

CORPORATE GOVERNANCE AND ECONOMIC PERFORMANCE – AN ANALYTICAL STUDY OF S&P BSE HEALTHCARE COMPANIES

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ABSTRACT

This paper aims to study the influence of corporate governance sub-indices on financial performance of companies listed on S&P BSE Healthcare index. To conduct the analysis, the influence of corporate governance sub-indices on the economic performance of companies listed on S&P BSE Healthcare index is being considered. Data of two years ending 2020 and 2021 have been considered for analysis. Various statistical tests like correlation, panel data regression, hausman test etc. are used to study the impact. To select between fixed and random effects models in panel data regression Hausman test is used. The results reveal few sub-indices have an impact on the accounting proxies namely ROA, ROE and EPS and market measures namely P/E and EV/EBITDA.

Keywords: Economic Performance, ROA, ROE, P/E, EV/EBITDA, Ownership patterns, corporate governance index, Hausman Test, Panel Data Regression, Kruskal Wallis Test, Corporate Governance Sub-indices

Introduction

Corporate Governance is based on three pillars: responsibility, clarity, and justice. Companies follow corporate governance norms laid out in Clause 49 of the listing agreement laid out by SEBI. Remarkable changes have been suggested by the new Companies Act, 2013 like mandatory disclosures namely related party transactions, formation of risk management committee and so on. Listed companies follow these norms and report it in the corporate governance section in their annual reports. Companies are considered transparent if they report their functioning in a manner laid down by clause 49 and companies act, 2013. Hence adherence to these norms is of great importance to the companies.

According to Arora, (2017), greater promoter control in businesses may result in reduced returns to other stakeholders if a firm's resources are diverted for personal financial interest. On the contrary few researchers are of the view that higher promoter stake indicates long term vision of the management for the betterment of the company.

This study focuses on the impact of corporate governance on financial performance measures namely ROA, ROE and Basic EPS which are accounting measures and market measures like PE and EV/ EBITDA. In the past studies have been carried out on traditional measures and few studies have focused on market measures like EV/ EBITDA and PE. Hence this study is an extension of studies in the past. It will help the researchers in understanding the influential role played by corporate governance sub-indices in accounting as well as market measures of economic performance of S&P BSE Healthcare companies.

The study will be further elaborating on the research done in the past, objectives of carrying out the research, empirical tools for data analysis, findings, conclusions, and suggestions.

Review of Literature

In the past studies have focused on analyzing how ownership patterns affects economic performance of listed companies (Karaganda and Sreeram, 2018), hence studying how ownership patterns affects corporate governance index will provide insights on the role played by Managerial decisions on corporate governance practices. Companies having different ownership patterns It is affirmed that there exists a significant difference in financial performance of (Raju and Joshi, 2016).

Jeet (2018) in its study on ownership patterns and financial performance affirms the existence of positive influence of ROE on ownership patterns of companies. Fatmawati (2018) revealed that corporate governance affects financial performance in a positive way for state owned companies in Indonesia. The study was divided

into two parts where the influence of corporate governance index on economic performance of SOEs and influence of sub-indices on financial performance of SOEs was studied for Indonesian firms. The results affirmed that sub-indices like Board committees, Nomination and remuneration committee, risk management committee influences firm's performance positively.

Pandey & Sahu (2017) also examined the influence of corporate governance on a company's economic performance measured through accounting proxies like ROA, Tobin's Q, ROE. The study affirms existence of a significant positive relationship among ownership patterns and economic performance.

Srinivasan & Srinivasan (2011) have revealed that there are various themes that have been studied in international journals about corporate governance and very limited themes have been covered in Indian Journals for Indian context. Thus, research is required to study various dimensions of corporate governance in the Indian context.

The focus of previous studies has been on ownership patterns and firm performance, but corporate governance and ownership pattern is not examined.

Financial performance is the key indicator of a firm's wellbeing. Previously studies have taken place where the influential role played by corporate governance on the economic performance of the companies have been analyzed.

Bhagat & Bolton, B. (2008) in its research on corporate governance affirms the existence of positive relation between several accounting measures of economic performance of companies and good governance performed by the companies. Market Performance of companies is impacted by the corporate governance of the firms. This can be seen from the study done by Sarkar (2012). A corporate governance index was created for listed large Indian companies. The paper studied the corporate governance practiced by Indian companies and revealed improvement in practices of firms. The study examined the relationship of corporate governance index on the market performances of entities and confirmed a positive relation between the two.

Varshney (2012) says that influence of corporate governance index and firm performance revealed a positive strong association between CGI and company's performance where company's performance was evaluated through EVA and Tobin's Q. In the study the firms were categorized into high index firms, low indexed firms. The results revealed a strong positive relationship between corporate governance and firm performance.

Corporate governance lies on the premise of disclosure. Hence, a study by John and Ben (2014) on influence of corporate governance index and economic performance was carried out in which the index was created using various measures like remuneration, board size, ownership pattern, shareholders rights, and whistle blower policy and audit qualification. After using regression and correlation it was found that there is a significant association between voluntary disclosures and firm performance.

Javaid & Saboor (2015) carried out a study where influence of corporate governance was studied on the monetary performance measures. The study affirmed the existence of a positive strong relation between corporate governance and economic performance measured through market and accounting measures.

The influential role played by corporate governance on the economic performance of the firms have been studied, but now the companies are moving more towards sustainability and environmental wellness. Hence a corporate governance index was created by Sar (2018), to study its impact on economics, environment, and social equity performance of the companies. The index was created using 49 measures on the five broad categories namely board structure, related party transactions, shareholders rights and procedures. The result revealed that corporate governance has positive relation with economic performance, equity performance and environment performance.

A similar study carried out by Andrews (2016) in Ghana for listed Ghanaian firms also revealed a strong and positive correlation between economic performance and corporate governance index. The study was carried out by analyzing the governance scores of firms pre and post the Ghanaian corporate governance code and its influence was studied on the economic performance of companies.

Similar results of CGI on economic performance were revealed by Arora (2017). In her study, the corporate governance index was created using internal and external governance instruments and its effect was studied on

various financial performance parameters RONW, ROA and EPS. The result revealed the positive association of CGI with all the financial parameters except EPS.

Kaur and vij (2018) carried out a study on defining the influence of corporate governance on the economic performance of banks. The study too revealed that corporate governance influences the financial performance of banks positively.

Research Gaps Identified:

Many studies have been carried out in the past to understand the relationship between corporate governance and financial performance of companies, but limited studies are available on sectoral indices. Studies carried out in the past only analyzes either corporate governance Index and financial performance or ownership patterns and financial performance. Impact of Corporate Governance sub-indices on economic performance of companies is rarely examined in the Indian context. This gap would be bridged in this study by analyzing the influence corporate governance sub-indices have on the financial performance of S&P BSE Healthcare sector companies.

For measuring economic performance accounting proxies ROA, ROE and EPS are considered and market proxies P/E and EV/ EBITDA are considered. Previously researchers have focused on traditional measures and few studies have focused on market measures like EV/ EBITDA and P/E. It will help the researchers in understanding the role played by corporate governance sub-indices in influencing on accounting as well as market performance proxies of S&P BSE Healthcare index companies.

Methodology

Objectives:

- To develop a new index on corporate governance.
- To understand if corporate governance sub-indices influence the accounting performance of companies listed on S&P BSE Healthcare index.
- To understand if corporate governance sub-indices influence the market performance of companies listed on S&P BSE Healthcare index.

Sampling Design:

Healthcare sector is chosen for analysis as this is one of the largest sectors contributing towards employment generation of the country. ⁽¹⁾ BSE follows a methodology to select the companies to be included in different sectors based on the macro-economic indicators and market capitalization. Hence for the said sector S&P BSE Healthcare index has been chosen for analysis. There are 70 companies listed on S&P BSE Healthcare sector index as on 1.4.2021. All the companies in the sector are considered, thus the sampling design is census sampling.

Data Collection and Index Construction

The Data has been extracted from the Annual reports of S&P BSE healthcare sector companies for the year ended 2020 and 2021. The corporate governance index has been calculated with the help of seven sub-indices namely: 1. The Board sub-index, 2. Audit Committee Sub-index, 3. Stakeholders Committee sub-index 4. CSR Committee Sub index 5. Disclosure sub-index 6. Shareholders Sub-index and 7. Risk Management Committee Sub-index. The companies can score maximum 44 marks as there are 44 points comprising all the sub-indices which are elaborated in Appendix 1. A company gets 1 if a criterion is fulfilled else it gets 0.

The total of all the sub-indices is detailed below:

Sub-index	Maximum Points that a company can score
Board Sub-index	6
Audit Committee Sub-index	5
Stakeholders Committee sub-index	6
CSR Committee Sub-index	5
Disclosure sub-index	10
Shareholders Sub-index	8
Risk management Committee Sub-index.	4
Total (Corporate Governance Index)	44 points

Table 1 Constituents of Corporate Governance index

Economic Performance Variables:

The performance variables have been considered based on market value estimates and based on the accounting estimates. The variables like ROA, ROE and basic EPS have been considered for accounting-based measures and EV/EBITDA and P/E has been considered for market-based measures. These ratios have been extracted from moneycontrol.com and verified from the annual reports.

The study can be elaborated with the help of following diagram.

Corporate Governance sub-index and Economic performance:

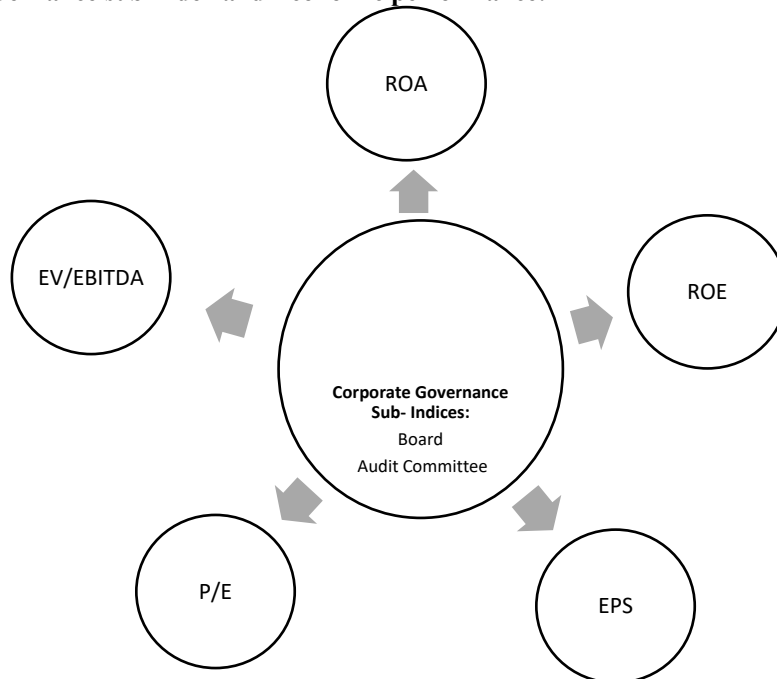


Figure 1: Impact of Corporate Governance sub-indices on Financial Performance of companies listed on S&P BSE Healthcare index.

Statistical Tools used: Statistical analysis includes descriptive and inferential statistics. In inferential statistics following tests are used:

1. Karl Pearson's correlation to check whether corporate governance sub-indices and economic performance variables are associated.
2. Multicollinearity (VIF) to check collinearity among independent variables,
3. White test to check the homoskedasticity of data.
4. Fixed effects Random effects model to carry out panel data regression, for checking the influence role played by corporate governance sub-indices on economic performance of companies.
5. Hausman test to choose between fixed and random effects model

Hypothesis:

H₀₁: Corporate Governance sub-indices do not affect ROA of S&P BSE Healthcare Index companies significantly.

H₀₂: Corporate Governance sub-indices do not affect ROE of S&P BSE Healthcare Index companies significantly.

H₀₃: Corporate Governance sub-indices do not affect EPS of S&P BSE Healthcare Index companies significantly.

H₀₄: Corporate Governance sub-indices do not affect P/E of S&P BSE Healthcare Index companies significantly.

H₀₅: Corporate Governance sub-indices do not affect EV/EBITDA of S&P BSE Healthcare Index companies significantly.

Based on the hypothesis the following equations have been Developed:

$$ROA_{it} = \beta_0 + \beta_1 * BI_{it} + \beta_2 ACI_{it} + \beta_3 SC_{it} + \beta_4 CSRC_{it} + \beta_5 DC_{it} + \beta_6 SHI_{it} + \beta_7 RM_{it} + \epsilon_{it}$$

$$ROE_{it} = \beta_0 + \beta_1 * BI_{it} + \beta_2 ACI_{it} + \beta_3 SC_{it} + \beta_4 CSRC_{it} + \beta_5 DC_{it} + \beta_6 SHI_{it} + \beta_7 RM_{it} + \epsilon_{it}$$

$$EPS_{it} = \beta_0 + \beta_1 * BI_{it} + \beta_2 ACI_{it} + \beta_3 SC_{it} + \beta_4 CSRC_{it} + \beta_5 DC_{it} + \beta_6 SHI_{it} + \beta_7 RM_{it} + \epsilon_{it}$$

$$PE_{it} = \beta_0 + \beta_1 * BI_{it} + \beta_2 ACI_{it} + \beta_3 SC_{it} + \beta_4 CSRC_{it} + \beta_5 DC_{it} + \beta_6 SHI_{it} + \beta_7 RM_{it} + \mu_{it}$$

$$EV/EBITDA_{it} = \beta_0 + \beta_1 * BI_{it} + \beta_2 ACI_{it} + \beta_3 SC_{it} + \beta_4 CSRC_{it} + \beta_5 DC_{it} + \beta_6 SHI_{it} + \beta_7 RM_{it} + \mu_{it}$$

Where β_0 is the overall intercept, ROA_{it}, ROE_{it}, EPS_{it}, PE_{it} and EV/EBITDA_{it} are the dependent variables, BI = Board Sub-Index, ACI is the Audit Committee Sub-Index, Sc is Stakeholders Committee Sub-Index, CSRC is CSR Committee Sub-Index, Dc is Disclosure Sub-Index, Shi is Shareholders Sub-Index and Rm is Risk Management committee Sub-Index. and μ_{it} is the errors between firms, ϵ_{it} errors within entities.

Data Analysis

Corporate Governance sub-indices and Economic Performance of S&P BSE Healthcare Companies.

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA	140	-115	39	6.76	16.612
Basic EPS	140	-32	325	31.03	48.795
ROE	140	-110	52	11.96	18.732
EVEBITDA	140	-30	123	15.15	16.197
PE	140	-580	270	20.90	67.914
Board Sub-Index	140	4	6	5.02	.640
Audit Committee Sub-Index	140	2	5	3.96	.790
Stakeholders Committee Sub-Index	140	3	6	5.22	.787
CSR Committee Sub-Index	140	0	5	4.34	.903
Disclosure Sub-Index	140	5	9	7.40	.794
Shareholders Sub-Index	140	2	7	4.15	1.079
Risk Management committee Sub-Index	140	0	4	2.66	1.050
Corporate Governance Index	140	52	89	74.45	5.916
Valid N (listwise)	140				

Table 2 Descriptive Statistics

The descriptive statistics of Corporate Governance index, its sub-indices and economic performance parameters is reported in the table above. CGI for companies listed on BSE healthcare index ranges between 52 to 89 with 74.45 as a mean and standard deviation of 5.916% indicating less variance in the mean of selected firms. Board Sub-index values range between 4 to 6 with a mean value of 5.1033. Audit committee Sub-index value ranges between 2 to 5 with mean value of 3.96. Stakeholders committee Sub-index ranges between 3 to 6 with a mean value of 5.22. CSR Sub-index ranges between 0 to 5 with a mean value of 4.34. Disclosure Sub-index ranges between 4 to 9 with a mean value of 7.4835. Disclosure Sub-index ranges between 5 to 9 with a mean value of 7.40. Shareholder Sub-index ranges between 2 to 7 with a mean value of 4.15 and standard deviation of 1.079. Risk Management Committee Sub-Index ranges between 0 to 4 with a mean of 2.66 and standard deviation of 1.050.

Correlations							
	Board Sub-index	Audit committee Sub-index	Stakeholder Committee Sub-index	Disclosure Sub-index	CSR Committee Sub-index	Shareholder Sub-index	Risk Management Committee Sub-index
ROA	-.163	.100	.009	.142	.352*	.105	0.063
Basic EPS	-.073	.111	.004	.130	.230*	.199*	.217**
ROE	-.175*	.081	.018	.165	.435*	.117	.165
EV/EBITD	-.203*	-.114	-.041	.025	.116	.199*	.116

A							
PE	.043	.090	.084	.135	.119	.002	-.004
** Significant at 0.01 level (2-tailed).							
* Significant at 0.05 level (2-tailed).							

Table 3 Correlation

Correlation is significant between Board Sub-index, ROE, EV/EBITDA and Audit committee index as seen above. This shows the impact of Board Composition and decisions through Board meetings on the profitability of the Company measured through ROE and Enterprise Value. A significant correlation can be seen between Shareholders Sub -Index Basic EPS and EV/ EBITDA which reflects that the measures taken by the companies like conducting meetings on stipulated time providing proxy and e voting facilities and other such measures influences EPS and EV/EBITDA of the companies. CSR Sub- index has a significant correlation between ROA, ROE and Basic EPS. This can be related with profitability as CSR activities carried out by the companies are from the profits of the companies due to the profitability measured through ROE, ROA and Basic EPS. Risk management committee Sub- index is significantly correlated with basic EPS at 1% significance level. Shareholders Sub- index is significantly correlated with basic eps at 5% significance level.

Before checking the existence of influence of CGI sub-indices on economic performance of companies it is important to check if there exists multicollinearity amongst the independent variables and whether the data is stationary.

1. Multicollinearity: This is checked when there exist multiple independent variables. After checking multicollinearity, it was found that the mean variance inflation factor (vif) of the data was 1.01 indicating that there exists no multicollinearity in the data.

2. Unit root test is used to check if the data is stationary, after applying Unit Root test it is found that the data was balanced. To validate the results White test is used, results for the same is as listed below

Source	chi2	df	p
Heteroskedasticity	54.66	43	0.1094
Skewness	10.08	8	0.2592
Kurtosis	1.57	1	0.2098

Table 4 Cameron & Trivedi's decomposition of White test

Since the p value is more than .05 null hypothesis is accepted which means the data is stationary. Since both the conditions of nonexistence of multicollinearity and stationery of data is satisfied further analysis of regression is carried out.

It is important to choose between the OLS, Fixed and Random Effects model to estimate the influence of the predictor variable on outcome variable. OLS Estimator does not produce fruitful results if the data is panel data. Hence to carry out further research PANEL DATA Regression is used. Under the Panel data fixed effects and random effects model is used. To choose between fixed effects and random effects Hausman test is used. The results of Hausman test comes out to be following:

Test Statistic	ROA	ROE	EPS	P/E	EV/EBITDA
P value	0.0976	0.4543	0.4049	0.0170	0.0258
Chi2	12.09	6.76	7.23	17.06	15.93

Table 5 Hausman Test results

Since the p value is more than .05, for ROA, ROE and EPS variables, the null hypothesis will be accepted which means the random effects model results are accepted for the said variables and for P/E and EV/EBITDA the p value is less than .05, hence fixed effects model will be accepted for them. The results of the random effect and fixed effects model are shown in Table5.

The panel data results for healthcare sector using Random effects are as following:

	ROE (RE)	EV/EBITDA (FE)	PE (FE)	ROA (RE)	EPS (RE)
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BI	-2.795	-0.0104	15.21	-4.480***	-8.261
	(-1.24)	(-0.00)	(1.00)	(-3.44)	(-1.71)
ACI	0.872	-6.094*	-30.97*	0.150	3.551
	(0.47)	(-2.40)	(-2.42)	(0.14)	(0.89)
DI	1.924	3.891	22.85	1.438	5.898
	(1.05)	(1.54)	(1.79)	(1.33)	(1.48)
CSRI	6.614***	10.12**	6.456	1.227	6.066
	(3.75)	(3.44)	(0.44)	(1.04)	(1.45)
SHI	1.276	1.486	-4.822	0.232	6.871*
	(0.92)	(0.75)	(-0.48)	(0.28)	(2.23)
RMCI	1.388	0.693	-25.56**	0.278	1.572
	(1.01)	(0.37)	(-2.72)	(0.35)	(0.53)

cons	-29.37	-41.32	-41.64	10.99	-44.22
	(-1.52)	(-1.40)	(-0.28)	(0.90)	(-1.01)
N	140	140	140	140	140
R ²	0.036	0.300	0.180	0.189	0.066
adj. R ²	-1.093	-0.520	-0.782	-0.760	-0.958
F	0.402	4.573	2.337	2.494	1.352
P	0.000398	1.65e-09	0.000311	0.00822	0.00849

t statistics in parentheses, Re = Random Effects and FE = Fixed Effects.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 6 Results of Random Effects and Fixed Effects Model

From the above table it can be seen that the Board sub-index has a negative impact ROA. A 1% change in Board sub-index will lead to a negative change of 4.48%. The R² indicates a 18.9% change in financial performance can be explained by corporate governance sub-indices. CSR Sub-index affects ROE and EV/EBITDA. A 1% change in CSR sub-index leads to 6.614% change in ROE and 10.12 % change in EV/EBITDA. The Audit Committee sub-index affects PE negatively. Thus a 1% change in the audit committee sub-index will lead to a -30.97% change in the P/E ratio of the company. Thus, meetings conducted in an audit committee having financially literate members in an audit committee affects the P/E ratio of the companies. Risk management committee sub-index affects the P/E ratio significantly. Shareholders sub-index affects EPS of the companies positively. A 1% change in shareholders sub-index leads to 6.871% change in EPS of the companies. Thus, measures taken by the company for shareholders like conducting AGMs on stipulated time, all board members attending the board meetings and providing suggestions impacts the earnings of the company and ultimately the EPS of the company.

Results And Discussion

From table 6 there is a significant impact of the Audit Committee Sub- index on EV/EBITDA. Auditors play an important role in an organization which can impact the enterprise value of the firm. CSR Sub- index significantly influences EV/EBITDA, as CSR activities indicate that the company is involved in social causes and due to the increased awareness of the shareholders, companies with an active social environment are preferred.

Audit Committee Sub- index has a significant impact on P/E which indicates that having an Audit committee and Directors having knowledge about the company will impact the financial performance of companies measured through P/E ratio.

Risk Management Committee Sub- index has a significant impact on P/E. Hence having a risk management committee is impacting the market value of the company indicating that the company is taking adequate measures to mitigate the risks involved in the businesses.

Board Sub- index has a significant impact on ROA as per Fixed effects model indicating that the timely meeting conducted, and the decisions of the board have an impact on the profitability of the company measured through ROA. Shareholders Sub- index (SHI) has a significant impact on EPS which can be seen from table 5. Hence there are various corporate governance sub-indices that influence the economic proxies of the companies.

The hypothesis can be summarized as following:

DV IV	ROA	ROE	EPS	PE	EV/EBITDA
Board INDEX	Reject H ₀₁	Accept H ₀₂	Accept H ₀₃	Accept H ₀₄	Accept H ₀₅
Audit Committee	Accept H ₀₁	Accept H ₀₂	Accept H ₀₃	Accept H _{a4}	Reject H ₀₅
Disclosure index	Accept H ₀₁	Accept H ₀₂	Accept H ₀₃	Accept H ₀₄	Accept H ₀₅
CSR Committee	Accept H ₀₁	Reject H ₀₂	Accept H ₀₃	Accept H ₀₄	Reject H ₀₅
Shareholder Index	Accept H ₀₁	Accept H ₀₂	Reject H ₀₃	Reject H ₀₄	Accept H ₀₅
Risk Management committee	Accept H ₀₁	Accept H ₀₂	Accept H ₀₃	Reject H ₀₄	Accept H ₀₅

DV= Dependent Variable, IV = Independent Variable

Table 7: Summary of Hypothesis Testing

Conclusion

Corporate governance plays a very important role in shaping an organization's future, Hence the impact of various sub-indices on financial performance indicates that shareholders prefer to invest in companies that actively contribute towards social causes, hence the companies having good correlation between CSR index and financial performance substantiates the same. Thus, the impact of various sub-indices on financial performance like ROA, EPS, P/E and EV/EBITDA is significant for different sub-indices.

This research focuses on the impact of various corporate governance subindices on S&P BSE Healthcare index. Further research can be conducted to understand if there is the same impact of these sub-indices on financial performance of other sector indices as well listed on BSE and NSE. Conducting a sectoral study helps in understanding the practices followed by the said companies. Research has been carried out to study the influential role played by the corporate governance index on the economic performance of the companies listed on Sensex, Nifty Fifty and BSE 100 companies. More S&P sub-indices can be considered to understand the impact of corporate governance on financial performance of the companies.

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Appendix I

Sr. No.	Variable	Measurement
1.	Board meetings held	Minimum 4 and above =1 else 0.
2.	Number of directorships	Max eight directorships from 2019 and 7 companies from 2020
3.	Appointment of Independent Directors	The company appoints an independent director through shareholders. then 1 else 0.
4.	Women on Board	If the company has a woman director on the board then it gets 1 else 0.
5.	Succession Planning	The Board has a clear mention about the succession planning =1 else 0
6.	Performance evaluation of Non executive directors	The evaluation of performance of Non-executive directors is mentioned then 1 else 0.

1. Board Sub Index

Sr. No.	Variable	Measurement
1.	Members as Independent Directors	If 2/3 rd of the members are independent directors then 1 else 0.

2.	Chairperson as an Independent director	The chairperson of the committee is an independent Director then 1 else 0.
3.	Meetings of Audit Committee	The committee meets at least 4 times a year then 1 else 0.
4.	Members Financially literate	All the members of the Audit committee are financially literate =1 else 0.
5.	Fees paid	The company discloses fees paid to external auditors=1 else 0.

2. Audit committee Sub index:

Sr. No.	Variable	Measurement
1.	Chairperson	Chairperson is a non executive director then 1 else 0.
2.	Presence in AGM	The chairperson is present in an AGM then 1 else 0.
3.	Meeting	The committee meets at least once in a year.
4.	Composition	At least 3 directors and 1 should be an independent director.
5.	Number of complaints received and redressed	If the company resolves all complaints then 1 else 0.
6.	Company has a policy at place to handle investor grievances	The company has clearly mentioned the policy of handling grievances will get 1 else 0.

3. Stakeholders Relationship Committee Sub Index

Sr. no.	Variable	Measurement
1	Presence of committee	The committee exists then 1 else 0.
2	Existence of a CSR policy	IF the CSR Policy Exists =1 else 0
3	Amount spent / allocated for csr activities	Amount spent on CSR is mentioned = 1 else 0
4	Activities conducted mentioned in the CSR policy	Activities are mentioned =1 else 0
5	Good Corporate citizen	The company spent amount on CSR even if there are no profits= 1 else 0

4. CSR Committee Sub Index

The following points are considered for the disclosure index:

Sr. No.	Variable	Measurement
1.	Related Party Transactions	The company discloses all the transactions with the related parties.
2.	Director's Remuneration	The company discloses the remuneration paid to directors and key managerial personnel get 1 else 0.
3.	Whistle Blower policy	The company has a well defined whistle blower policy =1
4.	Unmodified report of the Auditor	The Auditor has given its unmodified opinion in its audit report for financial statements=1 else 0
5.	Supplier Selection	The company has clearly mentioned about the procedure adopted to select the suppliers of the company gets 1 else 0
6.	Disclosing non financial information	Like: Environmental issues

		Business Model, Business strategy, Capacity utilization
7.	Data Protection and Privacy	The company discloses policy about data policy and protection =1 else0
8.	Shareholding key management personnel	The company has clearly revealed the shareholding pattern with the details of shares held by KMPs =1 else0
9.	Reporting of Internal Auditor	The company gets 1 if the internal auditor reports directly to the audit committee else 0.
10.	Compliance statement	The company contains a statement of compliance with respect to compliance with Corporate governance gets 1 else 0.

5. Disclosure Sub Index:

Sr. No.	Variable	Measurement
1.	Conduct of AGM	The AGM was conducted within 4 months of the year end then 1 else 0.
2.	Shareholders Information	The company sends information to the shareholders for AGM.
3.	Proxy and e voting facility	The company provided this facility =1 else0
4.	Board members present	If all the members were present then 1 else0
5.	Half yearly results	The company discloses Half yearly financial results to its shareholders =1 else 0
6.	Investor relations team	The company has an investor Relationship team =1 else0
7.	Investor education program	The company conducts investor awareness programs -1 else0
8.	Shareholder Participation through teleconferencing/ video conferencing	The company facilitates participation in the AGM through teleconferencing/ videoconferencing.

6. Shareholder Sub Index:

Sr. No.	Variables	Measurement
1.	Presence of the Committee	The committee exists
2.	Members	2/3 rd Independent Directors
3.	Meeting	Once a year
4.	Future probable risks in MD&A	There is a clear description of future probable risk that the company might face.

7. Risk Management Sub Index