

THEORETICAL PERSPECTIVES OF GOVERNANCE & BOARD STRUCTURE MECHANISM: EVIDENCE FROM FIRMS LISTED ON NATIONAL STOCK EXCHANGE OF INDIA

Meghna Goel

Assistant Professor, Amity University, Madhya Pradesh.

Email : goel.meghnaa@gmail.com

ABSTRACT

***Purpose** : The rise in corporate scandals led to the introduction of mandatory corporate governance norms across the world economies. There are arguments regarding compliance to governance norms in firms. Since corporate governance is a monitoring and control mechanism, would such monitoring and control intervene in management discretion and hurt the firm value? On the other hand, corporate governance is also understood to build investor confidence and that reduces the cost of capital for a firm. Such opposing arguments have been examined by researchers by studying the impact of internal corporate governance mechanisms on firm value. In light of the above argument and due to mixed results in the literature, the purpose of this study is to examine the impact of internal corporate governance mechanisms on financial performance of firms listed on NSE of India.*

***Design/Methodology/Approach** : For the purpose of the study board structure variables such as board leadership, board independence and board committees have been used. Selected financial performance variables are ROA and TOQ. The data is collected from a sample of 100 companies from the top companies listed in the NSE CNX 200 for the two period 2005-06 and 2016-17. Analysis of Covariance is used to test whether there is a significant difference between the adjusted mean scores of the groups after adjusting for the effects of co-variates.*

Findings : *The study does not reveal any significant relationship between board leadership structure and firm performance. But results are positive and significant for board independence and board committees with respect to the market based measure. No significance is reported between variables of board mechanisms and accounting ratio considered for the purpose of the study.*

Originality/Value : *The study supports the findings of the previous studies based on firms in western countries with regard to board independence and committees. However the same could not be extended to board leadership with respect to Indian firms. This implies that the code of governance followed in western firms has limited generalizability in the Indian context.*

Keywords: Board Structure; Corporate Governance; Board Independence; Board Committees; Board Leadership

INTRODUCTION

According to The Cadbury Committee Report (1992), “Corporate governance is the system by which companies are directed and controlled.” There are various definitions of corporate governance and these definitions differ based upon the context and the cultural situations for which they are used (Armstrong & Sweeney 2002). The definitions also depend upon the perspectives of the different researchers. While on one end researchers (Friedman 1970) frame the definition keeping only shareholders at the center stage, others (Freeman 1984; Clarke 2007) believe that the firm has an obligation towards wider spectrum of stakeholders. But either approach submits to a commonality in the mechanisms of corporate governance.

There are internal and external mechanisms to corporate governance. While internal corporate governance are mainly concerned with board structures & processes, ownership structures and disclosures regarding full spectrum of firm activities, external corporate governance mechanisms include product market competition and market for corporate control or takeover market. Managerial labor market or market for management services is also known to influence corporate governance level in an organization. In this paper we shall examine internal governance mechanism board structure and its impact upon financial performance of firm as measured by accounting and market based ratios.

Scholars from disciplines of economics, finance, law and strategic management have contributed to the governance research (Kiel & Nicholson 2003). Noted contributions have been made by Jensen & Meckling (1976), Fama (1980) and Boyd (2006). Many governance theories are based upon these studies viz; agency theory, stakeholder theory, shareholder theory, stewardship theory, social contract theory, resource dependency theory and legitimacy theory. A number of theories have

evolved regarding the structure, role and impact of the board in the governance of the firm (Kiel & Nicholson 2003). The theories that we shall consider in this study, keeping our variables in view, are mainly agency theory and stewardship theory.

Agency theory proposes monitoring and control mechanisms to overcome conflict of interest between shareholders' and management (Fama & Jensen 1983). Changes in board structure such as separate leadership structure, appointment of independent directors to board and appointment of board committees are designed to monitor and control such acts of management. A positive effect on performance has been observed among firms that have a higher proportion of non-executive directors on the board (Jensen & Meckling 1976; Fama & Jensen 1983; Shleifer & Vishny 1997). Keil and Nicholson (2003) supported the agency theory and asserted that in order to increase shareholder value, firms should have majority of independent directors on the board and separate leadership structure. Stewardship theory is opposite to agency theory. It is based upon the proposition that managers are naturally trustworthy (Donaldson 1990). According to the claims in stewardship theory, managers act as stewards and can be entrusted with the resources of the organization (Donaldson 1990; Donaldson & Davis 1991). It is in the interest of managers to be good stewards of the organization and work to maximize shareholder returns (Donaldson & Davis 1994). Proponents of this theory assert that stewardship can be defined by majority of inside directors and combined leadership structure (Donaldson & Davis 1991; Kesner 1987).

A framework can be drawn from the above theories. It suggests that board structure can be represented by two sets of variables. The one that is supported by agency theory includes separate leadership structure, outside or independent directors' board and the appointment of board committees. On the contrary, board structure supported by stewardship theory includes combined leadership and insider dominated boards.

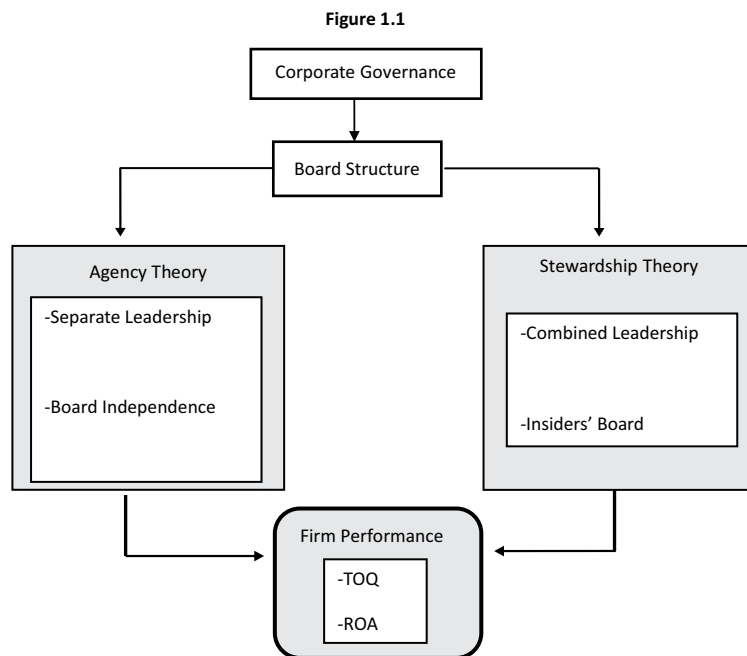
CONCEPTUAL FRAMEWORK

The conceptual framework explains the link between the above mentioned theoretical framework and operationalization of the corporate governance variables and firm performance. There is evidence in empirical research that there are several variables that may influence the relationship between corporate governance and firm performance. There are both internal and external corporate governance mechanisms that may influence firm performance. These include board structure and processes, transparency and disclosures, audit function, market for corporate control and product market competition. Previous literature on corporate governance and firm performance has identified variables to measure firm performance such as Tobin's Q, Return on Assets (ROA), Return on Equity (ROE), Market to Book Ratio (MBR) and Economic Value Added (EVA).

The objective of this study is to examine the relationship between internal mechanisms of corporate governance and their impact upon accounting and market based measures of firm's financial performance.

Both accounting and market based measures are used in this study. Good governance impacts the efficiency and output of the firm, which implies that investors' funds are used more productively.

Investors value firms that are governed efficiently and that perception of investors is reflected in the movement of share prices of the firm (Deegan 2004). Diagrammatically the conceptual framework may be presented as below.



Theoretical Framework: Corporate Governance Variables and Firm Performance

LITERATURE REVIEW

Bauer et. al. (2004) contended that firms with strong governance structure increases investors' trust, are perceived to be less risky and consequently attract lower expected rate of return.

Jensen & Meckling (1976) found that better governed firms might have more efficient operations resulting in higher expected future cash-flow stream. According to Crisil Ratings study (2004) on forty Indian companies on the

relationship between the level of corporate governance and valuation of firms, revealed that superior governance scores consistently enjoyed superior governance premium.

In a study on firm-level governance of Russian firms Black, Love & Rachinsky (2006) found a statistically strong correlation between governance and market values both in OLS and in fixed effects regressions. Black & Khanna (2007) in their study on investor reaction, subsequent to the reform announcement in India in 1999 and the introduction of Clause 49, found that large firms gain on average, relative to small firms. The results found were highly statistically significant. Many researchers have found a positive relationship between governance and firm financial performance. However individual governance mechanisms need to be studied specifically in the context of India and taking Indian governance model into consideration. In this study we shall examine the impact of board structure on firm's financial performance. We shall examine (i) Board Leadership Structure (ii) Board Independence and (iii) Board Committees in particular.

Combined leadership (Cadbury 2000) structure is known as CEO Duality. When the position of the chairman and CEO are separate and occupied by different individuals, it is separate leadership (Rechner & Dalton 1991). It is an important internal corporate governance mechanism. Leadership structure can be understood based on the theoretical justifications given by agency theory and stewardship theory. The basic premise of agency theory is separation of the role of CEO and chairman (Dalton et al. 1998). Lam & Lee (2008) asserted that the combined roles of CEO and chairperson will result in a dominant CEO and resultantly ineffective monitoring of the management by the board.

There is empirical evidence (Daily and Dalton (1992) and Dahya, Lonie & Power (1996) on negative relationship between CEO duality and corporate performance. According to Jensen and Meckling (1976), "vigilant boards do not favour combined leadership that provides undivided authority to CEOs and promotes CEO entrenchment and opportunistic behavior." Patton & Baker (1987) also asserted that when chairman and CEO roles are combined, the function of the board to minimize agency cost weakens tremendously which negatively impacts corporate performance. Wu et al. (2009) found significant and negative relationship between CEO duality and firm performance. However, according to stewardship theory managers can be entrusted with the firm's resources (Donaldson & Davis 1991) and combining these two roles results in a strong leadership. Boyd (2006) agrees that CEO duality brings in positive effects for corporate governance and firm value. Similarly, Donaldson and Davis (1991) in their studies found their results in alignment with stewardship theory and found that firms with combined structures attained higher shareholder returns as measured by return on equity.

Composition of the board is another important corporate governance mechanism of board structure, which refers to the total number of executive and non-executive director on the board. According to best practice recommendations given by Cadbury (1992); OECD (1999) boards must be comprised of higher number of non-executive directors including independent directors. Empirical evidence regarding board composition and firm performance is mixed. While some studies find a positive link between board composition and firm performance, other studies report a negative relationship. Fama & Jensen (1983); Baysinger & Butler (1985); Rosentein & Wyatt (1990); Daily & Dalton (1992); Beasley (1996); Wu et al (2009) assert positive relationship between board independence and firm value.

Fama & Jensen (1983) detect that internal directors possess more information and are likely to collude with managers and make decisions against the shareholders. By comparison, external directors are in neutral position and good for eliminating principal-agency problem. Beasley (1996) investigated the relationship between board composition and financial scams and found that the ratio of independent directors in the firm with no scams is higher than the firms which have been involved in financial discrepancies.

Alternatively, Bhagat & Black (2002) found a significant and negative correlation between board independence and short term performance and stated that board independence makes no difference in improving corporate performance. Existing literature provides circumstantial reasons such as lack of technical expertise and insufficient information (Weir & Lang; 2001) to explain why there is a lack of positive relationship between independent directors and firm performance when explored empirically.

Board committees' is another very important component of the board structure of firms in India that may influence board performance. This an important consideration of among investors while arriving at investment decisions. Cadbury committee (1992) emphasized upon setting up of sub-committees for some specific areas of governance which may pose threat to shareholder wealth maximization. Cadbury committee report 1992, recommended that boards should nominate sub-committees for (i) audit function – to monitor accounting procedures and external audit (ii) remuneration function – to decide the pay of corporate executives and (iii) nominating function – to nominate directors and officers to the board. Empirical evidence on relationship between audit committees and the reliability of financial information is mixed. Firms with audit committees have higher reliability of financial information. Beasley (1996) however asserts that firms with audit committee do not increase the reliability of information. In contrast, Petra (2007) indicated that there is evidence of positive effect on the quality of financial statements when independent audit committees exist. Improved auditor independence was as important as non-executive independent directors as buffer

between management and external auditor (Spira & Bender 2004) through audit committees.

Based upon the above discussion, the following null hypotheses are suggested.

- H0a: There is no significant difference in the adjusted mean scores of TOQ of the companies with respect to combined or separate leadership.
- H0b: There is no significant difference in the adjusted mean scores of ROA of the companies with respect to combined or separate leadership.
- H0c: There is no significant difference in the adjusted mean scores of TOQ of the companies with respect to board independence or board non-independence.
- H0d: There is no significant difference in the adjusted mean scores of ROA of the companies with respect to board independence or board non-independence.
- H0e: There is no significant difference in the adjusted mean scores of TOQ of the companies with respect to high number of board committees and low number of board committees.
- H0f: There is no significant difference in the adjusted mean scores of ROA of the companies with respect to high number of board committees and low number of board committees.

RESEARCH METHODOLOGY

This study is a quantitative study based upon positivist paradigm. An extensive literature review is conducted to frame theoretical and conceptual framework. Based upon that framework workable hypothesis are proposed. Data is collected from secondary sources and tested empirically using statistical tools and techniques.

A random sample of 100 companies was selected from the top 200 companies listed in the National Stock Exchange CNX 200 for the period 2005-06 and 2016-17. The top 200 companies from NSE were selected because they are more likely to have the resources and motivation for embracing good governance practices. While selecting the companies from CNX 200, certain companies were excluded. All banking companies have been excluded as they are governed by the Banking Regulation Act, 1949. Other companies that were excluded are companies that were merged or delisted from the stock exchange. Apart from this in line with the Master Circular of Clause 49 of the listing agreement, all companies having paid-up share capital of less than Rs 3 Crore and net worth below Rs 25 crores were also excluded. These listed companies were not required to comply with the provisions of the revised clause 49 of the Listing Agreement. The sample also excluded those

companies for which the reports were not available for both the years. The year 2005-06 is chosen to collect data post implementation of the Revised Clause 49 of the Listing Agreement and therefore it makes the population data on governance available for the study. The year 2016 – 17 is chosen to capture the latest data on governance and also to study the impact of board variables on financial ratios after a length of over ten years.

The variables used to operationalize the constructs are leadership structure, board independence and board committees. Dummy variables are widely used in literature (Kiel & Nicholson 2003; Abdullah 2004; Haniffa & Hudaib 2006; Lam & Lee 2008) to operationalise the board structure.

The present study will also represent board structure by dummy variables. The definition and operationalization of independent and dependent variables is as given below:

- a) Leadership structure in corporate governance implies that a firm may either have separate leadership structure or combined leadership structure. While separate leadership structure refers to chairman and CEO positions held by two separate individuals combined leadership refers to one person holding the position of both the CEO and the chairman. Combined leadership structure will be represented by 0 while separate leadership structure will be represented by 1. Based upon this data companies shall be divided into having separate leadership structure and combined leadership
- b) Board independence is defined as the number of independent directors on the board. The approach to operationalize the board independence is that if more than 50% of the board is independent we say that board is independent. However if there are less than 50% independent directors on the board, then it is a non-independent board. In this study we use dummy variables 0 and 1 to represent the two states. The independent board is assigned 1 while non-independent board is assigned 0 as dummy variable.
- c) Board committees include (i) Audit committee (ii) Nomination (iii) Remuneration and (iv) Shareholder / Investor Grievance committee. Cadbury Code (1992) recommended that board should have sub-committees that overlook the important functions of the board. Dummy variables have been used in the prior studies (Laing & Weir 1999) to represent presence and absence of committees. In the present study, if the firm has at-least three out of four committees of audit, nomination, remuneration and shareholder grievance committee, it shall be assigned 1; otherwise it shall be assigned 0 for

RESULTS

I- Board Leadership Structure

a) TOQ: Descriptive Statistics

The N for combined leadership (CL) is 27 while for separate leadership (SL) it is 70. The mean and standard deviation for CL and SL is 0.4907 & 0.19711 and 0.4649 & 0.24056 respectively. The p value in the Levene's Test for equality of error variance is greater (0.167) than the alpha value (0.05) and hence the groups are homogeneous and ANCOVA requirement is met. The p value for CV-IV interaction is insignificant at 0.391 and hence meets the ANCOVA requirement.

Table 1.1

Dependent Variable: TOQ post

Source	Type III Sum of Squares	df	Mean Square	F	p value.	Remark
Leadership	.011	1	.011	.212	.647	p > 0.05
Error	4.974	94	.053			
Total	26.632	97				
Corrected Total	5.016	96				

Summary of one way ANCOVA of post scores of TOQ between the two levels of leadership of the companies chosen

From the table above, it is evident that the f value for Leadership being 0.212 is non-significant with $df = 1/94$. It indicates that the adjusted mean scores of TOQ of the companies whether the leadership is combined or separate do not differ significantly considering the initial scores of TOQ as the covariate. Thus the null hypothesis, stated, "There will be no significant difference in the adjusted mean scores of TOQ of the companies whether the leadership is combined or separate considering the initial scores of TOQ as the covariate" is accepted.

b) ROA: Descriptive Statistics

The N for combined leadership (CL) is 27 while for separate leadership (SL) it is 70. The mean and standard deviation for CL and SL is 14.1519 & 6.50211 and 15.7878 & 10.32609 respectively. The p value in the Levene's Test for equality of error variance is greater (0.314) than the alpha value (0.05) and hence the groups are homogeneous and ANCOVA requirement is met. The p value for CV-IV interaction is insignificant at 0.699 and hence meets the ANCOVA requirement.

Table 1.2

Dependent Variable: ROA post

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Remark
Leadership	57.214	1	57.214	.644	.424	p > 0.05
Error	8260.655	94	88.824			
Total	30955.974	97				
Corrected Total	8401.864	96				

Summary of one way ANCOVA of post scores of ROA between the two levels of leadership of the companies chosen

From the table above, it is evident that the f value for Leadership being 0.644 is non-significant with df = 1/94. It indicates that the adjusted mean scores of ROA of the companies whether the leadership is combined or separate do not differ significantly considering the initial scores of ROA as the covariate. Thus the null hypothesis, stated, "There will be no significant difference in the adjusted mean scores of ROA of the companies whether the leadership is combined or separate considering the initial scores of ROA as the covariate" is accepted.

II - Board Independence

a) TOQ: Descriptive Statistics

The N for Independent Board (IB) is 87 while for Non Independent Board (NIB) it is 10. The mean and standard deviation for IB and NIB is 0.4817 & 0.22098 and 0.4649 & 0.3780 & 0.29146 respectively. The p value in the Levene's Test for equality of error variance is greater (0.078) than the alpha value (0.05) and hence the groups are homogeneous and ANCOVA requirement is met. The p value for CV-IV interaction is insignificant at 0.849 and hence meets the ANCOVA requirement.

Table 1.3

Dependent Variable: TOQ post

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Remark
Board independence	.343	1	.343	6.604	.028	p < 0.05
Error	4.932	94	.052			
Total	26.582	97				
Corrected Total	5.060	96				

Summary of one way ANCOVA of post scores of TOQ between the two levels of the chosen companies' Board's status of independence

From the table above, it is evident that the f value for Board's independence being 6.604 is significant with $df = 1/94$. It indicates that the adjusted mean scores of TOQ of the companies whether the board is independent or not independent **differ significantly** considering the initial scores of TOQ as the covariate. Thus the null hypothesis, stated, "There will be no significant difference in the adjusted mean scores of TOQ of the companies though board being independent or not considering the initial scores of TOQ as the covariate" is rejected.

b) ROA: Descriptive Statistics

The N for Independent Board (IB) is 87 while for Non Independent Board (NIB) it is 10. The mean and standard deviation for IB and NIB is 14.2721 & 6.75001 and 16.5480 & 8.63995 respectively. The p value in the Levene's Test for equality of error variance is greater (0.268) than the alpha value (0.05) and hence the groups are homogeneous and ANCOVA requirement is met. The p value for CV-IV interaction is insignificant at 0.067 and hence meets the ANCOVA requirement.

Table 1.4

Dependent Variable: ROA post

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Remark
Board independence	11.581	1	11.581	.245	.622	p > 0.05
Error	4354.389	92	47.330			
Total	24551.396	95				
Corrected Total	4545.443	94				

Summary of one way ANCOVA of post scores of ROA between the two levels of the chosen companies' Board's status of independence

From the table above, it is evident that the f value for Board's independence being 0.245 is non-significant with $df = 1/94$. It indicates that the adjusted mean scores of ROA of the companies whether the board is independent or not do not differ significantly considering the initial scores of ROA as the covariate.

Thus the null hypothesis, stated, "There will be no significant difference in the adjusted mean scores of ROA of the companies though board being independent or not considering the initial scores of ROA as the covariate" is accepted.

III - Board Committees

a) TOQ: Descriptive Statistics

The N for Higher Board Committees (HBC) is 19 while for Fewer Board Committees (FBC) it is 31. The mean and standard deviation for HBC and FBC is 0.3147 & 0.18715 and 0.4765 & 0.25110 respectively. The p value in the Levene's Test for equality of error variance is greater (0.143) than the alpha value (0.05) and hence the groups are homogeneous and ANCOVA requirement is met. The p value for CV-IV interaction is insignificant at 0.535 and hence meets the ANCOVA requirement.

Table 1.5

Dependent Variable: TOQ post

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Remark
Board Committees	.308	1	.308	5.739	.021	p < 0.05
Error	2.522	47	.054			
Total	11.441	50				
Corrected Total	2.830	49				

Summary of one way ANCOVA of post scores of TOQ between the two levels of the chosen companies' frequency of board's committees

From the table above, it is evident that the f value for Board's frequency of organizing committees being 5.739 is significant with df = 1/47. It indicates that the adjusted mean scores of TOQ of the companies whether the board has higher number of committees or fewer committees **differ significantly** considering the initial scores of TOQ as the covariate. Thus the null hypothesis, stated, "There will be no significant difference in the adjusted mean scores of TOQ of the companies though the board organizes more committees or less considering the initial scores of TOQ as the covariate" is rejected.

b) ROA: Descriptive Statistics

The N for Higher Board Committees (HBC) is 19 while for Fewer Board Committees (FBC) it is 31. The mean and standard deviation for HBC and FBC is 13.2884 & 3.68858 and 17.0113 & 14.77828 respectively. The p value in the Levene's Test for equality of error variance is greater (0.12) than the alpha value (0.05) and hence the groups are homogeneous and ANCOVA requirement is met. The p value for CV-IV interaction is insignificant at 0.704 and hence meets the ANCOVA requirement.

Table 1.6

Dependent Variable: ROA post

Source	Type III Sum of Squares	df	Mean Square	f	Sig.	Remark
Board Com	161.996	1	161.996	1.121	.295	p > 0.05
Error	6791.103	47	144.492			
Total	19122.790	50				
Corrected Total	6960.094	49				

Summary of one way ANCOVA of post scores of ROA between the two levels of the chosen companies' frequency of board's committees

From the table above, it is evident that the f value for Board's frequency of organizing committees being 1.121 is non-significant with $df = 1/47$. It indicates that the adjusted mean scores of ROA of the companies whether the board has higher number of committees or fewer committees do not differ significantly considering the initial scores of ROA as the covariate. Thus the null hypothesis, stated, "There will be no significant difference in the adjusted mean scores of ROA of the companies whether the board organizes more committees or less considering the initial scores of ROA as the covariate" is accepted.

***Note:** Similar tests were run for Return on Equity (ROE) but no significance was reported for any board variable.

DISCUSSION & MANAGERIAL IMPLICATIONS

Leadership structure did not show significant relationship to financial performance variables viz; TOQ and ROA in this study based on Indian firms. There was insignificant difference between the two categories of leadership which indicates that in firms where combined leadership exists, the CEOs function as stewards of the organization. In their work Donaldson and Davis (1991) and Kesner (1987) have advocated significant relation between firm performance and majority of inside directors & combined leadership structure. Sharma (2009) also advocates stewardship theory in context of Indian firms "where family fiefdom is deep rooted". Therefore, the dual leadership structure as proposed by the agency theory is not relevant in the Indian context.

The study also revealed that firm performance is significantly related to corporate governance measures of board independence and board committees. The significance was found in the market based measure i.e. Tobin's Q but no significance was reported for ROA. The market based measure reports the efficiency of management in increasing the market value of firms and a higher value indicates that the firm is valued by the market because of stronger

governance mechanism and good perception of the market. This supports the agency theory postulation of the relationship between corporate governance practices and firm performance as reflected in the market value of firms resulting in positive relationship between corporate governance and TOQ (Klapper & Love 2004). The results also indicate that such valuations by market analysts have no relation with the efficiency of management in improving accounting ratios such as ROA or ROE.

Independence in board and higher number of board committees is an indication of greater accountability and transparency in management decision making. It is suggested that Indian boards should have a majority of independent directors and higher number of board committees with independent directors. This would enhance investors' trust and confidence and that shall be reflected in market based measure such as Tobin's Q. As the market based measure might only reflect the efficiency of management in increasing the market value of firms in the short run, for investors it is important to conduct a broad analysis of accounting performance also as it would reflect the real value created by the firm for the shareholders in the long run. However for firms that seek to improve their market credibility, higher level of board independence and more number of board committees might prove to be a mechanism to win investors' confidence and influence their cost of capital. It would be interesting to further explore if there is a significant difference in the financial ratios of firms with truly independent boards and of those that are typically family and friends' boards.

REFERENCES

- Abdullah, S. (2004). Board composition, CEO duality and performance among Malaysian listed companies. *Corporate Governance: The international journal of business in society*, 4(4), 47-61.
- Armstrong, A., & Sweeney, M. (2002). Corporate governance disclosure: Demonstrating corporate social responsibility through social reporting. *New Academy Review*, 1(2), 33-51.
- Bauer, R., Guenster, N., & Otten, R. (2004). Empirical Evidence on Corporate Governance in Europe: The Effect on Stock Returns, Firm Value, and Performance (Digest Summary). *Journal of Asset Management*, 5(291-104).
- Baysinger, B. D., & Butler, H. N. (1985). Corporate governance and the board of directors: Performance effects of changes in board composition. *Journal of Law, Economics, & Organization*, 101-124.
- Beasley, M. S. (1996). An Empirical Analysis of the Relation between the Board of Director Composition and Financial Statement Fraud. *The Accounting Review*, 71, 443-465.
- Bhagat, S., & Black, B. (2002). The Non-Correlation Between Board Independence and Long-Term Firm Performance. *Journal of Corporation Law*, 27, 231-273.

- Black, B. S., & Khanna, V. S. (2007). Can corporate governance reforms increase firm market values? Event study evidence from India. *Journal of Empirical Legal Studies*, 4(4), 749-796.
- Black, B. S., Love, I., & Rachinsky, A. (2006). Corporate governance indices and firms' market values: Time series evidence from Russia. *Emerging Markets Review*, 7(4), 361-379.
- Cadbury, S. A. (2000). The corporate governance agenda. *Corporate Governance: An International Review*, 8(1), 7-15.
- Clarke, T. (2007). *International corporate governance: A comparative approach*. Routledge.
- Code, C. (1992). Report of the committee on the financial aspects of corporate governance: the code of best practice. Gee, London.
- Crisil Ratings. (June 2004). Better corporate governance pays. Retrieved from: http://www.crisil.com/Ratings/Commentary/CommentaryDocs/better-corporate-governance-pays_june-04.pdf. Accessed 01/08/15.
- Dahya, J., Lonie, A. A., & Power, D. M. (1996). The case for separating the roles of chairman and CEO: An analysis of stock market and accounting data. *Corporate Governance: An International Review*, 4(2), 71-77.
- Daily, C. M., & Dalton, D. R. (1992). The relationship between governance structure and corporate performance in entrepreneurial firms. *Journal of Business Venturing*, 7(5), 375-386.
- Donaldson, L. (1990). The ethereal hand: Organizational economics and management theory. *Academy of management Review*, 15(3), 369-381.
- Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of management*, 16(1), 49-64.
- Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of law and economics*, 301-325.
- Freeman, RE. (1984). *Strategic Management: A stakeholder approach*. Pitman Publishing, Boston, MA.
- Friedman, M. (1970). Social responsibility of business is to increase profits. *New York Times Magazine*
- Haniffa, R., & Hudaib, M. (2006). Corporate governance structure and performance of Malaysian listed companies. *Journal of Business Finance & Accounting*, 33 (78), 1034-1062.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of financial economics*, 3(4), 305-360.
- Kesner, I. F. (1987). Directors' stock ownership and organizational performance: An investigation of Fortune 500 companies. *Journal of Management*, 13(3), 499-508.
- Kiel, G. C., & Nicholson, G. J. (2003). Board composition and corporate performance: How the Australian experience informs contrasting theories of corporate governance. *Corporate Governance: An International Review*, 11(3), 189-205.
- Klapper, L. F., & Love, I. (2004). Corporate governance, investor protection, and performance in emerging markets. *Journal of corporate Finance*, 10(5), 703-728.
- Laing, D., & Weir, C. M. (1999). Governance structures, size and corporate performance in UK firms. *Management Decision*, 37(5), 457-464.
- Lam, T.Y. & Lee, S.K., (2008). CEO duality and firm performance: Evidence from Hong Kong. *Corporate Governance*, 8(3), 299-316.

- Organisation for Economic Co-operation and Development. (1999). *OECD principles of corporate governance*. OECD.
- Patton, A., & Baker, J. C. (1987). Why won't directors rock the board? *Harvard Business Review*, 65, 10-18.
- Petra, S. T. (2007). The effects of Corporate Governance on the Informativeness of Earnings. *Economics of Governance*, 8(2), 129-152.
- Rechner, P. L., & Dalton, D. R. (1991). CEO Duality and Organizational Performance: A longitudinal analysis. *Strategic Management Journal*, 12(2), 155-160.
- Rosenstein, S., & Wyatt, J. G. (1990). Outside directors, board independence, and shareholder wealth. *Journal of Financial Economics*, 26(2), 175-191.
- Sharma, S. U. (2009). *Corporate Governance in India*. New Century Publications.
- Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The journal of Finance*, 52(2), 737-783.
- Weir, C., & Laing, D. (2001). Governance structures, director independence and corporate performance in the UK. *European Business Review*, 13(2), 86-95.
- Wu, M. C., Lin, H. C., Lin, I. C., & Lai, C. F. (2009). *The Effects of corporate governance on Firm Performance*. working paper.