



## Corporate governance's effect on business performance: A case study of listed Indian companies

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### Abstract

The aim of this research is to examine how corporate governance factors affect the business performance of top Indian enterprises. The information was taken from the financial filings of top Indian corporations during a five-year period (2019–2023). Return on Asset (ROA) revealed the impact of corporate governance factors on business success, including Chief Executive Officer (CEO) duality, board size, and board independence. Regression analysis, correlation, and descriptive statistics (mean, standard deviation, maximum and minimum values) were used to examine the study's panel data. There is no multicollinearity issue with independent variables, according to the correlation coefficients. Regression analysis is not statistically significant. The results demonstrated that corporate governance factors had no epochal effect on the business success of the sample's top Indian enterprises.

**Keywords:** Business success, corporate governance, corporate ownership structure and capital structure

### Introduction

A multifaceted approach to governance is corporate governance. It primarily focuses on enhancing business performance by holding those involved in management accountable. Corporate governance is a method in which the board of directors plays a crucial role in regulating mechanisms to reduce conflicts of interest between company management and owners. Additionally, corporate governance is necessary to safeguard investor interests. The need for corporate governance is increased by the requirement for accountability, openness in the use of resources, and incentives to draw in fresh shareholder investment. As a result, corporate governance is now an essential instrument for all organizations. To achieve their long-term and strategic goals, both public and private enterprises engage in good corporate governance. The results of the studies on the corporate governance and firm performance factors were generally conflicting. Therefore, it is crucial to regularly examine the efficacy and influence of corporate governance on commercial firms' productivity. A thriving economy and decent CG are closely related. A nation's economic growth depends on several factors, such as the performance of individual companies and the availability of outside funding. The most common interpretation is that it relates to the relationships between shareholders, the board of directors, top management, and other interested parties. The nature of CG is illuminated by a number of firm- and market-level elements. Based on the available data, a company's financial stability and strong CG are related. Shareholder rights have been used by other scholars to describe corporate governance in the nation.

### Objectives of the research

1. To determine the corporate governance elements those, influence the performance of India's top corporates
2. To investigate the connection between corporate governance factors and firm performance.
3. To examine how corporate governance factors, affect the success of top Indian firms.

### Hypotheses

**H<sub>1</sub>:** CEO Duality and firm performance are significantly correlated.

**H<sub>2</sub>:** The size of the board has a major impact on the performance of the company.

**H<sub>3</sub>:** The performance of the company is significantly correlated with board independence.

### Conceptual Framework

#### Dependent Variable

ROA is equal to net income divided by total assets.

#### Independent Factors

Board size is the total number of directors on the board.

Board independence is calculated as independent/outside directors divided by the total number of directors.

CEO duality is not a real variable.

CEO duality is 1.

CEO non-duality = 0

### Review of Literature

Over the past 20 years, corporate governance has gained significant attention from regulators, policy officials, and academics, particularly in India, as a result of company failure and economic expansion. Many studies have been carried out to evaluate various aspects of corporate governance in India during this time, although many of these studies are conceptual and repetitive. The current study has important ramifications for Indian academics, stock markets, policymakers, and government and commercial research funding organizations. The current study offers a detailed picture of the state of corporate governance in India, allowing funding organizations and scholars to focus their future research on areas that have been overlooked by earlier studies. This research offers thoughtful perspectives on corporate governance practices. It cautions policymakers and regulators to update the current corporate governance rules and raise the standards of disclosure and compliance.

In CG studies conducted in the Indian setting, Ali *et al.* (2020) <sup>[1]</sup> have identified disparate effects of board independence, board meetings, and board structure on company performance. However, this is a sign of the importance of the board's composition and operations as

well as the directors' independence and contribution to the company's success (1). Arora and Bodhanwala (2018) <sup>[2]</sup> paid close attention to a number of parameters, such as the size of the board, the proportion of independent directors on the board, the manner in which the board meets, and the shareholding and equity patterns. Based on their meta-analysis, they found that the size and makeup of the board had a substantial impact on the company's performance (2). Kumari, Preeti 2020 <sup>[3]</sup> in her study states that the findings are contradictory and inconsistent. Some studies founded a strong positive association while some reported negative relationship between corporate governance mechanisms and firm performance while others did not find any significant relationship between the two. (3). Surbhi Jainet. *et.al.*, 2025 <sup>[4]</sup> discovered in their study that the performance was found to be positively impacted by CEO duality, attendance at board meetings, board workload, audit committee size, and insider, foreign, and institutional ownership. However, no influence was demonstrated by the size of the board or the independence of the audit committee (4)

**Methodology of Research**

**Data Sources and Descriptions**

This study's main goal was to examine how corporate governance affects top companies' performance. The study looks at how CEO duality, board independence, and scale affect business performance. Leading Indian Corporates were the study's targets. Leading Listed Corporates from 2021 and 2023 were taken into consideration because it

takes two years to observe how corporate governance affects business performance.

The top 10 Listed Corporates for each of the two years (2020 and 2024) are taken into account. In the two years (2020 and 2024), certain business houses are in the lead, while others are not.

Consequently, those businesses were divided into two groups in order to examine the impact of corporate governance. Leading businesses from both years are included in one stratum, while those from just 2020 are included in the second. Lastly, four businesses are chosen at random from each stratum. The financial data from 2019 to 2023 is included in this analysis. This time frame, which includes the year prior to and following leadership, is used to examine the effects of corporate governance implementation.

**The top ten largest listed Indian companies in 2020**

1. Reliance Industries, 2. HDFC Bank, 3. Bharti Airtel, 4. Tata Consultancy Services (TCS), 5. ICICI Bank, 6. State Bank of India (SBI), 7. Infosys, 8. Bajaj Finance, 9. Hindustan Unilever, 10. Larsen & Toubro

**Top ten listed Indian companies in 2024**

1. Reliance Industries: 2. HDFC Bank: 3. Bharti Airtel: 4. Tata Consultancy Services (TCS): 5. ICICI Bank: 6. State Bank of India (SBI): 7. Infosys: 8. Bajaj Finance: 9. Hindustan Unilever (HUL): 10. Larsen & Toubro (L&T):

**Strata and Selected Companies**

List of Companies in Strata 1	Corporates Selected at Random	Corporates in Strata 2	Corporates Selected at Random
Reliance Industries	Reliance Industries	Tata Consultancy Services (TCS)	Tata Consultancy Services (TCS)
HDFC Bank	Bharti Airtel	ICICI Bank	Hindustan Unilever (HLL)
Bharti Airtel		State Bank of India	
		Infosys	
		Bajaj Finance	
		Hindustan Unilever (HLL)	
		Larsen & Toubro (L&T)	

Consequently, Bharati Airtel and Reliance Industries Limited (RIL) were chosen at random among Indian Corporates leading in both 2020 and 2024.

Only in 2020 were Tata Consultancy Services (TCS) and Hindusat Unileve (HLL) were chosen at random from top listed Corporates

**Analysis of Data**

The relationship between business performance and governance issues was investigated using panel data analysis. Panel data is a combination of cross-sectional and time-series data. By controlling variable heterogeneity, panel data reduces the likelihood of biased findings. Panel data allows for the examination of additional variables and relationships between them that vary over time. It is employed to appropriately arrange the model, hence removing the bias resulting from specific types of missing data in

regression results This kind of data analysis was employed by most previous researchers that examined corporate governance. The mean, standard deviation, and maximum-minimum values of the variables under consideration were used in this study to analyze the nature of the panel data. The correlation approach was used to assess the degree of the correlations between the variables. Panel regression analysis was used to ascertain the degree to which the corporate governance variables explained the differences in the companies' performance.

**Interpretation of Data Using Descriptive Statistics**

The preliminary distribution of the data is examined using descriptive statistics. The summary of 20 observations, mean, standard deviation, minimum, and maximum for all dependent (ROA) and independent (board size, CEO duality, board independence) variables during five years, from 2019 to 2023 are explained in the following table.

**Table 1:** Descriptive statistics results

Variable	Observation	Average	Standard Deviation	Minimum	Maximun
Board Size	20	13.55	2.6453	11	18
CEO Duality	20	0.25	0.4443	0	1
Board Independence	20	4.05	4.3100	0	11
Return Assets	20	0.1865	0.1041	0.02	0.32

Source: Author's Compilation

The CEO's mean is 0.25, as seen in table 1 above. This suggests that the CEO and chairperson's responsibilities are kept apart in most top businesses. In terms of board independence, the average proportion of independent boards to the entire board of directors is 4%.

The independence ratio has a maximum of 11% and a minimum of 0%. The average number of directors is 14 when considering the size of the board of directors. According to Jensen (1983) and Lipton and Lorsh (1992), a board of directors should have not more than seven or eight

members. The huge size decision may result from a number of specific corporate characteristics, such as the company's size, age, or organizational inclination or the position of gaining a wide range of diverse abilities and skillfulness of directors. The companies' mean ratios demonstrate a broad range of ROA values, with highest and minimum values of 32% and 2%, respectively. All things considered, the data distribution is normal and helpful for statistical analysis.

**Analysis of Correlation**

**Table 2:** Correlation coefficients among the considered variables

Variable	Board Size	CEO Duality	Board Independence	Return Assets
Board Size	1.0000			
CEO Duality	-0.1232	1.0000		
Board Independence	0.7776	0.4329	1.0000	
Return Assets	0.0494	-0.5150	-0.2201	1.0000

Source: Author's Compilation

Every statistical value utilized to assess the multiple correlation problem is less than 0.8, as shown in table 2 above (Hair *et al.*, 2010). Therefore, there is no multi collinearity issue in our experiment. Board independence and the board size ratio have the strongest link, both of which exhibit a direct relationship. Independent boards may be added by directors. Furthermore, CEO duality and board independence are connected at a ratio of roughly 0.43, meaning that businesses need independent boards and assign two positions for each individual. The company's modest

independence and firm performance. board size and adoption of CEO duality are shown by the negative value between the two variables.

**Analysis of Regression**

The CEO duality, board independence, and board size p values are not statistically significant, as the table given below (Table-3) illustrates. On the other hand, the 'p' value indicates that there is no significant correlation between board.

**Table 3:** Regression Analysis Results

ROA	Coefficient	Standard Error	Z	p< ZI	95% C.I.	Interval
Board Size	-0.00492	0.0229	-0.21	0.830	-0.0498	0.03998
CEO Duality	-0.1376	0.0951	-1.45	0.148	-0.3241	0.04886
Board Independence	0.0032	0.0155	0.20	0.838	-0.0272	0.03351
Cons	0.2747	0.2732	1.01	0.315	-0.2607	0.81012
Sigma-U	0					
Sigma-e	0.0657					
rho	0	(Fraction of variance due to u-i)				

Source: Author's Compilation

**Summary and Conclusion**

This study clarified the relationship between corporate governance factors and the business performance of top Indian corporations. The corporations in the list of top businesses in 2020 and 2024 served as the basis for the study. The association between corporate governance factors, such as CEO duality, board size, and board independence, and firm success was examined using financial data from the five years between 2019 and 2023. ROA, or the ratio of net income to total assets, is used to calculate performance. Panel data regression was used to examine how independent variables affected the dependent variable. Regression analysis revealed that CEO duality, board independence, and board size have no fundamental impact on firm value. his suggests that the success of top Indian corporations is unaffected by corporate governance practices, such as CEO duality, board size, and board independence.

**Scope for Further Research**

The study only takes into account a small number of corporate governance strategies, such as CEO duality, board size, and board independence, while ignoring other crucial factors like committees, ownership structure, board diversity, etc. The study only took into account five years'

worth of data for four businesses, which makes little sense under a panel data approach. Therefore, future researchers ought to concentrate on these areas that were found during the study.

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