CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE: ISSUES AND EVIDENCES

Abstract

The purpose of this study is to examine the relationship between different levels corporate governance (such as ownership structure, board characteristics, and audit committee characteristics) and firm performance. Further the study investigates the moderating effects of firm size, the board size, and age between different levels of corporate governance and firm performance. Data from 113 firms with 565 observations from 2013 to 2017, using the fixed panel data estimate approach are analyzed. A subsample analysis is employed, dividing the data by firm size, board size, and age to test the robustness. The results showed that the domestic, foreign and institutional ownership influence the performance positively whereas non-institutional ownership has an adverse effect. Board size, meeting frequencies, and attendance rate positively affect firm performance. The impact of CEO duality has a negative but significant impact on performance and male CEOs are beneficial for firm performance. The audit committee chairman's professional financial education has a positive impact on corporate performance. Performance is inversely related to the frequency of audit committee meetings and the percentage of female directors. The results are consistent across various company performance indicators and subsamples including, firm size, board size, and firm age. It has implications for regulators and policymakers while considering corporate governance reforms. Investors, managers, and minority shareholders concerned about firm performance may use this information for improving firm performance.

Keywords: Corporate governance, ownership structure, board characteristics, Audit committee characteristics firm performance, clause 49 of SEBI