Governance-Led Corporate Performance

Theory and Practice

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GOVERNANCE-LED CORPORATE PERFORMANCE

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INVESTOR IN PEOPLE

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List of Abbreviations

ATR	Assets Turnover Ratio
BSE	Bombay Stock Exchange
BS	Board Size
BSC	Balanced Scorecard
CEO	Chief Executive Officer
CEO_DUA	CEO Duality
CEO_TEN	CEO Tenure
CEPS	Cash Earnings Per Share
CG	Corporate Governance
CVA	Cash Value Added
D/E	Debt and Equity Ratio
DPS	Dividend Per Share
DP	Dividend Payout
EPS	Earnings Per Share
ED	Executive Director
ER	Executives' Remuneration
EVA	Economic Value Added
FEM	Fixed Effect Model
ID	Independent Director
IINV	Institutional Investors' Shareholding
M-Cap	Market Capitalisation
MD	Multiplicity of Directorship
MVA	Market Value Added
PAT	Profit After Tax
P/*E* Ratio	Price Earnings Ratio
PS	Promoters' Shareholding
REM	Random Effect Model
RI	Residual Income
ROA	Return on Assets
ROCE	Return on Capital Employed
ROI	Return on Investment
SIZE	Size of the Firm
SEBI	Security Exchange Board of India
SR	Shareholder Return
SROI	Social Return on Investment
SVA	Shareholder Value Added

TBR	Total Business Return
TSR	Total Shareholder Return
T*Q*	Tobin's *Q*
VIF	Variance Inflation Factor
WAI	Wealth Added Index

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Dr Apu Manna is presently an Assistant Professor in the Department of Commerce, Balurghat College, Balurghat, West Bengal, India. He has over four years of undergraduate teaching and research experience. Dr Manna passed M.Com. in Accounting and Finance with silver medal. He has attended several workshops and faculty development programmes and presented a number of research articles in several national and international doctoral colloquium, seminars, symposiums and conferences. He has a number of published research works to his credit in the field of Commerce, Economics and Management in different avenues of publication like national and international journals and edited volumes. He is the life member of Indian Accounting Association.

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Preface

The economic growth of any nation largely depends on the vitality of its industry and capital market at large. The responsibility of maintaining the health of the industry as well as capital market mostly depends on the efficiency and effectiveness of the controlling agencies of government and their implemented policies, practices, rules, regulations, etc. A major part in the subject of corporate governance deals with these issues and ensures their apt implementation in the business corporations. The industrial growth in India along with the development of corporate culture started after independence in 1947 but the expression 'corporate governance' remained in vogue until 1990. The concept of corporate governance and its problems are as old as the concept of a business corporation and especially the joint stock companies. It started gaining importance after experiencing a number of corporate scandals come out mainly after economic liberalisation. In India, the crucial need for corporate governance was first realised with the occurrence of Harshad Mehta's scam that was exposed in April 1992. During the last two decades along with many developed and developing economies, India also witnessed a number of serious cases of corporate misgovernance in a handful of joint stock companies. It was clearly indicating the nature and extent of corporate misgovernance that exists in those Indian companies.

In this context, the impact of corporate governance on corporate performance is gradually becoming a key area in research. Although a number of notable studies have been conducted to establish the relationship most of them typically focussed on developed economies and the effect of these corporate governance issues on the firm performance in emerging economies like India has got little attention. The results of earlier studies also provide contradictory findings. By considering the stewardship theory, some studies have suggested that larger board size is better for the firm, whereas by considering the agency theory some studies support small boards and less outsiders. Believing the resources dependency theory some studies have stated that large numbers of outsiders in the board help the organisation to get key resources for the organisation conveniently.

These contradictory findings of the earlier studies became the principal drive behind conducting this research work. This extensive research regarding the effect of corporate governance variables on firm performance in India addresses basic questions for specific areas viz., corporate board, ownership structure and chief executive officer characteristics. Findings of this study provide a comprehensive understanding of the dynamic relationship between corporate governance variables and corporate performance in Indian companies. It discusses the theoretical hypotheses of this relationship and compares with empirical evidence as available from earlier research works. The present study is expected to add several primary contributions to the extant literature. Besides investors, findings of the study help an organisation to determine their policies regarding ownership structure and board composition. Again this study may also provide support to the corporate governance policy-making agencies of the country to provide recommendations regarding board size, independence of the board, multiplicity of directorship, etc.

Thus, such a study is worth undertaking in emerging economies like India, in view of the fact that the study contributes to managerial science by providing scientific elements through identification and validation of the effects of corporate governance variables on corporate performance.