FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

6.0 INTRODUCTION

This chapter entails and outlines the comprehensive discussions on the findings of the study. Conclusions are thereafter made with a key focus on the research objectives i.e. focus on the linkage between corporate governance and capital structure, which form the core of this section. Later, relevant policy recommendations and areas of further research are suggested as a way of filling the gap.

6.1 SUMMARY OF THE STUDY

Chapter 1 is an introduction to the research subject, discusses the background, and speaks of few previous studies in the related area and describes the rationale of the study. It delineates the need of the research study highlighting the relevance of the topic. This chapter outlines the entire philosophy and through-process behind conducting this research. It also delineates the scope of the research while also stating its limitations.

Chapter 2 provides a theoretical grounding of the research and the review of literature was detailed in various sections. The literature review has expounded on the theoretical perspectives that are important in a study of corporate governance and capital structure. In addition, review of empirical literature identified the important corporate governance characteristics i.e. board size, board independence and CEO duality and these characteristics were examined in this study.

Chapter 3 provides an overview of corporate governance system. The chapter begins with the definitions of corporate governance given by different scholars,
committees and regulatory bodies. It outlines the evolution of corporate
governance system by delineating the history of corporate governance. This
chapter also describes the various committees formed to improve and reform the
corporate governance system around the world. It is further extended to describe
the evolution and restructuring of corporate governance in India

Chapter 4 provides a snapshot of the research method applied in this research. It
gave an account of the research objectives, scope of the research, research
methodology, research design, significance and need of the research and the
necessary hypotheses. The research design was an exploratory research and the
methodology used was quantitative research techniques. It justifies the reasons
for the choice of the sampling unit, data collection and the sample size. The
discussion on the adequacy of the sample and the sampling technique is also
given. Further, a snapshot of the data analysis techniques is given which could be
applied for testing the given research hypotheses derived from the research
objectives forming the crux of the overall research. The chapter uses the
grounding provided in chapter 2 from where it uses the existing literature
available on the methodologies adopted by various scholars nationwide to come
up with a better measure. Further, the relative merits and demerits of each method
are also discussed.

Chapter 5 analyses the data exhaustively and presents the results for all the
research objectives. The analysis and interpretation of the data were strictly based
on the logic given in the chapter 4 describing research methodology focusing on
research objectives and the research hypotheses. The analysis of data was done
by using descriptive and inferential statistics in a comprehensive detail, to come
up with appropriate answers of the set out objectives. The research hypotheses
have also been tested and accepted or rejected based on the results. Based on all
these tests and analysis, the researcher has drawn her inferences and conclusions.
The same are elaborated in the last chapter i.e. chapter 6.

Chapter 6 discusses about the major findings and its implications in the research
world. The researcher has compared the results obtained in her study with the
results obtained from the previous researches in related areas; the current study confirms the conformity of its findings with most of the results obtained by previous studies and also presents some new findings and conclusions. This section then proceeds towards conclusions of the study followed by recommendations and scope for future research.

6.2 FINDINGS OF THE STUDY

The findings are the research results of an extensive analysis of the data in the research study. All the findings are related and are in the context with the set out research objectives.

6.2.1 Findings from the Descriptive Analysis

- Results depicted that companies have an average debt to equity ratio of 0.199 with standard deviation 0.268 and average debt ratio of 0.099 with standard deviation 0.113. Therefore, the average ratio of the firms’ capital mix is 19.9% which denotes the companies on an average are financed by 19.9% debt and 80.1% equity while, debt ratio indicates that only 9.9% of the assets are financed through debt. Maximum debt to equity ratio is 1.35 while maximum debt ratio is 0.40. Minimum of both the capital structure i.e. debt to equity ratio and debt ratio is zero.

- On an average, there are 12 directors that serve on the board with a standard deviation of 2 directors. The minimum size of the board is 6 members and the maximum is 19.

- The independent directors form 50.52% of members on the boards with standard deviation of 16.94%. The noticeable thing regarding independent directors is that the minimum and maximum percentage of independent directors on boards, are 0% and 80% respectively.

- About 43% of the study firms have CEO duality with 50% standard deviation.

- The mean for the profitability is 14.45% with standard deviation of about 13%.
The mean and standard deviation for the size of the firm (total assets) are Rs.263881 crores and Rs. 482437 crores respectively.

- Around 63% of the observations of the sampled companies for the year 2012-2015 are having 11 to 15 directors on their boards and around 27% of the companies have 5-10 board members. On the other hand, less than one percent of the companies are having more than 15 board members.

- Around 32% of the observations of the sampled companies for the year 2012-2015 are having board independence of equal or less than 50% while around 68% are having more than 50% board independence.

- Around 43% of the observations of the sampled companies for the year 2012-2015 are having CEO duality while around 57% have no CEO duality.

6.2.2 Findings for the Objective 1

- Diagnostic Regression: Before interpreting the results of the multiple-regression, various diagnostic tests were run on data to check the normality, multicollinearity, autocorrelation, heteroscedasticity and unit root test of the data.

- In this study, number of observations are 84, therefore applying thumb rule it can be assumed that the data tends to be normal. Also, for sufficiently large samples, violations of normality in the outcome may not be an issue. The other measures of normality i.e. kurtosis and skewness statistic failed to reject the null hypothesis (the absolute critical value for rejecting Kurtosis is three and skewness is less than 1). The statistics of the skewness and kurtosis indicated that the only capital structure variable is mildly non-normal as compared to normal distribution while other variables (on same data or after transformation) follow the normality. This is similar to the past researches in which variables were found to be non-normal and the researchers argued that parametric tests can be applied on the data as this amount of non-normality is statistically tolerable and would not affect the multiple regression to estimate the specified structural equations (Cheung and Wei, 2006; Haniffa and Hudaib, 2006; Francoeur et al., 2008). Overall all the
outcomes of the correlation are smaller than 0.80, which is considered to be the critical level to determine the multicollinearity problem and hence, data does not suggest multicollinearity problems for this analysis. Tolerance level is less than 1. Also, VIF values of all the variables are perfectly below 10. This implies that all the variables under study are retained. The result supports the absence of multicollinearity in the research model. The model provided the value of Durbin-Watson test as 1.97, which rejected the chance of having any autocorrelation problem. Software package EViews provide White e.s.e.’s cross section method as an option to adjust the standard errors. This test was performed with the regression to control and correct the suspected heteroscedasticity. Variables under study were subjected to Levin-Lin-Chu unit-root test. P-values of all the variables were less than 0.05 i.e. level of significance, which signifies the absence of unit root i.e. data are stationary.

6.2.2.1 Relationship between Corporate Governance and Capital Structure

The empirical findings suggest that corporate governance attributes in part explicate the financing behavior of Indian firms.

- **Board Size and Capital Structure**

  The results acquired from testing the first hypothesis suggest that there is a significant negative impact of board size on capital structure.

  - It implies that an increase in number of board size leads to 0.112% decrease in debt to equity ratio while a decrease in the number of board size leads to 0.112% increase in debt to equity ratio and it is significant at a 10% significance level.

  - This significant negative impact of board size on capital structure is similar to some previous findings.
Table 6.1: Previous similar findings related to significant negative impact of board size on capital structure

<table>
<thead>
<tr>
<th>Author</th>
<th>Country</th>
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<tbody>
<tr>
<td>Lipton and Lorsch (1992)</td>
<td>U.S.</td>
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<tr>
<td>Abor and Bikpie (2007)</td>
<td>Ghana (West Africa)</td>
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<td>Hassan and Butt (2009)</td>
<td>Pakistan</td>
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<tr>
<td>Bodaghi and Ahmadpour (2010)</td>
<td>Iran</td>
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<tr>
<td>Vakilifard et al. (2011)</td>
<td>Iran</td>
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<tr>
<td>Mahdi et. al. (2011)</td>
<td>Iran</td>
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<tr>
<td>Heng et. al., (2012)</td>
<td>Malaysia</td>
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<tr>
<td>Ranti (2013)</td>
<td>Nigeria (West Africa)</td>
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<tr>
<td>Aziz et. al. (2013)</td>
<td>Pakistan</td>
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<td>Uwigbe (2013)</td>
<td>Nigeria (West Africa)</td>
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<tr>
<td>Precious Angelo Brenni. (2014)</td>
<td>U.K.</td>
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</tbody>
</table>

- While it is contradictory to the findings of Jensen (1986); Wen et al. (2002); Coles et al. (U.S., 2008); Hussainey and Al-Nodel (2009); Jiraporn et al. (2009); Saad (2010) and Gill et al. (2012), as they argued a significant positive relationship between board size and capital structure.

- **Board Independence and Capital Structure**

- The results acquired from testing the first hypothesis suggested that there is a no significant impact of board independence on capital structure.

- This insignificant impact of board independence on capital structure is in line of some previous findings.
Table 6.2: Previous similar findings related to no significant impact of board independence on capital structure

<table>
<thead>
<tr>
<th>Author</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floriniţa DUCA (2013)</td>
<td>Romania</td>
</tr>
<tr>
<td>Bokpin and Arko (2009)</td>
<td>Ghana</td>
</tr>
<tr>
<td>Vikilifard et al. (2011)</td>
<td>Iran</td>
</tr>
</tbody>
</table>

- While it is contradictory to the findings of Abor and Biekpe (2007); Wen et al (2002) and Heng (2012).

- **CEO duality and Capital Structure**

  - The results acquired from testing the first hypothesis suggest that there is a no significant impact of CEO duality on capital structure.

  - This insignificant impact of CEO duality on capital structure is in line of some previous findings.

Table 6.3: Previous similar findings related to no significant impact of CEO duality on capital structure

<table>
<thead>
<tr>
<th>Author</th>
<th>Country</th>
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<tbody>
<tr>
<td>Sheikh et. al (2012)</td>
<td>Pakistan</td>
</tr>
<tr>
<td>Saad (2010)</td>
<td>Pakistan</td>
</tr>
<tr>
<td>Floriniţa DUCA (2013)</td>
<td>Romania</td>
</tr>
<tr>
<td>Fama &amp; Jensen (1983)</td>
<td>U.S.</td>
</tr>
<tr>
<td>Bokpin and Arko (2009)</td>
<td>Ghana</td>
</tr>
<tr>
<td>Singla, C. (2016)</td>
<td>India</td>
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</table>

- While it is contradictory to the findings of Abor and Biekpe (2007); Emamgholipour et al. (2013) and Fosberg (2004).
• **Profitability and Capital Structure**

  - Profitability was used as control variable and the results revealed that it has significant negative impact on capital structure.

  - This finding is in line with the theory and other studies like Myers and Majluf (1984); Titman and Wessel (1988); Barton et al. (1989); Mendell, (2006); Mohammad and Jaafer (2012); Kebewar (2013) and Anandasayanan & Subramaniam (2013). It signifies that increase in debt decreases the profitability while decrease in the debt increases the profitability.

• **Size of the firm and Capital Structure**

  - Size of the firm was used as control variable and the results revealed that it has no significant impact on capital structure.

  - This finding is in line with the studies of Kim and Sorensen (1986); Karadeniz et al. (2009) and Suhendra (2014).

  - R2 of 0.1315 indicates that independent variables (Board Size, Board Independence, and CEO duality) and control variables (Profitability and Size of the firm) explain 13.15 % of the systematic variation in the dependent variable (Capital Structure or Debt to Equity ratio). Therefore, the given model revealed that 11.27% of the impact is explained by board size only. This in a nutshell means that the value of the dependent variable can be explained by 11.27% of the independent variables. This value can be considered sufficient because the capital structure of a firm can also be influenced by other factors beside. Adjusted R-squared of this model is 0.075 which means that the independent variables and control variables jointly explain approximately 7.5% of the systematic variation in the dependent variable (Debt to Equity ratio).

  - In addition, the Durbin Watson statistic is 1.97 which is close to two which means sampled data do not present the problem of autocorrelation.

  - A general evaluation from this analysis is that F statistics and its p-values are
2.36 and 0.047 respectively. As p-value is smaller than the critical point of 5% level of significance, hence, it can be interpreted that simultaneously all the corporate governance variables used in the study are, significantly related with capital structure (debt to equity ratio).

- In order to check the robustness of the regression result the proxy for capital structure (dependent variable) i.e. debt to equity ratio was replaced by debt ratio (DR). Similar results are obtained by using debt ratio and therefore it is evident from the results that corporate governance has an impact on capital structure as the overall model is significant with F-statistic 52.99 at 5% level of significance.

- The model has no problem with multicollinearity and unit root. Altogether, the result of the regression analysis forms the following regression equation:

  \[
  \text{Regression equation for the model} \\
  \text{LEV}_{it} = \beta_0 + \beta_1(\text{Log BS})_{it} + \beta_2(\% \text{ BI})_{it} + \beta_3(\text{CEOD})_{it} + \beta_4(\% \text{ROA})_{it} + \beta_5(\text{Log SZ})_{it} + \epsilon
  \]

  \[
  \text{LEV}_{it} = 57.83 -11.27 (\text{Log BS})_{it}-0.66 (\text{ROA})_{it} + \epsilon
  \]

### 6.2.3 Findings for the Objective 2

**Correlation between Profitability and Capital Structure**

The results show that profitability has a significant and negative correlation with capital structure decisions i.e. both debt to equity ratio and debt ratio which are consistent with pecking order theory. According to pecking order theory firms use internally generated funds as first option to finance projects before raising funds through debt.

- Profitability (Return on Assets) and Capital Structure (Debt to Equity ratio) are negatively correlated at 1%, 5% and 10% level of significance. The Pearson correlation coefficient is -0.538 which indicates that 1% change in one variable leads to 0.538% change in another variable in opposite direction.
• Profitability (Return on Assets) and Capital Structure (Debt to Equity ratio) are negatively correlated at 1%, 5% and 10% level of significance. The spearman’s correlation coefficient is -0.718 which indicates that 1% change in one variable leads to 0.71% change in another variable in opposite direction.

• Profitability (Return on Assets) and Capital Structure (Debt Ratio) are negatively correlated at 1%, 5% and 10% level of significance. The Pearson correlation coefficient is -0.566 which indicates that 1% change in one variable leads to 0.566% change in another variable in opposite direction.

• Profitability (Return on Assets) and Capital Structure (Debt Ratio) are negatively correlated at 1%, 5% and 10% level of significance. The spearman’s correlation coefficient is -0.698 which indicates that 1% change in one variable leads to 0.698% change in another variable in opposite direction.

6.2.4 Findings for the Objective 3

Correlation between Size of the firm and Capital Structure

There is a significant positive correlation between Size of the firm and Capital Structure. This appears rational as larger firms have more assets for collateral and it is easier for them to negotiate better terms with creditors of funds. It may also be pointed out here that due to prudential banking norms regarding lending in India, most banks are conservative in taking risk. Hence, presence of a large assets base is necessary for raising funds through debt.

• Size of the firm (Total Assets) and Capital Structure (Debt to Equity ratio) are positively correlated at 10% level of significance. The Pearson correlation coefficient is 0.197 which indicates that 1% change in one variable leads to 0.197% change in another variable in same direction.

• Size of the firm (Total Assets) and Capital Structure (Debt to Equity ratio) are positively correlated at 1%, 5% and 10% level of significance. The spearman’s correlation coefficient is 0.368 which indicates that 1% change in one variable
leads to 0.368% change in another variable in same direction.

- Size of the firm (Total Assets) and Capital Structure (Debt ratio) are positively correlated at 5% and 10% level of significance. Pearson’s correlation coefficient is 0.268 which indicates that 1% change in one variable leads to 0.268% change in another variable in same direction.

- Size of the firm (Total Assets) and Capital Structure (Debt ratio) are positively correlated at 1%, 5% and 10% level of significance. The spearman’s correlation coefficient is 0.378 which indicates that 1% change in one variable leads to 0.378% change in another variable in same direction.

### 6.3 CONCLUSIONS FROM THE STUDY

Based on the data analysis and findings, conclusions are presented as under:

- This study depicts that there are listed companies that have not raised their funds through debt and used only equity to finance their assets which is a very interesting set of result. Also, the average shows that companies use less debt in proportion to their equity. It can be concluded from the analysis that on an average, companies are using less debt in proportion to equity in financing their assets. This suggests that for listed firms in India on an average, total debt appears to constitute less than half of the capital of the sample firms.

- Board size has a mean of 12. The minimum size of the board is 6 members and the maximum is 19. In listed firms, the number of directors should be within a range as stated in Companies Act’2013 i.e. minimum board size of 3 and maximum of 15. Therefore, the results show that the maximum limit has been crossed by few companies. Jensen (1983) and Lipton & Lorsh (1992) suggested the optimum, minimum and maximum number of board for making the board effective. They recommended:

<table>
<thead>
<tr>
<th>Optimal number of board size</th>
<th>8-9 members</th>
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<tr>
<td>Minimum number of board size:</td>
<td>07</td>
</tr>
<tr>
<td>Maximum number of board size:</td>
<td>10</td>
</tr>
</tbody>
</table>
However, the mean and maximum of sampled companies for the current study seem to be much higher than their findings.

- The independent director forms about 50% of members on the boards which implies that half of the boards comprised of independent directors, which is a fairly good representation. The percentages of minimum and maximum independent directors on boards are 0% and 80% respectively. This is a noticeable thing regarding independent directors as it implies that there are companies that are unable to fulfill the mandatory requirement of independent directors.

- About 43% of the study firms have CEO duality, indicating that the phenomenon of CEO duality is voluntarily adopted by the companies as SEBI and Companies Act’ 2013 has not mandated it yet.

- Corporate governance acts as a driver in enhancing the economic growth in general and improving the performance of company to achieve the objectives of wealth and value maximization in specific. The empirical findings suggest that corporate governance attributes in part explicate the financing behavior of the Indian firms. This study depicts that board size plays a significant role in monitoring management and determining the level of debt and firms. Negative significant impact of board size on capital structure shows that larger board size reduces the chances of inclusion of higher debt level while smaller board size employs more debt to lessen agency problem that arises due to the separation of ownership and control. There is always a high possibility of facing agency problem by the firms with small board size. Small size of the boards, limits its ability of taking effective decisions pertinent to finance. It also limits its ability to monitor executives and they employ more debt capital to fund their functioning and investment which increases the overall level of debt of firm’s capital structure. While large boards emphasize managers to employ more equity capital than debt capital as they tend to reduce information asymmetries, expand board of directors’ expertise, enhance financial accounting process and improve the performance of the firm. That is, firms with large board members tend to use
lower debt in their capital structure and helps in strengthening the corporate
governance. Therefore, increasing the board size may improve the capital
structure decisions.

- Evidences from this study suggest insignificant impact of board independence on
capital structure and therefore, it can be inferred that it is not a significant
corporate governance variable in the determination of capital structure.

- Few companies especially public sector companies failed to fulfill the mandatory
criteria of independent directors. Most of the public limited companies were
unable to fulfill the independent director norm in case their independent directors
leave the board due to end of tenure or for any other reason. Appointment is done
by government and as it takes time therefore during that time the seat is left
vacant. In such a situation, it is difficult to expect any significant impact of
independent directors on capital structure decisions. In Public Sector Enterprise,
government is the dominant shareholder who appoints independent directors
(IDs) as nominees and indirectly formulates corporate strategies. Government can
remove them at its will. In family-managed company, family decision takes
priority over the governance of the company. Board independence in India is
heavily influenced by the incumbent family owners or private individuals who
are actually responsible for the appointment of independent directors. Hence, it
may be concluded that independent directors usually go with the management’s
decision and are not so strong a force, as is desired by the regulators. In case of
company belonging to business group, group policy assumes priority in decision-
making. In annual general session 2017 of CII, SEBI Chief Ajay Tyagi showed
his discontent and concern on independent directors’ participation in effective
decision making. There are several cases that happened in the past where
independent directors have resigned from the board of the company without
giving any explanation. Therefore in reality, it is evident that the independent
directors are not actually independent. This could be the reason that no significant
impact of board independence on capital structure decisions is found in this
study.
This study suggests insignificant impact of CEO duality on capital structure in India, it can be inferred that it is not a significant corporate governance variable in the determination of capital structure. It neither gives full support to agency theory nor to stewardship theory. SEBI made CEO non-duality desirable but not mandatory as its impact is not globally settled. CEO duality is found to be highly insignificant in all regressions. Making it a desirable condition not mandatory SEBI left it at the discretion of the company to implement it or not. Taking a view of recent tussle in two Indian corporate Tata group and Infosys Ltd. in which CEO duality was absent apparently but not actually. It indicates that in spite of the separation of positions the influence of chairman or founder exists in the decision making. If this is the case of most respected corporates who were also involved in the evolution process and reforms of corporate governance in India then expectation from other listed companies would be a challenge. There is no denial that the interference of founder/chairman/mentor in the decision making would be for the best interest of the companies but, it limits the power, independence and innovative thinking of the CEOs at the same time. Now taking a look from other perspective, it might be possible the CEOs would be taking decisions that empower them and involved in decisions that are not feasible in long term and inclined towards their self-interest only.

A large board will help in fulfilling the mandatory norm of having maximum number of independent directors and their effective participation in decision making as compared to small board.

As corporate governance of India emphasizes on board independence, the CEO duality failed to make significant impact on capital structure decisions due to trade-off between large number of independent directors on boards and an empowered CEO who is also holding the position of chairman on the board.

This study supported the inverse relationship between profitability and debt in capital structure, which is in line with pecking order theory and many empirical studies. The results of the analysis show the significant negative impact of profitability on debt level which implies that as profitability helps the companies
in reducing their debt level. Correlation analysis also justifies the significant negative correlation between profitability and capital structure.

- This study unable to find significant impact of size of the firm on capital structure but it found a positive correlation between size of the firm and capital structure which signifies that larger firms tend to take more debt as compared to smaller one.

- Good corporate governance helps the company to become competitive, enhancing the value of the company. It helps in attracting investors for raising funds at low cost of capital and in avoiding wrong selection of capital structure which otherwise lead to financial distress and scams.


- There are some major corporates who adopted the high standard system of corporate governance voluntarily since long and even contributed towards the development of corporate governance. They are considered as benchmark for corporate governance but by the time of completion of this thesis two more cases emerged dealing with the issues of corporate governance and they were the oldest modest conglomerate i.e. Tata group and Infosys Ltd. These two biggest and reputed corporate group i.e. TATA group and Infosys Ltd. were seen to be struggling with their corporate governance. Although the issues were different in both the companies but they were woven around corporate governance. They have highlighted the need for better oversight and tighter regulation related to the board of the company. Although the managers should have their own conscience to act ethically but it would be too optimistic to think about stemming out the
self-interest of the managers. Therefore, there is a need to have good corporate governance mechanism that will help in effective monitoring, mitigating agency problem and reducing agency cost.

- Each country should analyze empirically the impact of corporate governance variables on financing or capital structuring decisions to form their best corporate governance practices that helps in selecting optimal capital structure that minimizes the overall cost of capital of the firm and ultimately resulting in value maximization and eventually confiscate any chances of bankruptcy or corporate scams. Therefore, implementing good corporate governance based on relevant empirical study will help companies to avoid excessive debt and enhancing value maximization which ultimately contributes positively towards country’s economic growth. Also, it is expected that significance of corporate governance will continue to increase in the following years with its effective implementation.

6.4 RECOMMENDATIONS

Based on the analysis and findings of the present study the following recommendations are given:

- Corporate governance norms are becoming stricter day by day in India but there is a need to analyze these norms and rules scientifically before implementing it.

- This study suggests the need for robust research in the field of corporate governance research that would support policy formulation in order to make the corporate governance reforms more effective for the Indian conditions.

- Efforts should be made to make improvement in the quality of corporate governance attributes.

- There is a need to bring clarity in the definition of Independent Director.

- There is a need to determine the size of board as what how many members will make it large or small. Also it should be done empirically according to size, sector and nature of company as one size doesn’t fit all.
• There is a need to overcome the shortage of independent directors with relevant expertise and to reduce the supply-demand gap of independent directors as the same person carries the responsibilities of being independent director on the board of different companies. In such a situation there are possibilities that they unable to give sufficient time and contribute effectively in decision making of the companies.

• Independent directors are appointed for being independent, fair and unbiased therefore their decision making should be free from any influence. Along with that executive directors are also expected to act in the same way. They should not just attend the board meetings to agree with the Chairman/CEO decisions.

• The effectiveness of board is a critical component in making sound corporate governance so there is a need to understand and focus on the factors that help these boards to be more effective in performing their roles.

• There is a need to inculcate and adopt good corporate governance practices.

6.5 CONTRIBUTIONS OF THE STUDY

• This study contributes to the body of knowledge and filling the gap by illuminating the significant link between some corporate governance measures and capital structure choices of firms in India.

• This study contributes to the literature on the factors that improve the debt management and its association with corporate governance.

• The findings may be useful for financial managers, investors, financial management consultants, and other stakeholders in order to ensure soundness in the management system of the firms.

• This study provides good opportunity for academics and practitioners to understand the role of corporate governance principles for economies especially transiting economies like India.
• It focuses on Indian firms while very limited research has been conducted recently. This study validates the findings of previous authors by testing the relationships between corporate governance and financial leverage of the sample firms. Thus, this study adds substance to the existing theory developed by previous authors. The usefulness of boards in India will therefore have a significant impact on the state of corporate governance at firm level and also in the country. Thereby, alleviating bankruptcy and lessen the financial scams.

• The empirical results of this study provide support to corporate managers in establishing an optimal capital structure, and to top management in enacting laws and developing institutional support to make corporate governance mechanisms work more effectively in the country.

• The study contributes in understanding the board-capital structure relationship by examining both the traditional variables. This approach offers a newer light into the constitution and functioning of top management teams as strategic decision making groups (Forbes & Milliken, 1999).

• In addition to providing support to existing theories, this study has empirically contributed knowledge. From these findings, firms should understand that improving good corporate governance is a significant tool to achieve financial sustainability, good financial performance and market value of the firm.

• The findings of the study would give insights and add on empirical evidence in the areas of corporate governance and capital structure for future academic research. Therefore this study provides a direction for further studies in this and related directions.

• It will help policy makers to design proper strategies regarding how corporate governance could be followed and regulatory authorities for enacting laws by evaluating the current governance practices and to make the appropriate amendments, if required.
• The results of the study indicate that corporate governance impacts the capital structure that will help in enhancing the performance of the company which ultimately contributes to country’s economy so government might give more importance to improve the corporate governance by making new regulations or recommendations.

6.6 DIRECTIONS FOR FUTURE RESEARCH

No research in any subject is complete in itself. Several extensions to this study are possible. This study might be extended in various aspects:

• The time period was four years from 2012-2015. In order to be more accurate, this time period might be extended more than 4 years. Also, other index consisting of large number of companies can be included to form large sample size which will help in making more generalized conclusions.

• Future research could use primary data along with secondary data to have more reliable results.

• Future studies could explore these effects in small, medium and public sector companies.

• Future studies could include and analyze other corporate governance variables along with more control variables to study their impact on capital structure decisions.

• Studies on financial and banking sector companies could be conducted to propose better norms related to corporate governance making them less susceptible to loan default which may help them in reducing the Non-Performing Assets (NPA).
6.7 SUMMARY OF CHAPTER

This chapter is the crux of the entire research study. It summarizes the results of the entire study and also relates these results to the previous research studies in related areas. The overall conclusion is that there is a marked and significant impact of board size on capital structure. The impact of other corporate governance variables i.e. board independence and CEO duality is not so pronounced. The study also confirms that the overall corporate governance has an impact on capital structure decision in India.