Chapter-7

Findings and Policy Implications

Corporate governance is a structure that board and senior management of the company rely upon to manage company ethically and with accountability. The principles of CG are based on transparency, accountability, responsibility and fairness.

To carry out analysis, the data was collected for NIFTY 100 companies, using Corporate Governance (CG) scoresheet, CSR scoresheet, and Financial Performance (FP) variables.

The chapter summarizes the findings and suggests policy implications for the companies, policy makers, and investors. The chapter is divided into 3 parts highlighting findings, suggestions and policy implications and scope of future research.

7.1 Findings of the Study

This section has been divided into three sub-sections based on the three main objectives of the study. 7.1.1 discusses corporate governance practices of Indian companies, 7.1.2 explains the main findings relating to CG score of Indian companies, and 7.1.3 elaborates main findings on the impact of CG on the financial performance and corporate social performance of the firms selected for study.

7.1.1 Corporate Governance Practices of Indian Companies

The results from Chapter 4 have been discussed here. The results relate to corporate governance practices followed by sample NIFTY 100 Indexed companies. The following are the key findings relating to CG practices of the companies:

- The statement-wise analysis of Category I – "Rights and Equitable Treatment of Shareholders", based on 19 parameters reveals that 83 percent of companies have reasonable good practices or practices close to global standards particularly with regard to quality of shareholders' meetings. Further, managing the conflict of interest, the disclosure made by 84 percent of companies comes under reasonable practices and close to global standards.
- Nine parameters were selected to understand the practices being followed by the NIFTY 100 companies concerning the OECD principle, Category II – "Role of Stakeholders". Disclosure regarding supplier management and employee welfare practices were found to be reasonably sound and close to global practices for 92 percent of companies. Business responsibility initiatives were also reasonably good and near to global practices for 85 percent of NIFTY 100 companies. Investor engagement initiatives and whistle-blower mechanism relating to disclosure indicate that 96 percent of companies follow reasonably good practices and are close to global standard practices.
- Category III, OECD principle i.e. "Disclosures and Transparency", include analysis of 23 parameters of NIFTY 100 companies. The results show that majority of companies follow global standards in terms of disclosure and

transparency in filing of the reports. All companies have followed audit integrity practices and 70 percent companies follow global standards about audit practices. Only 10 percent of the companies have managed to keep the roles of Chairperson and CEO separate, and the CEO is an independent director. 29 percent of companies have women directors, who are not from the promoter's family. In 85 percent of the companies, director or key managerial personnel in the past three years have not been fined or penalised for any violation and unethical behaviour. Only 23 percent of the companies have independent directors, higher than the regulatory requirements. With regard to the audit committee, CSR committee, nomination, remuneration committee, role of independent directors, meeting frequency, experience and expertise of board members, CEO duality, and women directors, it was found that the majority of Indian companies follow global standards.

- Nineteen parameters were examined to understand the practices being followed by the NIFTY 100 companies about Category IV – "Responsibilities of the Board". About remuneration, ESOPs and relationship of compensation with company's performance. The results show that only half of the companies follow global standards. In this regard, succession planning is essential for the long term success of the business and only one-third of the Indian companies follow the global standard, and another one third follow reasonable practices. Board evaluation practices need to be strengthened in Indian companies as most of them have reasonable review and evaluation practices for the board.

7.1.2 Corporate Governance Score of Sample Companies

Chapter 5 gives a detailed analysis of corporate governance total score, company-wise analysis, demographic-wise differences in corporate governance scores, financial performance and social performance of companies. These results highlight the nature of corporate governance, financial performance and social performance of NIFTY 100 Index companies as under.

- The mean value of corporate governance total score (CG) is 74.252, the maximum score is 91.8 and the minimum is 56.1. The average score indicates that companies are involved in fair corporate governance practices. The standard deviation value is 6.2670, indicating that data is relatively distributed near the mean value.
- The mean score of Category I - Rights And Equitable Treatment of Shareholders is 71.252, with a maximum of 85.3 and a minimum value of 57.9. The average score shows that companies have scored adequately in the rights and equitable treatment of shareholders' category. The standard deviation is 5.7749, indicating that data is closely distributed near the mean value.
- In Category II - the "Role of Stakeholders", the mean value is 77.2, the maximum score is 100, and the minimum is 11.1, which indicates that companies have scored maximum in this category. By looking at mean value is can be concluded that companies have made sufficient efforts in this category. The standard deviation is 16.1151, indicating relatively larger variations in data value from the mean value.
- Under Category III – "Disclosure and Transparency", the mean value is 85.879, the maximum is 100, and the minimum is 58.7, which shows that the companies

have scored maximum in this category. The average score indicated that companies have made fair and adequate disclosures. The standard deviation is 7.880 which indicates that the data is fairly distributed in the region of the mean value.

- In Category IV – "Responsibilities of the Board", the mean value is 64.634, the maximum score is 94.7, and the minimum score is 44.7. This conveys that companies have performed reasonably well under this category. However, the standard deviation shows more dispersion from the mean value.
- Age-wise analysis of companies show that above 75 years age group of companies have better corporate governance practices as their mean score is the highest. Thus, it can be inferred that the above 75 years age group of companies have better corporate governance practices as compared to any other age group company.
- Private companies mean corporate governance scores are better than PSUs in categories I, II and IV. However, in category III, PSUs have better average scores. Thus, indicating that except in category III. i.e. disclosures and transparency, private companies have better practices.
- Nationally-located companies have better corporate governance practices as compared to MNCs. However, in category II average score of MNCs is higher than nationally-located companies.
- Ownership wise, it was found that widely-held companies have the highest corporate governance total scores as compared to promoter-owned and institutional-owned companies. The category I, category II and category III scores

are also better for widely held companies. Under category IV, institutional-owned companies have better scores.

- The industrial sector-wise classification shows that the IT sector has a relatively high score than other industries. The healthcare sector, financial and materials have similar kind of corporate governance practices. Under category I mean score of energy (73.698) is highest in category II scores are the best for consumer staples (81.667), in category III, the energy sector is performing the best, and in category IV, the financial sector has the highest mean score (69.986). The overall analysis concludes that there are many differences in the corporate governance scores and its four category components concerning industry wise classification of companies.
- Company-wise analysis of private sector companies under corporate governance total score (CG) reveals that out of 79 private sector companies, Cipla Ltd. has the highest corporate governance score of 91.8, Infosys Ltd. got second rank 90.5, Kotak Mahindra Bank Ltd. 88.5 and L&T Finance Holding Ltd. got the last rank. In the case of category I, Cipla Ltd. (85.3) has got the highest score, Vedanta Ltd. (83.3) got 2nd rank, 3rdrank is of Tata Consultancy Services (82.4). From category II score, ACC Ltd., Bandhan Bank Ltd., Biocon Ltd., Cipla Ltd., Infosys Ltd., scored highest (100). For category III, Infosys Ltd. with a 100 score is the leader, followed by Cipla Ltd., Dr. Reddy Laboratories Ltd., Mahindra and Mahindra Ltd. with 97.8 score is at 2nd position. As per category IV score, Infosys Ltd. had the highest score (94.7), Kotak Mahindra Bank Ltd. got 2nd(92.1), Cipla Ltd. got 3rd rank (89.5).

- Under PSUs categories out of 21 PSUs for corporate governance total score (CG), Oil and Natural Gas Corporation Ltd. has scored the highest, 80.5, followed by SAIL Ltd. (79.9). GAIL India Ltd., Oil India Ltd. are in 3rd position with score of 79.3. Bharat Heavy Electricals Ltd. (67.8) is in the last position. Under category I scores, it can be seen that GAIL India Ltd. has got the highest score (79.4), the second rank is of Bank of Baroda (76.5). NTPC Ltd.(76.3) has the next best score. For category II, Petronet LNG Ltd.(94.4) has got the highest score. NHPC Ltd., Oil India Ltd. have got second position (88.9). Container Corporation of India Ltd., NMDC Ltd., State Bank of India and SAIL Ltd. with 83.3 score is at third rank. The highest score in category III is achieved by SAIL Ltd.(97.8), GAIL India Ltd.(95.7) gets the second place, Indian Oil Corporation Ltd., NHPC Ltd., NMDC Ltd., Petronet LNG Ltd., SBI Life Insurance Company Ltd. have got 93.5 score thus, are at the third position. Under category IV score of Oil and Natural Gas Corporation of India Ltd. is the highest (76.7). Power Grid Corporation of India Ltd. and State Bank of India is in the second position with a 73.3 score. SBI Life Insurance Company Ltd. is in the third position with a 71.1 score. The comparison of private sector companies and PSUs, shows that Cipla Ltd. has the highest corporate governance score of 91.8, Infosys Ltd. got the second rank of 90.5, Kotak Mahindra Bank Ltd. (88.5), which are private sector companies. The highest score of PSUs is Oil, and Natural Gas Corporation Ltd. which has scored the highest (80.5), followed by SAIL Ltd. (79.9), GAIL India Ltd. (79.3) and Oil India Ltd. (79.3). Thus we can conclude that private sector companies have better CG scores as compared to PSUs.

- The null hypothesis H_{01a}, which shows no significant relationship between companies' age and corporate governance practices, is accepted. This reveals that there is no relationship between the age of the companies and their corporate governance practices. Of those companies which have leadership corporate governance position, 75 percent have institutional ownership; this indicates that the ownership status of companies does significantly impact the corporate governance practices of the companies, and specifically, the companies with higher promoter ownership have good and fair practices. Further, the null hypothesis H_{01b}, is rejected as there is a significant relationship between companies' ownership status and corporate governance practices. The *null hypothesis* H_{01c} also supports no significant relationship between private and PSU sector with corporate governance practices. As null hypothesis H_{01d} is supported., it can be inferred that there is no significant relationship between MNC and nationally-located classification with corporate governance practices of companies. The null hypothesis H_{01e} is supported that as there is no relationship between industrial sector-wise classification and corporate governance practices of the companies.

- It can be summarised for corporate governance practices that out of 100 sample companies, 4 percent fall into leadership, good have 42 percent, fair have 47 percent and basic have 7 percent companies.

- Based on its relationship with demographic characteristics wise differences, it has been found that only ownership status of companies has a significant impact on corporate governance practices. Thus null hypothesis H_{01} is partially supported.

- The analysis further indicates that null hypothesis H_{02} is partially supported as there is a significant difference in the MNC vs nationally-located companies for corporate governance total score (CG). The null hypothesis H_{03} is partially supported as MNC vs nationally-located companies, and their right and equitable treatment of shareholders score is significantly different. There is no difference in demographic characteristics and their practices related to the Role of Stakeholders scores, and null hypothesis H_{04} is supported. The null hypothesis $H_{05}$is partially supported. There is a significant difference in the demographic characteristics like age, private vs. PSU, MNC vs. nationally-located companies, and industrial sector based classification of companies and their practices related to disclosures and transparency scores. The null hypothesis H_{06}, indicating that there is no significant difference in the demographic characteristics of companies and their practises related to board responsibilities, is partially rejected because there is a significant difference in board practises related to age, ownership, and industry sector.
- Further, it is found that corporate governance score is impacted by the MNC vs. nationally-located status of companies. Age significantly matters for disclosure and transparency scores, where it was found that young companies have better disclosures and the responsibilities of the board of old companies have performed better. Further, the companies from the age category of 50-75 years have the transparency scores that differ between the private sector companies and PSU. Industrial sector-wise classification has indicated that companies that belong to utility, consumer staples, financials and IT sector differ significantly with respect to transparency scores and board responsibilities. The companies which belong to

promoter-owned and institutional-owned categories have significantly different disclosures and transparency scores and responsibilities of the board. Overall, it can be concluded from the above analysis that MNC vs nationally-located status, industry sector-wise differences, ownership characteristics do effect the corporate governance practices of Indian companies.

- The analysis of sixteen financial performance indicators of NIFTY 100 companies show the varying results. The null hypothesis H_{07} that there is no significant difference in the demographic characteristics of companies and their financial performance variables is partially supported. The financial performance variables which are significantly different for various demographic characteristics such as Beta, Tobin's Q, Return on Equity, Earning before interest and tax, Return on Capital Employed, Return on Assets ratio, Dividend Yield, Price to Book Ratio and Total Debt Ratio.
- The descriptive statistics of 5-year compound annual growth rate (CAGR) values of financial performance variables concluded that only beta, closing price, market capitalisation, enterprise value and CSR spend average scores were positive.
- Corporate social responsibility score is measured by social performance score. It is found that companies within the 50–75-years age group contribute more towards CSR activities as compared to other age groups. PSUs have better social performance scores than private sector companies. MNCs have better CSR scores than nationally-located status. Promoter-owned companies contribute more to social performance. Industrial-sector wise classifications show that CSR scores are the highest for the materials, industrials, and consumer staples sectors. As per the

relationship of corporate governance practices with social performance scores, companies with fair corporate governance practices and good corporate governance practices have better social performance as compared to other groups.

- The null hypothesis H_{08} that there is no difference in demographic characteristics and their corporate social performance score is partially supported only for the industrial sector-wise classification of companies and their CSR initiatives. The null hypothesis H_{09} is supported, and it is found that corporate governance practices do not influence social performance score.

7.1.3 Impact of Corporate Governance on Financial Performance and Social Performance of Companies

The findings of Chapter 6 have been discussed in this sub-section. The results revolve around analysing the relationship between corporate governance and financial performance, corporate governance and social performance and impact of corporate governance characteristics on firm performance.

7.1.3.1 Corporate Governance and Financial Performance

- Financial performance for the year 2019, has been analysed as a dependent variable using Market capitalisation. The degree of explanation of the model is very high as the adjusted R^2 is 92.3 percent, and ten variables significantly load on the model. The regression analysis results indicate that corporate governance score, industry sector, enterprise value, Price to earnings ratio, CSR spend and return on equity have a positive relationship with market capitalisation. Ownership, Tobin's Q, beta and Total debt ratio are inversely loaded on the

model. So, market capitalisation is influenced by corporate governance score, Price to earnings ratio, CSR spend, industry sector, Enterprise value and Return on equity. Thus, *null hypothesis*H_{010} is not supported as there is a significant impact of corporate governance on the financial performance of companies.The *null hypothesis* $H_{011}$is partially supported as ownership, industry sector, CSR have an impact on financial performance and *null hypothesis*$H_{012}$is supported, i.e. social performance score does not impact financial performance.

- ANOVA results analysing the level of corporate governance practices followed by companies significantly influence some of the financial variables like Return on Equity ratio, Enterprise value, Earnings before Interest and Tax (EBIT) and Market capitalisation. The results indicate that if companies start performing better in their corporate governance practices, they will do well in terms of these ratios, which are fundamental financial performance indicators. The *null hypothesis*H_{013}, that there is no significant difference in financial performance variables and corporate governance practices followed by companies, is partially supported as the values are significant for Return on Equity ratio, Enterprise value, Earnings before Interest and Tax (EBIT) and Market capitalisation.

- Financial Performance (FP) has also been analysed using five-year CAGR values from 2015-19 data to study the long term impact of CG practices. The results of multiple regression analysis with a 5-year CAGR value of Market capitalisation indicate an adjusted R square of 40.5 percent, and it reconfirms the short term regression analysis. Changes in market capitalisation over five years depending upon the company's Dividend yield, Return on equity, Tobin's Q, Earning per

share, Corporate governance total score, Closing price, Enterprise value, Ownership and Industry sector. Thus *null hypothesis* (H_{015}) that other firm characteristics do not impact change in five year financial performance of companies is partially supported. *The null hypothesis* (H_{016}) that change in the five-year financial performance of companies is not impacted by the social performance of companies is supported as the model eliminated social performance. Thus H_{014} is not supported, and it can be concluded that corporate governance has a long term impact on financial performance.

- It can be concluded from the analysis that the current year performance of the company is dependent on the variables which have been discussed in Table 6.2. However, these variables are also relevant and impact changes in the financial performance of companies over five years. Variables that have held their place in the regression model explained in Tables 6.2 and 6.8 indicate that these variables are significant and impact the company's financial performance. These variables are of strategic importance and should be studied and analysed while taking any decisions related to improving the financial performance of companies as they can have a great impact on the strategic decision making by the companies. Thus, ownership, industry sector, enterprise value, return on equity ratio, tobin's Q, corporate governance total score have emerged as important variables that impact the market cap of a company in the short (annual) and long term (five year).

- The exploratory factor analysis (EFA) summarised sixteen financial performance variables into five factors i.e. return on assets ratio; valuation-related factor; long-term market growth factor; replacement value factor, and stakeholder-related

factor. The five factors explain the financial performance indicators for evaluation purpose.

- It is found that companies' leadership practices and basic practices significantly differ with respect to valuation-related factors. So, the null hypothesis (H_{017}) that there is no significant difference in five financial factors extracted and corporate governance practices followed by companies is partially supported only for valuation-related factors.

7.1.3.2 CG and Social Performance

- The overall analysis reveals that the social performance score of companies impacts the stakeholder-related factor. Social performance is not significantly related to the corporate governance practices of companies. Social performance may impact Beta, Return on equity, Return on sales ratio, Dividend yield ratio, and CSR spend ratio.

7.1.3.3 Corporate Governance Variables

- The analysis of corporate governance variables shows that the mean value of board size is 11.50. The mean of Independent Directors (IDs) in a company is 4.96, the average percentage of women directors in a company is 16 percent, and 7 is the number of board meetings and which board meetings are held in a company. The size of audit committee mean it is 4.33, and IDs in the audit committee is 1.24.

- The public sector companies have performed relatively better for board size, independent directors, number of board meetings held in a year and number of members in the audit committee as compared to private sector companies.
- The corporate governance variables concerning industrial sector classification show that the energy sector has higher corporate governance characteristics in terms of board size, the number of independent directors, and the number of board meetings held in a year. Information technology has the highest average percentage of women directors. The number of members in the audit committee are highest in the consumer staples sector, and the number of independent members in the audit committee is the highest in the industrial sector.
- Further, board size is positively correlated with the number of independent directors, independent directors are positively correlated with the number of board meetings held in a year and the number of independent members in the audit committee. CEO duality is positively related to the audit firm categories. Board meetings are again positively correlated with the concerns of the secretarial audit and the number of independent members in the audit committee

Board Size

- The Board size is different for private sector vs PSU companies and industrial sector-wise classification only. The *null hypothesis*H_{021}, that there is no significant difference in the board size of companies based on demographic characteristics, is partially supported. The board size of companies is influenced by public vs private sector companies and the industry sector to which it belongs to. The *null*

hypothesis H_{022} is supported, that there is no significant difference in the board size based on different corporate governance practices followed by the companies. The *null hypothesis* H_{023} that the board size does not differ with social performance score is not supported as companies with high social performance and low social performance have different board sizes. The *null hypothesis* H_{024} that board size does not impact firm performance is also supported. Board size does not impact firm performance.

Board independence

- Board independence, related to the number of Independent Directors (IDs) on the board, is significantly different for private vs PSU, MNC vs Nationally-located and based on industry sector classification. The companies which follow leadership, good or fair practices have differences in the number of IDs on board. The *null hypothesis* H_{028} indicates that board independence significantly impacts firm performance.

- The results show, the *null hypothesis* H_{025}, that there is no significant difference in the board independence of companies based on demographic characteristics, is partially supported, as the results are significantly different for private vs PSU, MNC vs Nationally-located and based on industry sector. The *null hypothesis* H_{026}, that there is no significant difference in the board independence of companies based on different corporate governance practices, is not supported. However, the *null hypothesis* H_{027}, that there is no significant difference in the board

independence of companies based on social performance score, is supported as the ANOVA F value (1.224) is insignificant.

Gender Diversity

- Gender diversity which is indicated by the percentage of women directors on the board differs significantly with private vs PSU companies and the industry sector classification. Gender diversity also considerably influences the firm performance, so *null hypothesis*H_{032} is not supported.

- It can be concluded that the *null hypothesis*H_{029}, that there is no significant difference in the gender diversity of companies based on demographic characteristics, is partially supported. The results are significant for private vs PSU companies and the industry sector. The *null hypothesis*H_{030}, that gender diversity is not significantly related to different corporate governance practices, is supported as ANOVA (F value =0.403) is insignificant. Similarly, the social performance score (F=0.520) value is also insignificant. This indicates that the null hypothesis H_{031}, that gender diversity on board does not differ with CSP , is supported.

CEO duality

- CEO Duality is significantly different for age, private vs PSU, MNC versus nationally-located and industry sector-wise classification. It is also significantly influenced by high and low social performance levels of companies. CEO duality also significantly influence firm performance, so *null hypothesis*H_{036} is not supported.

- The *null hypothesis* H_{033}, that no significant difference in CEO duality pattern based on demographic characteristics, is partially supported. The results are significant for age, private vs PSU, MNC versus nationally-located and industry sector-wise classification. The null hypothesis H_{034}, that CEO duality is not significantly related to different corporate governance practices, is supported as the ANOVA F value is insignificant. The social performance score also indicates significant F values= 4.37, which implies that companies with high social performance scores have different CEO duality patterns compared to companies with low social performance scores. Thus, the null hypothesis H_{035}, that there is no significant difference in CEO duality based on social performance score, is not supported.
- The *null hypothesis*H_{037}, that CEO duality does not impact corporate governance variables, is not supported. As for almost all the characteristics like board size, independent directors, women directors, number of board meetings, audit firm categories and concerns of secretarial audit, the results are statistically significantly different.
- Total debt ratio, dividend yield ratio, and dividend yield ratio are also statistically different for the two groups. Out of the five factors extracted, stakeholder-related factors are statistically significant concerning CEO duality in the company. CSR score, disclosure and transparency scores and board responsibility score are also statistically significantly different for CEO duality. The analysis indicates that the null hypothesis H_{038} that CEO duality does not impact FP variables has been rejected for most of the variables.

- CEO duality has a vital role in the firm's performance because it affects the company's corporate governance characteristics and practices. It also affects the Earnings before interest and tax, Dividend yield ratio and total debt ratio. It also impacts the stakeholder-related factors of the company and the amount the company will contribute towards the CSR activities. Thus, the CEO duality variable is significant and of high importance for the corporate governance practices, the operational efficiency and the stakeholder-related practices followed by the company.

Board meetings

- Board meetings are significantly different for PSU versus private companies, industry sector and social performance score. The *null hypothesis* H_{039}, that there is no significant difference in board meetings of the companies based on demographic characteristics, is partially supported. The *null hypothesis* H_{040}, that board meeting is not significantly related to corporate governance practices, is supported, but the *null hypothesis* H_{041} that board meetings do not differ with social performance score is not supported. Board meetings also significantly influence firm performance, so *null hypothesis*H_{042} is not supported.

Audit committee

- The audit committee is found to be significantly different for Private vs PSU companies. This indicates that PSU has a different style of managing their audit committee in terms of number of members in their audit committee compared to private sector companies. The number of independent directors in the audit committee was not significantly related to any demographic variables including

age, private vs PSU, MNC vs. Nationally-located, ownership, industry sector, corporate governance practices, and social performance score.

- The *null hypothesis* H_{043}, that there is no significant difference in the audit committee members of companies based on demographic characteristics, is partially supported for private vs PSU. The *null hypothesis* H_{044}, that audit committee members is not significantly related to different corporate governance practices, is supported, and the *null hypothesis* H_{045}, which shows that audit committee members do not differ with social performance score, is also supported, as social performance score-wise no statistically significant difference is found in the number of audit committee members.
- This indicates that the audit committee members are not influenced by the demographic factors related to the company, and they are not associated with the Corporate Governance (CG) practices and social performance practices.

Transparency of Financial Statements

- The result shows that, for the audit firm category, private vs PSU companies, have a statistically significance F value of 104.483. This indicates that private companies and PSU are different in choosing the audit firm, so they have different audit firms for external audit. Similarly, for industry-wise classification, it is found that the energy sector F value (4.08) is statically significantly different from all the other sectors. It indicates that the energy sector is significantly different in choosing the external auditor, i.e., big four audit firms (KPMG, Deloitte, EY and PWC) and non-big four. Thus, the *null hypothesis*H_{047}, that there is no significant difference in the audit firm category of companies based on demographic

characteristics, is partially supported for private vs PSU and industry sector-wise classification. However, the audit firm category is not significantly different based on corporate governance practices. So the *null hypothesis* H_{048} is supported, and the *null hypothesis* H_{049} for social performance score is also supported as ANOVA F value is insignificant for social performance score.

- Results show that audit firm category, audit concern on financial statement and concerns of secretarial audit, are significant for private versus PSU companies and industrial sector- wise classification.

- The results indicate that independent directors are significantly different in the two groups of audit firms, i.e., big four or non-big four companies. For women directors firms, companies that have an external audit by the big four and non-big four are also statistically significantly different with an F value of 14.903, which is significant at a 0.05 level of significance. Similarly, the numbers of board meetings held in a year are different for an external audit firm. CEO duality is found to be statistically different. Audit concerns on financial statements and secretarial auditors' concerns were also statistically significantly different for companies that get the external audit done from a big four company or non-big four audit firm. This indicates that *null hypothesis* H_{051}, that audit firm category does not impact corporate governance characteristics, stands partially supported for independent directors, gender diversity, number of board meetings, CEO duality, concerns on financial statements and concerns of the secretarial auditor. Disclosure and transparency scores are also found to be statistically significantly different for an external audit done by a big four or a non-big four audit firm.

- From the sixteen financial variables, it is seen that for market capitalisation F value is significantly different. Price to earnings ratio, Price to book ratio, dividend yield ratio is found to be statistically significantly different for external audit. The *null hypothesis*H_{052}, that the audit firm category does not impact the financial performance variables is partially supported. For financial factors extracted using factor analysis, the replacement and stakeholder-related factors are statistically significantly different for companies getting external audits done by a big four or non-big four firms.
- So choosing an audit firm that is big four or a non-big four firm is a decision that impacts the shareholder's perception about the company and transparency of its disclosures in the financial statements.
- Results also show that audit concerns on financial statements and concerns of the secretarial audit are statistically significantly different for PSU vs private companies and industry sector-wise classification. So, the *null hypothesis* H_{053}, that there is no significant difference in transparency in companies' financial statements based on demographic characteristics, is partially supported for public vs private sector and industry sector-wise classification.
- The *null hypothesis* H_{054} that transparency in disclosure of financial statements is not significantly related to different corporate governance practices stand supported, and *null hypothesis* H_{055} that transparency in disclosure of financial statements is not significantly related to social performance score is also supported. Indicating that transparency in disclosure will not impact companies'

governance practices and social performance score, but it will affect the stakeholder's perception.

- It is found that independent directors, number of board meetings held in a year, external audit firm, i.e. big four firm or non-big four, CEO duality and concerns of the secretarial audit are statistically significant different audit concerns in financial statements given by companies. So the *null hypothesis* H_{057a} that transparency in disclosure of financial statements does not impact corporate governance characteristics is partially supported.
- For financial variables, it is found that the corporate governance categories like disclosure and transparency scores, the board responsibility score is significantly different. Price to book ratio, total debt ratio, and stakeholder-related factors are statistically significantly different for audit concerns in financial statements given by companies. Thus, the *null hypothesis* H_{058a}, that the transparency in disclosure score of financial statement does not impact financial performance variables, is partially supported.
- So, if the auditor has shown some concern in the financial statement and has mentioned it in the audit report, it will also impact the stakeholder-related factor and the impact the company's book value.
- The results show that the two groups of companies, i.e., companies that have secretarial concerns in financial statements and companies which do not have secretarial concerns in financial statements is statistically significantly different for board size, independent directors, women directors, number of board meetings,

external audit- big four or non-big four, CEO duality and audit concerns on the financial statement. So, the *null hypothesis* H_{057b}, that concerns of secretarial audit do not impact corporate governance characteristics, is not supported.

- For corporate governance total score and the financial performance variables, results show that Role of Stakeholders score, CSR spending, Earnings before interest and tax, total debt ratio, stakeholder-related factor, dividend yield ratio, and replacement factor have significantly different results for those companies which have secretarial concerns in financial statements and those companies which do not have secretarial concerns in financial statements. So, the company's financial performance, the replacement value, stakeholder-related factors, debt levels, earnings before interest and tax are influenced by the level of corporate governance practices the transparency in financial statements. Thus, the *null hypothesis* H_{058b}, that concerns of secretarial audit do not impact financial performance variables, is partially supported.

<u>Regression Analysis with Firm Performance</u>

- The regression model indicates that the *null hypothesis*H_{028}, *null hypothesis*H_{032}, *null hypothesis*H_{036}, *null hypothesis*H_{042}, and *null hypothesis*H_{046} are not supported. The *null hypothesis*H_{059} is partially supported. This implies that board independence, gender diversity, board meetings, CEO duality, number of members in audit committee, market capitalisation, Tobin's Q, price-earnings ratio, and Enterprise value are very important variables that influence the firm performance measured by Return on Assets of companies.

- Overall, it can be concluded that out of all the variables, audit committee, CEO duality, gender diversity, board independence, and board size impact firm performance. These corporate governance characteristics have an impact on improving the financial performance of companies along with social performance.

7.2 Suggestions and Policy Implications

Good governance can boost a company's performance, help it become more stable and productive, and open up new doors. It has the potential to lower risks and enable faster and safer growth. It can also help to boost one's reputation and build trust. Higher levels of profitability, relative share prices and liquidity, and lower cost of capital indicate this. In both good and poor economic times, strong administration is beneficial. When the economy and the stock market are booming, the practical benefits of good governance are visible. The companies should focus more on making corporate governance practices to be followed in its true sense.

7.2.1 For Regulators and Companies

- **Rights of Shareholders** – Rights of shareholders should be protected, and equitable treatment should be given to shareholders. This includes companies' focus on the quality of shareholder meetings, disclosures and policies and framework of related party transaction, investor grievance policies formulated by the company, and practices of companies about any conflict of interest.

  The mean score of Category I - rights and equitable treatment of shareholders is 71.252, and 83 percent of companies have reasonable practices or practices

close to global standards. The private sector companies, older companies, widely held companies, nationally-located groups, and the Energy sector have better practices, in this regard, than others.

Still, there is the scope of improvement for other sectors like PSUs, various industrial sectors, promoter-owned groups, and younger companies to improve their policies towards shareholders' rights. Protecting the rights of shareholders will go a long way in building sustainable organisations and will reap the benefits of the higher performance of companies.

- **Gender diversity on board –**Gender diversity, i.e. bringing more women directors on board, brings more creative insights on the board and thus improves the quality of decision making. Experts believe that companies with women directors deal more effectively with risk. Not only do they better address the concerns of customers, employees, shareholders, and the local community, but, they also tend to focus on long-term priorities. Women directors are likely to be more in tune with women's needs than men, which helps develop successful products and services.

  The results reveal that only 29 percent of companies have women directors who are not from the promoter's family. Sixty-five percent of companies have women directors from the promoter's family. Women directors on board are significantly different for private vs PSU companies and industrial sector-wise classification. The regression results also indicate that gender diversity on board significantly impacts firm performance.

Thus, Indian companies need to bring more gender diversity on board as women directors will get more innovative and diverse insights to risk and decision-making and overall improve the business's financial performance.

- **CEO Duality –**About the separation of roles between Chairperson and CEO, i.e. CEO duality, it is recommended that such separation bring more objectivity and transparency in the business. Out of the sample Indian companies, only 10 percent of the companies have managed to keep roles of Chairperson and CEO separate, and the Chairman is an independent director. In 29 percent of the companies, CEO duality has not been maintained as the role of Chairperson and CEO is performed by the same person. CEO Duality is significantly different for age, private vs PSU, MNC versus nationally-located and industry sector-wise classification. It is also significantly influenced by high and low social performance levels of companies. CEO duality also considerably affect firm performance, so *null hypothesis*H_{036} is not supported. The *null hypothesis*H_{037} that CEO duality does not impact corporate governance characteristics is not supported. As for almost all the characteristics like board size, independent directors, women directors, number of board meetings, audit firm categories and concerns of secretarial audit, the results are statistically significantly different.

  CEO duality has a very important role in the firm's performance because it affects the corporate governance characteristics and practices followed by the company. Results reveal that it also affects the Earnings before interest and tax, Dividend yield ratio and total debt ratio. It also impacts the stakeholder-related

factors of the company and the amount the company will contribute towards the CSR activities. Thus, the CEO duality variable is significant and of high importance for the corporate governance practices, the operational efficiency and the stakeholder-related practices followed by the company. This indicates that no CEO duality will bring better governance in the organisations and help improve productivity, accountability and transparency.

SEBI has already mandated listed entities to separate the roles of Chairman and CEO by April 2022. However, SEBI will now have to ensure that this is done both in letter and spirit. SEBI must also focus on the independence of the Chairperson. Further, vintage directors, those with a tenure of over 10 years, should not be considered independent for the purpose.

- **Board Independence –** Board independence is concerned with the number of independent directors on the board. Independent directors on board work towards the best interest of shareholders, brings independent decision making, brings focus, depth, expertise about the industry and help mitigate conflict of interest faster.

  Regarding independent directors' representation in the board, only 23 percent of the companies have independent directors, higher than the regulatory requirements, but 45 percent of companies have not met the regulatory requirements related to Independent directors. Board independence, which is associated with the number of Independent Directors (IDs) on the board, is significantly different for private vs PSU, MNC vs Nationally-located and

based on industry sector classification. Companies that follow leadership, good or fair practices have differences in the number of IDs on board. The *null hypothesis* H_{028} indicates that board independence significantly impacts firm performance.

Indian companies need to bring more independent directors on board to bring more expertise, transparency and achieve higher governance practices. This will bring the improved perception of the shareholders, enhance the company's profitability, and move towards sustainable practices.

- **Board's skill and expertise –**Larger board size and diversity bring more skill and expertise and improve organisations' decision-making quality. The present times require a more interdisciplinary approach from people with diverse skills, qualifications, experience, and industries to solve complex business problems.

  Almost all the 100 sample companies have a director with prior experience in a similar business, and the board having diverse skills. For board evaluation policy and process, only 18 percent of companies have met global standards where companies have mentioned who evaluator, who are evaluated and what was the procedure followed for evaluation; apart from this, companies have also done impact assessment for future improvements is. Regarding the board's evaluation, 57 percent of companies have disclosed the review and evaluation criteria of the board. The Board size is different for private sector vs PSU companies and industrial sector-wise classification only.

Whether the board has sufficient skills, competence and expertise, diversity and big size would influence the company's corporate governance practices and help in complex business problems of present uncertain times.

- **Board Meetings**–Effective boards meet frequently. Good governance can only be achieved if board meetings are more frequent with the active participation of all members and will reap the benefits of diversity, independence, innovation, expertise, transparency and accountability.

  Results show that only 8 percent have full attendance of board members in meetings, and 50 percent have less than 75 percent participated in board meetings in the last three months. Regarding board meetings, 93 percent of companies had at least four meetings in a year. Board meetings are significantly different for PSU versus private companies, industry sector and social performance score. Board meetings also considerably influence firm performance, so *null hypothesis*H_{042} is not supported.

  This implies that the number of board meetings that reflect effective corporate governance impacts the business's financial performance. It should be a critical factor to be implemented in organisations as it directly impacts the financial and social performance of the company. This will also affect the business sustainability.

- **Audit committee** –Audit committee plays a vital role in bringing trust, transparency, and accountability and measures business efficiency. The

number of members, independent members in the audit committee and frequency of meetings are essential aspects of the committee.

Concerning audit committee composition and meeting frequency, it is found that 53 percent of companies have a publicly available charter, meet more than four times in the year, and all directors have finance expertise. Regarding the information regarding robust and internal audit framework, only 40 percent of companies have disclosed internal audit reports to the audit committee directly and have internal audit charter. The audit committee is found to be significantly different for private vs PSU companies. This indicates that PSU has a different style of managing their audit committee in terms of number of members in their audit committee compared to private sector companies. The number of independent directors in the audit committee was not significantly related to any of the demographic variables including age, private vs PSU, MNC vs. Nationally-located, ownership, industry sector, corporate governance practices, and social performance score.

The results indicate that the audit committee members are not influenced by the demographic factors related to the company, and they are not related to corporate governance practices and social performance practices. But it has multiple indirect benefits of building trust and improving investors' perception of investors so is very important to achieve corporate governance practices followed by the company and for the long-term sustainability of the business.

- **Audit Quality and Transparency –**The quality of the financial statements issued by the company should reflect a "true and fair view" of the company. The statutory auditors audit the financial statements and certify if they indeed present a "true and fair view". In case of any concerns, the auditor gives a qualified opinion. Any concerns in the audit report impact the "true and fair view" of the financial statements/annual reports.

  In the majority of the companies, that is 72 percent of the companies, and there is no emphasis of matter issued by the auditor. Regarding companies' transparency in disclosing financial performance quarterly, almost all the companies, 98 percent have met the global standards. For disclosure of segmental information, 35 percent have disclosed comprehensive information of all business segments. Regarding disclosure of non-financial information, 43 percent of companies have made detailed and meaningful disclosure. Results show that audit firm category, audit concern on financial statement and concerns of secretarial audit, are significant for private versus PSU companies and industrial sector.

  Audit firm category impacts corporate governance characteristics like independent directors, gender diversity, and number of board meetings, CEO duality, concerns on financial statements and concerns of the secretarial auditor. Disclosure and transparency scores are also statistically significantly different for an external audit done by a big four or a non-big four audit firm. So choosing an audit firm that is big four or a non-big four firm is a decision that impacts the shareholder's perception about the company, transparency of

its disclosures in the financial statements. Price to earnings ratio, Price to book ratio, dividend yield ratio is found to be statistically significantly different for external audit.

Transparency in disclosure will not impact companies' governance practices and social performance score, but it will affect the stakeholder's perception. It is found that independent directors, number of board meetings held in a year, external audit firm, i.e., big four firm or non-big four, CEO duality, and concerns of the secretarial audit are found to be statistically significant different audit concerns in financial statements given by companies and secretarial concerns in financial statements. So if the auditor has shown some problem in the financial statement and has mentioned it in the audit report, it will also impact the stakeholder-related factor and the impact the company's book value. The company's financial performance, the replacement value, stakeholder-related factors, debt levels, earnings before interest, and tax are influenced by the level of corporate governance practices the transparency in financial statements.

This indicates that to improve corporate governance practices, firms should focus on bringing external auditors from respectable firms, focus on internal audit, secretarial audit, and fairness must be adopted in the audit process. This is a good governance practice.

- **Stakeholder Relationship and CSR Spending**–Stakeholder relationship committee is necessary for developing stakeholders' relationships. CSR spending has become mandatory for profitable companies in India.

  For stakeholder relationships**,** 32 percent of the companies meet at least four times a year, have two independent directors, and talk about stakeholder welfare. 28 percent of companies meet at least four times a year but do not fulfill the independent director requirement. Forty percent of the companies still do not have a Stakeholders' Relationship Committee. Regarding CSR spend and being a good corporate citizen, only four companies have not spent any amount on CSR activities; however, 27 companies have spent less than 2 percent of average profit for the last three years, and 69 companies have spent 2 percent or more on CSR activities.

  Stakeholder relations and corporate social responsibility are essential for long-term sustainability of the business. Indian companies should emphasise more on them.

- **Whistle-blowing –**Whistle-blower policy/mechanism allows everyone to raise red flags against the wrong going or unethical practices within an organisation, without the fear of disclosing their identity. Whistle-blowing helps an organisation to maintain an open and transparent culture in an organisation.

  Regarding effective whistle-blower mechanisms for stakeholders and filing complaints, only 53 percent of the companies have an effective whistle-blower policy covering all stakeholders. Forty-four percent of companies have a

whistle-blower policy for employees but not for external stakeholders. Seventy-nine percent of the companies have formulated a policy for investor grievances and address them through an escalation mechanism.

Indian companies should focus on bringing transparency and protecting the rights of all stakeholders through an effective whistle-blowing policy.

- **Succession planning –**The current and future of an organisation depends on the quality of a leader. To avoid any leadership gap and ensure the continuous performance of the company, it is essential to develop a leader's pipeline. An improper succession planning can result in deficiency in internal control, material weakness, misstatement of financial reporting.

  Regarding succession planning for directors and senior leaders, 45 percent of companies have designed succession plans for both groups. Nineteen percent of companies have developed succession plans either for directors or senior leaders, whereas 22 percent of companies still have not mentioned succession planning. On disclosure on succession planning, 17 percent of companies have shown evidence about a detailed framework on succession planning.

  Succession planning is an innovative initiative that will enhance good governance and help in the long-term sustainability of the business. Indian companies should learn about better practices on succession planning,

- **Director Remuneration –**Director Remuneration should be based on the efficiency of the business and their contribution. There should not be any agency conflict arising for the remuneration structure of the BoD.

Related to the remuneration of executive directors and its alignment with performance, 62 percent of the Indian companies pay their executive directors variable pay through which combines incentives. In 34 percent of companies' three-year growth in aggregate pay, is neither higher than growth in profits nor growth in revenues. For stock option schemes, 86 percent of companies have issued stock options at market price. Further, 9 percent of companies have given a discount on stock options to employees.

Fair, transparent and effective remuneration policy should be designed for the top management of Indian companies.

- **Filing of Corporate Reports and Transparency –**Quality of company fillings and their timely availability are among the most critical factors of good governance. Technically, the company's filings are the only media of information transfer to its stakeholder, including the minority shareholders. SEBI (LODR) has also directed company's to develop an extensive related party transaction policy since it represents a severe risk of conflict of interest.

For related party transactions, all the companies have an RPT policy, but 81 percent of companies have a comprehensive RPT policy that defines the ordinary course of business, the materiality of transactions, and 19 percent of companies do not have a complete RPT policy. The availability of detailed minutes or transcripts of the previous AGMs, 53 percent company's meetings is available online. However, 43 percent of companies have made reasonable disclosure through minutes of the meetings, and four percent have not

disclosed anything. Almost all the companies meet international standards concerning the disclosure of voting details and invalid votes. For information on the company website,41 percent of companies have accessible, accurate, and comprehensive information. Regarding the investor relations team and contact detail, 46 percent of the companies have disclosed the name and contact details on their website. The majority of the companies, 87 percent, has disclosed information regarding senior executives and revealed information regarding their roles. The experience of board members and senior executives have been disclosed by 43 percent of companies. All companies have revealed details about independent directors in the annual report.

The quality and the quantum of information available in the company's fillings directly determine the level of awareness of the stakeholders. Timely information delivery is also a crucial factor of Corporate Governance. Indian companies are making good disclosure, but they should further improve in the filing of corporate reports.

- **Conflict Resolution and Agency Relationship –** Conflict between top management and other levels of organisation impacts long-term and short-term business performance. In India, there have been various instances where conflict of interest has arisen on different aspects of business like the Tata-Mistry case, the conflict between Ambani brothers, N.R.Narayana *Murthy*and Infosys differences on corporate governance.

For policies and procedures to facilitate disclosures of conflicts of interest by stakeholders, almost all companies disclose about it. However, only 33 percent of companies cover all stakeholders, including suppliers and vendors. This implies that though the majority of the companies are complying with the law, there is great scope for improvement since only 1/3rd of the companies cover all their stakeholders. Out of NIFTY 100 Companies that had undertaken M&A, restructuring, or slump sales, the majority of the Companies (27 percent) had disclosed ample details, including fairness opinion.

There is a lot of scope for improvement on conflict resolution in Indian businesses. A framework and proper implementation of policy on full disclosure and conflict resolution are important for the business. Indian companies should implement good governance practices as it will solve agency problems, and big scams like Satyam Scam, ICICI bank scam will be avoided.

- **Employee welfare and Stakeholder Management –** Suppliers and employees are among the most critical stakeholders for any business concern. Good relations and reputation with suppliers ensure an ongoing and hassle-free business, while on the other hand, good employer-employee relations and practices ensure that the employee will focus on company growth and operate effectively and efficiently. The company's dedication to excellent ethical procedures and anti-corruption and anti-bribery policies has a direct impact on supplier and employee wellbeing.

The majority of the Indian companies are closer to international standards of corporate governance and provided information on the health, safety, and welfare of employees along with detailed policies. However, 27 percent of companies did not have such policies and only disclosed information on the welfare of employees. The majority of the companies have displayed their policies regarding both supplier and contractor selection. The majority of the companies have made their ethics policy available on their website for an ethical code of conduct. However, only 38 percent of companies have mentioned anti-corruption and bribery measures.

Therefore, good governance practices require that the company disclose its policies and mechanism to publicly speak about employees' welfare. Supplier selection and management procedures must also be transparent with adequate policies in place. This will bring long-term sustainability to organisations.

- **Corporate Social Responsibility** –Corporate social responsibility score is measured by social performance score. CSR activities are now mandatory for companies to undertake, but it also provides multiple benefits in terms of serving back the society, improving brand image and goodwill, fulfilling UN SDG framework, making the society and country grow, and overall leading to sustainability.

  Results of the study reveal that companies within the 50–75-years age group contribute more towards CSR activities than other age groups. PSUs have better social performance scores as compared to private sector companies.

MNCs have better CSR scores as compared to nationally-located status. Promoter-owned companies contribute more in social performance. Industrial-sector-wise classification shows that CSR scores are highest for the materials, industrials, and consumer staples sectors. As per the relationship of corporate governance practices with social performance scores, companies with fair corporate governance practices and good corporate governance practices have better social performance than other groups. The social performance score of companies impacts the stakeholder-related factor. Social performance impacts Beta, Return on equity, Return on sales ratio, Dividend yield ratio, and CSR spend ratio.

Indian companies should contribute to society and adopt CSR practices in letter and spirit as it will help in the long-term sustainability of business, help solve societal problems. It will help India achieve its Sustainable Development Goals.

7.2.2 For Investors

Investors are important stakeholders of a company. Corporate governance practices followed by companies directly impact them. The study presents the following suggestions to investors.

- **Analysing Important Financial Ratios** –Investors are interested in identifying companies that can provide them with investment growth. The study has analysed various financial ratios that can reflect the financial performance along with inputs from good governance practices.

Good corporate governance of companies impacts market capitalisation and few other important variables like industry sector, ownership, Enterprise value, Price to earnings ratio, CSR spend, Tobin's Q, Beta and Total debt ratio, and Return on equity. Long term impact of corporate governance is visible on Earnings before Interest and Tax (EBIT), Dividend yield of the company, Earning per share, and closing price.

These ratios have emerged as important ratios that can help investors make investment decisions based on good governance practices that companies follow.

- **Role of Demographic factors –** Investors are keen to understand the demographic differences in companies that can impact financial performance and where differences exist in terms of corporate governance practices.

  The results show that corporate governance score is impacted by the MNC vs. nationally-located status of companies. Age significantly matters concerning disclosure and transparency scores where it was found that young companies have better disclosures and for the responsibilities of the board old companies have performed better which was from the age category of 50-75 years the disclosure and transparency scores also differ between the private sector companies and PSU. Industrial sector-wise classification has indicated that companies that belong to utility, consumer staples, financials, and IT sector significantly differ for the board's disclosure and transparency scores and responsibilities. The companies which belong to promoter-owned and

institutional-owned categories have significantly different disclosures and transparency scores and responsibilities of the board. NIFTY 100 sample companies follow leadership (4 percent), good (42 percent), fair (47 percent), and basic (7 percent) corporate governance practices. Based on its relationship with demographic characteristics-wise differences, it has been found that the ownership status of companies has a significant impact on corporate governance practices. Overall it can be concluded from the above analysis that MNC vs nationally-located status, industry sector-wise differences, ownership characteristics do affect the corporate governance practices of Indian companies. Thus, the company's ownership structure, private sector or PSU and MNC status of companies can be important factors to observe before investing in any company.

- **Good Governance Characteristics – S**hareholders and investors in the stock market should study the following aspects. while evaluating companies that follow good governance practices

  Governance characteristics like board independence, gender diversity, board meetings, CEO duality, and the number of members in the audit committee are critical variables that influence the firm performance measured by the Return on assets of companies. These corporate governance characteristics have an impact on improving the financial performance of companies along with social performance.

When investors decide about investing in good governance characteristics, they should look at independent directors, women directors, CRO duality, members of the audit committee to assess the governance level of the company. These variables significantly impact the financial performance of the company.

- **Star Performers of Corporate Governance –** The study reveals the following best-performing companies in corporate governance. Out of private sector companies and PSUs, Cipla Ltd. has the highest corporate governance score, Infosys Ltd. got second rank, Kotak Mahindra Bank Ltd., which are private sector companies. The highest score of PSUs is of Oil and Natural Gas Corporation Ltd. has scored the highest, followed by SAIL Ltd., GAIL India Ltd., Oil India Ltd. Thus, we can conclude that private sector companies have better CG scores as compared to PSUs.

- **Portfolio Diversification-** Investors should always keep their investment portfolio diversified, which help them manage systematic risk. The study concludes that industrial sector-wise classification of companies shows the difference in corporate governance practices, governance characteristics, and financial performance. This proves that investors will use sector-wise classification as a criterion for portfolio diversification that can help them cover risk and earn abnormal returns from the market.

- **Fundamental Analysis** – Fundamental analysis is an important technique to decide about long-term investment. The fundamental analysis includes analysing the annual report for financial ratios and reading the business

responsibility report and corporate governance report. Since, the results prove that corporate governance impacts company financial performance, the analysis of these reports will also give an idea of companies' sustainability.

- **Knowing about Shareholders' Rights** –As investors and shareholders, knowing your rights and privileges is necessary. Corporate governance provides a framework for protecting the rights of shareholders. Companies disclose investors'- grievance resolution, investor contact details, voting rights, minority interests, and dividend payouts on their websites. Companies are also facilitating shareholder participation and providing proxy and e-voting facility, without fail. Effective risk management framework, transparent disclosures of the shareholding pattern and transparent dividend policy are essential of corporate disclosures.

  The majority of the companies (75 percent) have disclosed information regarding the risk management framework that outlines the mitigations measures. Ninety-four percent of the companies have met the global standards and disclosed information regarding the shareholding of the board members and key managerial persons. As far as the disclosure of information regarding dividend policy is concerned, 43 percent of companies have shown their approved dividend policy and payout ratio on their website.

  The good governance practices and norms framed for Indian companies promote a safe environment for the shareholders to have a long-term association with companies.

7.3 Conclusion and Scope for Future Research

The present study on corporate governance aimed to understand companies' practices and norms about India's corporate governance framework. The study also analyses the relationship of corporate governance with the financial performance and social performance of companies. The results reveal that corporate governance is practiced by all the sample NIFTY 100 Indexed companies is fairly good. But there is a difference in following these practices in letter and spirit. Indian companies are found to be following practices governance norms that are not up to global standards. The reason may be that companies do not realize the benefits good governance practices will offer in terms of improving the financial performance and will make organisations sustainable in the long run. The study found that corporate governance significantly impacts the financial performance of companies. The long-term performance of a company is also considerably affected by corporate governance practices followed by the company.

There is much scope for future research on a similar subject as this subject evolving every day. A similar study can be carried out by taking from data from all listed companies, including mid-cap companies, small-cap companies, and MSMEs. There can be a comparative study on corporate governance practices of Indian and international companies across the world. The topic can be further researched by analyzing the impact of corporate governance on the long-term performance of companies with cross-sectional data.

Good governance is not only crucial for corporations, but also for the society and the nation as whole. There's a growing recognition that there is a close relationship among CG, FP, and social responsibility and optimum use of national resources.