Chapter VI

Findings and Conclusion

At last, the study will complete the research with major findings, conclusion, and suggestions reflecting on the entire research study, and emphasizing the opportunities that still awaiting for future opportunities and issues in the research work and development in this particular area.

MAJOR FINDINGS

In chapter one the study has provided a brief introduction of corporate governance, statement of problems relating to CG, research way, brief review of different literature surveys, objectives, hypothesis of the study, the sample selection process of the study, methodology, scope & limitations and chapter planning.

In chapter two i.e. conceptual framework of the enquiry, the study has shown the following matters:

➢   Evolution stages of corporate governance in India.

➢   Genesis of CG.

➢   Different committees' recommendations of CG and disclosure norms in India as well as outside India.

➢   Different laws, Acts, ordinance regarding CG in India.

➢   A detail literature survey regarding corporate governance and firms' performance.

➢ Framework of CG in India.

➢ Positive and negative impact of CG in Indian capital market.

From this chapter the study has found its different variables, methods of study, models of analysis, useful statistical tools, and other related matters of research, these are shown below:

➢ **Dependent variables**: Market capitalization (M_CAP), Market price per share(MP) and Price to book value ratio(PB).[Emre Ergin (2012: 64); Manawaduge,(2012: 99-104);Luo Lei(2006: 48,51,69,)].

➢ **Independent variables**: Corporate Governance (CG) variables under clause 49. [Sharma & Singh (2009: 94-95); Jackling & Johl (2009: 499-501); Emre Ergin (2012:64-67); Tangjitprom (2013: 215,219); Luo Lei (2006:94)].

➢ **Sample selection process**: Selected fifty six companies from Bombay Stock Exchange (BSE) on the basis of large-cap, mid-cap, small-cap and market capitalization. [Thesis 3: Luo Lei (2006: 48, 51, 69, 80); Lama (2012: 63, 72); Gul, Sajid, Razzaq, Afzal (2012: 271-275)].

➢ **CG scoring system**: Calculation of CG scores on binary system i.e. if yes, then "1" otherwise "0" and weighted index system according to importance. [Sharma & Singh (2009: 95); Emre Ergin (2012: 64-67); Chaghadari (2011: 485-486)].

➢ **Industry classification**: Fifty-six companies are categories into ten industries according to nature, [Jackling & Johl (2009: 499-501); Chugh, Meador, Kumar (2010:1-4); Rashid (2013: 562-565)].

➢ **Model:** Multiple Regression Models, and Pearson correlation, [Jackling & Johl (2009: 499-501); Gill, Biger, Mand & Shah (2012: 88); Moeinaddin & Karimianrad (2012: 491); Coşkun, Sayilir (2012:6 1); Chaghadari (2011: 485-486); Malik M. O., (2007:95);].

➢ Statistical package: **SPSS** [Manawaduge, (2012:104)]

In third chapter i.e. evaluation of listing agreement under clause 49 of SEBI guidelines, the study has found the followings:

Table 6.I: Compliance of CG Score according to Category of Compliance   (in %)

COMPLIANCE TABLE OF CG SCORE UNDER CLAUSE 49 OF LISTING AGREEMENT					
NO. OF COMPANIES AND % OF COMPLIANCE					
YEAR	BELOW 40%	>40% TO ≤54 %	>54% TO ≤69%	>69% TO ≤84%	>84% AND ABOVE	TOTAL SAMPLE COMPANIES
2002-03	20	21	14	1	0	56
2003-04	16	22	17	1	0	56
2004-05	13	15	27	1	0	56
2005-06	7	16	30	3	0	56
2006-07	5	15	30	5	1	56
2007-08	4	15	29	7	1	56
2008-09	4	11	32	8	1	56
2009-10	2	12	31	10	1	56
2010-11	0	9	34	12	1	56
2011-12	0	7	35	13	1	56
2012-13	0	4	37	14	1	56
2013-14	0	1	31	23	1	56

Table 6.II: Category of Compliance % of CG Score

CATEGORY	COMPLIANCE % OF CG SCORE
1.	below 40%
2.	>40% to ≤54 %
3.	>54% to ≤69%
4.	>69% to ≤84%
5.	>84% and above

Observation:

➢ From the above table, the study observed that the trend of CG compliance by sample companies are reducing from 2002-03 to 2013-14 of category one i.e. score below 40 %. In 2002-03, twenty companies are covered this percentage and gradually the number of companies move from this percentage to the next higher category. In the last four years of study, it is observed that no company belongs to this category i.e. numbers of companies are zero.

➢ The study also observed that the trend of CG compliance by sample companies are reducing from 2002-03 to 2013-14 of category two i.e. score >40% to ≤54%. In 2002-03, twenty-one companies are covered this percentage and gradually the number of companies move from this category to the next higher category. In last year, it observed that only one company reached this category.

➢ In category three i.e. >54% to ≤69%, fourteen companies have reached this % in 2002-03 after that the numbers of companies are increasing from fourteen to thirty one in 2002-03 to 2013-14. The

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study also observed that in 2012-13, thirty-seven companies have reached this category and rest six companies in 2013-14(i.e. 37-31=6) have moved to the next higher category.

➢ Under category four i.e. >69% to ≤84%, only one company has reached in 2002-03 and thereafter the numbers of companies have increased from one to twenty since 2002-03 to 2013-14. Therefore, in this category, the trend of compliance with CG disclosure norms by different companies is increasing year after year. This is a good sign in the hands of investors.

➢ In last category i.e. >84% and above of CG score, only one company i.e. Infosys Ltd. has fulfilled to reach at this point.

Therefore, it is concluded that the awareness regarding compliance percentage has increased in the mind of every company in India during last five years of the study. The investors are getting good compliance reports of corporate governance in the company's annual reports. From this discussion, the study has rejected the null hypothesis and accepted alternative hypothesis i.e. the firms abide the relevant rules of clause 49 of listing agreements.

In chapter four i.e. measuring the firms' performance in Indian capital market, the study has found the followings:

Table 6.III: Comparative Analysis of Overall Firm Performance

INDUSTRY	FIRMS PERFORMANCE VARIABLE		
	M_CAP (RS. IN CRORE)	MP (RS.)	PB
A	17475.32694	675.9045833	4.331162952
B	37965.27519	240.4438889	2.45603109
C	87037.45067	390.8896667	6.266068214
D	82601.94104	373.7269444	3.036738835
E	24255.74667	354.9853125	8.636064884
F	21364.79583	76.09013889	3.01526383
G	20221.36	242.1033333	2.45536066
H	9144.861033	232.5585	4.79363416
I	4692.3765	152.2668333	1.528666667
J	1143.129167	81.58472222	1.851341438
OVERALL AVERAGE	30590.2263	282.0553924	3.837033273

Observation:

➢ In this chapter the study has selected different financial variables as representatives of firms' performance in Indian capital market, namely, market capitalization, market price of per share and price to book value ratio.

➢ From the above table the study observed that average M_CAP of all selected industries is Rs. 30,590.2263 crore. Only B,C and D category industries has reached higher level of average M_CAP than all industries average i.e. Rs.37,965.27519 crore, Rs. 87,037.45067 and

Rs. 82,601.94104 crore respectively. In case of A category industry, Tata Motors(TM) has reached higher level of average M_CAP than overall industry average i.e. Rs. 44,092.6275 crore. In case of E category industry, Hindustan Unilever Ltd. (HUL) has also reached a higher level of average M_CAP i.e. Rs. 62470.26367 crore. In case of F category industry, NTPC ltd. has also reached a higher level of average M_CAP than overall industry average i.e. Rs. 1,09,269.5158 crore. Under G category industry, L&T also made a good percentage of average M_CAP than overall industry average i.e. Rs. 58,886.02833 crore. Under H category industry, Sunpharma ltd. (SPI) also made a better percentage of average M_CAP than overall industry average i.e. Rs. 37,293.43083 crore.

➢ Overall industry average market price (MP) per share is Rs. 282.05. Industries A, C, D and E have the higher values of MP than overall industry average i.e. Rs. 675.90, Rs. 390.88, Rs. 373.726 and Rs. 354.98 respectively. In case of category B industry, HDFC bank and HDFC ltd. have higher average MP than overall average i.e. Rs. 315 and Rs. 441 respectively. Under G category industry, L&T has higher average MP than industry average i.e. Rs. 661.20. Under H category industry, WYE (Wyeth Ltd.) has higher average MP than industry average i.e. Rs. 599.41.

➢ Overall industry average price to book value ratio (PB) is 3.83. Industries A, C, E and H have the higher levels of PB than overall

industry average i.e. 4.33, 6.26, 8.63 and 4.79 respectively. In case of B category industry, HDFC bank and HDFC ltd. have higher average PB than overall average i.e. 3.96 and 3.15 respectively. Under D category industry only Coal India ltd. has a higher average PB ratio than an overall industry PB ratio. In case of F industry, Havells India ltd. and Crompton Greaves Ltd. have reached a higher PB ratio than overall industry average i.e. 4.16 and 5.89 respectively. Under G category industry, L&T has a higher average PB than industry average i.e. 4.59. Under H category industry, SPI and KP have higher average PB than industry average i.e. 8.02 and 6.35 respectively.

➢ So from the above observation, it is observed that category I and J industries are performing well in the entire three dependent variables. So they should develop their financial performance according to other well performing companies.

The study has seen that a strong financial performance is maintained by most of the large-cap companies in India. Ultimately the study can say that the firm performance can be measured by selected financial variables in Indian capital market and accepted the alternative hypothesis.

In the fifth chapter i.e. impact of corporate governance on firms' performance in Indian capital market- analysis and results, the study has observed the following matters:

Table 6.IV: Summary of Significance Level of Correlation of all industries

INDUS TRY	FIRMS PERFORMANCE VARIABLE														
	M_CAP(RS. IN CRORE)					MP(RS.)					PB				
	B D	CG CD	D TT	G D	SUB TOTAL	B D	CG CD	D TT	G D	SUB TOTAL	B D	CG CD	D TT	G D	SUB TOTAL
A	1	1	1	1	4	1	0	0	0	1	0	0	0	0	0
B	0	1	1	1	3	1	1	1	1	4	0	1	1	0	2
C	1	1	1	1	4	1	1	0	0	2	1	0	0	0	1
D	0	1	1	1	3	1	0	1	1	3	0	0	1	0	1
E	0	1	1	1	3	1	0	0	1	2	1	0	1	1	3
F	0	0	1	1	2	1	1	1	1	4	0	1	1	1	3
G	1	0	1	0	2	1		1	0	2	1	1	1	0	3
H	0	0	0	0	0	1	1	1	1	4	0	0	0	0	0
I	0	0	1	1	2	1	1	0	1	3	0	0	1	1	2
J	1	1	1	1	4	1	1	1	1	4	1	1	1	1	4
TOTAL	4	6	9	8	27	1	6	6	7	29	4	4	7	4	19

Observation:

➢ Here one dependent variable has the of option to cover forty times (10 companies x 4 CG variables) of the significant of correlations at 5 % or 1% level of confidence.

➢ From the above table the study found that M_CAP, first dependent variable, has reached 67.5% of positive significant of correlation with Corporate Governance variables at 5% or 1% level of significance.

- The study also found that MP, second dependent variable, has reached 72.5% of positive significant of correlation with Corporate Governance variables at 5% or 1% level of significance.

- From the above table the study found that PB, third dependent variable, has reached 47.5% of positive significant of correlation with Corporate Governance variables at 5% or 1% level of significance.

So from the above table and discussion, the study has found that CG variables are highly affected the market price of companies i.e. 72.5%, followed by market capitalization (67.5%) and price to book value (47.5%). It is established that firm performance and corporate governance have a positive correlation.

Table 6.V: Overall Regression Summary

IND.	FIRMS PERFORMANCE VARIABLE											
	M_CAP (RS. IN CRORE)				MP (RS.)				PB			
	R	R²	F	SIG. OF F	R	R²	F	SIG OF F	R	R²	F	SIG. OF F
A	0.721	0.52	18.11	0	0.377	0.142	2.77	.03	0.365	0.133	2.568	0.046
B	0.476	0.227	7.556	0	0.538	0.334	12.894	0	0.735	0.541	30.339	0
C	0.801	0.642	24.661	0	0.745	0.555	17.148	0	0.58	0.337	6.98	0
D	0.833	0.694	37.921	0	0.571	0.326	8.093	0	0.558	0.312	7.588	0
E	0.561	0.315	10.44	0	0.732	0.535	26.221	0	0.573	0.329	11.144	0
F	0.689	0.475	15.14	0	0.657	0.432	12.735	0	0.365	0.134	2.581	0.045
G	0.803	0.646	14.11	0	0.817	0.667	15.552	0	0.819	0.672	15.842	0.045
H	0.516	0.267	5	0.002	0.682	0.465	11.938	0	0.466	0.217	3.808	0.008
I	0.812	0.66	26.70	0.002	0.62	0.384	8.586	0	0.517	0.268	5.022	0.002
J	0.878	0.771	26.07	0.002	0.859	0.738	21.794	0	0.65	0.422	5.658	0.002
O.A	0.709	0.5217	18.5738	.0006	0.6598	0.4578	13.773	.003	0.5628	0.336	9.153	0.014

Foot Note: Here IND. : Industry; O.A.: Overall Average; SIG. OF F: Significance of F.

Observation:

➤ When M_CAP is a dependent variable, then the overall value of R is 0.709 which is a marked degree of correlation i.e. M_CAP depends positively on independent variables (CG variables). C, D, G, I and J category industries have a high degree of correlation between M_CAP and CG variables because values of R in these industries are 0.801, 0.833, 0.803, 0.812 and 0.878 respectively. The overall value of R^2 is 0.522 which shows that 52% variation in average M_CAP explained by average CG variables. Overall and individual industries average significance of F is less than 0.05(0.0006), so the model explained as a well fitted model.

➤ When MP is a dependent variable, then the overall value of R is 0.659 which is a marked degree of correlation, i.e. MP depends positively on independent variables (CG variables). G and J category industries have a high degree of correlation between MP and CG variables because the values of R in these category industries are 0.817 and 0.859 respectively.

➤ Overall value of R^2 is 0.457 which shows that 47% variation in average MP explained by average CG variables. Overall and individual industries average significance of F is less than 0.05 (0.003), so the model explained as a well fitted model.

➤ When PB is a dependent variable, then the overall value of r is 0.562 which is a moderate degree of correlation i.e. PB also depends

positively on independent variables (CG variables). B, G and J category industries have marked degree of correlation between PB and CG variables because the values of R in these industries are 0.735, 0.819 and 0.65 respectively. The overall value of R^2 is 0.33 which shows that 33% variation in average PB explained by average CG variables. Overall and individual industries average significance of F is less than 0.05 (0.014), so the model explained as a well fitted model.

The study has rejected the null hypothesis and accepted alternative hypothesis i.e. the firm performance depends on the CG variables.

SUMMARY OF FINDINGS ALONG WITH CONCLUSION AND SUGGESTIONS FOR FUTURE RESEARCH

➢ After overall observation, it is concluded that there is a positive relation between firm performance and corporate governance. Because the study has analyzed Pearson correlation model and found that M_CAP, MP and PB are positively correlated with the CG variables, i.e. 67.5%, 72.5% and 47.5% respectively.

➢ It also found a moderate R value of these three dependent variables, like, M_CAP, MP and PB are 0.709, 0.659 and 0.562 respectively.

➢ In all the three equations, the significance of F is less than 0.05, so the models explained as well fitted model.

➢ Being a study, our present endeavour does with not conclude with any concrete generalization. Indeed, our focus right from the

beginning was on the exploration of many possible linkages. The study accordingly makes the following recommendations for future research:

➢ The study points to the possibility of a positive correlation between Corporate Governance and firms' performance on the basis of fifty six companies as sample. This correlation needs to be tested by taking up a large sample firms from different industries in India.

➢ This study is totally based on Indian companies so there may be a good possibility to research further with international CG norms;

➢ This study is based on secondary data so there is a possibility to establish a relationship of CG and firms' performance on the basis of primary data and field work etc.