

Impact of Corporate Governance Characteristics on Firm's Value: A Study of Indian Manufacturing and Service Sector

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Abstract

Corporate governance is a significant determinant of corporate performance, especially in emerging markets which experience concentrated ownership and different enforcement policies compared with developed countries. This paper examines the influence of corporate governance on the firm's financial performance in India. Some of the important governance variables analysed are size of the board, board independence, CEO duality, board meeting effectiveness and gender diversity. Utilising panel data of 115 listed companies on BSE India for a twelve year (2014-2025) period, the paper uses fixed and random effects regression to investigate the relation between governance mechanisms and accounting profit measure such as return on assets (ROA), return on equity (ROE) and return on capital employed (ROCE) as well as market (Tobin's Q) performance measures. The findings of the study suggest that board Independence, board meeting frequency is positively and significantly related to firm performance, thus emphasizing the significance of watchdogs in Indian companies. On the other hand, CEO duality has a negative impact on firm performance, indicating the presence of agency problems. Firm size and leverage have mixed effect which implies for the firm specific and industry level difference. The study adds to the literature on corporate governance by providing evidence in a developing country context and practical implications for development of sound policy initiatives for regulators, corporate managers, and investors seeking to improve the governance mechanism and the performance of firms in India.