

**CORPORATE GOVERNANCE RATINGS AND PERFORMANCE INDICATORS:  
AN EMPIRICAL ANALYSIS OF S&P CNX NIFTY FIRMS****Dr. Manisha Verma**

Associate Professor, Commerce, Hans Raj College, University of Delhi

**ABSTRACT**

*Recent corporate failures of well-known corporations in several nations have drawn more focus on corporate governance and corporate governance ratings. The scope of corporate governance has grown over time to currently include the interests of many stakeholders in addition to shareholders. The idea of corporate governance rating or scoring is a solution to close this gap, and numerous businesses all over the world have either started governance scoring activities or are actively considering entering this market.*

*The current study examines the rating characteristics and financial performance of fifty S&P CNX Nifty Companies. board processes and structure, board procedures and systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, financial performance are the aspects that are being looked at. This study attempts to build the most well-liked corporate governance rating systems and to carefully examine the sample listed businesses' financial performance and usefulness to shareholders and the general public. Additionally, it suggests examining the extent to which corporate governance scores reflect factors such as age of the business, leverage, growth, and corporate performance. The other goals are to investigate the impact of variables and the connection between corporate governance rating and financial performance. In order to comprehend the idea and implementation processes of corporate governance rating, the current study is being conducted.*

**Manuscript Type:** Empirical

**Research Question/Issue:** *Recent corporate failures of well-known corporations in several nations have drawn more focus on corporate governance and corporate governance ratings. The idea of corporate governance rating or scoring is a solution to close this gap, and numerous businesses all over the world have either started governance scoring activities or are actively considering entering this market.*

**Research Findings/Insights:** *The Financial Performance is not significantly correlated with board processes and structure, board procedures and systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, but it is significantly correlated with corporate governance rating. It was also found that there is a significant positive association between leverage, growth, firm's valuation, age of the firm and corporate governance rating and there is a significant positive association of board size with corporate governance ratings but not with the financial performance. The present study also predicted the contribution of different variables board processes and structure, board procedures and*

*systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, financial performance in predicting the corporate governance ratings in financial sector and non financial sector.*

***Theoretical/Academic Implications:*** *Collaboration is required among regulators, business and industry, professional organisations, and academic institutions. and corporate governance ratings need to shift mindset from compliance issues to business strategy issues. The shift approach should be cost based application and competitive business tool. At the same time the basic legal and regulatory framework areas need to be strengthening to improve the corporate governance index. In addition to establishing comparable credit-rating criteria, there is a need for cross-listing of stocks on exchanges across national boundaries for an universal governance code, as well as a separate set of rules for unlisted enterprises.*

***Practitioner/Policy Implications:*** *The key to good corporate governance lies in substance, not form. An objective and unbiased way to gauge a company's level of corporate governance practises is the corporate governance rating. It gives shareholders and other stakeholders a measurement of a company's corporate governance practises.*

***Keywords:*** *Corporate Governance Rating, Board processes and structure, Board procedures and systems, Transparency and disclosure, Board committees, Satisfaction with stakeholder claims, Investor relations.*

## ***Introduction***

Recently, there has been a steady increase in public awareness of corporate governance and its significance to the world economy. In developed economies, particularly those with active corporate control markets, shareholder value advocates are increasingly vocal about governance issues, and public scrutiny of corporate governance procedures is common place. More focus on corporate governance as a stand-alone risk factor in developed markets is a result of recent corporate failures of well-known American corporations and governance-related issues at well-known European companies. The financial crises in East Asia and Russia in the late 1990s exposed significant flaws in corporate governance standards in emerging nations, which many economists believe contributed to the crisis. Global benchmarks can play a part in the context of this expanding interest in corporate governance by assisting shareholders, management, directors, and other stakeholders in a company to unbiasedly examine and compare corporate governance standards across firms and nations.

Ratings of corporate governance represent the organization's perspective. By providing the required details on the rated companies' levels of corporate governance, these ratings aid investors in making investment decisions and are used to evaluate share value. The credit rating industry is an interesting and complex one. Its relevance has grown over the course of its more than 150-year history. The nature of the industry has evolved during its history. The credit rating agencies play a number of distinct responsibilities, including regulators of the financial system and corporate governance system monitors. These credit rating companies can be crucial in a variety of domestic and international operations. These organisations specialise in

supplying market participants with knowledge that makes it easier to estimate risk while valuing an investment.

The first rating agency was CRISIL, and at first it had a very passive function, maybe because institutional investors did not need the rating agency's expertise. Credit rating has become a crucial component in the operation of the Indian debt and financial markets, especially in light of the elimination of interest rate limits and the requirement that certain instruments have a mandated credit rating since 1991 by the government and SEBI. As a result, numerous organisations such as ICRA, CARE, and many others were established in response to the credit rating industry's expanding role. Every credit rating is continuously reviewed and monitored, including new financial or economic developments. Legislators and regulators have begun to address the corporate governance questions, hoping in one case to promote the creation and development of a stock market and to restore the lost trust in stock markets by investors. Lately in several countries including in India, corporate governance codes and guides have been adopted. Currently many conferences, roundtables and other activities are devoted to this issue.

Numerous research work have been steered on the linkage between corporate governance and business performance. Most of the pertinent empirical literature examines the connection between corporate governance parameters such executive compensation, composition, size of board, insider ownership, antitakeover clauses and business performance.

“Yermack (1996), examined the relationship between board size and firm value and found an inverse relationship between the two. Bhagat and Black (2002) and Hermalin and Weisbach (1991), investigated the impact of board composition on business value but didn't find any evidence of a connection. Morck, Shleifer, and Vishny (1988) and McConnell and Servaes (1990) studied the relationship between insider ownership and firm value and performance. The relationship between insider ownership and firm value is shown to be non-linear by them. The relationship between business performance and a composite measure of corporate governance has recently been the subject of several articles. Gompers, Ishii, and Metrick (2003) created a governance index (Gindex) utilising data from the Investor Responsibility Research Center on various takeover defence provisions, such as antigreenmail legislation, blank checks, golden parachutes, etc (IRRC). They discover that companies with less robust shareholder rights have less favourable stock returns and company valuations. Core, Guay, and Rusticus (2006) look at the relationship between the G-index and corporate operating performance from 1991 to 1999 and find some indication that the G-index is related to future operating performance. In addition, they report that the relationship between poor governance and poor stock returns vanishes after 1999 when they examine the correlation between the two Using IRRC data, Bebchuk, Cohen, and Farrell (2005) demonstrated that the association between the G-index, firm value, and stock returns throughout the 1990s is wholly driven by a six-factor company entrenchment index. Chi (2005) investigates the endogeneity between shareholder rights and business value and discovers a negative correlation between the change in the G-index and the future change in the firm's Tobin's Q.

Using institutional shareholder services (ISS) governance criteria, Brown and Caylor (2006a,

2006b) create a governance score and discover that firms with lower governance scores had higher return on equity, larger profit margins, and higher firm valuations. Larcker, Richardson, and Tuna (2006) created 14 governance characteristics using principal component analysis and discovered that these were connected to future operating performance and stock returns. Yet, they present mixed findings regarding unusual accruals and restatement of accounts.”

### ***Research Methodology***

The S&P CNX Nifty Companies, are the focus of this study's analysis of rating attributes and financial performance. The elements being considered include board processes and structure, board procedures and systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, and financial performance.

### ***Objectives***

This paper attempts to build the most well-liked corporate governance rating systems and to carefully examine the sample listed businesses' financial performance and usefulness to shareholders and the general public. Additionally, it advocates defining whether the different corporate governance scores accurately reflect company performance, leverage, growth, firm valuation, and organisation age. Studying the impact of variables and examining the connection between corporate governance rating and financial success are the other goals. In order to comprehend the idea and implementation processes of corporate governance rating, the current study is being conducted. The specific objectives of the study are stated as under:

1. To introduce the idea of corporate governance, to rate corporate governance, to elaborate on its structures in the context of the stakeholders engaged, and to establish a link between CGR and financial performance.
2. To study the correlation of financial performance with the variables like board processes and structure, board procedures and systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, and with the corporate governance rating.
3. To investigate into the relationship between the corporate governance rating and the organization's age, leverage, growth, and valuation.
4. To investigate the relationship between the organization's board size and the firm's financial performance and overall corporate governance grade.

### ***Testable Hypothesis***

The following null hypothesis was formulated to conduct the present study:

#### **Hypothesis No. 1: H<sub>1</sub>**

A financial performance is not significantly correlated with board processes and structure, board procedures and systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, and financial performance and corporate governance rating.

**Hypothesis No. 2: H<sub>2</sub>**

There is a positive association between leverage, growth, firm's valuation, age of the firm and corporate governance rating.

**Hypothesis No. 3: H<sub>3</sub>**

There is a positive association of board size with corporate governance ratings and financial performance.

***The Measuring Instruments***

On the basis of objectives and hypotheses considered for the present study, the information schedule and various parameters like board independence, board processes and structure, board procedures and systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, and financial performance and some more variables are used as measuring instruments.

A questionnaire was developed to measure the overall corporate governance rating of the sample listed companies. The questionnaire was having two major parts i. e. Demographic variables and Other Variables. The demographic variables include: Types of Organization, Gender, Age, Qualification, Work Experience, Employee Status, Name of the Company, Age of Establishment, Employees Name (Optional), Securities Holding Status in a company, and Reading Habits of annual reports in the last two years whereas other variables include board processes and structure, board procedures and systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, and financial performance.

***Data sources, procedures and precautions for data collection***

The present study is based on descriptive and analytical study. Data sources are both primary as well as secondary. References have been drawn from various reports, publications and journals to highlight various aspects of corporate governance and its rating. Data for the study was also culled out from the company's annual reports of several listed companies that have implemented corporate governance code and given its particulars in director's report. The centre for monitoring of Indian economy (CMIE) electronic databases PROWESS and CAPITALINE have been the primary sources of firm-level data such leverage, growth, firm valuation, and board size. Extensive use of internet has also been made in order to get the information. To broaden the database of the present study, sample size of 50 organizations of S&P CNX Nifty in India were contacted through questionnaire, schedule, telephonic interview and personally. The questionnaire was formulated to determine the standard of corporate governance, after carrying out a survey and collection of data from secondary source, analysis carried out and conclusions were drawn. This study explicitly identifies organisations with certain scores for corporate governance and addresses issues related to these exceptional firms by using a thorough set of governance standards on the analysis. This study fills a gap left by earlier studies.

By outlining the significance and relevance of the study to them, the respondents were given the opportunity to create a good rapport. Participants were also given the assurance that their answers would be kept completely private and utilised only for research. The necessary attention was taken to guarantee that every question was answered completely and without omission. Time to time, respondents were also requested to answer all the items honestly. Doubts, if any, were cleared before administration. Only after all the initial doubts got cleared, the administration was carried out. The researcher also made an effort to orally enquire in depth a lot of facts, which were merely mentioned in the questionnaire. The investigator is thankful to all the subjects who showed so much interest in this work and also gave their invaluable insights and suggestions.

### ***Limitations of the study***

The study suffers from certain shortcomings which are as follows.

- 1 Since the target sample of the study included 50 organisations of S&P CNX Nifty only, other companies were not considered for the purpose of the present study. Thus, one of the study's shortcomings was the sample size.
- 2 The researcher devised a working approach to determine how far organisations complied with governance norms. A point value system was used, and these conditions were given appropriate weights in terms of points based on their significance. Although subjective, this approach has its own drawbacks.
- 3 The current study evaluates the financial performance using common metrics including dividends, earnings-per-share, return on equity, and return on capital employed. These conventional performance metrics do not accurately capture the true worth of shareholders' wealth. Nonetheless, due to their robustness and immunity from creative accounting, Economic value added and Market value added would prove to be superior indicators of financial performance to those based on traditional accounting.

### ***Statistical Analysis of Data***

This raw data was examined after the scales and questionnaires were scored using the statistical procedure described below.:

#### ***Descriptive Statistics***

In order to obtain an precise depiction of the data, the mean and standard deviation were calculated for a number of different variables, including leverage, firm growth, firm valuation, age of the organisation, board size of the organisation, transparency & disclosure compliances, stakeholder claims satisfaction, transparency and disclosure compliances, and financial performance. Frequencies and percentages were also calculated as needed.

#### ***Correlation Analysis***

The following variables were analysed using Pearson's Product Moment Correlations to



determine their relationships:

- Between financial performance and board processes and structure, board procedures and systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, and corporate governance rating.
- Between between corporate governance rating, leverage, growth, firm valuation, and firm age.
- Between the size of the board, corporate governance ratings and financial performance.

### ***Organizations under study***

The companies that are taken into account for calculating the National Stock Exchange's S&P CNX Nifty Companies make the study's sample. For the purpose of calculating these indices, 50 S&P CNX Nifty businesses were chosen. This choice was designed to be representative of various important industries. The primary factor in the decision to choose these businesses was the dominance and effect of their scrips on the national stock market. Table No. 1 lists the fifty companies that make up the S&P CNX Nifty Index.

### ***Method for evaluating the quality and effectiveness of corporate governance***

The technique used here to assess the standard and calibre of corporate governance used in the sample listed companies has taken into account pertinent requirements for corporate governance set forth in Article 49 of the Listing Agreement and the regulations of the Companies Act, 2013. A point value system has been used to determine how well these organisations adhere to governance standards, giving each condition the appropriate weights in terms of points based on how important they are. Although this method is subjective and has its own drawbacks, it aids in determining the level of effectiveness and quality of corporate governance by allocating points for key governance factors. Each of these businesses has so received points based on the same criteria, which make up the governance process in a firm.

To evaluate the standard and quality of CG practiced in sample listed companies a model was developed, whereby an adequate weight has been assigned to conditions according to its importance. Section A i.e. Board Structure and Process has six questions of ten marks each. The total weight assigned was 15% and the value of each question was 2.5. Section B i.e. Board Systems and Procedures has five questions of ten marks each. The total weight assigned was 10% and the value of each question was 2. Section C i.e. Board Committee has ten questions of ten marks each. The total weight assigned was 10% and the value of each question was 1. Section D i.e. Transparency and Disclosure has ten questions of ten marks each. The total weight assigned was 15% and the value of each question was 1.5. Section E i.e. Stakeholder Claims Satisfaction has four questions of ten marks each. The total weight assigned was 20% and the value of each question was 5. Section F i.e. Financial Performance has four questions of ten marks each. The total weight assigned was 20% and the value of each question was 5. And similarly, Section G i.e. Investor Relations has four questions of ten marks each. The total weight assigned was 10% and the value of each question was 2.5. The weights of the different

variables are also shown in the Table No 2.

### ***Analysis of Financial Performance***

For the past five years, a total of four financial performance metrics were calculated: dividend yields, return on net worth (RONW), return on capital employed (ROCE), and earning price per share (EPS). In Table No. 3, all four financial variables specifics are listed.

Dividend rate is the sum of the annualised projected dividend payments from a portfolio, investment, or fund plus any additional non-recurring payouts that might be received during that time. 32 (64%) of the sample listed corporations paid dividends that exceeded 50%.

The ability of a company's management to produce sufficient returns for the capital invested by its owners is gauged by its return on equity. In general, a return of 10% would be ideal in order to pay shareholders dividends and have money for the company's future expansion.

Return on Equity (ROE )or Net Worth (RONW) = (Net Profit / Net Worth or Owners Equity) X 100

Net Worth or Owners Equity = Total Assets - Total Liability

The total year's net income is disclosed (before dividends paid to equity holders but after dividends to preference shares) Preference shares are not included in shareholder equity. On an average, sample of 28 (56%) listed companies generates a return on net worth of 50% or more.

Return on Capital Employed (ROCE) is a financial ratio that evaluates the effectiveness and financial performance of capital expenditures made by a firm. Also, it shows whether the business is making enough money to profitably utilise its capital assets. Higher ratio indicates that companies are profitable. 20 (38%) of the sample listed companies generate a return on capital employed of at least 50% on average.

ROCE= Profits before Interest and Taxes / (Total Assets- Current Liabilities)

Earnings per share (EPS) is as an indicator of a company's profitability which reflects that portion of a company's profit allocated to each outstanding share of ordinary shares.

EPS = 
$$\frac{\text{Net Income} - \text{Dividends on Preference shares}}{\text{Average Outstanding Shares}}$$

The EPS of 27(54%) sample listed companies was on an average more than 75%.

### ***Overall Analysis of Corporate Governance Rating in Terms Of Percentage***

On the basis of point value system and data collection the score was developed in terms of original score and in terms of percentage for all the variables like Board Processes and Structure (Section A), Board Procedures and Systems (Section B), Board Committees (Section C), Transparency and Disclosure Compliances (Section D), Stakeholder Claims Satisfaction (Section E), Financial Performance (Section F), Investor Relations (Section G) and Corporate governance rating (Total Score) which are shown in the Table No. 4 and 5.



Companies are rated on a five-point scale as specified in Table No. 6 after establishing total score based on the criteria listed in the table.

The above table no classifies our sample of 50 companies into five groups according to CGR Score “Excellent” CGR (CGI from 75% and Above), “Very Good” CGR (CGI from 60% and above but less than 75%), “Good” CGR (CGI from 45% and above but less than 60%), “Average” CGR (CGI from 31% and above but less than 45%), and “Poor” CGR (CGI from less than 30%).

The results indicate that the most of the Indian firms i.e. 94% are at the “Excellent” and “Very Good” CGR practices level and none of the firms fall under the “Poor” and “Average” CGR level. Firms with “Good” corporate governance represented 6% of our sample.

The further bifurcation has been shown in the following table, whereby total nine ratings has been assigned by the researcher to clearly distinguish between the Excellent, Very Good, Good, Average and Poor CGR levels. Except Poor CGR, all the other CGR has been categorised in to further level as A<sup>++</sup>, A<sup>+</sup> and so on, so that the investors and others can take a judicious investment decisions. Overall Corporate Governance Index in terms of Ratings has been given in the Table No. 7. The five companies that belong to A<sup>++</sup> Ratings are Infosys, Wipro, Tata Steel, TCS and Suzlon.

### ***Results and Interpretation and Discussion on Hypothesis***

The results and interpretation for null hypothesis formulated for this study are as follows for the different variables:

#### **Hypothesis No. 1: H<sub>1</sub>**

A financial performance is not significantly correlated with board structure and processes, board systems and procedures, board committee, transparency and disclosure compliances, stakeholder claims satisfaction, financial performance, investor relations and corporate governance rating.

The Table No. 8 shows that Financial Performance is positively significantly correlated (0.640) with Corporate Governance Ratings for the sample listed companies (N=50) at 1% level of significance. The Table also shows that Board Structure and Processes is not significantly correlated (-0.046) with Financial Performance for the sample listed companies (N=50) and similarly Board System and Procedures is not significantly correlated (0.018) with Financial Performance for the sample listed companies (N=50).

So, the said null hypothesis (H<sub>1</sub>) was accepted for all the variables like Board structure and processes, Board Committee, Transparency and Disclosure Compliances, Stakeholder Claims Satisfaction, and Investor Relations but it was rejected for the variable corporate governance rating as this variable is significantly correlated with financial performance.

#### **Hypothesis No. 2: H<sub>2</sub>**

There is a positive association between leverage, growth, firm’s valuation, age of the firm and

corporate governance rating.

The Table No. 9 shows that for all the variables there is a positive association of leverage (0.314), growth (0.285), firm's valuation (0.237), and age of the firm (.240) with corporate governance rating at 0.05 level of significance for the sample listed companies.

The results indicate that there is a positive association between firms' leverage and its CGR. Firstly, highly leveraged firms enhance their corporate governance in order to gain greater reputation. Highly leveraged Indian companies would go for corporate governance reform by the introduction of outside director in order to reduce debt ratio, to enhance the competitiveness of the firm or to show their restructuring efforts to shareholder and stakeholders. Secondly, that highly leveraged firm could be pressured by their borrower, such as financial institution to enhance its corporate governance. *Black et al. (2003)* and *Brown and Caylor (2004)* also found positive association between leverage and corporate governance.

However, there are studies that documented negative association between leverage and firms level of corporate governance. In *Friedman et al. (2003)* debt ratio was found to be negatively associated with corporate governance. Their analysis using CLSA rating shows negative correlation between corporate governance rating and debt ratios. In *Faccio et al. (2001)* higher expropriation can be associated with poor corporate governance. The study found higher levels of debts among Asian corporations that are more vulnerable to expropriation, therefore higher level of debts are associated with lower corporate governance.

The results also indicate that there is a positive association between firms' growth and its CGR. Firms with good growth opportunities will need to raise external financing in order to expand and may therefore find it optimal to improve their corporate governance. The underlying notion is that better governance and better minority shareholder protection will likely lead to lower cost of capital.

The result of *Dunerv and Kim (2002)* illustrates that profitable investment opportunities lead to better governance practices. *Klapper and Love (2003)* include measure for sales growth in the analysis and concluded that past growth rates are positively associated with good governance. Similar results are also found in *Black et al. (2003)* and *Gompers et al. (2003)*.

However, the result of 3SLS regressions in *Beiner et al. (2004)* shows that growth is statistically significant and negative to the corporate governance index.

The results bring out that there is a positive association between firm's valuation and its CGR. Based on the principal-agent theory, there are two reasons why companies with greater corporate governance would receive higher valuation. First, it is because of the expected cash flow accruing to investors. Investors pay more because they recognize that, with better legal protection (better corporate governance), more of the profits would come back to them as interest or dividend as opposed by being expropriated by the entrepreneurs who control the firm. The second reason is the cost of capital in which good corporate governance may reduce the expected return on equity to the extent that it reduce shareholders monitoring and auditing cost, thus this lead to higher firm valuation.

An exhaustive list of literatures found support the positive association between firms' valuation and corporate governance. *Klapper and Love (2003)*, *Dunerv and Kim (2002)*, *Drobetz et al.*

(2004) and Mohanty (2002) which are studies in different setting respectively are among prior work that found strong positive association between firms valuation measured by Tobin's Q and corporate governance level of firms. Black et al. (2003) also found a strong positive correlation between the overall corporate governance index and firms value. A study by Gompers et al. (2003) drew a strong correlation between corporate governance and financial valuation, measured by Tobins Q, by which the valuation of company in the democratic portfolio (higher level of corporate governance) is 56 percentage points higher than those in the dictatorship portfolio (lower level of corporate governance).

In the development of hypothesis on the study between firms' valuation and corporate governance perceived that good governance increase investors' trust. Investors might perceive well-governed firms as less risky and apply a lower expected rate of return, which leads to higher firm valuation.

The results indicate that there is a positive association between firms' age and its CGR. On a theoretical ground that "as one gets older, one gets better." Companies that have been in business for several years are considered to already have a well-established system and operation, sufficient resources, and a good reputation.

These elements would result in stronger governance in such a company, not only because it is capable of doing so but also because it stands to lose a lot if its reputation is damaged by corporate malfeasance. The effects of poor and strong corporate governance can be learned from historical experience, whether it comes from the company itself or from competitors in the market. Black et al(2003) assertion that the direction of the correlation between the number of years since the original listing and the CGI index is positive even though the correlation is not significant lends credence to this.

So, said null hypothesis ( $H_2$ ) was accepted for all the variables like leverage, growth, firm's valuation, and age of the firm as all the variables are significantly correlated with corporate governance rating.

### **Hypothesis No. 3: H<sub>3</sub>**

There is a positive association of Size of Board with Corporate governance ratings and financial performance.

The Table No. 10 shows that the board size is positive significantly (0.517), with corporate governance rating at 0.01 level of significance for the sample listed companies.

According to the findings, larger boards are likely to have access to a larger pool of expertise and intellectual knowledge than smaller boards, which will improve the quality of strategic decisions that ultimately affect performance. This is because increasing the number of directors contributes to an increased pool of intellectual knowledge.

Larger boards may also lessen the CEO's dominance, according to the findings. (Forbes & Milliken, 1999; Goodstein, Gautam, &Boeker, 1994). Van den Berghe and Levrau (2004) (for example, Dalton et al. 1998; Pearce & Zahra, 1992).

Nonetheless, there is evidence to back up the claim that there is a negative correlation between business success and board size. According to research provided by Yermack (1996), "smaller

boards of directors are more effective than larger ones since the advantages of growing in size may be outweighed by the disadvantages of weaker communication and decision-making that come with bigger groupings.” “As organisations grow in size, they become less effective because the coordination and process issues outweigh the benefits of having more people to draw from,” claims Jensen (1993:865). Jensen (1993:865) asserts that boards with more than seven or eight members are less likely to work well and are simpler to manage by the CEO. These opinions are assisted by Yermack (1996), who found that “there was an inverse relationship between board size and firm value in a sample of big US industrial businesses using Tobin's Q as an approximation of market valuation.”

Bennedsen, Kongsted, and Nielson (2008), “acknowledged that the association between board size and performance may be linked with various firm characteristics such as size, age, and industry affiliation as well as unobserved factors in an effort to reconcile the disparities in findings on the "optimal" board size.”

Given these unique aspects of the Indian context, it is projected that a firm may have higher resource capacities if its board of directors is larger. The resource dependency theory states that a larger reservoir of knowledge should improve CGR and company performance.

So, said null hypothesis (H<sub>3</sub>) was accepted for the variable board size as it is significantly correlated with corporate governance rating.

## Conclusion

Corporate governance issues include how to maintain harmony between social and economic objectives, as well as between individual and community interests. It has been noted that despite pressure from Indian investors to increase corporate transparency is still insufficient, Indian companies' financial information disclosure practises are still subpar. Notwithstanding changes to Indian corporate governance laws, the majority of companies do not adhere to international best practices when releasing information to investors, with the exception of a small number of significant corporations. However, India's corporate governance framework was not as good as that found in the majority of developing market nations since neither SEBI nor the stock exchanges had hired more people to adequately monitor compliance with the listing agreement's updated Clause 49 and other laws and regulations. Substance, not form, is the secret to effective corporate governance. By examining the corporate governance rating of a corporation, one can objectively and independently establish the quality of its corporate governance practices. It allows shareholders and other stakeholders to gauge the corporate governance practices of a corporation.

The **findings and conclusions** are as follows:

- No variables like the board processes and structure, board procedures and systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, and financial performance significantly contributes in predict the corporate governance ratings in financial sector.

- All the variables like the board processes and structure, board procedures and systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, and financial performance significantly contributes in predicting the corporate governance ratings in non financial Sector.
- The Financial Performance is not significantly correlated with board processes and structure, board procedures and systems, transparency and disclosure, board committees, satisfaction with stakeholder claims, investor relations, but it is significantly correlated with corporate governance rating.
- There is a significant positive association between leverage, growth, firm's valuation, age of the firm and corporate governance rating.
- There is a significant positive association of board size with corporate governance ratings but not with the financial performance.

Collaboration is required among regulators, business and industry, professional organisations, and academic institutions. and Corporate governance ratings need to have a business strategy-focused mentality rather than just focusing on compliance issues. The shift strategy should be a competitive business tool and cost-based application. At the same time the basic legal and regulatory framework areas need to be strengthening to improve the corporate governance index. In addition to establishing comparable credit-rating criteria, there is a need for cross-listing of stocks on exchanges across national boundaries for an universal governance code, as well as a separate set of rules for unlisted enterprises.

---

\*\*\*\*\*

---

**Appendix**
**Table No. 1: List of the Companies Covered for the Study**

1. ABB	26. Maruti Suzuki
2. ACC Limited	27. NALCO
3. Ambuja Cement	28. NTPC
4. AXIS Bank	29. ONGC
5. Bharti Airtel	30. PNB
6. BHEL	31. Power Grid Corp
7. BPCL	32. Ranbaxy
8. Cairn India	33. Reliance
9. Cipla	34. Reliance Capital
10. DLF Limited	35. Reliance Communication
11. GAIL	36. Reliance Infra
12. Grasim	37. Reliance Power
13. HCL Tech	38. SAIL
14. HDFC	39. SBI
15. HDFC Bank	40. Siemens
16. Hero Honda	41. Sterlite india
17. Hindalco	42. Sun Pharma
18. Hindustan Unilever	43. Suzlon
19. ICICI Bank	44. Tata Communication
20. Idea Cellular	45. Tata Motors
21. Infosys	46. Tata Power
22. ITC	47. Tata Steel
23. Jindal Steel	48. TCS
24. Larsen & Turbo	49. Unitech
25. Mahindra & Mahindra	50. Wipro

Source: Compiled

**Table No. 2: Marks and Weights Allocated To Each Section of the Questionnaire**

Section	Question No.:	Max Marks	Total Marks	Weights	Total questions	Value of Each Question
A	A 1	10	60	15%	6	15/6=2.5
	2	10				
	3	10				



<b>(BOARD PROCESSES AND STRUCTURES)</b>	4	10				
	5	10				
	6	10				
<b>B  (BOARD PROCEDURES AND SYSTEM)</b>	B 1	10	50	10%	5	10/5=2
	2	10				
	3	10				
	4	10				
	5	10				
<b>C  (BOARD COMMITTEES)</b>	C 1	10	100	10%	10	10/10=1.0
	2	10				
	3	10				
	4	10				
	5	10				
	6	10				
	7	10				
	8	10				
	9	10				
	10	10				
<b>D  (TRANSPARENCY AND DISCLOSURE COMPLIANCES )</b>	D 1	10	100	15%	10	15/10=1.5
	2	10				
	3	10				
	4	10				
	5	10				
	6	10				
	7	10				
	8	10				
	9	10				
	10	10				
<b>E  (STAKEHOLDER CLAIMS SATISFACTION )</b>	E 1	10	40	20%	4	20/4=5
	2	10				
	3	10				
	4	10				
<b>F  (FINANCIAL PERFORMANC</b>	F 1	10	40	20%	4	20/4=5
	2	10				
	3	10				
	4	10				

<b>E)</b>						
<b>G</b>  <b>(INVESTOR RELATIONS)</b>	G 1	10	40	10%	4	10/4=2.5
	2	10				
	3	10				
	4	10				

Source: Compiled

**Table No. 3: Financial Performance: 5 Years Yearly Averages**

Weights	Dividend Yields	% of Cos	RONW	% of Cos	ROCE	% of Cos	EPS	% of Cos
0	Less than 11%	16	Less than 35%	28	Less than 35%	44	Less than 35%	24
5	11%-24%	10	35%-50%	16	35%-50%	18	35%-50%	8
7	24%-50%	10	50%-75%	28	50%-75%	22	50%-75%	14
10	50% or More	64	75% or More	28	75% or More	16	75% or More	54
		100		100		100		100

Source: Compiled

**Table No. 4: Overall Analysis of CGR In Terms of Original Score**

SL NO.	Company Name	Financial=1, Non-Financial=2	Banking=1, IT and telecommunications=2, Engineering=3,	Total of Section A (Out of 15) Board Processes and Structures	Total of Section B (Out of 10) Board Procedures and Systems	Total of Section C (Out of 10) Board Committee	Total of Section D (Out of 15) Transparency and Disclosure	Total of Section E (Out of 20) Stakeholder Claims Satisfaction	Total of Section F (Out of 20) Financial Performance	Total of Section G (Out of 10) Investor Relation	Total of All (Out of 100)
1	ABB	2	3	5	6.4	9	10.5	10.5	17	6.75	65.2
2	ACC LIMITED	2	4	13	9.4	9	13.5	12.8	17	5	79.7
3	AMBUJA CEMENT	2	4	12.5	9.4	9	14.6	17.5	13.5	6.25	82.7
4	AXIS	1	1	13.5	8.2	9	11.6	8.8	9.5	8.75	69.3

	BANK										
5	BHARTI AIRTEL	2	2	13	7	9	13.5	16.5	12	6.25	77.3
6	BHEL	2	3	13	10	8	12.0	12.8	15	7.5	78.3
7	BPCL	2	6	10.5	8.8	6.7	12.0	18.8	5	5	66.8
8	CAIRN INDIA	2	6	12.5	9	10	13.1	17.5	0	6.25	68.3
9	CIPLA	2	7	3.5	9.4	6.7	12.0	5.5	12	6.75	55.9
10	DLF LIMITED	2	7	13	9.4	9	13.5	11.8	10	9.25	75.9
11	GAIL	2	3	2.5	8.2	7	12.0	13.8	13	9.25	65.7
12	GRASIM	2	7	13.5	9.4	6.7	12.0	17.5	5	10	74.1
13	HCL TECH	2	2	12	9.4	9	12.0	11.5	14.5	6.75	75.2
14	HDFC	1	7	14	7.4	9	10.1	6.5	13.5	9.25	69.7
15	HDFC BANK	1	1	12.5	8.2	9	13.5	9.3	12.5	6.25	71.2
16	HERO HONDA	2	3	10.5	8.4	9	12.0	13.8	20	6.25	79.9
17	HINDALCO	2	4	11	8.4	6.7	13.1	20.0	12.5	10	81.7
18	HINDUSTAN UNILEVER	2	7	13	9.4	9	13.5	7.5	15	9.25	76.7
19	ICICI BANK	1	1	9	7.6	9	13.5	5.3	10	9.25	63.6
20	IDEAL CELLULAR	2	2	12.5	9.4	8.5	12.0	2.3	2.5	5.5	52.7
21	INFOSYS	2	2	13	9.4	10	15.0	12.8	20	7.5	87.7
22	ITC	2	7	13.5	8.8	10	13.5	7.5	14.5	8.5	76.3
23	JINDAL STEEL	2	4	11	8.4	8	12.0	7.5	17.5	10	74.4
24	L & T	2	3	10.5	10	10	12.0	15.5	16	7.5	81.5
25	M & M	2	3	11	9.4	9	13.5	12.5	16	7.5	78.9

5											
2	MARUTI										
6	SUZUKI	2	3	5	8.8	6.7	10.1	17.5	16	6.25	70.3
2											
7	NALCO	2	3	10.5	9.4	7	12.0	15.3	0	7.5	61.7
2											
8	NTPC	2	5	11	8.8	6.5	11.6	12.5	2.5	9.25	62.1
2											
9	ONGC	2	6	10.5	10	9	12.0	17.8	17	7.5	83.8
3											
0	PNB	1	1	10.5	8.8	8	9.6	16.3	12.5	6.25	71.9
3	POWER										
1	GRID										
1	CORP	2	5	7.5	10	5	11.6	11.5	5	4.25	54.8
3											
2	RANBAXY	2	7	10.5	9.4	9	13.5	10.5	5	6.25	64.2
3											
3	RELIANCE	2	6	13	9	6.5	10.5	11.8	16	5	71.8
3	RELIANCE										
4	CAPITAL	1	7	11	9.4	10	13.1	10.5	9.5	6.75	70.2
3	RELIANCE										
5	COMMUNI										
5	CATION	2	2	14.5	9	10	12.0	13.8	5	6.75	71.0
3	RELIANCE										
6	INFRA	2	5	13	9.4	10	13.5	13.8	8.5	9.25	77.4
3	RELIANCE										
7	POWER	2	5	13	7.4	10	15.0	12.8	7.5	7.5	73.2
3											
8	SAIL	2	4	2.5	8.8	7	8.6	17.8	15	6.75	66.4
3											
9	SBI	1	1	5	8.2	5	8.6	13.8	12.5	7.5	60.5
4											
0	SIEMENS	2	2	7.5	9.4	9	12.0	7.0	20	8.75	73.7
4	STERLITE										
1	INDIA	2	3	5	8.8	9	13.5	13.8	6	8.75	64.8
4	SUN										
2	PHARMA	2	7	10.5	9.4	6.7	9.0	3.5	18.5	10	67.6
4											
3	SUZLON	2	3	11	9.4	9	12.0	18.8	14	10	84.2
4	TATA										
4	COMMUNI	2	2	7.5	8.8	9	10.5	11.5	0	6.25	53.6

	CATION										
4	TATA										
5	MOTORS	2	3	13	8.8	10	12.0	3.5	16	9.25	72.6
4	TATA										
6	POWER	2	5	13	9.4	10	13.1	15.0	10	6.25	76.7
4	TATA										
7	STEEL	2	4	13	10	10	11.6	17.8	18.5	6.25	87.1
4											
8	TCS	2	2	8	9.4	9	10.5	18.8	20	10	85.7
4											
9	UNITECH	2	3	13	9.4	9	11.6	6.8	13.5	7.5	70.7
5											
0	WIPRO	2	2	13.5	9	10	15.0	12.8	17.5	10	87.8

**Table No. 5: Overall Analysis of CGR In Terms of Percentage**

ACTUAL DATA : TOTAL – CGR											
SL N O.	Company	A	B	C	D	E	F	G	Score	%	Remarks
1	ABB	33.3	64.0	90.0	70.0	52.5	85.0	67.5	462.33	66.05	Very Good
2	ACC LIMITED	86.67	94.00	90.00	90.00	63.75	85.00	50.00	559.42	79.92	Excellent
3	AMBUJA CEMENT	83.33	94.00	90.00	97.00	87.50	67.50	62.50	581.83	83.12	Excellent
4	AXIS BANK	90.00	82.00	90.00	77.00	43.75	47.50	87.50	517.75	73.96	Very Good
5	BHARTI AIRTEL	86.67	70.00	90.00	90.00	82.50	60.00	62.50	541.67	77.38	Excellent
6	BHEL	86.67	100.00	80.00	80.00	63.75	75.00	75.00	560.42	80.06	Excellent
7	BPCL	70.00	88.00	67.00	80.00	93.75	25.00	50.00	473.75	67.68	Very Good
8	CAIRN INDIA	83.33	90.00	100.00	87.00	87.50	0.00	62.50	510.33	72.90	Very Good
9	CIPLA	23.33	94.00	67.00	80.00	27.50	60.00	67.50	419.33	59.90	Good

10	DLF LIMITED	86.67	94.00	90.00	90.00	58.75	50.00	92.50	561.92	80.27	Excellent
11	GAIL	16.67	82.00	70.00	80.00	68.75	65.00	92.50	474.92	67.85	Very Good
12	GRASIM	90.00	94.00	67.00	80.00	87.50	25.00	100.00	543.50	77.64	Excellent
13	HCL TECH	80.00	94.00	90.00	80.00	57.50	72.50	67.50	541.50	77.36	Excellent
14	HDFC	93.33	74.00	90.00	67.00	32.50	67.50	92.50	516.83	73.83	Very Good
15	HDFC BANK	83.33	82.00	90.00	90.00	46.25	62.50	62.50	516.58	73.80	Very Good
16	HERO HONDA	70.00	84.00	90.00	80.00	68.75	100.00	62.50	555.25	79.32	Excellent
17	HINDALCO	73.33	84.00	67.00	87.00	100.00	62.50	100.00	573.83	81.98	Excellent
18	HINDUSTAN UNILEVER	86.67	94.00	90.00	90.00	37.50	75.00	92.50	565.67	80.81	Excellent
19	ICICI BANK	60.00	76.00	90.00	90.00	26.25	50.00	92.50	484.75	69.25	Very Good
20	IDEA CELLULAR	83.33	94.00	85.00	80.00	11.25	12.50	55.00	421.08	60.15	Very Good
21	INFOSYS	86.67	94.00	100.00	100.00	63.75	100.00	75.00	619.42	88.49	Excellent
22	ITC	90.00	88.00	100.00	90.00	37.50	72.50	85.00	563.00	80.43	Excellent
23	JINDAL STEEL	73.33	84.00	80.00	80.00	37.50	87.50	100.00	542.33	77.48	Excellent
24	L & T	70.00	100.00	100.00	80.00	77.50	80.00	75.00	582.50	83.21	Excellent
25	M & M	73.33	94.00	90.00	90.00	62.50	80.00	75.00	564.83	80.69	Excellent
26	MARUTI SUZUKI	33.33	88.00	67.00	67.00	87.50	80.00	62.50	485.33	69.33	Very Good
27	NALCO	70.00	94.00	70.00	80.00	76.25	0.00	75.00	465.25	66.46	Very Good
28	NTPC	73.33	88.00	65.00	77.00	62.50	12.50	92.50	470.83	67.26	Very Good
29	ONGC	70.00	100.00	90.00	80.00	88.75	85.00	75.00	588.75	84.11	Excellent
30	PNB	70.00	88.00	80.00	64.00	81.25	62.50	62.50	508.75	72.66	Very



		0	0	0	0	5	0	0	25	1	Good
31	POWER GRID CORP	50.0 0	100. 00	50.0 0	77.0 0	57.5 0	25.0 0	42.5 0	402. 00	57.4 3	Good
32	RANBAXY	70.0 0	94.0 0	90.0 0	90.0 0	52.5 0	25.0 0	62.5 0	484. 00	69.1 4	Very Good
33	RELIANCE	86.6 7	90.0 0	65.0 0	70.0 0	58.7 5	80.0 0	50.0 0	500. 42	71.4 9	Very Good
34	RELIANCE CAPITAL	73.3 3	94.0 0	100. 00	87.0 0	52.5 0	47.5 0	67.5 0	521. 83	74.5 5	Very Good
35	RELIANCE COMMUNICATION	96.6 7	90.0 0	100. 00	80.0 0	68.7 5	25.0 0	67.5 0	527. 92	75.4 2	Excellent
36	RELIANCE INFRA	86.6 7	94.0 0	100. 00	90.0 0	68.7 5	42.5 0	92.5 0	574. 42	82.0 6	Excellent
37	RELIANCE POWER	86.6 7	74.0 0	100. 00	100. 00	63.7 5	37.5 0	75.0 0	536. 92	76.7 0	Excellent
38	SAIL	16.6 7	88.0 0	70.0 0	57.0 0	88.7 5	75.0 0	67.5 0	462. 92	66.1 3	Very Good
39	SBI	33.3 3	82.0 0	50.0 0	57.0 0	68.7 5	62.5 0	75.0 0	428. 58	61.2 3	Very Good
40	SIEMENS	50.0 0	94.0 0	90.0 0	80.0 0	35.0 0	100. 00	87.5 0	536. 50	76.6 4	Excellent
41	STERLITE INDIA	33.3 3	88.0 0	90.0 0	90.0 0	68.7 5	30.0 0	87.5 0	487. 58	69.6 5	Very Good
42	SUN PHARMA	70.0 0	94.0 0	67.0 0	60.0 0	17.5 0	92.5 0	100. 00	501. 00	71.5 7	Very Good
43	SUZLON	73.3 3	94.0 0	90.0 0	80.0 0	93.7 5	70.0 0	100. 00	601. 08	85.8 7	Excellent
44	TATA COMMUNICATION	50.0 0	88.0 0	90.0 0	70.0 0	57.5 0	0.00	62.5 0	418. 00	59.7 1	Good
45	TATA MOTORS	86.6 7	88.0 0	100. 00	80.0 0	17.5 0	80.0 0	92.5 0	544. 67	77.8 1	Excellent
46	TATA POWER	86.6 7	94.0 0	100. 00	87.0 0	75.0 0	50.0 0	62.5 0	555. 17	79.3 1	Excellent
47	TATA STEEL	86.6 7	100. 00	100. 00	77.0 0	88.7 5	92.5 0	62.5 0	607. 42	86.7 7	Excellent
48	TCS	53.3 3	94.0 0	90.0 0	70.0 0	93.7 5	100. 00	100. 00	601. 08	85.8 7	Excellent
49	UNITECH	86.6 7	94.0 0	90.0 0	77.0 0	33.7 5	67.5 0	75.0 0	523. 92	74.8 5	Very Good

50	WIPRO	90.0 0	90.0 0	100. 00	100. 00	63.7 5	87.5 0	100. 00	631. 25	90.1 8	Excell ent
----	-------	-----------	-----------	------------	------------	-----------	-----------	------------	------------	-----------	---------------

Source: Compiled

**Table No. 6: Overall Corporate Governance Index in terms of Remarks**

Lower Limit (In %)	Upper Limit (In %)	Frequency (In No.)	Percentage (In %)	Remarks
0	30	0	0	Poor
30	45	0	0	Average
45	60	3	6	Good
60	75	21	42	Very Good
75	& Above	26	52	Excellent
	Total	50	100	

Source: Compiled

**Table No. 7: Overall Corporate Governance Index in terms of Ratings**

Total Score in Percentage	Remarks	Weights	Frequency (In No.)	% of Companies
More than 85%	Excellent	A <sup>++</sup>	5	10
Between 75%-85%	Excellent	A <sup>+</sup>	21	42
Between 70%-75%	Very Good	B <sup>++</sup>	9	18
Between 60%-70%	Very Good	B <sup>+</sup>	12	24
Between 55%-60%	Good	C <sup>++</sup>	3	6
Between 45%-55%	Good	C <sup>+</sup>	0	0
Between 40%-45%	Average	D <sup>++</sup>	0	0
Between 30%-40%	Average	D <sup>+</sup>	0	0
Less than 30%	Poor	E	0	0
Total			50	100

Source: Compiled

**Table No. 8: Correlation of Financial Performance with Other Variables**

	CGR Score	Board Proc & Strc	Board Pr & Syst	Board Committ	Trans and DC	S C S	FP	IR
Board Processes and Structures	.465**	1						
Board Procedures and Systems	.216	.161	1					
Board Committees	.494**	.495**	.003	1				
Transparency and Disclosure Compliances	.384**	.460**	.068	.550**	1			
Stakeholder Claims Satisfaction	.416**	-.091	.124	-.095	.006	1		
Investor Relations	.280*	.054	-.097	.093	.063	-.138	1	
Financial Performance	<b>.640**</b>	-.046	.018	.151	-.096	-.052	.207	1

\*\* p<.01 \* p<.05

**Table No. 9: Association Between Leverage, Growth, Firm’s Valuation, Age And CGR**

		CGR	Leverage (Debt Equity): 5 Years Yearly Average	Growth (Rate of growth % of sales): 5 Years Yearly Average	Firms Valuation Market	Age of the Firm As on 2009
CGR	Pearsons Correlation	1				
	Sig. (1-tailed)					
	N	50				
Leverage (Debt Equity): 5 Years Yearly Average	Pearsons Correlation	<b>.314(*)</b>	1			
	Sig. (1-tailed)	.013				
	N	50	50			
Growth (Rate of growth % of sales): 5 Years Yearly Average	Pearsons Correlation	<b>.285(*)</b>	.304(*)	1		
	Sig. (1-tailed)	.022	.016			
		50	50	50		

	N					
Firms Valuation Market Capitalisation: 5 Years Yearly Average	Pearsons Correlation	<b>.237(*)</b>	.117	-.031	1	
	Sig. (1-tailed)	.048	.210	.415		
	N	50	50	50	50	
Age of the Firm As on 2009	Pearsons Correlation	<b>.240(*)</b>	-.066	-.064	-.070	1
	Sig. (1-tailed)	.047	.325	.329	.314	
	N	50	50	50	50	50

\*\* p<.01      \* p<.05

Source: Compiled

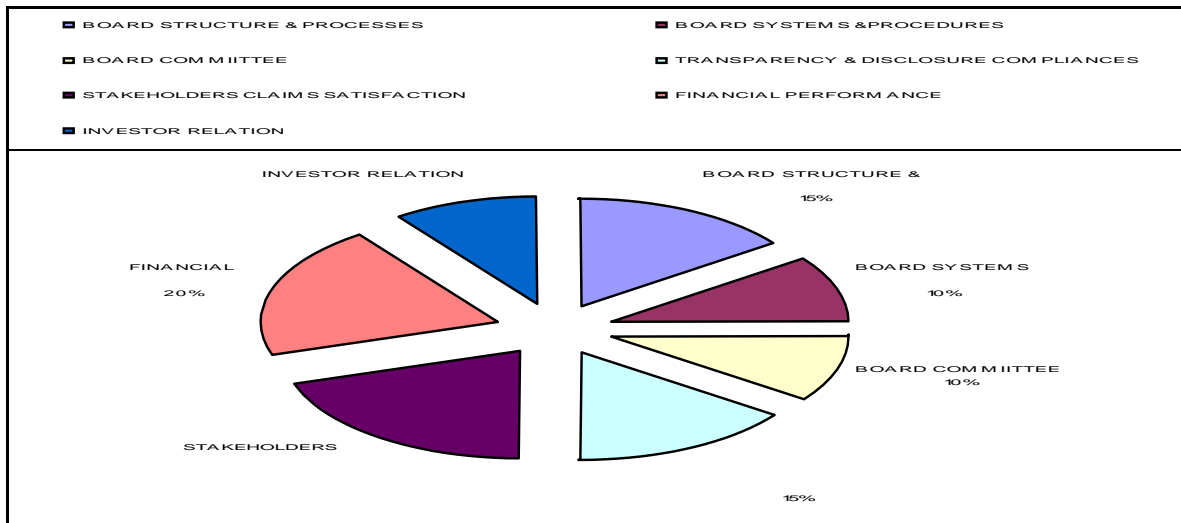
**Table No. 10: Correlations of Size of Board with CGR and Financial Performance**

		Board Size	Total of CGR	Financial Performance
Board Size	Pearsons Correlation	1		
	Sig. (2-tailed)			
	N	50		
Total of CGR	Pearsons Correlation	<b>.517**</b>	1	
	Sig. (2-tailed)	.000		
	N	50	50	
Financial Performance	Pearsons Correlation	.201	<b>.640**</b>	1
	Sig. (2-tailed)	.161	.000	
	N	50	50	50

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Compiled

**Chart No. 1: Weights Assigned to Different Variables**



**References:**

Bebchuk, L., A. Cohen, and A. Ferrell, 2005, “*What Matters in Corporate Governance?*” Working Paper, Harvard Law School

Beiner, S., Drobetz, W., Schmid, M., Zimmerman, H. 2004, An integrated framework of corporate governance and firm valuation – evidence from Switzerland, available at: [www.unibas.ch/cofi/publications/papers/2003/09-03.pdf](http://www.unibas.ch/cofi/publications/papers/2003/09-03.pdf).

Bennedsen, M., H.C. Kongsted, and K.M. Nielsen, 2008, The causal effect of board size in the performance of small and medium-sized firms. *Journal of Banking & Finance*, 32: 1098–109.

Bhagat, S. and B. Black, 2002, “The Non-Correlation between Board Independence and Long-Term Firm Performance,” *Journal of Corporation Law* 27, 231-273.

Birla K. M. Committee Report, 2000, Corporate Governance, Bombay

Black, B., Jang, H.H., Kim, W. 2003, *Does corporate governance affect firm value?* Evidence from Korea, Working Paper 327, Stanford Law School, Stanford, CA

Blue Ribbon Committee Report, Improving the Effectiveness of Corporate Audit committees, 1999

Brown, L. and M. Caylor, 2006, “*Corporate Governance and Firm Operating Performance,*” Working Paper, Georgia State University

Brown, L. and M. Caylor, 2006, “Corporate Governance and Firm Valuation,” *Journal of Accounting and Public Policy* 25, 409-434.

- Brown, L., Caylor, M., Brown, 2004, *Corporate Governance Study Links Bad Boards to Higher Risks and Increased Volatility*, A Study Commissioned by ISS, February 4.
- Chandratre, K R, 1997, Role of Board of Directors in Emerging Dimensions of Corporate Governance and Impending Changes in Company Law, *The Chartered Secretary*, The Institute of Chartered Secretary of India, New Delhi, May, p. 505.
- Chi, J., 2005, "Understanding the Endogeneity between Firm Value and Shareholder Rights," *Financial Management* 34, 65-76.
- Core, J., W. Guay, and T. Rusticus, 2006, "Does Weak Governance Cause Weak Stock Returns? An Examination of Firm Operating Performance and Investors' Expectations," *Journal of Finance* 61, 655-687
- Core, J., W. Holthausen, and D. Larcker, 1999, "Corporate Governance, Chief Executive Officer Compensation, and Firm Performance," *Journal of Financial Economics* 51, 371-406.
- Dunerv, A., Kim, E.H. 2002, *To steal or not to steal? Firm attributes, legal environment, and valuation, manuscript*, University of Michigan, Ann Arbor, MI
- Faccio, M., Lang, L.H.P., Young, L. 2001, *Debt and corporate governance*, working paper, Notre Dame University, Notre Dame, IN and the Chinese University of Hong Kong, Hong Kong
- Forbes, D. P. & Milliken, F. J., 1999, Cognition and Corporate Governance: Understanding Boards of Directors as Strategic Decision-Making Groups. *Academy of Management Journal* 24(3): 489-505.
- Friedman, M, 1970, The Social Responsibility of Business Is to Increase Its Profits, *The New York Times Magazine*, 1970.
- Gompers, A., Ishii, J.L., Metrick, A. 2003, Corporate governance and equity prices, *Quarterly Journal of Economics*, Vol. 118 No.1, pp.107-55.
- Goodstein, J. Gautam, K. & Boeker, W., 1994, The Effects of Board Size and Diversity on Strategic Change. *Strategic Management Journal*, 15(3): 241-250
- Hermalin, B. and M. Weisbach, 1988, "The Determinants of Board Composition," *The RAND Journal of Economics* 19, 589-606.
- Jensen, M., 1993, The modern industrial revolution, exit, and the failure of internal control systems. *Journal of Finance*, 48: 831-880.
- Klapper, L.F., Love, I., 2003, Corporate governance, investor protection, and performance in emerging markets, *Journal of Corporate Finance*, Vol. 10 No.5, pp.703-28



- Larcker, D., S. Richardson, and I. Tuna, 2006, "Corporate Governance, Accounting Outcomes, and Organizational Performance," *The Accounting Review*, forthcoming
- Lee, C., S. Rosenstein, N. Rangan, and W. Davidson, 1992, "Board Composition and Shareholder Wealth: The Case of Management Buyouts," *Financial Management* 21, 58-73.
- McConnell, J. and H. Servaes, 1990, "Additional Evidence on Equity Ownership and Corporate Value," *Journal of Financial Economics* 27, 595-613.
- Morck, R., A. Shleifer, and R. Vishny, 1988, "Management Ownership and Market Valuation: An Empirical Analysis," *Journal of Financial Economics* 20, 293-315.
- Sharma, J. P., 2006, Corporate Governance- Indian Perspective, *Corporate Law Advisor*, January pp. 7-12
- Sharma, J. P. 2010-11, *Corporate Governance, Business Ethics and CSR*, Ane Books Pvt Ltd., New Delhi
- Sharma, J. P., 2009, Dubious Role of Credit Rating Agencies, *Chartered Secretary: The Journal for Corporate Professionals*, July, Vol. 37, No.7, pp. 916,917.
- Sharma, J. P., 2006, Legislative Reforms in Corporate Laws, *Company Law Journal*, January pp. 11-21
- Wolfensohn, 1999, "Corporate governance is about promoting corporate fairness, transparency and accountability", *Financial Times*, 21st June.
- Yermack, D., 1996, Higher market evaluation of companies with a small board of directors. *Journal of Financial Economics*, 40: 185-211.