

# **IMPACT OF CORPORATE GOVERNANCE ON FIRM PERFORMANCE: EVIDENCE FROM INDIA**

## **ABSTRACT**

Most of the existing evidence on the impact of corporate governance on firm performance has been restricted to a handful of developed countries, notably US, UK, Germany and Japan. This paper provides evidence on the role of corporate governance in performance of the firm from developing and emerging economy, India. The main aim of the study is to investigate whether differences in quality of firm-level corporate governance can explain the firm-level performance in a cross-section of companies listed at Bombay Stock Exchange (BSE). As proposed in the paper Corporate Governance Index (CGI) was developed based on six sub-indices namely Board Responsibility, Board Structure, Shareholder Rights, Ownership, Transparency and Disclosure, and Auditing. The results indicate that corporate governance has significant impact on firm performance. However, not all the elements of governance are important. The three sub-indices namely Ownership, Shareholder Rights and Auditing showed very high significance in relation with firm performance. Board Responsibility and Board Structure sub-indices had only little significant effect on firm performance. But, Transparency and Disclosure sub-indices had no significant relationship with firm performance.

**Keywords:** Corporate Governance, Firm Performance, Corporate Governance Index,