

Abstract

The thesis examines the dynamics of executive and CEO compensation in India. Executive compensation remains a central issue in corporate governance because of its implications for managerial incentives, firm performance, agency conflicts, and compensation inequality. While extensive evidence exists for developed economies, relatively limited research has examined compensation practices in emerging markets such as India, where concentrated ownership, family control, evolving governance institutions, and increasing institutional investor participation create a distinctive environment for compensation decisions. Against this backdrop, the thesis investigates how firm performance, governance structures, behavioral characteristics, and CEO-specific attributes influence executive and CEO compensation in Indian listed firms. Using large panel datasets of Indian listed firms and employing fixed effects models, dynamic panel estimations, interaction models, and quantile regressions, the thesis examines four interrelated dimensions of compensation. The first dimension analyzes the relationship between executive compensation and firm performance across different firm categories. The second dimension investigates the influence of family ownership, family CEOs, and institutional investors on CEO compensation and pay-performance sensitivity. The third dimension explores the behavioral determinants of CEO compensation by examining the role of CEO overconfidence and CEO power. The fourth dimension analysis examines intra-firm compensation inequality by investigating how CEO ability and individual CEO characteristics shape CEO-executive pay gaps. The findings indicate that executive compensation responds to both accounting and market-based measures of firm performance. However, pay-performance sensitivity varies across firm characteristics. Family ownership and family CEO status exert distinct influences on compensation outcomes. At the same time, institutional investors play a limited role in constraining CEO compensation within family-controlled firms. The results further show that overconfident CEOs receive higher compensation and that CEO power amplifies this relationship. In addition, CEO ability and individual CEO characteristics contribute to larger CEO-executive pay gaps, with the ability premium being more pronounced among superior-performing firms. The thesis contributes to the executive compensation, corporate governance, behavioral finance, and compensation inequality literatures by providing integrated evidence from an emerging economy. The findings demonstrate that compensation outcomes are shaped not only by firm performance but also by governance mechanisms, behavioral biases, and CEO-specific characteristics, offering implications for boards, investors, regulators, and policy makers.

Keywords: *Executive compensation; CEO compensation; Pay gap; Corporate governance; Firm performance; CEO Overconfidence, Managerial power; CEO Ability Index, Agency theory; Tournament theory; Emerging markets; India.*