

Balancing Power: How Promoter Ownership and Board Independence Shape Firm Performance in India

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Abstract

This paper discusses the promoter ownership and board independence and its effects on the financial performance of Indian listed companies, specifically on the NIFTY-100 companies between the years 2013-2024. The study measures the direct and interaction effect of the important variables of governance on firm's financial performance using a comprehensive panel dataset and applying random-effects GLS regression with sturdy standard errors. The results are that there is an important inverted-U relationship between promoter ownership and company performance, which shows that moderate promoter ownerships increase profitability, and over concentration decreases performance and entrenchment. The independence of the board has a positive and significant impact on firm performance, which shows the importance of independence of the board in enhancing oversight measures and quality of decision making. Also, there is a positive relationship between ownership of promoter and board independence implying that independent director is used to curb the negative implications of high promoter concentration. Other control variables like age and leverage have no significant effect whereas sales have a marginal positive effect. The findings have a contribution to the literature of corporate governance by indicating the complementary role of ownership structure and board composition in determining the firm outcomes in emerging markets such as India. The research has implications to the policymakers, investors and firms interested in maximizing governance mechanism to enhance performance.

Keywords

Board independence, corporate governance, firm performance, promoter ownership, NIFTY-100 companies.