ABSTRACT

In today’s era, corporate world requires a world class governance system. Corporate Governance is about working with transparency, fairness and accountability. In recent era, corporate governance has been in limelight because of the large corporate scams that the world has faced like Enron, Satyam, Reebok (India), etc. Although, the theory says that good governance leads to good performance of the company, but the evidence on the relationship is lacking. Numerous researches have been done in the past to study this relationship but the results have been mixed and inconclusive.

This paper attempts to study the impact of corporate governance on firms/companies overall performance. The sample is taken for the firms listed on NSE CNX 500 and the relevant data is collected for the period of 4 years from 2010 to 2013. The data was analysed through panel data fixed effect regression model to check the profitability of the firms to be dependent upon various corporate governance variables. Two different models are used in the regression analysis. One with dependent variable ROA and another with dependent variable ROE.

We find that the corporate governance’s impact is insignificant on the firms’ performance for the first model with dependent variable ROA, but the F-test for the model is significant. For the second model, the corporate governance variables shows a negative
impact on the firms’ profitability. Although, the F-test is significant for the overall model but the results are against what the theory says that corporate governance enhances the firms’ performance. Hence the results are insignificant or inconclusive.