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A Review Article On Corporate Governance Reforms In India

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ABSTRACT

The issue of corporate governance has become obverse and centre of the agenda for both business leaders and regulators all over the world, following the global financial crisis. The crisis has provided many illustrations of the collapse of corporate governance and, consequently, international regulators are hard at work to influence appropriate regulatory controls. Thus, the role of effective corporate governance is of massive importance for the society as whole. First, it encourages the efficient use of scarce resources within the organization and the economy. Second, it makes the resources flow to the most efficient sectors or entities. Third, it helps the mangers to remain focused on improving performance. Fourth, it provides a tool of choosing the best executive to control the scarce resources. Finally, it forces the organization to comply with the rules, regulations and prospects of society.

There is plethora of studies and researches on corporate governance in the Indian context. Through this review article in Section 1, we go through the previous literature on corporate governance in India. In section 2, we highlight the corporate governance variables used in various studies. In section 3, we summarise the main findings of the various research studies. In section 4, we go through the areas for further research and discussions in the field of corporate governance in India.

KEY WORDS-Corporate governance, Promoter, Auditor,Return on assets,Agency theory, Economic value added

SECTION 1- REVIEW OF PREVIOUS LITERATURE

Abhiman Das and Saibal Ghosh (2004), "Corporate Governance in Banking System: An Empirical Investigation", Economic and Political Weekly, Vol. 39, No. 12, Money, Banking and Finance (Mar. 20-26, 2004), pp. 1263-1266

This paper examines the issue of corporate governance in the Indian banking system. The paper seeks to explore the link between CEO turnover and bank performance. Using data on banking systems for the period 1996-2003, the findings reveal that CEOs of poorly performing banks are likely to face higher turnover than CEOs of well performing ones.

Neeraj Dwivedi and Arun Kumar Jain (2005), "Corporate Governance and Performance of Indian Firms: The Effect of Board Size and Ownership", Employee Responsibilities and Rights Journal, Vol. 17, No. 3, September 2005

The paper reviews and investigates the relationship between corporate governance and firm performance in the Indian context taking into account the endogeneity in the relationship. A simultaneous equation regression model for Tobin's Q, as a measure of firm performance, is attempted using corporate governance variables, while controlling for industry effects and other non-governance variables. Analysis of the Indian corporate sector provides evidence that a higher proportion of foreign shareholding is associated with increase in market value of the firm, while the directors' shareholding has a non-linear negative relationship with firm value. Public shareholding has a linear negative association. Endogeneity in the variables was not found.

Rajesh Chakrabarti(2005),"Corporate Governance in India – Evolution and Challenges", Available at SSRN: http://ssrn.com/abstract=887947

Development of norms and guidelines are an important first step in a serious effort to improve corporate governance. The bigger challenge in India, however, lies in the proper implementation of those rules at the ground level. More and more it appears that outside agencies like analysts and stock markets (particularly foreign markets for companies making GDR issues) have the most influence on the actions of managers in the leading companies of the country and hence more needs to be done to ensure adequate corporate governance in the average Indian company.

Dr. A.P.Pati(2006), "DOES CORPORATE GOVERNANCE MATTER IN INDIAN BANKING? POLICY IMPLICATIONS ON THE PERFORMANCE", Economic and Political Weekly (EPW), June 1, Vol. XXXVII, (22), 2010, 2155-2162

The paper measures the effectiveness of corporate governance in the Indian banking sector. The paper tries to assess the corporate governance policy impact on financial variables, both qualitatively and quantitatively. The former is attempted with the help of a survey method by analyzing the status of corporate governance as on 2001, various recommendations of the committees set up by RBI and the action taken by RBI on these recommendations. The latter is tried with by establishing a relationship between the financial performance parameters of banking with the sector specific cg policies. The period of the study is taken from 1998-99 to 2004-05. Non-Performing Assets (NPA) and Return on Assets (ROA) are used as proxies for asset quality and profitability of banks. The empirical analysis reveals that corporate governance has a bearing on financial performance of Indian banking.

Manas Mayur & Dr. P. Saravanan(2006), "DOES THE BOARD SIZE REALLY MATTER? – AN EMPIRICAL INVESTIGATION ON THE INDIAN

BANKING SECTOR", Journal of Financial Economics, (58).

The present study is a maiden attempt in accessing the relationship between board size and performance of banks in context of India. Further, the bank performance variables were taken only as controlling variables. For the present study, only those banks were analyzed which are listed on either BSE or NSE. The study revealed the absence of impact of board size on the performance of the banks that belongs to banking sector.

Saibal Ghosh (2006): Do board characteristics affect corporate performance? Firm-level evidence for India, Applied Economics Letters, 13:7, 435-443

The study examines the association between financial performance and boards of non-financial firms. Using data on 127 listed manufacturing firms in India for 2003 the findings indicate that, after controlling for various firm-specific factors, larger boards tend to have a dampening influence on firm performance, judged in terms of either accounting or market-based measures of performance. In terms of policy implications, the analysis suggests that compensation of the CEO has a significant effect on the performance of the firm.

Bernard S. Black & Vikramaditya S. Khanna(2007), "CAN CORPORATE GOVERNANCE REFORMS INCREASE FIRMS' MARKET VALUES? EVIDENCE FROM INDIA", Journal of Empirical Legal Studies, http://ssrn.com/abstract=914440

The paper analyses the differences in values of large firms and small firms in India by studying India's adoption of major governance reforms (Clause 49). Clause 49 requires public companies to have audit committees, a minimum number of independent directors, and CEO/CFO certification of financial statements and internal controls. The treatment effect is used to compare the returns to large firms, relative to small firms, when the reforms are announced. The May 1999 announcement by Indian securities regulators of plans to adopt Clause 49 was accompanied by a 4% increase in the price of large firms over a two-day event window (the announcement date plus the next trading day), relative to smaller public firms; the difference grows to 7% over a five-day event window thus proving the impact of corporate governance reforms.

Luc Laeven(2007), "Corporate Governance, Regulation, and Bank Risk Taking", Economic and Political Weekly, Vol. 39, No. 12, Money, Banking and Finance (Mar. 20-26, 2007), pp. 1263-1266

This paper examines the impact of ownership structure, managerial shareholdings, and national laws and regulations on bank risk taking. Consistent with recent theories, the paper finds that large owners with substantial cash flow rights increase bank risk taking, but this relationship depends on management structure, investor protection laws, and bank regulations. Furthermore, standard bank regulations, such as capital requirements, supervisory oversight, and prompt corrective action policies, do not directly influence risk taking. Rather, regulations stressing diversification reduce bank risk in economies with supportive legal systems.

M SUBRAMANYAM (2007), "CORPORATE GOVERNANCE IN

DEVELOPING ECONOMIES – A STUDY OF EMERGING ISSUES IN INDIA", http://ssrn.com/abstract=1879053

The present paper aims at reviewing the various facets of developments in Corporate Governance practices in the emerging economies with special focus on India. The paper shows that India has good Corporate Governance mechanism and disclosure practices on par with its world counterparts. It also shows that the Corporate Governance in India is not an outcome of corporate failures in the country as in other countries of the world like the US and UK. India has made efforts voluntarily to tone up the performance and efficiency of its corporate sector.

Alka Banerjee, Subir Gokarn, Manoranjan Pattanayak, Sunil K. Sinha(2007), "Corporate Governance and Market Value: Preliminary Evidence from Indian Companies", Review of Financial Economics 15,pg193–221

To examine Corporate Governance practices and their impact on firm-level performance, the paper uses the Corporate Governance score obtained from the S&P ESG India Index as proxy for firm-level governance quality. Empirical analysis show a positive and significant relationship between CG score and firm-level performance after controlling for a number of firm-specific and time-specific factors. Better governed firms not only command a higher market valuation but are also less leveraged and have higher interest coverage ratios. Further they provide a higher return on net worth and capital employed, and additionally their profit margins are relatively more stable. Finally their Price-Earnings Ratio (P/E) and yield—the return earned by the shareholders by way of dividend—are also higher in comparison to the firms whose CG score is lower

N Balasubramani, Bemard S. Black & Vikramaditya Khanna (2008), "FIRM-LEVEL CORPORATE GOVERNANCE IN EMERGING MARKETS: A CASE STUDY OF INDIA", WORKING PAPER NO.274 The Journal of Financial Economics, 9, page 3-18.

The paper provides an overview of Indian corporate governance practices, based primarily on responses to a 2006 survey of 370 Indian public companies. Indian corporate governance rules appear appropriate for larger companies, but could use some strengthening in the area of related party transactions, and some relaxation for smaller companies. A broad Indian Corporate Governance Index (ICCI) is built and it examines the association between ICCI and firm market value. A positive and statistically significant association between ICCI and firm market value is found.

Beverley Jackling and Shireenjit Johl(2009), "Board Structure and Firm Performance:
Evidence from India's Top Companies", Corporate Governance: An International Review, 2009, 17(4): 492–509

This paper investigates the relationship between internal governance structures and financial performance of Indian companies. The effectiveness of boards of directors, including board composition, board size, and aspects of board leadership including duality and board busyness are addressed in the Indian context using two theories of corporate governance: agency theory and resource dependency theory. The notion of separating leadership roles in a manner consistent with agency theory was not supported but there was some support for resource dependency theory. This study demonstrates that corporate governance measures utilized in developed economies related to boards of directors have some synergies and relevance to emerging economies, such as India.

Palanisamy Saravanan(2009), "Corporate Governance Characteristics and Company Performance of Family Owned and Non-Family Owned Businesses in India", Great Lakes Herald, Vol 3, No 1, March 2009

This paper studies the impact of promoters'family control and corporate governance on firm value. A sample of 771 firms during the period 2001 to 2005 was studied. The data were analyzed using't' test to find the difference in the firm value between promoter family controlled and nonpromoter family controlled firms. Multiple regression analysis was conducted to identify the factors that affect firm value. This study found that the firm value is not significantly affected by the ownership type of the firm and 'corporate governance' factors.

Dr. Supriti Mishra(2009), " The Link between Corporate Governance and Firm Performance: Evidence from India", Journal of Management Studies, 29, 411–438.

Using a sample of 141 companies, the study examines if companies that have good corporate governance practices in India do indeed report a better financial performance. The study measures corporate governance using three dimensions of corporate governance, namely the legal dimension, the board dimension, and the proactive dimension. It is found that companies that perform well in these three dimensions do indeed report better financial performance. These results are encouraging because this shows companies that have better corporate governance norms indeed reward their shareholders (including minority shareholders) in terms of better financial performance.

Rajesh Chakrabarti and Subrata Sarkar(2010) , "Corporate Governance in an Emerging Market – What does the Market Trust?", EADN WORKING PAPER No. 34

This paper provides a first-cut analysis of impact of corporate governance perception shocks to different firms. It analyzes the cross-sectional variation in the stock price reactions to the corporate governance shocks for Indian companies with reference to the Satyam scam. The reactions are measured on December16, 2008 i.e. date of approval for acquisition of Maytas by Satyam and January 6, 2009 when the Satyam scam was exposed. It relates the firm-specific abnormal returns on these two dates to different measures of corporate governance to find out the market perception of the validity of corporate governance measures. The paper finds that board effectiveness, variables like board size and board independence, the latter being at the heart of SEBI-mandated corporate governance reforms, have little role in explaining the variation in returns.

Ekta Selarka (2010), "Corporate Governance, Product Market Competition and Firm Performance: Empirical Analysis of Indian Corporate Sector", The Journal of Finance, LII (2), 737-783.

The paper investigates the interaction between corporate governance and product

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market competition in India where predominance of owner-mangers might cause corporate governance reforms to have a slow impact. Using a cross section of 1350 firms the paper captures various attributes of corporate governance by constructing an index of corporate governance based on board structure, ownership structure, audit quality and investor information disclosure. In general the empirical analysis suggests that relying on product market competition to improve corporate governance of firms may not be appropriate in the Indian setting and therefore, direct corporate governance reforms seem to be necessary and effective.

Jayati Sarkar and Subrata Sarkar(2010), " A Corporate Governance Index for Large Listed Companies in India", http://ssrn.com/abstract=2055091

The paper constructs a Corporate Governance Index for 500 large listed firms in the Indian corporate sector for the period 2003 to 2008 to examine the evolution of the state of corporate governance in India over a time period when a large number of corporate governance reforms took place. An examination of the relation of the Corporate Governance Index with the market performance of companies shows a strong association between the two with companies with better corporate governance structures earning substantially higher rates of return in the market. The empirical analysis shows that that good governance practices are rewarded by the market which provides an added incentive to companies to carry out governance reforms. It provides an impetus to regulators as well as to push for further reforms.

Akshita Arora(2011), "Relationship between Corporate Governance and Performance:
An Empirical Study from India", Journal of Financial and Quantitative Analysis, Vol. 31, pp .377–397.

This study empirically examines the impact of corporate governance on performance for Indian firms for the period 2001-2010. The study employs unique dataset for a sample of 373 firms which is the representative of Indian food industry .Both accounting as well as market-based performance measures are used for examining governance-performance relation. Results of the empirical analysis suggest that corporate governance has a strong influence on performance in the Indian context. Furthermore, the results report that when boards are dominated by executive directors and frequency of board meetings is high, it enhances firm performance. The board size, institutional ownership and CEO-duality also have a strong influence on firm performance.

V. Umakanth(2011), "CORPORATE GOVERNANCE IN INDIA'S INFRASTRUCTURE SECTOR: ISSUES AND PERSPECTIVES", IDFC Law Reporter, 3rd Anniversary Issue, 2011

The paper identifies three relationships between corporate governance and Indian Infrastructure sector. First, corporate governance framework defines the manner in which managers of infrastructure companies can be incentivized to demonstrate optimal performance so as to benefit shareholders and lenders. Second, the infrastructure sector in India is vulnerable to the ill-effects of related party transactions that put external or minority shareholders at a disadvantage compared to

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the insider shareholders or promoters, and this requires the imposition of checks and balances that monitor the impact of related party transactions to ensure fairness on all shareholder constituencies. Third, appropriate corporate governance mechanisms will minimize the adverse impact of infrastructure activity on stakeholders outside the industry, and also act as a driving force in the fight against corruption and in otherwise advancing public interest.

Dr. Aman Srivastava (2011), "Ownership Structure and Corporate Performance: Evidence from India", International Journal of Humanities and Social Science, Vol. 1 No. 1; January 2011

This paper is an attempt to address the relationship of ownership structure of the firm and its performance. It investigates whether the ownership type affects some key accounting and market performance indicators of listed firms. The 98 most actively listed companies on BSE 100 indices of Bombay Stock Exchange of India, which constitute the bulk of trading, were chosen to constitute the sample of the study as of end of 2009-10. The findings indicate the presence of highly concentrated ownership structure in the Indian market. The results of the regression analyses indicate that the dispersed ownership percentage influences certain dimensions of accounting performance indicators (i.e. ROA and ROE) but not stock market performance indicators (i.e. P/E and P/BV ratios), which indicate that there might be other factors (economic, political, contextual) affecting firms performance other than ownership structure.

Pankaj Varshney, Vijay Kumar Kaul and V.K. Vasal(2012), "Corporate Governance Index and Firm Performance: Empirical evidence from India", http://ssrn.com/abstract=2103462

The paper investigates the relationship between corporate governance and firm performance in the Indian context by constructing a corporate governance index based on internal and external corporate governance mechanisms. Value-based performance measure - Economic Value Added (EVA), are used to measure firm performance. Besides EVA, traditional measures such as Return on Networth, Return on Capital employed and Tobin's Q have also been used to evaluate the linkage between corporate governance and firm performance. The empirical analysis concludes that there is a positive relationship exists between corporate governance based on the corporate governance index and firm performance, when the performance is measured in terms of the value-based performance tool – Economic Value Added (EVA). The relationship could not be validated for the traditional performance tools – RONW, ROCE or Tobin's Q.

Padmini Srinivasan(2012), "Corporate Governance and Company Performance: A Study with Reference to Manufacturing Firms in India", http://ssrn.com/abstract=2063677

In this work an attempt is made to study the impact of corporate governance in the determination of firm value in the manufacturing firms in India. The purposing sampling method was adopted while choosing the sample firms that are listed in Bombay Stock Exchange (BSE). The researchers choose a sample of 1732 firms and the relevant data were collected during the period 2001 to 2010. The data were analyzed using a multiple regression analysis to identify the factors that affect firm value. It is found that the firm value is significantly affected by the corporate governance variables for manufacturing firms.

DR. Harmeet Kaur(2012), "A COMPARATIVE STUDY OF CORPORATE GOVERNANCE DISCLOSURE BY PRIVATE AND PUBLIC SECTOR BANKS IN INDIA" International Journal of Multidisciplinary Research Vol.2 Issue 2, February 2012, ISSN 2231 5780

The present study attempts to find the difference in the corporate governance disclosures of private and public sector banks in India. A Disclosure Index of 8 broad parameters has been prepared according to the clause 49 of the SEBI using content analysis. The paper concludes that all banks have disclosed information regarding the board of directors, their experience and directorship in other companies but Axis, ICICI and Bank of Baroda do not disclose the experience of their directors. There is considerable divergence in practices of corporate governance being followed by the banks in India

Naveen Kumar and J. P. Singh(2012), "Outside Directors, Corporate Governance and Firm
Performance: Empirical Evidence from India", Asian Journal of Finance & Accounting
ISSN 1946-052X 2012, Vol. 4, No. 2

The current study examines the efficacy of outside directors on the corporate boards of 157 non-financial Indian companies for the year 2008. The research particularly investigates if the monitoring by grey director (non-executive non-independent) and independent director influences firm performance. Research finding reveals that while the proportion of grey directors on board has marginally deteriorated effect, the independent director's proportion has an insignificant positive effect on firm value. Outcome of research has significant implications for devising a board model for companies in India that have a significant ownership concentration and insider control. Independent directors require greater representation on the board in lieu of other non-executive outside directors.

Dr. Vijaya B Marisetty & Dr. A.V. Vedpuriswar(2012), "CORPORATE GOVERNANCE AND MARKET REACTIONS", Scholarlink Research Institute Journals, 2012 (ISSN: 2141-7024)

The paper criticizes currently used conventional ranking methods of corporate governance. They use endogenous variables that can be controlled by the information providers. Recent accounting
Scandals have exposed this weakness. In this paper, it is shown that share mispricing, which is more exogenous and market determined is a simple but effective measure of corporate governance .The paper advocates corporate governance as a mechanism for allocating resources efficiently in order to maximize social welfare. The paper shows that welfare costs are high if assets are not fairly priced. On the whole, shares of good governance companies are less mispriced compared to bad governance companies. However, good

governance companies are more mispriced during event announcements compared to bad governance companies.

SECTION 2-A Comparison of Corporate Governance practices in The Indian Economy

The current section deals with analysis of the corporate governance practices in the Indian economy by comparing and contrasting the practices of the financial sector and the Non Financial sector. The Non Financial sector is further divided into various subsectors of manufacturing sector, infrastructure, food processing etc.

- ***THE STUDIES ON INDIAN NON BANKING SECTOR***

Research Paper	Corporate Governance variables	Empirical method	Results/Recommendations
Neeraj Dwivedi and Arun Kumar Jain (2005), "Corporate Governance and Performance of Indian Firms: The Effect of Board Size and Ownership", Employee Responsibilities and Rights Journal, Vol. 17, No. 3, September 2005	Governance parameters include board size, directors' shareholding, institutional and foreign shareholding, while the fragmentation in shareholding is captured by public shareholding.	A simultaneous equation regression model for Tobin's Q, as a measure of firm performance, is attempted using these variables, while controlling for industry effects and other non-governance variables.	1. Bigger boards are in a position to improve the governance of the firms leading to lower agency costs and have a positive association with firm value in the Indian context. 2. Foreign shareholders, who are mainly institutional shareholders, are in a better position to monitor the managers leading to improved firm performance. 3. Directors' shareholding is

			found to have a significant negative impact on firm value.
MANUFACTURING FIRMS Saibal Ghosh (2006): Do board characteristics affect corporate performance? Firm-level evidence for India, Applied Economics Letters, 13:7, 435-443	Board variables are instrumented using ownership concentration (holding by the largest shareholder), ownership by banks, dividend outlays and two anti-investor protection measures: GDR issue and preference share issue are used as proxy for corporate governance.	Regression using the instrumental variables approach is used.	1. Large boards are inefficient monitors of firm performance. 2. A positive association between the number of non-executive directors and firm performance is found. 3. Impact of Remuneration of the CEO on corporate performance shows no significant relationship between the two.
Bernard S. Black & Vikramaditya S. Khanna(2007), "CAN CORPORATE GOVERNANCE REFORMS INCREASE FIRMS' MARKET VALUES? EVIDENCE FROM INDIA", Journal of Empirical Legal Studies (2007), http://ssrn.com/abstract=914440	The paper reports evidence on investor reaction to the May 1999 announcement of India's plans to adopt the Clause 49 governance reforms using stock returns as the performance variable. Early Adopters of corporate governance is used as dummy variable along with insider ownership, Government ownership and Market Share.	The regression approach is used to pool returns to all firms during the event period, and regress these returns on group dummies and other variables of interest.	Faster growing firms react more positively to Sec 49 announcement, as do firms which are cross-listed on foreign exchanges. Faster-growing firms are more likely to raise equity capital, and may benefit more from the bonding to good governance provided by Clause 49. The positive reaction of cross-listed firms suggests that local

			regulation can sometimes complement, rather than substitute for, the regulatory benefits of cross-listing.
Alka Banerjee, Subir Gokarn, Manoranjan Pattanayak, Sunil K. Sinha(2007), "Corporate Governance and Market Value: Preliminary Evidence from Indian Companies", Review of Financial Economics 15 (2006) 193–221	The number of independent directors, separation of the CEO's and the Chairman's positions in a company are used as proxy for corporate governance.	The fixed effect regression technique is used to empirically test the nature of the relationship between governance score and market value as measured by Tobin's Q.	Results show a positive and significant relationship between CG score and firm-level performance after controlling for a number of firm-specific and time-specific factors. Better governed firms not only command a higher market valuation but are also less leveraged and have higher interest coverage ratios.
M SUBRAMANYAM (2007), "CORPORATE GOVERNANCE IN DEVELOPING ECONOMIES – A STUDY OF EMERGING ISSUES IN INDIA", http://ssrn.com/abstract=1879053\	Composition of Board, Non executive directors' compensation and disclosures, Independent director, Board meetings, Code of Conduct, Audit Committee are used to review the progress of corporate governance.	The study reviews the progress made in corporate governance practices in various Indian companies. The study is exploratory in nature.	There is a need for a strong culture of compliance at the top of an organization and it will be necessary to consider how management can respond appropriately to ethical or reputational concerns that come to its knowledge. Further steps have to be taken to improve transparency through more disclosures of information related to corporate governance.
N Balasubramani, Bemard S. Black & Vikramaditya Khanna	India Corporate Governance Index (ICGI) is construced with following elements:	Ordinary least squares regressions of	1. ICGI is more strongly associated with firm value for more

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(2008), "FIRM-LEVEL CORPORATE GOVERNANCE IN EMERGING MARKETS: A CASE STUDY OF INDIA", WORKING PAPER NO.274, The Journal of Financial Economics, 9, 3-18. Baysinger,	1.Board Structure (with subindices for board independence and board committees) 2.Disclosure (with subindices for disclosure substance and for auditor independence) 3.Related Party Transactions (with subindices for the volume of related party transactions and their volume) 4.Shareholder Rights 5.Board Procedure (with subindices for overall procedure and for audit committee procedure)	In(Tobin's q), In(market/book), and In(market/sales) on Corporate Governance Index (ICGI) and control variables.	profitable firms, and for higher Tobin's q firms. 2. A subindex for shareholder rights is individually significant, but subindices for board structure, disclosure, board procedure, and related party transactions are not significant.
Beverley Jackling and Shireenjit Johl(2009), "Board Structure and Firm Performance: Evidence from India's Top Companies", Corporate Governance: An International Review, 2009, 17(4): 492–509	The proportion of outside directors on the board of directors,CEO Chair duality, board size, number of meetings, multiple directorships are used to represent corporate governance.	Three-stage least squares (3SLS) is used to measure impact of corporate governance on firms performance.	The results using 3SLS estimations show: 1.Some evidence of a positive and significant relationship between board composition in terms of outside directors and financial performance as measured by Tobin's Q. 2.There is a negative association between leadership structures and firm performance is accepted, when the CEO is the sole employee on the board. 3.The results of this study overall indicated that there was a significant and positive association between board size and financial performance.

			4. Firms whose outside directors have many directorships may lower the effectiveness of their role as corporate monitors.
Dr. Supriti Mishra (2009), " The Link between Corporate Governance and Firm Performance: Evidence from India", IIM-B Management Review, 9 (4), 5-18	In order to understand the effect of CG on financial performance, each of the three indicators—legal, Board, and proactive were examined using their sub-indicators: 1. *Legal Compliance Indicator*- Adverse Auditor's Report, Default in the Payment of Tax, Duties, etc 2. *Board Efficiency Indicator*- Promoter's Stake, Number of Directors, Percentage of Independent Directors in the Board, Number of Board Meetings, Number of other Companies' Boards in which the Directors are Members. 3. *Proactive Indicator*- Earnings Forecast Score, Additional Information in the Annual Report.	The statistical tool used in the study is multiple regression of ROA on all the three indicators of Corporate governance.	1. There is a weak relationship between the legal indicators and financial performance implying that existing legal compliance mechanisms are not adequate to boost financial performance in Indian companies. 2. A significant relation between the board efficiency indicator and financial performance justifies the different provisions in the Clause 49 of the Listing Agreement regarding board efficiency. 3. A significant relationship between proactive indicators and financial performance indicates that companies that provide advanced earnings forecasts and that give additional information about the company, on an average, report higher ROA.
MANUFACTURING FIRMS Dr. Supriti Mishra (2009), "The Link	Corporate Governance indicator includes legal compliance indicators such as compliance with various laws	Multiple regression is used to test relationship	Companies that perform well in these three dimensions do indeed report better financial

between Corporate Governance and Firm Performance: Evidence from India", Journal of Management Studies, 29, 411–438.	and standards and on time payment of dividends to shareholders. Second, Board has been taken as another indicator that, in turn, includes a comprehensive list of nine sub-indicators related to board issues such as composition and size of board, its independence, and so on. Third, certain proactive approaches of the top management such as publishing corporate governance reports, etc. are also considered.	between the three dimensions and firms performance.	performance.
Palanisamy Saravanan (2009), "Corporate Governance Characteristics and Company Performance of Family Owned and Non-Family Owned Businesses in India", Great Lakes Herald, Vol 3, No 1, March 2009	Board size and board composition are used as corporate governance Indicators.	The data were analyzed using't' test to find the difference in the firm value between promoter family controlled and non promoter family controlled firms. Multiple regression analysis was conducted to identify the factors that affect firm value	This study found that the firm value is not significantly affected by the ownership type of the firm and 'corporate governance' factors.
Rajesh Chakrabarti and Subrata Sarkar (2010), "Corporate Governance in an Emerging Market – What does the Market Trust?", EADN WORKING PAPER No. 34	Variables that may individually capture important elements of corporate governance are board size and board independence as measured by the proportion of independent directors on the board along with tenure of the current independent directors	Cross-sectional variation in individual stock returns in India on two specific days when the market was hit by news of	Board effectiveness variables like board size and board independence, have little role in explaining the variation in returns. In spite of PWC's

	and their age and accounting knowledge of the directors serving on the board. Proportion of independent directors in the audit committee as well as the extent of accounting knowledge in the audit committee and share of promoters in the equity of a firm is also used.	significant corporate governance failure in Satyam, a major Indian company is used.	involvement in the Satyam scandal it, as well as other "Big 4" firms as well as major domestic audit firms all continue to enjoy reputation advantage.
MANUFACTURING FIRMS Ekta Selarka (2010), "Corporate Governance, Product Market Competition and Firm Performance: Empirical Analysis of Indian Corporate Sector", The Journal of Finance, LII (2), 737-783.	The researchers construct four sub indices using 16 corporate governance elements: Board Structure (5 elements); Ownership Structure (5 elements); Disclosure (4 elements) and Audit (2 elements).	OLS regression between Corporate Governance index and firm performance after controlling for other firm specific variables and excluding outliers is used for empirical analysis.	The corporate governance index positively correlates with performance and is consistent across stock market and operating performance measures.
Jayati Sarkar and Subrata Sarkar (2010), " A Corporate Governance Index for Large Listed Companies in India", http://ssrn.com/abstract =2055091	Corporate Governance Index for 500 large listed firms in the Indian corporate sector for the period 2003 to 2008 is built using information on four important corporate governance mechanisms namely, the board of director, ownership structure, audit committee, and the external auditor.	Regression is used to examine the relation between the Corporate Governance Index and stock market return.	The empirical analysis shows a strong association between the two with companies with better corporate governance structures earning substantially higher rates of return in the market.
INFRASTRUCTURE SECTOR V. Umakanth(2011), "CORPORATE GOVERNANCE IN INDIA'S	Stakeholders (Public Interest), Promoters: Related-party Transactions, directors and their Incentives are used to represent corporate governance.	The study is exploratory in nature.	It is incumbent upon leading players in the infrastructure sector to organize themselves to create appropriate corporate governance

INFRASTRUCTURE SECTOR: ISSUES AND PERSPECTIVES", IDFC Law Reporter, 3rd Anniversary Issue, 2011			standards and practices through a code that is applicable to all industries in the sector.
FOOD INDUSTRY Akshita Arora(2011), "Relationship between Corporate Governance and Performance: An Empirical Study from India", Journal of Financial and Quantitative Analysis, Vol. 31, pp .377–397.	Corporate Governance is represented using variables like board size, proportion of outside directors, board activity intensity, CEO-Chair duality and institutional ownership.	The panel least square with random effects and simultaneous equation method are employed for empirical analysis.	The study documents that corporate governance is of great significance for firms' Performance: 1. The board composition plays a substantial role in determining firms' Performance. 2. The frequency of board meetings as a measure of board activity intensity has an affirmative relationship with both the performance measures. 3. The board size, institutional ownership and CEO-duality also have a strong influence on firm performance.
Dr. Aman Srivastava (2011), "Ownership Structure and Corporate Performance: Evidence from India",	Domestic Promoter Holding, Foreign Promoter Holding and Institutional holding are the corporate governance variables used in the study.	Ordinary Least Square Estimation methodology using both	The results of the regression analyses indicate that the dispersed ownership percentage influences

International Journal of Humanities and Social Science, Vol. 1 No. 1; January 2011		Return on Equity (ROE) and Return on Investment (ROI) variables - representing accounting performance measures, and Price-Earning Ratio (P/E) and Price to Book Value (P/BV) – representing stock market performance measures; separately as dependent variables.	certain dimensions of accounting performance indicators (i.e. ROA and ROE) but not stock market performance indicators (i.e. P/E and P/BV ratios.
Pankaj Varshney, Vijay Kumar Kaul and V.K. Vasal(2012), "Corporate Governance Index and Firm Performance: Empirical evidence from India", http://ssrn.com/abstract=2103462	Corporate Governance Index is based on both internal and external mechanisms of corporate governance. The internal governance mechanisms considered are: (a) Board Structure, and (b) Ownership Structure, while the external governance mechanisms included are: (a) Market for Corporate control, and (b) Product Market competition. The variables representing board structure are proportion of Outside directors, Board Size, Number of board meetings, and CEO duality. Ownership structure variables are Promoters' equity, corporate holding in excess of 10%, Institutional holding,	In order to analyze the impact of overall corporate governance as measured by the Corporate Governance Index on firm performance, OLS regression, pooled OLS regression and random effects model were used.	A positive relationship exists between corporate governance based on the Corporate Governance Index and firm performance, when the performance is measured in terms of the value-based performance tool – Economic Value Added (EVA). The relationship could not be validated for the traditional performance tools – RONW, ROCE or Tobin's Q.

	ADR/GDR issuance, and ESOPs. Market for external control is represented by shareholding by non-promoters and product market competition is represented by the market share of the firm.		
MANUFACTURING FIRMS Padmini Srinivasan (2012), "Corporate Governance and Company Performance: A Study with Reference to Manufacturing Firms in India", http://ssrn.com/abstract =2063677	The corporate governance indicators used are board size and board composition i.e. number of independent directors on the board.	The data were analyzed using a multiple regression analysis to identify the factors that affect firm value	It is found that the firm value is significantly affected by the corporate governance variables for manufacturing firms.
Naveen Kumar and J. P. Singh(2012), "Outside Directors, Corporate Governance and Firm Performance: Empirical Evidence from India", Asian Journal of Finance & Accounting ISSN 1946-052X 2012, Vol. 4, No. 2	Proportion of non executive directors (independent and grey directors) on the board , Board size, board leadership and Insider ownership are used as corporate governance variables.	The paper has adopted Ordinary least squares (OLS) regression to test the impact of corporate governance on financial performance of firms.	The promoters who are owners and controllers Of Indian companies negatively impact the performance of independent directors and hence have negative impact on firm's performance.
Dr. Vijaya B Marisetty & Dr. A.V. Vedpuriswar(2012), "CORPORATE GOVERNANCE AND MARKET REACTIONS, " Scholarlink Research Institute Journals, 2012 (ISSN: 2141-7024)	The paper uses share mispricing, which is more exogenous and market determined as a simple but effective measure of corporate governance.	Covariance's of the returns are used to measure the information content at different time Periods. Volatility ratios measure variances between good	Mispricing is low on an average for good Governance companies compared to bad governance companies. Stock prices of good governance companies are closer to their intrinsic value compared to bad governance companies.

		and bad governance Companies and also test whether nature of event affects volatility.	

- **STUDIES ON THE INDIAN BANKING SECTOR**

The study on the Indian banking sector is very limited.

Research Paper	Corporate Governance variables	Empirical method	Results/Recommendations
Abhiman Das and Saibal Ghosh (2004), " Corporate Governance in Banking System: An Empirical Investigation", Economic and Political Weekly, Vol. 39, No. 12, Money, Banking and Finance (Mar. 20-26, 2004), pp. 1263-1266	CEO characteristics like age,tenure,remuneration and directorship of other companies is taken as a proxy for corporate governance.	The paper estimates the relationship between CEO turnover and performance in public sector banking system using OLS regression.	In a sample of 27 public sector banks in India, CEOs of poorly performing banks are likely to face higher turnover than CEOs of well-performing ones. Along this dimension, corporate governance is effective
Manas Mayur & Dr. P. Saravanan (2006), "DOES THE BOARD SIZE REALLY MATTER? – AN EMPIRICAL INVESTIGATION ON THE INDIAN BANKING SECTOR", Journal of Financial Economics, (58).	Along with board size, ratio of Non-executive directors to executive directors and number of board meetings per year are used as corporate governance variables.	In order to find out the influence of board size and each of the other variables on the bank value two multiple regression analysis was performed.	The board size has no effect on the performance of the banks.
Dr. A.P.Pati(2006), "DOES CORPORATE GOVERNANCE MATTER IN INDIAN	Accountability of the Board to Shareholders, Election to the board, Size of the Board, composition of board,	Correlation between corporate governance	The strong R square values coupled with significant t-values testify the strong

BANKING? POLICY IMPLICATIONS ON THE PERFORMANCE", Economic and Political Weekly (EPW), June 1, Vol. XXXVII, (22), 2010, 2155-2162	independence directors, tenure for Directors and age, board meetings and chairman/ceo duality are variables used.	variables and firms performance is measured and "t test" is conducted.	correlations found for different financial parameters with corporate governance. This signifies the fact that corporate governance has a bearing on financial performance of Indian banking.
Luc Laeven(2007), "Corporate Governance, Regulation, and Bank Risk Taking", Economic and Political Weekly, Vol. 39, No. 12, Money, Banking and Finance (Mar. 20-26, 2004), pp. 1263-1266	Corporate governance variables used are : 1. Ownership Structure: Control Rights and Cash-Flow Rights. 2. Management Structure and Ownership History 3. Investor protection laws	To identify the independent impact of regulations on bank risk taking, instrumental Variables approach is used.	The paper finds that large owners with substantial cash-flow rights tend to induce banks to increase risk, but the relationship between ownership structure and risk taking depends on the role of the large owner in managing the firm, investor protection laws, and regulations.
DR. Harmeet Kaur (2012), "A COMPARATIVE STUDY OF CORPORATE GOVERNANCE DISCLOSURE BY PRIVATE AND PUBLIC SECTOR BANKS IN INDIA" International Journal of Multidisciplinary Research Vol.2 Issue 2, February 2012, ISSN 2231 5780	A Disclosure Index of 8 broad parameters has been prepared according to the clause 49 of the SEBI.The main dimensions of index are: 1. Statement on company's philosophy on code of governance. 2. Board of Directors 3. Board Meeting 4. Board Committees like audit, investors, and remuneration committees. 5. Disclosures on	A disclosure index has been developed after studying the annual reports of various banks. This technique is called as content analysis. A score of 1 was awarded if an item was reported; otherwise a score of 0 was	1. It has been found that all the banks whether public or private have incorporated their Corporate Governance practices in their annual reports. 2. There is considerable divergence in practices of corporate governance being followed by the private and public banks in India.

	materially significant related party transactions 6. Frequency of disclosure of financial statements. 7. General Body Meetings 8. Shareholder information	awarded.	

SECTION3-Conclusion

Corporate governance is a regulatory way to ensure that organizations are fair to the shareholders. In this information era, the shareholders are vigilant and are aware about their rights. This has made it more important for the companies to disclose the various parameters in their annual general reports depending upon the model of corporate disclosure being followed by the legal authority. Corporate governance has become vital issue all around the world, particularly, in the aftermath of global financial crisis that teetered many economies into recession.

Corporate Governance (CG) has fast emerged as a benchmark for judging corporate excellence in the context of national and international business practices. From guidelines and desirable code of conduct some decade ago, corporate governance is now recognized as a paradigm for improving competitiveness and enhancing efficiency and thus improving investors' confidence and accessing capital, both domestic as well as foreign.

CG initiatives in India began in 1998 with the Desirable Code of Corporate Governance, a voluntary code published by the Confederation of Indian Industry (CII). In February 2000, the Securities and Exchange Board of India (SEBI) established the first formal regulatory framework for listed companies on CG (Clause 49 of the Listing Agreements) based on the recommendations of the Kumar Mangalam Birla Committee Report, 1999. In October 2004, these were revised following the recommendations of the Narayana Murthy Committee Report, 2003. More recently, in December 2009, the Ministry of Corporate Affairs, Government of India put forward guidelines on CG for voluntary adoption by the corporate sector in India.

On reviewing the research on corporate governance in India till date following observations can be made:

1. If asked whether good corporate governance (CG) creates value, a majority of the researches would indicate that the link is not well-defined. But if asked whether bad corporate governance destroys value, the answer would invariably be in the affirmative.
2. It appears that weakness in corporate governance is a risk that neither the

investors nor the government/regulators can ignore.

3. In legal terms the Indian corporate governance model is one of the best in the world and provides good investor protection.
4. The problem lies with the implementation of this framework due to wide spread bureaucracy and corruption.
5. Most of the Indian companies are complying with the section 49 norms.
6. Most of the Indian businesses are family managed and ownership remains concentrated in few hands but the ills related to such set ups cannot always be validated.
7. The corporate governance problems in India are very different from those found in the UK or US.While the problem in these countries is of disciplining the management, the problem in our country is of disciplining the dominant shareholder and protecting the interest of minority shareholders.
8. Many studies focus on the analysis of board of directors-their age as an (imperfect) indicator of experience and the tenure on the board as an indicator of de facto independence with the assumption that a longer tenure on a board is likely to compromise a director's independence. Finally another measure of board quality is the average number of directorships held by the independent board members. These measures yield mixed results but the market appears to pay maximum attention to the quality of independent directors on the board.
9. The number of independent directors is also often cited as proxy for good CG but the researches shows varied results. Some studies have found that the market rewards firms for the appointment of independent directors while others found no relation between the proportion of independent directors and various firm-level performance measures like ROA and Tobin's Q.
10. Thus, the evidence relating to board independence and firm value varies. The evidence pertaining to audit-related governance factors and firm performance is also mixed.
11. The frequency of board meetings as a measure of board activity intensity has an affirmative relationship with the performance measures.
12. The board size, institutional ownership and CEO-duality also have a strong influence on firm's performance.
13. Apart from these commonly used measures of corporate governance, share mispricing, which is more exogenous and market determined can be a simple but effective measure of corporate governance
14. Most of the studies used accounting measures, but some researchers shifted to market-based measures. As a result, it is believed that the higher reliance on market-based measures is justifiable for two reasons. First, market-based measures are less prone to accounting variations and secondly, they reflect investor

perceptions about the firm's future prospects.

15. In case of manufacturing firms in India, a consistent result is found. Corporate governance reforms are found to have a positive and significant impact on firm's performance.
16. In case of food manufacturing firms in India, the researchers found that board composition plays a substantial role in determining firms' Performance.
17. Much improvement is required in the corporate governance practices in the Indian Infrastructure sector.
18. The ownership variables fare better, with promoters' share and FIIs' holdings being most significant across specifications (except for group firms for the latter). Apparently the markets have faith in firms where the promoter has a greater stake. Among institutional holding FII participation seems to provide certification value while holdings of mutual funds and banks and financial institutions have no such effect.
19. Institutional shareholders (particularly Mutual funds, Insurance companies,etc) are beginning to hold significant number of shares in Indian listed companies, they have refrained from exercising any significant influence over corporate decision making. Hence, major studies fail to find any impact of such investment on firms performance.
20. Indian market, like most emerging markets, is a mix of domestic and foreign investors. To the extent that global investors put a premium on the governance of the companies they invest in, their strategies may have some positive spillover effects on domestic investors who may be trying to replicate them. We cannot of course address this issue definitively in the Indian context based on limited researches in Indian context, but there is an important implication in following this line of thinking—the more significant the presence of investors who value good governance, the more likely it is that good governance practices will spread across the broader community of investors. This aspect may support an argument for regulatory mechanisms that encourage such investors.
21. The good thing is that studies reveal that investors are actually using the information available from companies on their governance practices to differentiate between companies. This implies that companies have an interest in improving their corporate governance practices as well as in publicizing the measures that they take, since this would contribute to an improvement in their market valuations.

As research and practitioner interest in corporate governance soars around the world, we have seen a proliferation of measures and indexes that seek to describe

and measure the complex and largely qualitative concept. Market returns have also been associated with select corporate governance variables, though the debate about the impact of the latter is not yet over. Nevertheless, there is little clarity over what market participants view as a meaningful indicator of corporate governance (or at least one or more of its dimensions). The divergence between now textbook measures of corporate governance and those that investors actually care about is likely to be particularly pronounced in an emerging market setting where institutional gaps often compromise the validity of certain measures that may be effective in developed markets.
We also try to compare the corporate governance practices in the banking and non banking sector in India. In the content of corporate governance, the Indian banking sector has a special role to play, not only because of the critical nature of the business but because it is the sector that has had large public ownership- which is one in the process of being divested historically, banks has been used for government policy implementation.

However, governance of banking institutions deserves separate attention for several other reasons like the following:

- First, banks are very vulnerable to shocks due to their highly leveraged balance sheet structure and, more recently, financial deregulation and liberalization. It means that risk management and other internal control are much more important in the banking sector.
- Second, governments usually provide safety nets to banks and heavily regulate them in consideration of the importance of banks and the externality associated with banking sector stability. It reduces incentives to monitor banks by creditors. Also, it is questionable whether banks should single-mindedly pursue the interests of shareholders, as taxpayers also have a large stake in banks.
- Third, information asymmetry is much more serious in banking than in non-financial industries due largely to the intertemporal nature (involving a promise to pay in the future) of typical financial contracts and increasing complexity of financial products. This calls for higher standards of governance including disclosure and transparency.
- Finally, banks can play an important monitoring and governance role for their corporate clients to safeguard their credit against corporate financial distress or bankruptcies. This role cannot be properly played without sound governance of banks ensuring bank managers to control risk and pursue profits.

On basis of the researches in the Indian banking sector, we conclude that decision and policy making was still taken mostly as a routine matter and among the institutional investors also it seemed that the foreign

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institutional investors are the most consistent in stock picking in good performance banks, whereas the performance of the domestic institutional investors was sporadic and volatile, at best.

To sum the objective of governance in banks should be protection of depositors' interest and then be to optimize the shareholder's interest. All other considerations would fall in place once these two are achieved. Banking supervision cannot work effectively if sound corporate governance is not in place and consequently banking supervisors have a strong interest in ensuring that there is effective corporate governance at every banking organization. Supervisory experience underscores the necessary of having the appropriate level of accountability and checks the balances within each bank. Put plainly sound corporate governance makes the work of supervisors infinitely easier. Sound corporate governance can contribute to a collaborative working relationship between bank management and bank supervisors.

*On basis of the various researches on corporate governance in India, we can conclude that the practice of corporate governance is at nascent stage although corporate governance practices by Indian Corporate Sector is more than a decade. Both private and public sector enterprises are adhering to mandatory requirements of corporate governance attributes as a result it is bringing more transparency and minimizing the chances of fraud and malpractices. However, hope is looming large for the proper implementation of corporate governance principles in Indian E*conomy.

SECTION4-Future Direction for Corporate Governance Reforms and Research

To summarize, the key features that distinguish the environment for corporate governance in India are as below:

1. The traditional Anglo Saxon Model of Corporate Governance has limited applicability in India as the Indian Corporate structure is characterized by the presence of the Dominant Shareholder. In the Indian context, Corporate Governance has as its primary role the protection of the

Minority Shareholder(s) as opposed to harmonizing the interest of the Owners (Shareholders) and Managers in the Firm.

2. In India, the Dominant Shareholder is not restricted to Family owned Corporations only. The State also plays the role of a Dominant Shareholder by virtue of its holding controlling shares in many Public Sector undertakings. Furthermore, there is also the small but significant presence of Multi National Corporations (MNCs) who have a controlling role in some Indian Companies.
3. Corporate mis-governance gets highlighted only in cases when disputes arise within the Dominant Shareholder Group as was evidenced in the fall out between the Ambani brothers in their dispute over the ownership of Reliance Industries Limited or the Satyam scandal. Till such time they are together, the Dominant Shareholders continue to expropriate the interests of the Minority Shareholders by using their controlling shareholding to force through shareholder resolutions under the guise of 'shareholder democracy' and corporate mis-governance is usually swept under the carpet.
4. The current corporate governance measures based on rule based compliance(with clause 49 of the Listing Agreement) have failed in India as they have focused more on 'form' than on 'content'.
5. The fact that companies like Satyam and Reliance received coveted awards for good governance in a period when, as it was subsequently found, they had a period of very poor governance is a strong indictment of the current measures used to define Good Governance in India.
6. As in the rest of the world, Corporate Governance practices in India have been impacted and shaped by the external regulatory framework in which the organizations function and which is characterized by poor enforcement of law. Rather than continue to lament on the poor public enforcement of law, the key to better corporate governance may lie in and private ordering initiatives and in private enforcement of law.

Clearly the complexities to the corporate governance issues in India are multi dimensional which are compounded by the fact that not only do we have a less than complete understanding of the basic issues and policy makers have transplanted an alien concept which is unsuitable to address the basic problem but also we have very poor implementation of rules and regulations. As a result, the good intent reflected on the statute books and in the regulations usually does not get converted into concrete action on the ground.

India's experience of two decades with corporate governance reforms has raised a number of questions, such as, "How well are India's companies being governed?", "Why have there been failures?", "What were the regulators doing, could they have prevented

the failures?", "What must be done to ensure that directors abide by best practice?" etc.
The current focus in corporate governance reforms in India has been on various requirements of corporate governance, such as independent directors, audit committee and CEO/CFO certification, which originated in the context of the 'outsider' model. Replicating these features in India, which are based on the 'insider' model (in terms of ownership) for corporate governance, is unlikely to give the desired results as they do not address the root cause of poor corporate governance in India. Adequate attention has not been paid to the efficacy of the current approach and concepts that were devised for one business context are sought to be fitted into another business context to address the corporate governance issues in that context and have resulted in a mismatch. There is a serious perception gap in understanding the theoretical underpinnings of Indian corporate governance issues and hence the underlying issues require careful reconsideration.

However, despite an understanding of the deficiencies in the current corporate governance model and the recognition of the need to develop more India centric governance reforms, we need to tread with caution in recommending changes as we no longer have the luxury of time on our side as there is the need for further research to fully understand the underlying issues that affect corporate governance in India as only that would help to evolve the right framework that is appropriate to the Indian situation and ethos.

Some of the areas for further research and discussions have been identified as below:

1. Greater and focused research is required to understand the specific problem between controlling shareholders and minority shareholders, that is prevalent in the Indian context, and to develop academic literature as well as develop suitable regulatory solutions to deal with this problem. In the 'insider' system, prevalent in India, the essential role of corporate governance norms should be to remove the governance systems from the purview of controlling shareholders and place the firm's governance systems outside their influence. In other words, the corporate governance systems ought to be zealously guarded against any "capture" of these systems by the managing shareholder, even if such shareholders do not hold the controlling interest in the company, and the primary purpose of governance systems, in India, ought to be to protect the interests of the minority shareholders against the actions of the controlling shareholders.
2. Another challenge in researching 'good' Governance has been that it is not easy to clearly quantify what 'good' Governance is; traditionally, researchers have assessed the quality of Governance indirectly, by measuring adherence or compliance to certain actions which are expected

to lead to 'good' Governance. Unfortunately there is no unanimity among researchers on what the underlying parameters that define and impact Corporate Governance in organizations, are. Therefore, the robustness of such indirect measures of Corporate Governance would be dependent upon how accurately such indirect measures are able to map 'good' governance. A better understanding of the underlying factors that impact Corporate Governance in the Indian context would help evolve solutions that are specific and appropriate to Indian companies.

3. There have been studies which reveal that the companies that depart from 'best practices' in corporate governance (as may be mandated by regulators) because of genuine circumstances actually outperform all others and cannot be considered to be badly-governed at all. This calls for further research, going forward, to understand how useful the quest for a uniform governance standard (adopted by the implementation of a uniform governance code) in India is.
4. Most of the existing research work is based on a one way causal model of relationship between Corporate Governance and Corporate Performance and has ignored the possibility of a two way relationship that may exist between Corporate Performance and Corporate Governance.

Therefore, at the end we can conclude that it would be good if the Indian corporate governance debate were to transcend beyond conventional wisdom to take into account the distinctive Indian factors that are characteristic of the business environment here and to take into account its past history and culture, rather than to live in the hope that concepts developed in the US and UK, that had been developed to address the agency problems between shareholders and managers, would be quite appropriate to solve the problems that arise in corporate governance in India.

Indeed, corporate governance reforms in India are now at an interesting crossroad and the future developments in reforms implementation, during the current decade, will decide how effective would the corporate governance reforms be in India.

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