

ABSTRACT

TITLE: IMPACT OF COMPETITION AND CORPORATE GOVERNANCE ON FIRM PERFORMANCE: EVIDENCE FROM MANUFACTURING FIRMS IN INDIA

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The theoretical foundation behind product market competition as a disciplinary mechanism is that poor corporate governance will automatically be taken into care when the product markets are competitive, since if the company fails to maximize the profits then the company will eventually exit the market. But on the other hand, competition alone may not be sufficient in driving performance because it may not prevent managers from expropriating the competitive return after the capital is sunk. Hence we study the impact of corporate governance and competition on firm performance and empirically investigate the same using data of NSE listed manufacturing firms in India. We further use the difference in control and cash flow rights to proxy for agency problem in the firm. In general, the analysis concludes that although competition is significant in affecting performance, but the need of the hour is to combat agency problems in the firm to improve its returns.