

IMPACT OF QUALITY OF CORPORATE GOVERNANCE ON FIRM PERFORMANCE & FIRM VALUE: A STUDY OF INDIA'S NIFTY 50 INDEX COMPANIES

Written by Sweta Sapar

*LL.M Candidate, Investment & Securities Law, National Institute of Securities Market,
Raigad District, Maharashtra, India*

ABSTRACT

Corporate governance plays a significant role in defining the relationship between management and key stakeholders. The corporate governance framework of a company influences the operation of the company. Through this paper, the author aims to test the impact of corporate governance on the firm performance and firm value of a company. The variables considered in the study are corporate governance proxies which comprise of board composition and board size and measures of firm value and firm performance constitute Return on Equity and Price to Book Value ratio, respectively. Sample used for the study is the Nifty 50 Index companies listed on the National Stock Exchange. The approach adopted is founded on quantitative doctrinal research. The paper seeks to aid the existing literature with respect to corporate governance and its impact on Indian companies' firm performance and value.

Keywords: Board Composition, Board Size, Corporate Governance, Firm Performance, Firm Value, India, Nifty 50, Woman Director

INTRODUCTION

Corporate governance is the system by which companies are directed and controlled.ⁱ It influences how the objectives of the company are set and achieved, how risk is monitored and measured, and how performance is enhanced. It encompasses standardized and clearly defined responsibilities and accountabilities used by stakeholders to overcome the conflicts of interest inherent in the corporate form.

The history of corporate governance in India can be traced back to the fiscal crisis of 1991 and resulting need to approach the International Monetary Fund which induced the Government to adopt reformative actions for economic stabilization through liberalization.ⁱⁱ The momentum gathered albeit slowly once the economy was pushed open and the liberalization process got initiated in early 1990s. This marked the changing contours of investment space and corporate governance. Kumar Mangalam Birla Committee of 1999, set up under the aegis of Securities Exchange Board of India (**SEBI**), made key recommendations with the aim of advancing the standards of good corporate governance, accepted and incorporated by SEBI into Clause – 49 of the Listing Agreement of Stock Exchanges, which came into effect from 31 December 2005. India has modelled Clause - 49 on the United States Sarbanes Oxley Act 2002 by Securities and Exchange Commission for companies listed on U.S. stock exchange. In 2015, SEBI notified Listing Obligations and Disclosure Requirements Regulations, which replaced the Listing Agreement. The new Regulations ensued greater statutory force and non-compliance would lead to violation of Securities Laws including the SEBI Act.

The Indian statutory framework has largely been in consonance with the best global practices of corporate governance. Ever since India witnessed its largest corporate fraud and failure of governance in its worst form at Satyam Computer Services Limited (2009), concerns around good corporate governance standards have augmented significantly. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the company and shareholders, and should facilitate effective monitoring, thereby encouraging firms to use recourses more efficiently.ⁱⁱⁱ The quality of a company's corporate governance standards affects the risks and value of the corporation. Key legal and regulatory framework for corporate governance in India comprises of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In light of significance attributed to quality of corporate governance, the aim of present study is to study the relationship between corporate governance and financial performance of firm and firm value. The author aims to achieve this by examining the link between the Board Composition and Board Size on firm performance - Return on Equity (**ROE**) and firm value - Price to Book Value (**P/BV**), for a period of five years i.e. 2016-2020 and analysing the impact thereof. Sample used for this is Nifty 50 Index companies listed on the National Stock Exchange India Limited (**NSE**).

REVIEW OF LITERATURE

The literature review has been categorically divided under two classes namely: Primary Sources, comprising applicable Acts relevant for the present study, and Secondary Sources which include review of scholarly articles published on the research issue.

Primary Sources

- The Companies Act, 2013
- The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Secondary Sources

The section below offers the review of prior studies undertaken in the area of corporate governance relevant to this paper.

When decision makers/managers do not bear a major share of financial effects of their decisions due to not being major residual claimants, agency problems arise. To address the agency problem, internal as well as external, corporate governance mechanisms have been devised (Hart, 1995). The most important internal corporate governance mechanism is the board of directors (Subramanian & Swaminathan, 2008). The board of a company exercises control, imparts planned guidance, leadership and unbiased judgment to the company while maintaining independence of management and accountability to the shareholders. There are several widely studied board characteristics like board composition, which includes proportion of independent directors, board committees, as well as remuneration to the directors.

Existing literature on the study of relationship between board characteristics and firm performance detect mixed outcomes. The link was briefed either to be positive (Morck et al., 1989), negative (Lehman & Weig, 2000), or none (Burkart et al., 1997; Bolton & von Thadden, 1998). Some of these studies bring to light an increase in the effectiveness of the firm as the board size grows while few others submit the opposite, i.e. a diminution in the efficiency of the firm as the board size grows. Pearce & Zahra (1992); and Dalton et al., (1999) found that as board size increases, the strategic decision-making capabilities of the board increases. This is due to the intellect brought to board owing to varied backgrounds. Meanwhile, in the Indian context, larger boards were found to be less effective, except in the case of PSUs (Dey & Chauhan, 2009). Mohan & Chandramohan (2018) discerned a significantly negative relationship between board size and firm performance. Analogous results were put forth by Vo & Phan (2013); Gill & Obradovich (2013); Samuel (2013). Eisenberg, Sundgren & Wells (1998) deciphered the basis for negative impact as the probability of the presence of communication and coordination conflicts in the firms with bigger boards. With respect to board composition, a few studies reported negative relationship between independent directors and firm performance (Wen et al, 2002). In contrast, few other studies reported a positive relation between independent directors and firm performance (Varshney et al., 2012; Brickley et al., 1994 and Weisbach, 1988). Reason being, firms with higher number of outside directors are expected to pursue activities that would bring about low financial leverage with a high market value of equity (Baysinger & Butler, 1985).

Mixed outcomes have been noted in the various studies discussed above ranging from positive, negative and neutral. The author seeks to aid the subsisting literature by conducting a study on a set of Indian companies using specific factors with an aim determine the nature of impact of corporate governance standards on firm performance and firm value.

STATEMENT OF THE PROBLEM

In pursuance of the objective, a set of factors have been taken into consideration – ROE ratio for firm performance and P/BV ratio for firm's value as dependent variables; and the Board Composition and Board Size as independent variables for corporate governance structure.

Board Composition shall focus on - insider – outsider (independent directors) classification and the proportion of women directors. The impact of corporate governance is tested individually on each firm performance variable. Data analysis methods employed are computation of coefficient of correlation, simple average and simple regression analysis.

The author has chosen aforesaid proxies of corporate governance for several reasons. The Board of a company functions as a bridge between owners and managers and is chiefly responsible for representing shareholders in company's business operations and for supervision of management, thereby maximizing value for all stakeholders. Studying the impact of Board Composition is essential as participation of outside directors is designed to enhance the ability of the firm to protect itself against threats. This in turn aids in aligning the firm's resources for greater advantage. Furthermore, determining the bearing of Board Size on the firm value is also an important dimension of corporate governance.

The Nifty 50 Index firms from various industries are chosen as sample for the present study as it is implicit that listed firms adhere to the standards and norms set by the regulatory bodies like SEBI, Ministry of Corporate Affairs along with Companies Act. Moreover, listed firms must mandatorily publish their audited financial statements both quarterly as well as annually. Secondary quantitative data has been used and is collected from the annual reports of all the firms for a period of five years i.e. 2016-2020.

HYPOTHESES

- Board Composition has an impact on firm performance (ROE) and firm value (P/BV)
- Size of the Board has an impact on firm performance (ROE) and firm value (P/BV)

RESEARCH QUESTIONS

Following questions with respect to Nifty 50 Index companies shall be dealt with through the course of this paper:

- What is the impact of Board Composition on ROE and P/BV Ratio?
- What is the impact of Board Size on ROE and P/BV Ratio?

OBJECTIVES

Based on the hypothesis formulated, the aim of the study is to examine the link between quality of corporate governance and firm performance and firm value.

The specific objectives are:

- To determine whether Board Composition impacts the financial performance and firm value.
- To determine whether Board Size impacts the financial performance and firm value.

SCOPE AND LIMITATIONS OF STUDY

The variables under consideration in the present study are measures of firm performance and firm value, ROE and P/BV ratio, respectively, and corporate governance standards which include the Board Composition and Board Size. The study focuses on 50 companies of Nifty 50 Index. The author relies on the information on applicable Statutes and relevant companies available in the public domain in online mode.

The results may not be decisive as corporate governance and performance/value variables used are not exhaustive due to nature of study. Moreover, the impact of corporate governance standards on firm performance may differ from one industry to another which is another area that can be examined.

RESEARCH METHODOLOGY

The research design adopted throughout the paper is doctrinal, quantitative, descriptive and analytical. Panel data of Nifty 50 companies for a period of 5 years is used.

- **Research Tools**

The literature review constitutes both primary and secondary sources. The primary sources relied on include relevant statutes on corporate governance and annual reports of respective corporations under study. Secondary sources referred to comprises of books and journals.

- **General Method of Analysis**

Deductive approach is being used in the present study to analyse the research questions in hand to accomplish the research objectives. Logical deductions are drawn upon from the compilation of all the primary and secondary sources of the present study. The method of data analysis employed is: computation of correlation coefficient, simple average and simple regression analysis.

- **Mode of Citation**

Throughout the paper the researcher has followed the *Bluebook: A Uniform System of Citation; 20th Edition*.

OVERVIEW OF CORPORATE GOVERNANCE FRAMEWORK

The corporate governance measures for companies in India are principally taken by the Ministry of Corporate Affairs. The Companies Act 2013, along with the Rules, necessitates enhanced transparency and disclosures with the purpose of improved compliance. Additionally, the SEBI (Listing Obligations and Disclosure Requirement) Regulations 2015 (**LODR Regulations**) stipulates a regulatory framework for corporate governance in India.

The foremost function of the Board is that of trusteeship – to safeguard and increase the shareholder value and steer the company through strategic decisions. It is responsible for assuring effective monitoring of the management while imparting informed guidance to the company. The Board owes accountability to the company and the shareholders. The Companies Act 2013 and LODR Regulations prescribe various requirements pertaining to the Board such as number of independent, female and minority shareholders directors to be appointed, rotation of directors and the tenure of directors.

Board Composition

It is mandatory for listed entities, as well as certain public unlisted companies which meet specified capital or financial thresholds, to have independent as well as non-executive directors. An independent director means a director other than a managing director, full-time director, or a nominee director.^{iv} Certain qualifications are prescribed to be met by an independent director. Such qualifications include that the person has to embody integrity and possess relevant experience and expertise, in the opinion of the board.^v It is also required that an independent director should not be a promoter of the company or its holding, subsidiary or associate company, should not be related to the promoters or directors of such entities, nor should have been an employee in such entities in the preceding three financial years.^{vi} Further, there shall not be any pecuniary relationship directly or indirectly between the person and such entities or their promoters/directors/employees during the immediately preceding two financial years with the year in which the appointment being considered.^{vii} Section 149 of the Companies Act 2013 read with Regulation 17 of the LODR Regulations lays down the requisite composition of a Board for a listed company. It is mandated that the Board must include executive as well as non-executive directors with at least one-woman director. In such a composition, in the case of a non-executive chairman of the Board, at least one third of the directors on the board must be independent directors.^{viii} For a company with a non-executive chairman, who is a promoter, at least half of the board shall consist of independent directors.^{ix}

Board Size

The Companies Act 2013 prescribes a minimum of three directors to be appointed to the Board in a public company while a minimum of two directors in case of private company and one director in a one-person company board.^x It lays down an upper limit of 15 directors.^{xi} A company can appoint more than 15 directors after passing a special resolution of the shareholders.^{xii} The LODR Regulations mandates that the top 2000 listed entities are required to have atleast six directors, by April 1, 2020.^{xiii}

Independence

The code of professional conduct for independent directors is laid down in Schedule IV of the Companies Act 2013. The LODR Regulations also set out the various duties an independent director has towards the company and its shareholders. After their appointment, all the

independent directors are required to verify that they meet the pre-requisites as stated under Regulation 16(1)(b) of the Listing Regulations and Section 149 of the Act, by way of a declaration. The broad objective of stipulating mandatory appointment of independent directors in public listed companies is to observe and ensure a sense of balance between the interests of promoters and other shareholders.

METHOD

The study is conducted in the following manner:

Coefficient of Determination (R-Square)

The corporate governance variables are tested against each firm performance variable for all Nifty 50 companies for each year. The aim is to determine the overall impact.

Average-based study

The annual average of each corporate governance variable for all Nifty 50 companies is computed. The data for each of the variable is then segregated into two samples i.e. Sample 1 which represents values less than or equal (\leq) to the average so computed; and Sample 2 which denotes values more than ($>$) the average.

In the first part of this study, the corporate governance variables are tested against each firm performance variable by computing coefficient of determination (R-Square) sample-wise, for each year. The aim is to determine if there is a difference in impact on firm performance on the basis of proportion of independent directors, women directors and board size in companies falling above vis-à-vis below the average size. In the second part, the average of firm performance variables is computed sample-wise for each year. The aim is to ascertain if there is any significant difference in the firm value on the basis of proportion of independent directors, women directors and board size in companies above the average size in relation to the below average category.

Industry-based study

The Nifty 50 companies are divided into various industries. The corporate governance variables are tested against each firm performance variable industry-wise for each year. Tool used for assessment is coefficient of determination (R-Square). The object is to ascertain if the impact varies from the overall finding when each sector is tested distinctly. For the purpose of adequate representation, the author has taken into consideration only the industries which consist a minimum of four companies. For this reason, companies falling under Cement, Engineering, Fertilizer, Insurance, Shipping, Metal Mining and Telecom have been excluded from this part of study.

DATA & FINDINGS

Variables

The variables used in the study are defined as follows:

Variables	Indicators	Formula
Firm Performance	<ol style="list-style-type: none"> Return on Equity (ROE) Ratio Price to Book Value (P/BV) Ratio 	<ol style="list-style-type: none"> Net Profit/Total Equities Market Price per Share/Book Value per Share
Corporate Governance	<ol style="list-style-type: none"> Board Composition (B-Comp) Board Size (B-Size) 	<ol style="list-style-type: none"> (a) Number of Independent Directors and (ID) (b) Women Directors (WD) Total Number of Directors

Data

The detailed data of the variables of Nifty 50 companies for the period of five years i.e. 2015-16 to 2019-20, is provided in Appendix A at the end of this paper.

Findings**(1) Coefficient of Determination (R-Square) of Nifty 50 Companies****Table 1.**

	2020	2019	2018	2017	2016	Cumulative (5 years)
ID – ROE	0.046	0.011	0.013	0.012	0.038	0.021
WD – ROE	0.006	0.032	0.003	0.003	0.011	0.001
B-Size – ROE	0.012	0.006	0.039	0.018	0.023	0.014
ID – P/BV	0.054	0.016	0.0001	0.047	0.086	0.028
WD – P/BV	0.049	0.002	0.005	0.001	0.009	0.016
B-Size – P/BV	0.018	0.020	0.015	0.044	0.046	0.019

(2) Average-based findings

Coefficient of Determination (R-Square) between the Corporate Governance and Firm Performance variables individually; and average of the firm performance variables sample-wise are studied in this section.^{xiv} The author expects average ROE and P/BV ratio of S-2 to be greater than that of S-1 for ID and WD variables. Whereas, average ROE and P/BV ratio of S-1 for B-Size variable is expected to be higher than that of S-2.

Table 2. Averages of Corporate Governance variables for the purpose of sampling (rounded off to whole numbers)

	2020	2019	2018	2017	2016
ID	6	6	6	6	6
WD	2	2	2	1	1
B-Size	11	12	12	12	11

Table 3.

2020	ID		WD		B-Size	
	S-1	S-2	S-1	S-2	S-1	S-2
R-Square – ROE	0.182	0.005	0.006	0.043	0.003	0.018
R-Square – P/BV	0.169	0.000	0.000	0.225	0.000	0.000
ROE Average	16.69	15.38	17.53	15.13	20.48	12.05
P/BV Average	5.67	6.54	6.67	5.83	8.49	4.06

The average ROE of S-1 is greater than that of S-2. Whereas, average P/BV ratio of S-1 is lower than that of S-2.

Table 4.

2019	ID		WD		B-Size	
	S-1	S-2	S-1	S-2	S-1	S-2
R-Square – ROE	0.075	0.012	0.000	0.009	0.005	0.006
R-Square – P/BV	0.045	0.006	0.000	0.062	0.006	0.070
ROE Average	16.20	16.47	21.36	14.08	17.20	15.41
P/BV Average	4.15	6.61	7.38	5.33	6.48	5.37

The average ROE and P/BV ratio of S-2 is greater than that of S-1.

Table 5.

2018	ID		WD		B-Size	
	S-1	S-2	S-1	S-2	S-1	S-2
R-Square – ROE	0.032	0.035	0.023	0.001	0.013	0.007
R-Square – P/BV	0.039	0.010	0.023	0.000	0.022	0.016
ROE Average	21.88	16.29	18.92	16.40	20.09	15.91
P/BV Average	8.19	4.90	5.55	6.41	6.29	5.49

The average ROE and P/BV ratio of S-1 is greater than that of S-2.

Table 6.

2017	ID		WD ^{xv}		B-Size	
	S-1	S-2	S-1	S-2	S-1	S-2
R-Square – ROE	0.035	0.030	-	-	0.018	0.029
R-Square – P/BV	0.208	0.010	-	-	0.057	0.000
ROE Average	19.78	17.28	-	-	20.22	16.19
P/BV Average	5.91	4.37	-	-	5.90	3.98

The average ROE and P/BV ratio of S-1 is greater than that of S-2.

Table 7.

2016	ID		WD ^{xvi}		B-Size	
	S-1	S-2	S-1	S-2	S-1	S-2
R-Square – ROE	0.158	0.006	-	-	0.040	0.000
R-Square – P/BV	0.308	0.003	-	-	0.131	0.002
ROE Average	19.19	17.99	-	-	21.03	17.24
P/BV Average	5.31	4.56	-	-	6.47	4.08

The average ROE and P/BV ratio of S-1 is greater than that of S-2.

(3) Industry-based findings

Coefficient of Determination (R-Square) of industry-wise Nifty 50 companies^{xvii}:

Table 8. Automobile

	2020	2019	2018	2017	2016	Cumulative (5 years)
ID – ROE	0.070	0.003	0.335	0.136	0.184	0.032
WD – ROE	0.939	0.481	0.181	0.161	0.162	0.388
B-Size – ROE	0.173	0.000	0.022	0.115	0.054	0.004
ID – P/BV	0.266	0.002	0.101	0.286	0.416	0.184

WD – P/BV	0.549	0.000	0.041	0.371	0.680	0.002
B-Size – P/BV	0.043	0.153	0.213	0.469	0.439	0.109

Table 9. Consumer

	2020	2019	2018	2017	2016	Cumulative (5 years)
ID – ROE	0.718	0.261	0.005	0.021	0.119	0.115
WD – ROE	0.094	0.027	0.156	0.323	0.140	0.000
B-Size – ROE	0.923	0.540	0.235	0.123	0.042	0.282
ID – P/BV	0.710	0.390	0.001	0.001	0.257	0.184
WD – P/BV	0.115	0.002	0.050	0.257	0.039	0.023
B-Size – P/BV	0.907	0.625	0.266	0.331	0.499	0.360

Table 10. Energy

	2020	2019	2018	2017	2016	Cumulative (5 years)
ID – ROE	0.029	0.859	0.000	0.311	0.009	0.022
WD – ROE	0.368	0.037	0.476	0.118	0.332	0.004
B-Size – ROE	0.635	0.365	0.001	0.140	0.024	0.012
ID – P/BV	0.210	0.003	0.013	0.221	0.004	0.005
WD – P/BV	0.331	0.090	0.751	0.018	0.528	0.013
B-Size – P/BV	0.007	0.576	0.346	0.000	0.261	0.018

Table 11. Financial Services

	2020	2019	2018	2017	2016	Cumulative (5 years)
ID – ROE	0.163	0.245	0.051	0.293	0.069	0.023

WD – ROE	0.014	0.072	0.686	0.550	0.045	0.145
B-Size – ROE	0.025	0.094	0.469	0.110	0.000	0.077
ID – P/BV	0.022	0.299	0.312	0.452	0.582	0.125
WD – P/BV	0.043	0.411	0.765	0.572	0.532	0.316
B-Size – P/BV	0.066	0.004	0.154	0.082	0.000	0.001

Table 12. Information Technology

	2020	2019	2018	2017	2016	Cumulative (5 years)
ID – ROE	0.468	0.276	0.521	0.362	0.506	0.314
WD – ROE	0.053	0.190	0.008	0.823	0.139	0.086
B-Size – ROE	0.329	0.013	0.002	0.003	0.150	0.014
ID – P/BV	0.610	0.594	0.746	0.553	0.287	0.369
WD – P/BV	0.016	0.314	0.073	0.049	0.026	0.050
B-Size – P/BV	0.403	0.029	0.000	0.603	0.029	0.030

Table 13. Pharma

	2020	2019	2018	2017	2016	Cumulative (5 years)
ID – ROE	0.231	0.207	0.209	0.436	0.008	0.000
WD – ROE	0.025	0.012	0.009	0.439	0.230	0.066
B-Size – ROE	0.850	0.461	0.067	0.654	0.362	0.022
ID – P/BV	0.102	0.000	0.452	0.037	0.120	0.000
WD – P/BV	0.059	0.005	0.064	0.000	0.369	0.047
B-Size – P/BV	0.785	0.081	0.159	0.243	0.698	0.023

ANALYSIS

With respect to ROE ratio as a measure of performance, the results suggest that board size and board composition do not have a significant impact on firm performance. Board size showed an inverse relation to firm performance but not substantially significant. It may be due to inefficiencies outweighing the advantages of having a bigger and diverse board. Use of P/BV ratio as a measure of performance, similar results were yielded. As most of the Indian companies are managed by the promoters, particularly the Nifty 50 companies^{xviii}, therefore the presence of independent directors or women directors is not expected to have any significant impact on the firm value of the companies. Promoters themselves have self interest in creating value for the shareholders. The role of independent directors will have significance in professionally managed companies where there is separation of owners and managers. Since the coefficient of correlation is not significant, as determined by the R-Square values in Table B, there is no requirement to conduct regression analysis.

Contrary to the stated expectation, the average of ROE and P/BV ratios were mostly found to be higher in the companies of Sample-1 with less than (and equal to) average number of independent directors and women directors. Meanwhile, in accordance with the expected results, smaller board size appears to be resulting into higher efficiency. However, the correlation of coefficient for all the corporate governance variables across the years has no statistical significance. Due to sample size being less than 30 in all the samples, statistical significance of average ROE and P/BV ratios cannot be tested. Similarly, no significant correlation of coefficient was established in the sector specific findings.

In conclusion, the results show that neither the board composition nor the board size has an impact on the firm performance or firm value of a company.

CONCLUSION

The central aim of any corporate governance practise is to make sure that the management of the organisation functions in a manner not prejudicial to the interests of the organisation and its stakeholders. One of the important factors of the corporate governance framework is the

Board of Directors. This paper studied the impact two factors i.e. board composition and board size on the firm value in terms of return on equity and price to book value ratios. The results reveal that the said corporate governance factors do not have a significant impact on the firm value of the companies under study and during the study period. The plausible reason for the said results may be non-existence of agency costs/problem in the Indian companies which are managed by the promoters by holding significant stake.

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APPENDIX A**Table 1. Data as on 31 March 2020^{xix}**

Sr. No.	Company	B-Comp		B-Size	ROE	P/BV
		ID	WD			
1	Adani Ports & SEZ	4	1	9	14.78	2.01
2	Asian Paints	7	3	14	26.7	15.78
3	Axis Bank	4	1	11	2.14	1.24
4	Bajaj Auto	7	2	15	24.06	2.7
5	Bajaj Finance	7	1	12	16.28	4.11
6	Bajaj Finserv	2	1	8	10.76	2.33
7	Bharti Airtel	6	3	11	-41.71	3.12
8	BPCL	5	1	13	8.36	1.7
9	Britannia	7	1	12	31.85	14.69
10	Cipla	5	3	10	9.81	2.16
11	Coal India	-	-	-	-	-
12	Divis Laboratories	7	2	12	18.83	7.22
13	Dr Reddy's Laboratory	8	2	10	12.98	3.32
14	Eicher Motors	3	1	6	18.3	3.58
15	GAIL India	3	2	10	19.12	0.7
16	Grasim Industries	6	3	13	7.81	0.55
17	HCL Tech	9	3	12	21.56	2.31
18	HDFC Ltd.	6	2	10	16.94	2.23
19	HDFC Bank	6	2	10	15.45	2.68
20	HDFC Life Insurance Co.	6	4	13	19.07	13.11
21	Hero Motocorp	4	1	8	25.25	2.21
22	Hindalco	6	2	12	6.45	0.36
23	Hindustan Unilever	6	1	10	82	60.32
24	ICICI Bank	8	3	12	7.98	1.75
25	IndusInd Bank	4	1	9	12.94	0.71

26	Infosys	5	2	8	25.35	4.15
27	IOC	8	2	18	-0.93	0.79
28	ITC	7	2	14	23.44	3.24
29	JSW Steel	6	2	12	11.01	1.2
30	Kotak Mahindra Bank	4	1	10	12.89	3.72
31	L&T	8	1	16	14.31	1.7
32	Mahindra & Mahindra	7	2	10	0.31	0.79
33	Maruti Suzuki India	4	2	12	11.48	2.62
34	Nestle India ^{xx}	5	3	8	101.92	73.8
35	NTPC	7	0	14	9.76	0.7
36	ONGC	2	2	11	5.26	0.42
37	Power Grid Corporation	4	2	11	17.09	1.29
38	Reliance Industries	7	2	14	8.68	1.56
39	SBI	-	-	-	-	-
40	SBI Life Insurance Co.	5	1	8	16.26	7.33
41	Shree Cement	7	1	11	11.66	4.81
42	Sun Pharma Industries	3	1	8	8.31	1.87
43	Tata Motors	3	2	6	-19.13	0.41
44	Tata Steel	5	1	10	2.18	0.43
45	TCS	5	2	9	38.44	8.13
46	Tech Mahindra	-	-	-	-	-
47	Titan Company	7	4	13	22.51	12.43
48	Ultratech Cement	4	3	9	14.86	2.4
49	UPL	5	3	10	10.89	1.53
50	Wipro	7	2	11	17.57	2.03

Table 2. Data as on 31 March 2019

Sr. No.	Company	B-Comp		B-Size	ROE	P/BV
		ID	WD			
1	Adani Ports & SEZ	5	2	10	16.26	3.19

2	Asian Paints	7	3	14	22.76	15.11
3	Axis Bank	8	2	14	7.43	2.94
4	Bajaj Auto	8	2	16	21.2	3.63
5	Bajaj Finance	4	1	13	20.28	8.86
6	Bajaj Finserv	5	1	10	13.55	4.72
7	Bharti Airtel	6	3	11	0.57	1.86
8	BPCL	4	1	11	20.12	2.01
9	Britannia	9	2	14	27.25	17.41
10	Cipla	6	3	11	10.17	2.84
11	Coal India	-	-	-	-	-
12	Divis Laboratories	6	2	11	19.44	6.5
13	Dr Reddy's Laboratory	10	2	12	13.9	3.28
14	Eicher Motors	3	1	4	24.69	6.28
15	GAIL India	8	2	16	14.22	1.7
16	Grasim Industries	8	3	15	3.17	1.01
17	HCL Tech	8	3	10	24.46	3.56
18	HDFC Ltd.	4	2	10	14.52	3.03
19	HDFC Bank	6	2	10	14.53	4.11
20	HDFC Life Insurance Co.	7	3	14	22.64	13.53
21	Hero Motocorp	7	1	10	26.24	3.89
22	Hindalco	6	2	12	9.55	0.79
23	Hindustan Unilever	6	1	10	76.95	46.89
24	ICICI Bank	7	2	13	3.82	2.31
25	IndusInd Bank	7	1	10	12.52	4.07
26	Infosys	6	3	9	23.71	4.96
27	IOC	7	1	17	15.45	1.33
28	ITC	6	2	14	21.29	6.15
29	JSW Steel	6	2	12	21.95	2.53
30	Kotak Mahindra Bank	5	1	8	12.46	4.41
31	L&T	11	2	22	14.31	3.12
32	Mahindra & Mahindra	7	1	10	13.29	1.83

33	Maruti Suzuki India	4	2	12	16.24	4.28
34	Nestle India	6	3	9	43.74	29.15
35	NTPC	9	2	18	12.33	1.2
36	ONGC	8	2	17	13.97	0.92
37	Power Grid Corporation	5	2	11	16.98	1.75
38	Reliance Industries	8	2	14	10.22	2.09
39	SBI	-	-	-	-	-
40	SBI Life Insurance Co.	5	1	8	17.51	7.65
41	Shree Cement	7	1	11	10.4	6.71
42	Sun Pharma Industries	3	1	8	6.43	2.78
43	Tata Motors	6	3	10	-47.9	0.98
44	Tata Steel	5	1	10	15.33	0.89
45	TCS	7	1	11	35.18	8.39
46	Tech Mahindra	-	-	-	-	-
47	Titan Company	6	2	12	23.13	16.64
48	Ultratech Cement	6	4	12	8.47	3.87
49	UPL	6	2	10	10.13	3.31
50	Wipro	8	2	11	15.95	2.72

Table 3. Data as on 31 March 2018

Sr. No.	Company	B-Comp		B-Size	ROE	P/BV
		ID	WD			
1	Adani Ports & SEZ	4	1	8	17.43	3.49
2	Asian Paints	7	2	14	24.24	12.78
3	Axis Bank	8	3	15	0.7	2.04
4	Bajaj Auto	8	1	16	20.65	3.89
5	Bajaj Finance	4	1	13	16.16	6.15
6	Bajaj Finserv	4	1	8	12.93	4.02
7	Bharti Airtel	6	2	11	1.58	2.29
8	BPCL	7	2	14	24.6	2.3

9	Britannia	9	1	14	29.48	17.52
10	Cipla	7	4	12	9.91	3.07
11	Coal India	-	-	-	-	-
12	Divis Laboratories	5	1	10	14.8	4.88
13	Dr Reddy's Laboratory	8	1	10	7.53	2.75
14	Eicher Motors	4	1	5	27.87	10.99
15	GAIL India	7	1	14	11.51	1.78
16	Grasim Industries	7	3	14	4.66	1.21
17	HCL Tech	8	3	11	23.96	3.7
18	HDFC Ltd.	6	1	10	13.03	3.33
19	HDFC Bank	5	1	10	16.88	4.48
20	HDFC Life Insurance Co.	7	2	16	23.38	19.27
21	Hero Motocorp	8	1	11	31.07	5.91
22	Hindalco	6	1	12	11.09	0.87
23	Hindustan Unilever	5	1	10	71.61	39.63
24	ICICI Bank	7	3	13	7.16	1.66
25	IndusInd Bank	5	1	8	15.35	4.59
26	Infosys	6	3	9	24.68	3.8
27	IOC	9	1	18	19.48	1.47
28	ITC	6	2	12	21.46	5.95
29	JSW Steel	6	1	12	22.19	3.11
30	Kotak Mahindra Bank	5	1	10	12.28	3.96
31	L&T	11	2	22	13.27	3.31
32	Mahindra & Mahindra	7	1	10	20.42	2.19
33	Maruti Suzuki India	4	2	12	18.51	6.29
34	Nestle India	5	2	8	35.18	22.11
35	NTPC	7	1	16	10.18	1.35
36	ONGC	9	1	17	10.83	1.12
37	Power Grid Corporation	3	1	9	15.07	1.86
38	Reliance Industries	8	1	14	12.29	1.78
39	SBI	-	-	-	-	-

40	SBI Life Insurance Co.	6	1	12	17.62	10.32
41	Shree Cement	7	1	11	15.55	6.34
42	Sun Pharma Industries	6	1	11	5.67	3.12
43	Tata Motors	5	2	9	9.41	1.17
44	Tata Steel	5	1	10	22.92	1.12
45	TCS	6	1	10	30.33	6.39
46	Tech Mahindra	-	-	-	-	-
47	Titan Company	6	4	12	22.2	16.42
48	Ultratech Cement	6	4	12	8.42	4.11
49	UPL	6	2	12	22.05	4.05
50	Wipro	7	1	10	16.69	2.66

Table 4. Data as on 31 March 2017

Sr. No.	Company	B-Comp		B-Size	ROE	P/BV
		ID	WD			
1	Adani Ports & SEZ	4	1	8	22.31	4.02
2	Asian Paints	7	2	14	25.5	13.51
3	Axis Bank	9	3	15	7.01	2.08
4	Bajaj Auto	7	1	15	22.84	4.55
5	Bajaj Finance	4	1	13	19.12	6.69
6	Bajaj Finserv	4	1	8	14.01	4.03
7	Bharti Airtel	6	2	12	5.63	2.07
8	BPCL	4	0	15	28.29	2.76
9	Britannia	9	1	14	32.8	15.06
10	Cipla	7	4	12	8.02	3.8
11	Coal India	-	-	-	-	-
12	Divis Laboratories	4	1	8	19.79	3.09
13	Dr Reddy's Laboratory	8	1	10	10.53	3.56
14	Eicher Motors	5	1	6	31.18	13.01
15	GAIL India	5	0	11	8.56	1.62

16	Grasim Industries	6	1	12	10.09	1.56
17	HCL Tech	8	3	11	26.11	3.78
18	HDFC Ltd.	6	1	11	18.4	3.97
19	HDFC Bank	6	2	12	16.61	4.03
20	HDFC Life Insurance Co.	6	2	15	23.17	0
21	Hero Motocorp	8	1	11	25.25	6.24
22	Hindalco	6	1	12	4.12	0.94
23	Hindustan Unilever	5	1	10	66.37	29.14
24	ICICI Bank	7	2	13	10.03	1.59
25	IndusInd Bank	6	1	9	14.14	4.16
26	Infosys	8	3	10	20.8	3.39
27	IOC	3	0	13	19.44	1.8
28	ITC	7	2	14	22.16	7.34
29	JSW Steel	6	2	12	15.55	2.49
30	Kotak Mahindra Bank	5	1	10	12.83	4.17
31	L&T	11	2	20	12.06	2.94
32	Mahindra & Mahindra	8	1	11	12.43	2.34
33	Maruti Suzuki India	4	2	12	20.25	4.91
34	Nestle India	5	1	8	30.74	19.29
35	NTPC	3	1	12	10.95	1.4
36	ONGC	7	0	16	12.56	1.22
37	Power Grid Corporation	3	1	10	14.94	2.07
38	Reliance Industries	8	1	14	11.37	1.49
39	SBI	-	-	-	-	-
40	SBI Life Insurance Co.	4	2	10	17.46	0
41	Shree Cement	7	1	11	17.39	7.7
42	Sun Pharma Industries	5	1	10	19	4.5
43	Tata Motors	5	1	10	12.83	2.73
44	Tata Steel	5	1	10	-11.93	1.32
45	TCS	6	1	11	30.49	5.56
46	Tech Mahindra	-	-	-	-	-

47	Titan Company	6	3	11	16.81	9.68
48	Ultratech Cement	6	4	12	11.13	4.49
49	UPL	6	2	12	23.6	5.01
50	Wipro	7	1	10	34.74	2.42

Table 5. Data as on 31 March 2016

Sr. No.	Company	B-Comp		B-Size	ROE	P/BV
		ID	WD			
1	Adani Ports & SEZ	4	1	8	21.45	3.8
2	Asian Paints	7	2	14	26.74	12.77
3	Axis Bank	8	3	13	15.58	1.98
4	Bajaj Auto	8	1	15	28.96	4.97
5	Bajaj Finance	4	1	13	17.21	5
6	Bajaj Finserv	4	1	8	13.7	1.99
7	Bharti Airtel	6	2	12	9.1	2.1
8	BPCL	3	1	10	26.1	2.03
9	Britannia	8	1	13	39.41	15.35
10	Cipla	5	3	10	11.8	3.57
11	Coal India	-	-	-	-	-
12	Divis Laboratories	4	1	8	26.22	6.09
13	Dr Reddy's Laboratory	9	1	11	16.95	4.12
14	Eicher Motors	5	1	6	36.62	14.23
15	GAIL India	4	0	10	5.13	1.24
16	Grasim Industries	7	1	14	8.99	1.31
17	HCL Tech	7	2	10	20.45	4.19
18	HDFC Ltd.	6	1	11	20.03	3.43
19	HDFC Bank	5	1	11	17.22	3.64
20	HDFC Life Insurance Co.	4	2	12	26.31	0
21	Hero Motocorp	7	1	11	35.56	6.65
22	Hindalco	6	1	11	-0.61	0.44

23	Hindustan Unilever	5	1	9	62.96	28.57
24	ICICI Bank	8	2	13	11.15	1.15
25	IndusInd Bank	5	1	8	13.2	3.32
26	Infosys	7	3	9	21.84	4.51
27	IOC	3	0	12	13.36	1.04
28	ITC	7	1	15	21.89	6.19
29	JSW Steel	6	1	12	-1.76	2.03
30	Kotak Mahindra Bank	5	1	11	10.36	3.74
31	L&T	12	2	21	9.58	2.56
32	Mahindra & Mahindra	7	1	10	11.88	2.47
33	Maruti Suzuki India	4	1	12	17.95	3.67
34	Nestle India	4	1	7	19.98	19.93
35	NTPC	3	1	11	11.79	1.16
36	ONGC	3	0	12	6.5	0.93
37	Power Grid Corporation	1	1	7	13.55	1.66
38	Reliance Industries	8	1	14	12.89	1.34
39	SBI	-	-	-	-	-
40	SBI Life Insurance Co.	4	2	10	17.83	0
41	Shree Cement	7	1	11	16.69	6.32
42	Sun Pharma Industries	5	1	9	13.78	5.98
43	Tata Motors	6	1	11	14.66	1.66
44	Tata Steel	6	1	11	-0.92	0.75
45	TCS	6	1	11	34.14	6.97
46	Tech Mahindra	-	-	-	-	-
47	Titan Company	6	3	11	19.23	8.58
48	Ultratech Cement	7	4	14	11.29	4.04
49	UPL	6	2	12	44.93	9.82
50	Wipro	7	1	11	19.3	3.02

APPENDIX B

Industry	Company
Automobile	Bajaj Auto
	Eicher Motors
	Hero Motocorp
	Mahindra & Mahindra
	Maruti Suzuki India
	Tata Motors
Consumer	Asian Paints
	Britannia
	Hindustan Unilever
	ITC
	Nestle India
	Titan
Energy	BPCL
	GAIL
	IOC
	NTPC
	ONGC
	PGC
	RIL
Pharma	Cipla
	Divis Laboratories
	Dr Reddy Laboratory
	Sun Pharma Industries
IT	HCL Tech
	Infosys
	TCS
	Wipro

Financial Services	Axis Bank
	Bajaj Finance
	Bajaj Finserv
	HDFC Ltd.
	HDFC Bank
	ICICI
	IndusInd Bank
	Kotak Mahindra Bank
	SBI

ENDNOTES

- ⁱ Cadbury, A., *Report of the Committee on the Financial Aspects of Corporate Governance*, 1992.
- ⁱⁱ Dr. M. Madhumathi, *Corporate Governance in India: Evolution and Challenges*, 1 JCRT 82 (2011).
- ⁱⁱⁱ *Principles of Corporate Governance*, Organisation for Economic Cooperation and Development (OECD), 1999, Available at [https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=C/MIN\(99\)6&docLanguage=En](https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=C/MIN(99)6&docLanguage=En).
- ^{iv} Section 149(6) of the Companies Act 2013.
- ^v Section 149(6)(a) of the Companies Act 2013.
- ^{vi} Section 149(6)(b) of the Companies Act 2013.
- ^{vii} Section 149(6)(c) of the Companies Act 2013.
- ^{viii} Regulation 17(1)(b), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- ^{ix} *Ibid.*
- ^x Section 149(1)(a) of the Companies Act 2013.
- ^{xi} Section 149(1)(b) of the Companies Act 2013.
- ^{xii} *Ibid.*
- ^{xiii} Regulation 17(1)(c), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- ^{xiv} Refer to Table 2 for values of averages of Corporate Governance variables calculated to form samples.
- ^{xv} Samples cannot be formed due to values of WD variable below average being 0.
- ^{xvi} *Ibid.*
- ^{xvii} Refer to Appendix – 2 for industry wise distribution of Nifty 50 companies.
- ^{xviii} Available at https://www.samco.in/technology/pledge_monitor (Last accessed 11 November 2020).
- ^{xix} Coal India, Tech Mahindra and SBI are excluded from the study due to the author being unable to access complete data online.
- ^{xx} Follows Jan-Dec Financial Year.