

Impact of Corporate Governance Measures on Corporate Performance: Comparative Analysis of Firms Based on their Market Capitalization and Management

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Abstract

The present study aims to provide an understanding of corporate governance disclosure levels. Since the revision of Companies Act in India in 2013, corporate governance (CG) is mandatory for listed firms in India. It is against this background that the paper attempts to compare the corporate governance practices of SENSEX 30 companies with 30 small cap companies. The comparison is done on several parameters of CG as Board structure, ownership pattern and governance and disclosure. The research study also examines the impact of corporate governance measures on financial performance with Return on Assets (ROA) as the indicator of financial performance. Regression analysis is done for sensex and small cap companies on CG parameters. The research findings reveal that CG measures do tend to differ across different types of firms. Moreover, size, composition of board of directors, number of board meetings in a year and the ownership structure all impact the financial performance. The findings on CG parameters emphasize on the significance of 'good governance' by firms for boosting investors' confidence, preventing 'creative accounting practices' by corporates and in enhancing financial performance.

Key words: Corporate Governance, Return on Assets, Market Capitalization, Ownership.

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