CORPORATE GOVERNANCE AND CORPORATE FINANCIAL PERFORMANCE: AN EMPIRICAL ANALYSIS

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ABSTRACT
In the wake of various notable corporate scandals and collapses, such as Enron, WorldCom, Satyam etc, the term corporate governance has acquired heightened attention in the last decade.

Relationship between corporate governance and financial performance has been a widely debated topic in the last two decades. Various researches have been conducted to investigate the relationship between corporate governance and financial performance. The objective of this paper is to empirically examine the impact of corporate governance on performance of Indian firms during 2000-2013. The first part of the paper explores the conceptual framework of corporate governance and reviews the existing literature. The next section of the paper describes the data methodology, empirical results and conclusions. The study employs the dataset for a sample of 20 companies which are a representative of the Indian Manufacturing industry. For this analysis, random sampling method is used. The study uses both accounting and market-based indicators as a measure of firm performance. The panel least square and granger’s causality test are employed for empirical analysis. Results of the analysis suggest that corporate governance has a strong influence on performance in the Indian context. Furthermore, board size; audit committee size and CEO-duality have significant influence on firm performance.

KEY WORDS: Corporate governance; financial performance; panel data; regression; granger causality.