ੴ

GURU GOBIND SINGH COLLEGE FOR WOMEN

SECTOR 26, CHANDIGARH - 160019

(Affiliated to Panjab University Chandigarh)

(Re-accredited by National Assessment & Accreditation Council, Bangalore)

103.ANALYSIS OF CORPORATE GOVERNANCE PRACTICES IN INDUSTRY WITH REFERENCE TO SIZE AND PERIOD

Analysis of Corporate Governance Practices in Industry with reference to Size and Period

Manjit Kaur Sidhu[1]

ABSTRACT:
The present study endeavors to analyze the corporate governance practices followed by the sample compa[nies] ... attempt has been made to analyze corporate governance mechanisms on the basis of industry sector, size and ... period. Parametric tests viz. independent sample t-test, and paired t-test; and non-parametric test viz. Mann Whi[tney] U-test, and Wilcoxon matched signed rank test have been employed to analyse the corporate governance practices ... 187 companies for the period 2012-16. The results revealed that there is significant variation in the corporate governance variables across industry sectors as well as over time period. Further examination reveals that large companies ha[ve] large boards, less CEO duality, active independent directors, more number of board committees and more frequent au[dit] committee meetings.

KEYWORDS: Corporate Governance, S&P BSE 500 Index, Manufacturing and service sector

I. INTRODUCTION

The corporate governance aims to confiscate the conflict of interests between majority of managers and stockholders and minority stockholders which results in the diminution of the agency's costs. Corporate governance encompasses procedures for board effectiveness and enhanced transparent disclosures because the board of directors and information disclosure complement each other in reducing agency problems (Healy and Palepu, 2001; Jackson, 2013) and thus results in improved quality and quantity of information made available to investors (Prasanna and Menon, 2012). A policy of good corporate governance is beneficial for timely disclosure of information, preventing insider trading, and communicating efficient market prices (Jackson, 2013).

The amount of disclosure of private information is positively related to corporate governance, an indication that better corporate governance leads to more disclosure (Beekes and Brown, 2006). The corporate governance system is in fact barriers, levers and balances within and outside the organization which guarantees that they do their responsibility toward all the beneficiaries and are responsibly performing in all areas of commercial activities (Hasas, 2006).

II. REVIEW OF LITERATURE

Klapper and Love (2004) found that better corporate governance is highly correlated with better operating performance and market valuation by utilizing data from a recent report by Credit Lyonnais Securities Asia (CLSA) on firm-level corporate governance rankings across 25 emerging markets and 18 sectors for 495 firms. They posit that countries with weaker legal systems have average lower firm level governance. Durnev and Kim (2005) assessed whether market value of firm is predicted by governance decisions by studying 859 firms from 27 countries. It was put forth that valuation of firm, as proxied by Tobin's Q, is predicted positively with higher corporate governance scores. They argued that the strength of legal protection of investors helps in reducing wide within-country variation in corporate governance as well as disclosure practices. Berry et al. (2006) examined how board str[ucture] (including board independence and venture capitalist representation), CEO ownership, VC ownership, CEO inc[entive] pay, and unaffiliated block holdings change for up to 11 [years] after the IPO. It was contended that board independence ... the proportion of board seats held by VC's increase as ... ownership declines. Black et al. (2006) studied several di[fferent] dimensions of governance including regulation, shareh[older] rights, board structure, board procedures, disclosure prac[tices] and ownership structure at Korean firms. It was obse[rved] that corporate governance practices are strongly influe[nced] by regulatory considerations, particularly for larger ... because they are subject to more stringent rules. Furt[her, it] was documented that larger and riskier firms tend to be ... governed.

Chen et al. (2006) put forth that the proportion of ou[tside] directors, the number of board meetings, and the tenu[re of] the board chair are associated with the incidence of ... Bhagat and Bolton (2008) found that better govern[ance] indices, stock ownership of board members, and CEO-... separation is significantly positively correlated with ... contemporaneous and subsequent operating performa[nce]. Chhaochharia and Laeven (2009) investigated the impa[ct of] corporate governance on the valuation of firms in a panel ... on over 2300 firms for the period 2003 through 2005 ... total of 6134 firm-year observations of countries. It was ... that despite the costs associated with improving corp[orate] governance at the firm level, many firms choose to ... governance provisions beyond those that are adopted ... firms in the country, and that these improvements in corp[orate] governance are positively associated with firm valuation. ... (2009) concluded that liquidity as well as cash relative to ... of credit is high of firms having strong internal governan[ce] compared to the firms with weak internal governance. A... al. (2012) documented that increased corporate gover[nance] has greater impact on small firms as compared to large f[irms]. Further, he added that improvement in corporate gover[nance] helps in achieving investment grade ratings. Aldamen ...

[1]Manjit Kaur Sidhu, PhD, Professor, Post Graduate Government College, Sector-11, Chandigarh, India

Jatinder Kaur
Principal
Guru Gobind Singh College For Women
Sector 26, Chandigarh