the Board Size and debt ratio. The researcher also found a positive but insignificant relationship between the size, tangibility of assets and director remuneration with the debt ratio. Researcher concluded that the that large amount of director remuneration leads to lower level of debt in order to reduce agency conflicts and increase the manager interest. So, if compensation is high, managers’ interest will increase due to which they prefer to take low level of debt in order to avoid risk of shareholders.

(Lawrence & Stapledon, 1999) in the Australian context investigated the impact of board composition on corporate performance and executive remuneration in large Australian companies and found corporate board composition does not affect the performance of the company and there is no link between the proportion of independent directors in the board and the level of remuneration of the CEO
Further (Méndez, García, & Rodríguez, 2011) evaluates the incidence of the board of directors, the nomination and remuneration committees and the ownership structure on the amount, composition and pay-performance sensitivity of the remuneration of executive directors. The researcher has used a panel of Spanish listed firms for the analysis for the period 2005–2009. The result reveal that the increases in executives’ remuneration are linked to variations in shareholders’ wealth. Researcher also found evidence that the size of both the board and the nomination and remuneration committee and the shareholdings of external large block holders and executives affect the amount and structure of executive remuneration. It is also found that the existence of investment opportunities together with size and profitability influence remuneration policy. It is also found that the presence of independent directors would restrain executives pay or increase of pay-performance sensitivity.

According to (Baker, Jensen, & Murphy, 1988) A thorough understanding of internal incentive structures is critical to developing a viable theory of the firm, since these incentives determine to a large extent how individuals inside an organization behave. Researcher has develop a model in which the level of pay determines where managers work, but in which the structure of the compensation contract determines how hard they work. it is also opine that when making decisions, managers at certain points yield to behavioral notions of fairness and loyalty rather than to financial incentives alone.

2.7.1 Summary

Corporate remuneration is one of the most extensively debated issues in the corporate governance literature. the issue involves the chief executive officer compensation, director remuneration, company pay policy and legal rules and regulation. The researcher in the field of corporate governance have dealt this issue in different -different ways , some have treated it as the independent variable and tried to find out its effect on the other financial and corporate governance variable. some have treated it as the dependent variable and tried to
find out how it is affected by the other. (Lawrence & Stapledon, 1999) does not find any relation between the number of independent director on the board on the level of corporate remuneration to CEO, (Jensen & Murphy, 1990) show that executive salary is an ineffective mechanism for maximizing firm value, since equilibrium in managerial labor markets will prevent large salary cuts for poorly-performing managers. (Michael & Brennan, 1995) argues that incentives other than monetary incentives are also important, only monetary incentives are not sufficient to ensure complete coherence between the goals of managers and shareholders. (Masnoon & Rauf, 2002) finds that large amount of remuneration leads to low debt in the firm and reduce the agency problem, (Abdullah, 2006) finds that director remuneration is not associated with the firms profitability. The Cadbury Report (1992), Greenbury Report (1995) also talks about the corporate remuneration though not directly but by recommending to have a remuneration committee in the public limited companies. There it is clear from the view that corporate remuneration is also an important factor to be considered in the study of corporate governance, Hence it is considered by the researcher in the present study.

2.7.2 Brief Literature Review: Corporate Remuneration

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<tr>
<td>Directors' remuneration and performance in Australian banking</td>
<td>Hristos Doucouliagos and Janto Haman and Saeed Askary</td>
<td>To explores the relationship between directors’ pay and performance within Austra-lian banking industry</td>
<td>1992-2005</td>
<td>total director's pay have a robust positive association with earning per share and also with return on equity. Researcher also finds that there exist strong direct and positive association of CEO remuneration with the bank performance. it is also found that the CEO bonus pay is has effect on the accounting based performance measure but not with the market based performance</td>
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<td>Directors remuneration, firm’s performance and corporate governance in Malaysia among distressed companies</td>
<td>Shamsul Nahar Abdullah (2006)</td>
<td>to investigate the extent to which firm’s performance, the structure of the board of directors and ownership determine directors’ remuneration in Malaysia among distressed firms</td>
<td>2001</td>
<td>result shows that the directors’ remuneration is not associated with firm’s profitability, as measured by ROA. Result indicated a negative and significant association between directors’ remuneration and lagged ROA. Researcher also found that corporate governance, board independence and the extent of non-executive directors’ interests are have negative influence on directors’ remuneration. A positive association is found between the directors’ remuneration and the firm's growth and size.</td>
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<td>Impact of Corporate Governance on Capital Structure-A study of KSE listed Firms</td>
<td>Maryam Masnoon and Monazza Rauf</td>
<td>impact of corporate governance on capital structure of non-financial Pakistani firms</td>
<td>2009-2011</td>
<td>board composition, ownership concentration, CEO duality, and profitability are negatively related and statistically significant to Debt ratio, result also shows that director remuneration is statistically insignificant and negatively related to debt ratio</td>
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<tr>
<td>The Spanish Review of Financial Economics Corporate governance and executive pay in the Spanish</td>
<td>Carlos Fernandez Mendez, Ruben Arrondo Garcia, Enrique Fernandez Rodriguez</td>
<td>evaluates the incidence of the board of directors, nomination and remuneration commit-tees (NRCs) and the ownership structure on the amount, composition and pay-performance sensitivity of the remuneration of executive directors. it is also found that the presence of</td>
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<td>evaluates the incidence of the board of directors, the nomination and remuneration commit-tees (NRCs) and the ownership structure on the amount, composition and pay-performance sensitivity of the remuneration of executive directors. it is also found that the presence of</td>
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</table>
2.7.3 Research Gap

From the above literature review it is very clear that there are many questions unanswered with the corporate remuneration in the Indian context. Most of the studies are done in the foreign context, more so there are no studies conducted separately particularly on Automobile Industry, which can reflect the need, relationship and impact of corporate remuneration on the corporate governance and firm performance. Questions arises corporate remuneration in publicly listed automobile companies in India have any effect on the performance? Does the corporate governance Index and disclosure has any relation with the corporate remuneration? These are questions which are still to be answered which bring out the gap in the research studies and this gap becomes an objective for this research study.

2.8 Corporate Ownership/Shareholding

In this section of literature review the literature relating to the Corporate Ownership is reviewed and discussed. This review includes the review of literature on the Shareholding by different categories of investors such as Promoter shareholding, domestic institutional investor, foreign institutional investors, corporate investors, and other investors. This comprehensive review of literature is necessary for the better insight on the one more element the corporate governance which has been considered in the study.

Ownership structure is a part of corporate governance in its broad sense, and it also affects other elements of corporate governance. *(Lee & Park, 2008)*
Corporate Ownership is in debate since the classic work of Berle and Means (1932) has been recognized in the field of corporate governance. The separation of ownership from the management in the modern corporation is debated by corporate governance researchers. In an study by (Welbourne & Cyr, 1999) defines three type of ownership CEO ownership, executive team ownership, and all employee ownership. The study examines the effects of all three type of ownership in addition to the moderating effect of risk, on firm survival and stock price. The data for sample of 107 companies for the year 1988 was collected from the prospectus submitted by the companies to the securities exchange commission to conduct an IPO. Ownership data which is used for the study is calculated as the percentage of the company share owned by the CEO, Executive team and employee. These percentage of ownership has been considered as independent variable and three dependent variables survival status as on 1993, yearend stock price for five year following the IPO, and change in stock price from time of the IPO through Year end 1993 was considered for the study. The analysis was done using the bivariate correlations, logistic regression and ordinary least squares regression. The researcher found that ownership variables CEO and executive team ownership are negatively related to stock price and all employee ownership positively associated with the year end stock prices. The regression analysis suggest that ownership variables have negative impact on the firm performance.

In an another study on the ownership by (Kumar, 2004) in Indian context, examines the impact of interactions between corporate, foreign, institutional, and managerial ownership on firm performance. The Return on Assets (ROA) and Return on Equity (ROE) have been considered as the performance measure. Study found that the shareholding by institutional investors and directors affect firm performance. study also find that the equity ownership by foreign and corporate shareholders do not influence firm performance. researcher found no evidence in favor of endogeneity of ownership structure
A study in Korean context researcher (Lee & Park, 2008) examines whether major shareholder such as controlling shareholders, institutional investors, foreign investors have any influence on corporate governance structure or not. For the analysis, researcher has used the firms listed on the Korea Stock Exchange. The empirical results shows that ownerships by controlling shareholders tend to have negative effects on the board structure and managerial transparency. Researcher also finds that the foreign shareholders exercise positive effects on corporate governance issues and institutional investors are passive on the corporate governance issues. It is also suggested by the researcher that efforts of investors and the regulators to improve the corporate governance should be directed towards the improvement in the corporate board structure and managerial transparency. Statistically the result indicates that the impact of Institutional investor is negative but insignificant with the corporate governance score calculated by the researcher. Foreign Ownership also found to be positively correlated with the corporate governance scores. It is also found that statistically Foreign ownership has positive and significant impact on corporate governance scores.

A study in New Zealand context researcher (Chen, Chen, & He, 2008) examines the effect of ownership structure on corporate governance and firms’ performance of New Zealand non-financial companies in terms of both ownership and management control. Companies listed on the New Zealand Stock Exchange (NZSE) during the period of 2000-2003 are considered for the study. Financial institutions, property, and mining companies and companies newly listed during the sample period are excluded from the study. Correlation and OLS regression models are used for the analysis. Tobin's Q, Return on Equity, fraction of share owned by the top five shareholding interest, size of the firm, growth, Leverage are the variables considered for the study. Researcher found that none of the two measures of ownership structure is statistically significant in the explanation of firm performance, measured as Tobin’s Q and ROE. but when endogeneity of ownership structure is considered the results
show that management ownership is not significant with firm performance during each range of managerial shareholdings.

In an study in Canadian context by (P. Klein et al., 2005) analyse the relationship between firm value, as measured by Tobin’s q, and corporate governance index. Researcher found that the corporate governance does matter in the Canada, but found no difference with respect to the ownership category. Researcher does not found any statistically significant effect of ownership type on the performance of sample firms. For family owned firms researcher found no evidence that family ownership affects the performance.

A study in Indian manufacturing firms context (Pathak & Pradhan, 2012) examines the impact of promoter holding, institutional holding and individual holding on firm performance measured by Return on Assets (ROA). multiple regression is employed to analyze the impact of ownership structure on firm performance. Data was gathered for the 2001 to 2009 for seven industries. The researcher found that the Institutional holding affects firm performance negatively, Individual holding found to have significant effect on the firm performance measured by ROA. Whereas the promoter shareholding is found to be insignificant. The researcher concluded that the higher the institutional holding the lower is the return.

(Mishra & Ratti, 2011) researcher seek to determine the role of large domestic company holdings (or legal person holdings), state ownership, foreign cross company holdings, foreign institutions and investment company holdings on foreign portfolio investment in Chinese companies. It is found that foreign ownership is negatively impacted by legal person holdings and positively related to large foreign institutions’ holdings. It is observed that Foreign institutional holdings are positive and highly significant at 1%. It is also observed that for investment in Chinese companies foreign investor from the countries with better institutions and corporate governance prefers the Chinese
firms who have high book to market value and who are listed in abroad. The foreign investor from countries having good corporate governance and better legal frame work act as valuable inside monitors because of laws of their home countries.

In another study by (Zeitun & Gang Tian, 2007) studied the effect of ownership on a firm's performance in a developing economy (Jordan). Researcher found a positive relationship between managerial ownership and a firm's performance. The result revels that the ownership structure has significant effects on firm performance measured as measured with the accounting measure of performance return on assets (ROA) and Return on equity (ROE). It is also found that the Government shares are significantly negatively related to the firm’s performance ROE. It was also found that the firm with the high concentration of ownership are defaulters firms. Low incidence of default have been found in case of firm with foreign ownership and government ownership. research further suggest that reducing government ownership can increase a firm’s performance and but will also cause some firms to go bankrupt, at least in the short term. The researcher concluded that the result obtain by them are consistent with Abdel Shahid (2003); that ROA and ROE are the most important factor used by investors rather than the market measure of performance. The researcher also concluded that the finding are also consistent with the of Wu and Cui (2002) that there is a positive relationship between ownership concentration and accounting profits, indicated by ROA.

A study by (Miyajima, Hoda, & others, 2015) aims to identify the effects of the rapid change in the shareholder ownership structure on corporate governance in Japan. Researcher using the data for the year 1990-2008 performed the analysis. Researcher finds that the Institutional investor select the stock not only on the size of company and stock liquidity but also give preference to high-quality stocks in terms of profitability, stability and financial
soundness of the company. Further researcher finds that the foreign institutional investor as compared with domestic institutional investors give more importance to the formal governance feature such as size of the board, number of outsiders on the board, whereas the insurance and bank continue to invest in the low quality companies. Researcher also tested the relationship between the ownership and performance and found that ownership by banks and insurance companies have negative effect on the performance measured by enterprise value and corporate earnings, whereas researcher found a positive effect of domestic and foreign institutional investors. It is also concluded that an increase in share ownership by domestic and foreign institutional investor either because of demand shock, or because of institutional investor bias or home bias, they will continue to have monitoring effect through action such as indicating possibility of exit and voicing of complaints.

(Gurarda et al., 2016) have estimate the determinants of corporate governance ratings for Turkish companies with a focus on ownership structure. Data for 22 Turkish company is collected from FINNET database and financial reports of firms excluding the financial services sector firm. The data cover a span of six year for m2008 to 2012 is considered for the study. The results show that company earnings, financial risk and firm size positively influence the corporate governance ratings (CGR). Researcher also found some weak evidence that family ownership has a negative and foreign ownership has a positive impact on CGR scores.

(Al-najjar, 2015) seeks to investigate whether institutional ownership affects the firm’s performance or not. The performance is measured through two accounting measures Return on Assets (ROA) and Return on Equity (ROE). Six explanatory variables Institutional ownership, Size, Tangibility, business risk, Debt to asset and Marketability are used. Data collected from the listed firm in Amman Stock Exchange of Jordan for the period of 2005-2013 is considered and analyzed by applying panel data regression analysis. Result
revels that there is no strong evidence that there is a relationship between the institutional ownership and firm performance when measured by ROA and ROE.

(Ma & Tian, 2014) in their study on the impact of board composition, board activity and ownership concentration on the performance of listed Chinese firms finds that independent directors enhance firm performance effectively than the other board factors. The frequency of shareholder meetings, rather than board meetings, is positively associated with firm value. Tradable share ownership concentration has a positive and linear relationship with firm value, while state and total share ownership concentration represent U(V) shapes. Importantly, companies with the highest levels of both total share and tradable share ownership concentration have a greater firm values than companies with the highest levels of only a single concentration

2.8.1 Summary

From the above review of literature on the corporate ownership it is clear that in shareholding linchpin are domestic institutional investors, foreign institutional investor, corporate investors, public shareholding and promoter shareholdings. The above review also reflects that there is no final answer to what percentage constitute the optimum combination of ownership not the studies are clear that which factor contributes most or affect the firm performance. (Agrawal & Knoeber, 1996) and (La Porta, 1997) asserted that firm with large ownership concentration has better controlled managers and have better performance as compared to other. (Ma & Tian, 2014) asserted that independent directors enhance firm performance, similarly (Pathak & Pradhan, 2012) found that Individual holding have significant effect on the firm performance measured by ROA. Institutional investors have specialized knowledge and information which make them more capable in monitoring the firms activities which ultimately result in low monitoring cost. (Oviatt, 1988) ,
(Mcconnell & Servaes, 1990) contrary to this view (Al-najjar, 2015) found no strong evidence that there is a relationship between the institutional ownership and firm performance. The studies on the corporate ownership remains inconclusive as some studies found positive relationship and some negative and some report no relationship of corporate ownership with firm performance.

2.8.2 Brief Literature Review: Corporate Ownership

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<th>Objective</th>
<th>Period of Study</th>
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<tr>
<td>Using Ownership as an Incentive Does the “Too many Chiefs” Rule Apply in Entrepreneurial Firms?</td>
<td>Theresa M. Welbourn e and Linda A. Cyr (1999)</td>
<td>To study impact of three type of ownership CEO ownership, executive team ownership, and all employee ownership on Firm Performance measure by stock prices.</td>
<td>1988-1993</td>
<td>Outcome of the study is that the ownership variables CEO and executive team ownership are negatively related to stock price and all employee ownership positively associated with the year end stock prices. The regression analysis suggest that ownership variables have negative impact on the firm performance.</td>
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<td>Does ownership structure influence firm value? Evidence from India</td>
<td>Jayesh Kumar (2004)</td>
<td>examine the effect of corporate, foreign, institutional, and managerial ownership on firm performance.</td>
<td>1994-2000</td>
<td>Study found that the shareholding by institutional investors and managers affect firm performance. study also find that the equity ownership by foreign and corporate shareholders do not influence firm performance. researcher found no evidence in favor of endogeneity of ownership structure.</td>
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<td>Determinants of The Corporate Governance of Korean Firms</td>
<td>Eunjung Lee, Kyung Suh Park (2008)</td>
<td>2001-2003</td>
<td>foreign shareholders exercise positive effects on corporate governance. It is also found that impact of Institutional investor is negative but insignificant with the corporate governance score. It is also suggested by the researcher that efforts of investors and the regulators to improve the corporate governance should be directed towards the improvement in the corporate board structure and managerial transparency.</td>
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<td>Corporate Governance, Control Type, And Performance: The Newzealand Story</td>
<td>Jianguo Chen, Dar-Hsin Chen, Ping He (2008)</td>
<td>2000-2003</td>
<td>none of the two measures of ownership structure are statistically significant in the explanation of firm performance, measured as Tobin’s Q and ROE. Results show that management ownership is not significant in explaining firm performance during each range of managerial shareholdings when endogeneity of ownership structure has been considered.</td>
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<td>Governance, monitoring and foreign investment in Chinese companies</td>
<td>Anil V. Mishra, Ronald A. Ratti School (2011)</td>
<td>examines corporate governance and foreign equity home bias in Chinese companies</td>
<td>2001-2006</td>
<td>It is found that foreign ownership is negatively impacted by legal person holdings and positively related to large foreign institutions' holdings. It is observed that Foreign institutional holdings are positive and highly significant at 1%.</td>
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<tr>
<td>Does ownership affect a firm's performance and default risk in Jordan?</td>
<td>Rami Zeitun and Gary Gang Tian (2007)</td>
<td>to examine the impact of ownership structure on firm performance and the default risk of a sample of publicly listed firms</td>
<td>1989-2002</td>
<td>Ownership structure has significant effects; government shares are significantly negatively related, on the accounting measure of performance return on assets (ROE). High foreign ownership firms have a low incidence of default; government ownership is significantly negatively related to the firm's probability of default;</td>
</tr>
<tr>
<td>Ownership Structure and Corporate Governance: Has an Increase in Institutional Investors’ Ownership Improved Business Performance?</td>
<td>Hideaki Miyajima and Takaaki Hoda (2015)</td>
<td>to identify the effects of the rapid change in the shareholder ownership structure on corporate governance in Japan.</td>
<td>1990-2008</td>
<td>Domestic and Foreign Institutional investors has significant positive impact on the firm value measured by Tobin's Q who also found that Corporate investors shareholding has significant negative effect on the firm performance.</td>
</tr>
<tr>
<td>The Effect of Institutional Ownership on Firm Performance: Evidence from</td>
<td>Dana AL-Najjar (2015)</td>
<td>study seeks to investigate whether institutional ownership affects the firm’s performance</td>
<td>2005-2013</td>
<td>There is no significant relationship between the Institutional ownership and firm performance measured by ROE and ROA.</td>
</tr>
</tbody>
</table>
2.8.3 Research Gap

From the above literature review it is very clear that there are many questions unanswered with the corporate ownership in the Indian context. There are no studies conducted separately on Automobile Industry which shows the corporate ownership or shareholding pattern of automobile companies. Questions arises how corporate ownership is concentrated in publicly listed automobile companies in India. Does the shareholding pattern is same across all the companies in automobile industry or it differs? Does the different types of shareholders such as domestic institutional share holders, foreign institutional shareholders, corporate shareholders, public investor shareholding and the promoter shareholding has any impact on the performance of the automobile companies? These are questions which are still to be answered which bring out the gap in the research studies and this gap becomes an objective for this research study.

2.9 Research Problems: Outcome of the Literature Review

The above literature has raised many questions which are either not answered or on which no research is done or insufficient work has been done:

1. Does the corporate governance practices are same across all companies in automobile Industry?

2. Does the performance of companies having high corporate governance practices disclosure score differs for companies having low corporate governance practices disclosure score.

3. Is there any relationship between CGDPI score and Asset Turnover Ratio (ASTR)?

4. Is there any relationship between CGDPI score and Return on Capital Employed (ROCE)?
5. Is there any relationship between CGDPI score and Return on Equity (ROE)?

6. Is there any relationship between CGDPI score and Net Profit After Tax (NPAT)?

7. Is there any impact of corporate governance variables on CGDPI score of automobile manufacturing companies?

8. Is there any impact of Corporate Board Activity (CBA) on the Financial Performance of companies?

9. Is there any the impact of Corporate Remuneration (CRM) on Financial Performance?

10. Is there any impact of Shareholding Pattern (SHP) on Financial Performance?

These above questions form the basis of this research study and research objectives have emerged by studying these questions.