Preface:

Any organization, country, family or any corporation need good governance of its existence first and then it's functioning as a part of the society and the entire world. Like three sisters of any religion: Faith, Hope, and Charity, three sisters of Corporations are: Business Ethics, Corporate Governance and Social Responsibility. These are necessary to satisfy all the persons and parties involved and associated with the corporation truly known as stakeholders of the organization. Any organization in a society has to comply with legal obligation that is bare minimum that one should carry out. – Beyond this, it has to have quality of life, health of its employees, environment maintenance, social welfare and the overall development of society as well as the nation and ultimately of the entire world.

The study says that, current mankind century i.e. 21\textsuperscript{st} century has been marked by emergence of Corporate Governance, as solution to the collapse of several high profile corporations, like WorldCom, Xerox, Enron, Satyam, etc. The problems of Corporate World throughout the globe have to do a lot with future of the auditing profession. This has more scope in any field of functioning of any organization. Post economic reforms i.e. from 1980s and 1990s onwards, Economic Growth has brought the India amongst the world’s fastest growing Nations as far as the growth rate is concerned. It’s Market Capitalization and Infrastructure have been advanced and sophisticated while Corporate Governance has progressed faster than in many other emerging market economies. This growth fetches with it a keen need to understand the dynamics of Corporate Governance within Global context. The objective(s) of the present empirical study included inter-alia The Effects of Core Indicators of Corporate Governance on the Financial Performance: A Study of Indian Firms. The subject of the present research project was preferred because of its classical phenomenon of having been studied and discussed all most since Adam Smith wrote his famous book ‘The Wealth of Nations’ in 1776. An investigation of Corporate Governance issues especially concerning with Insider Shareholdings, Board Composition, Board Side, Ownership Concentration, Debt Composition, CEO Status, Foreign CEO, and Financial Performance yield important insights into the topic and provide a fresh perspective on what has become an increasingly international debate.
In 1997, Department of Business Management was set up by the Saurashtra University, for its MBA program (SUMBA), under the University Grant Commission, Government of India. SUMBA has been one of the most efficient departments imparting the Business Management Education and has made the program pioneered and most preferred one amongst the students and executives willing to pursue their Masters in Business Management. The department has been a partner institute to carry out research in Corporate Governance on a regular basis. In this manner it intends to make a significant difference to the Indian Corporate Sector by raising the standards of Corporate Governance in India.

During the period 1997-98 to 2010-11, SUMBA had carried out many Research Studies in the area of Corporate Governance. Their reports have been submitted to diverse concern bodies and regulatory concerns. The present Research Study is a step further on the same direction. The study is based on secondary research which involved a detailed scrutiny of corporate governance practices and financial performance of S&P BSE-200 listed companies as the selected sample of the study. The information relating to Corporate Governance was obtained from the annual reports of these companies as well as the professional database available i.e. ‘Capitaline’s Prowess’ and ‘Accord’ for the time period of financial years 2007-08 to 2011-12. Data on financial performance too was obtained from the Capitaline’s Prowess and Accord database as well as the Annual Reports of the companies. S&P BSE-200 companies were selected for the Study for the selected period. Due to inconsistencies in the availability of data and unlisted status of some of these companies for certain financial years among the selected period of the study, eventually the analysis could be carried out for 192 companies. Out of these, 116 companies are from the manufacturing sector and 76 are from the service sector.

This Study is exclusively carried out to understand the influence of Major Corporate Governance Indicators on the Financial Performance and firm values of selected companies in India. To establish the influence of Corporate Governance Indicators on the Financial Performance a combination of Cross Sectional, Multiple and Pooled Regression Analysis was undertaken. After assessing the influence of a series of Corporate Governance Indicators on a selected set of Financial Performance
Measures, the Study has concluded that Corporate Governance Indicators has a definite impact on Financial Performance of the Indian Firms. More importantly, the value creation measures in the form of Corporate Governance Indicators have revealed a high and positive relationship with most of Financial Performance variables during the study period i.e. 2007-08 to 2011-12. Apart from these, governance practices relating to disclosures in the annual reports, aimed at sharing more information with the shareholders and investors which reflects a higher degree of transparency in the balance sheets has also had a positive influence on the financial performance in terms of higher Returns on Assets and Tobin’s Q. The study was carried out by Mr. Mitesh Dadhania, Deputy Director, Gujarat Technological University, Ahmedabad, Gujarat, under the direction and supervision of Prof. (Dr.) Sanjay Bhayani, Professor, Head and Dean, Department of Business Management, Saurashtra University, Rajkot, Gujarat.

The study is expected to be of great value to the Investors, Stock Exchanges, Regulators, Researchers and even the Faculty Members as well as the students of Management Fraternity as it brings out the long term benefits of Corporate Governance and Stakeholder Value Creation on Company Performance and Valuation.

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