# A Study on Corporate Governance and Firm Performance

Harshitha Surendra[1], Sushmita. B[2], Dr. Rohini. R[3]
M.Com Student[1,2], Guide[3]
Department of commerce and Management
Mount Carmel College (Autonomous), Bengaluru, India

**Abstract:**
This empirical study, seeks to quantify the relationship between corporate governance and the performance of firms. As part of this study, the authors undertook an intensive review of literature to identify a range of elements that contribute to overall corporate governance. In this study, corporate governance is considered to consist of the following elements: (i) the size of the board; (ii) the presence of female board members; (ii) the duality of the CEO; (iv) the education level of board members.

## I. INTRODUCTION:

Many empirical studies have been conducted over the last two decades to investigate a relationship between corporate governance and a firm's performance in the world. The studies on this topic are mainly conducted in a qualitative form by referencing to the history of corporate governance. As such, this study aims to quantify the contribution of corporate governance to the performance for listed companies. Literature review and previous empirical studies from overseas have been referenced to develop a research framework and to develop research hypotheses in relation to the relationship between corporate governance and a firm's performance. Previous studies have indicated that corporate governance can be measured through the following elements: (i) board size; (ii) presence of female board members; (iii) duality of the CEO; (iv) education level of board members; (v) independent (outside) directors. In addition, a firm's performance is measured by the return on asset, known as the ROA ratio. This study has examined various research hypotheses based on a sample of 48 listed companies on the National Stock Exchange (NSE) for the period of 7 years from 2012 to 2018, the longest possible data set when this study was conducted.

## II. REVIEW OF LITERATURE

Evidence from previous empirical studies from academic literature has sought to confirm the effect of corporate governance on a firm's performance. A literature review from relevant academic studies has indicated the following characteristics applied to corporate governance such as: (i) board size; (ii) presence of female board members; (iii) duality of the CEO;
(iv) education level of board members; (v) independent directors.

### 1. JohnE. CoreRobert W.Holthausen (2001), 'Corporate Governance and Firm Performance'
We find that both board-of-director characteristics and ownership structure have a substantive cross-sectional association with the level of CEO compensation, after controlling for standard economic determinants of the level of CEO compensation (e.g., proxies for the firm's demand for a high-quality CEO, contemporaneous firm performance, and firm risk). In particular, with respect to the board-of-director variables, we find that CEO compensation is higher when the CEO is also the board chair, the board is larger, there is a greater percentage of the board composed of outside directors, and the outside directors are appointed by the CEO or are considered `gray' directors. CEO compensation is also higher when outside directors are older and serve on more than three other boards. With respect to ownership variables, we find that CEO compensation is a decreasing function of the CEO's ownership stake and the existence of an external block holder who owns at least 5% of the equity. Although we find no association between the percentage ownership per outside director and CEO compensation, we find that the existence of a non-CEO internal board member who owns at least 5% of the shares is associated with lower CEO compensation.

### 2. Sanjai Bhagat (2008), 'Corporate governance and firm performance'
Study the impact of corporate governance on firm performance during the 1990s. They find that stock returns of firms with strong shareholder rights outperform, on a risk-adjusted basis, returns of firms with weak shareholder rights by 8.5%/year during this decade. Given this result, serious concerns can be raised about the efficient market hypothesis, since these portfolios could be constructed with publicly available data. On the policy domain, corporate governance proponents have prominently cited this result as evidence that good governance (as measured by GIM) has a positive impact on corporate performance. There are three alternative ways of interpreting the superior return performance of companies with strong shareholder rights. First, these results could be sample-period specific; hence companies with strong shareholder rights during the current decade of 2000s may not have exhibited superior return performance. In fact, in a very recent paper, Core, Guay and Rusticus (2005) carefully document that in the current decade share returns of companies with strong shareholder rights do not outperform those with weak shareholder rights. Second, the risk-adjustment might not have been done properly; in other words, the governance factor might be correlated with some unobservable risk factor(s). Third, the relation between corporate governance and performance might be endogenous raising doubts about the causality explanation. There is a significant body of theoretical and empirical literature in accounting and finance that considers the relations among corporate governance, management turnover, corporate performance, corporate capital structure, and corporate ownership structure. Hence, from an econometric viewpoint, to study the relationship

between any two of these variables one would need to formulate a system of simultaneous equations that specifies the relationships among these variables.

### 3. Masood FooladiChaghadarivol.10 (2011) 'Corporate Governance and Firm Performance

Based on agency theory, the importance of Corporate Governance (CG) is to reduce agency conflicts between those who control and those who own the residual claims in a firm. In other words, CG as a mechanism helps to align management's goals with those of the stakeholders that are to increase firm performance. Since, the value creation of CG can be measured through the firm performance; the aim of this study is to answer this question: "is there any relationship between CG and firm performance?" Therefore, the four board characteristics that are of interest in this study are board independency, CEO duality, ownership structure, and board size. Based on a randomly selected sample of companies listed on Bursa Malaysia and applying the linear multiple regression as the underlying statistical tests, it is found that CEO duality has a negative relationship with firm performance (Return on Equity and Return on Asset) but there is no significant relationship between board independency, board size and ownership structure as independent variables and firm performance as dependent variable.

### 4. Klaus Gugler 3 October 2002, 'The Effect of Corporate Governance on Firm Value and Profitability'

Governance in most other countries functions di6erently. In Japan 2 and most of the South East Asian countries, business groups with their pyramidal and cross-ownership structures are common governance devices. In these countries legal requirements for management, often part of the controlling family, are rather weak. In Continental Europe a concentrated ownership structure is the distinguishing feature and the corporate law again plays a minor role. This paper focuses upon the large–small shareholder con1ict by analyzing dividend announcements and dividend pay-out ratios in Germany. Several theories have been put forward to explain the information that dividend announcements might convey, most prominently the cash 1ow signaling and the free cash 1ow hypotheses. The cash 1ow signaling hypothesis asserts that managers have more information about the 0rm's future cash 1ows than do individuals outside the 0rm, and they have incentives to signal that information to investors.

### 5. RobertW. Rutledge, 'The Effects of Board Independence and CEO Duality on Firm Performance'

This study examines the effects of board independence and CEO duality on firm performance. We analyze data for the NASDAQ-100 firms over the period 2010-2014. Three measurements of board independence are used: (1) proportion of independent directors, (2) committee overlap, and (3) board interlock. We use an alternative and more appropriate definition of committee overlap and board interlock that only considers independent-director committee overlaps and interlocks. Our method includes the use of a treatment effect approach to control for endogenous issues that have likely caused mixed results in prior research. Several significant results are found from this study. First, independent-director committee overlaps are shown to have a significantly positive relationship with firm performance. Secondly, board interlocks of independent directors are also found to be positively associated with firm performance. Lastly, we find a negative relationship between CEO duality and firm performance. The relevance of these results is discussed from corporate governance policy and academic research perspectives.

### 6. Lawrence D. Brown December 7, 2004, 'Corporate Governance and Firm Performance'

We create a broad measure of corporate governance, Gov.-Score, based on a new dataset provided by Institutional Shareholder Services. Gov.-Score is a composite measure of 51 factors encompassing eight corporate governance categories: audit, board of directors, charter/bylaws, director education, executive and director compensation, ownership, progressive practices, and state of incorporation. We relate Gov.-Score to operating performance, valuation, and shareholder payout for 2,327 firms, and we find that better-governed firms are relatively more profitable, more valuable, and pay out more cash to their shareholders. We examine which of the eight categories underlying Gov.-Score are most highly associated with firm performance. We show that good governance, as measured using executive and director compensation, is most highly associated with good performance.

### 7.Jun-KooKangFirm performance, 'corporate governance, and top executive turnover in Japan'

We examine the role of corporate governance mechanisms during top executive turnover in Japanese corporations. Consistent with evidence from U.S. data, the likelihood of no routine turnover is significantly related to industry-adjusted return on assets, excess stock returns, and negative operating income, but is not related to industry performance. The sensitivity of no routine turnover to earnings performance is higher for firms with ties to a main bank than for firms without such ties. Outside succession in Japan is more likely for firms with large shareholders and a main bank relationship. We document performance improvements subsequent to no routine turnover and outside succession.

## III. OBJECTIVES:

• To understand the influence of board member affects the firm performance.
• To understand the influence of female board member affects the firm performance.
• To understand the influence of CEO duality affects the firm performance.
• To understand the influence of board's educational level affects the firm performance.
• To understand the influence of independent director affects the firm performance.

**Purpose of the study:**
• The purpose of the study is to analyze how corporate governance affects the firm performance.
• To check whether the corporate governance is positively or negatively affects the firm performance.

**Importance of the study:**

Let us understand why corporate governance is essential for the firm
• It lays down the framework for creating long-term trust between companies and the external providers of capital.
• It rationalizes the management and monitoring of risk that a firm faces globally.
• It limits the liability of top management and directors, by carefully articulating the decision making process.

• It improves strategic thinking at the top by inducting independent directors who bring a wealth of experience, and a host of new ideas.

## Managerial implications:
The empirical study aims to provide empirical evidence for listed firms in enhancing their understanding in relation to the development of a corporate governance mechanism. As a result, listed companies are now provided with evidence to set up a flexible, dynamic and efficient.

## Limitations of the study:
• The owners of the company and the company itself are legally separated.
• Shareholders of a corporation will appoint a board of directors, and the board will be responsible for managing the company.
• A corporation restricts a shareholder's liability to the amount of money or other assets they have invested in the company.
• If the directors and officers are not fulfilling this fiduciary duty, they may face personal liability.

## IV. VARIABLE DISCRIPTION

### BOARD SIZE
In relation to a relationship between the size of a board and a firm's performance, there are two distinct schools of thoughts. The first school of thought argues that a smaller board size will contribute more to the success of a firm (Lipton and Lorsch, 1992; Jensen, 1993; Yermack, 1996). However, the second school of thought considers that a large board size will improve a firm's performance (Pfeffer, 1972; Klein, 1998; Coles and ctg, 2008). These studies indicate that a large board will support and advise firm management more effectively because of a complex of business environment and an organizational culture (Klein, 1998). Moreover, a large board size will gather much more information. As a result, a large board size appears to be better for firm performance (Dalton and ctg, 1999).

### Female board members
Female board members are examined very often in empirical studies. The female board members reflect a diversified characteristic of the board (Dutta và Bose, 2006). In addition, Smith et al. (2006) considered three different reasons to recognize the importance of females on a board.
• Female board members usually have a better understanding of a market in comparison with male members. As such, this understanding will enhance the decisions made by the board.
• Female board members will bring better images in the perception of the community for a firm and this will contribute positively to firm's performance.
• Other board members will have enhanced understanding of the business environment when female board members are appointed.
Moreover, this study also indicated that female board members can positively affect career development of junior female staff in a business. As a result, a firm's performance is improved directly and indirectly with the presence of female board members.

### Duality of the CEO
Even though empirical studies cannot provide an agreed view on a contribution of duality to a firm's performance, there is an agreement between shareholders, institutional investors, and policymakers that a chairman or chairwoman of a board should not be the same with the chief executive officer. Rules provided recommendation that when there is a duality in a firm, a number of independent directors on a board should be a majority to provide balance and an effective and efficient operation of a board. In recognition of the importance of a separation of responsibility between a chairman and a CEO, many businesses had altered their existing structure of duality to a non-duality structure (Chen, Lin and Yi, 2008). These authors considered that, in many businesses with a duality structure, there has been an abuse of power at the expense of the company and the shareholders. As a result, duality would reduce a board's supervision of the management of a company. This reduction results in an increase of costs to an agency.

### Board's educational level
The role of a board is the internal corporate governance of a firm (Fama, 1980). A board is also a control system in a business (Fama and Jensen, 1983). A board of directors supervising management decisions in an efficient manner will improve firm's performance. Doing so requires each board member to be fully equipped with management knowledge such as finance, accounting, marketing, information systems, legal issues and other related areas to the decision making process. This requirement implies that the quality of each board member will contribute significantly and positively to management decisions which are then translated into the Firm's performance.

### Board's independent directors
Many empirical studies have agreed on the importance of independent directors to the success of a firm. For example, Elloumi and Gueyié (2001) concluded that firms with high ratio of independent directors in a board face less frequent financial pressure. In addition, when a business environment worsens, firms with many independent directors have had lower Probability of filing for bankruptcy.

## RESEARCH DESIGN AND METHODOLOGY
## RESEARACH GAP:
Results support the continuation to establish whether information asymmetry only affects stock liquidity or if it also affects equity discount rates. The duration of study should be more than one year because the effect of independent variables will be during subsequent periods. Questions worthy of further investigation include the channels through which governance affects market value, and the effect of governance at the business group level rather than the firm level.

## Hypothesis:
### BOARD SIZE
H1:- There is a negative relationship between board size and firm's performance.
### FEMALE BOARD MEMBERS
H2:- There is a positive relationship between female board members and firm's performance.
### DUALITY OF THE CEO
H3:- There is a negatively relationship between duality of CEO and firm's performance.
### BOARD'S EDUCATIONAL LEVEL
H4:- There is a positive relationship between board's educational level and firm's performance.
### BOARD'S INDEPENDENT DIRECTORS
H5:- There is a positive relationship between board's independent directors and firm's performance.

## DATA ANALYSIS
## DATA SAMPLE

A sample was collected from 48 listed firms on Stock Exchange for the period from 2012 to 2018 inclusive. This sample includes banks, financial companies, insurance firms and investment funds due to significant difference of the capital structures and operations' requirements.

## DATA COLLECTION

Data were collected through survey using formats of annual report and financial statements of 48 listed companies on the National Stock Exchange (NSE) for the period of 7 years from 2012 to 2018 covering all the factors such as board size, female board members, CEO duality, board education level, independent directors of the board and return on asset ratio along with the control variable such as firm size, firm age, leverage and firm state's ownership.

### Primary data

Primary data is information that you collect specifically for the purpose of your research project. An advantage of primary data is that it is specifically tailored to your research needs. A disadvantage is that it is expensive to obtain.

### Secondary data

Secondary data refers to data which is collected by someone who is someone other than the user. The data was collected from the journal of,
a)Economic Regulation Authority, Perth, Australia;
b) Open University, Ho Chi Minh City, Vietnam, Research Paper of Corporate Governance and Firm Performance.

## STATISTICAL TOOL USED
### Descriptive statistics

A descriptive statistic is a summary statistic that quantitatively describes or summarizes features of a collection of information, while descriptive statistics in the mass noun sense is the process of using and analyzing those statistics.

### Regression

Regression analysis is a set of statistical processes for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables.

### Correlation

Correlation is a statistical technique that can show whether and how strongly pairs of variables are related. Correlation works for quantifiable data in which numbers are meaningful, usually quantities of some sort. It cannot be used for purely categorical data, such as gender, brands purchased, or favorite color.

## IV. ANALYSIS AND INTERPRETATION

The collected Data were subject to statistical analysis such as descriptive statistical analysis including, mean, standard deviation, minimum, maximum. This was done to check the accuracy of Correlation analysis is applied to extract the variables the most used tool for exploratory data analysis. Reliability was done with a view to identify inconsistencies in the data. To form the hypothesis and to compare the independent factors with dependent factors regression test was done.

**Table.1. Descriptive Statistics Mean and Standard Deviation**

|  | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|
| ROA | -27.98 | 77.61 | 9.0597 | 12.17544 |
| BS | 0.00 | 23.00 | 10.0565 | 4.90078 |
| FB | 0.00 | 4.00 | 1.1015 | .94860 |
| CEO | 0.00 | 2.00 | 1.0030 | .51036 |
| OD | 0.00 | 14.00 | 4.7522 | 2.72295 |
| BE | 0.00 | 21.00 | 8.3731 | 4.37616 |
| FS | 12.36 | 1584.34 | 273.9764 | 248.00579 |
| FA | 6.00 | 111.00 | 43.7917 | 24.21246 |
| State | 0.00 | 1.00 | .9583 | .20012 |
| Leverage | 0.00 | 7.51 | .5990 | 1.33978 |
| Valid N (listwise) |  |  |  |  |

Descriptive statistics was done using SPSS software as shown in the table. Descriptive included mean, standard deviation, minimum, maximum. Standard error=the deviation between the sample mean and population is measured using standard error. Stand error the test made to check the accuracy; it should be least in number. As the sample size increases the standard error decreases. Standard deviation=the statistical measure to measure the dispersion of the set of data values.

**Table. 2. Correlation matrix among variables**

**Correlations**

|  |  | ROA | BS | FB | CEO | OD | BE | FS | FA | State | Leverage |
|---|---|---|---|---|---|---|---|---|---|---|---|
| ROA | Pearson Correlation | 1 | .046 | -.049 | -.022 | -.001 | .039 | -.020 | .234** | .114* | -.164** |
|  | Sig. (2-tailed) |  | .404 | .375 | .686 | .989 | .474 | .714 | .000 | .036 | .003 |
|  | N | 336 | 336 | 335 | 335 | 335 | 335 | 336 | 336 | 336 | 336 |
| BS | Pearson Correlation | .046 | 1 | .514** | .610** | .600** | .993** | .062 | .072 | -.055 | .008 |
|  | Sig. (2-tailed) | .404 |  | .000 | .000 | .000 | 0.000 | .254 | .187 | .311 | .880 |
|  | N | 336 | 336 | 335 | 335 | 335 | 335 | 336 | 336 | 336 | 336 |
| FB | Pearson Correlation | -.049 | .514** | 1 | .370** | .302** | .502** | -.009 | -.126* | -.277** | -.073 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Sig. (2-tailed) | .375 | .000 | | .000 | .000 | .000 | .873 | .021 | .000 | .182 |
| | N | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 |
| CEO | Pearson Correlation | -.022 | .610** | .370** | 1 | .487** | .567** | -.116* | .032 | .030 | -.024 |
| | Sig. (2-tailed) | .686 | .000 | .000 | | .000 | .000 | .034 | .562 | .578 | .664 |
| | N | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 |
| OD | Pearson Correlation | -.001 | .600** | .302** | .487** | 1 | .568** | -.012 | .000 | .118* | -.081 |
| | Sig. (2-tailed) | .989 | .000 | .000 | .000 | | .000 | .832 | .998 | .031 | .140 |
| | N | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 |
| BE | Pearson Correlation | .039 | .993** | .502** | .567** | .568** | 1 | .067 | .094 | -.061 | .008 |
| | Sig. (2-tailed) | .474 | 0.000 | .000 | .000 | .000 | | .221 | .086 | .268 | .882 |
| | N | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 |
| FS | Pearson Correlation | -.020 | .062 | -.009 | -.116* | -.012 | .067 | 1 | .071 | .060 | -.073 |
| | Sig. (2-tailed) | .714 | .254 | .873 | .034 | .832 | .221 | | .194 | .275 | .184 |
| | N | 336 | 336 | 335 | 335 | 335 | 335 | 336 | 336 | 336 | 336 |
| FA | Pearson Correlation | .234** | .072 | -.126* | .032 | .000 | .094 | .071 | 1 | .171** | -.247** |
| | Sig. (2-tailed) | .000 | .187 | .021 | .562 | .998 | .086 | .194 | | .002 | .000 |
| | N | 336 | 336 | 335 | 335 | 335 | 335 | 336 | 336 | 336 | 336 |
| State | Pearson Correlation | .114* | -.055 | -.277** | .030 | .118* | -.061 | .060 | .171** | 1 | -.094 |
| | Sig. (2-tailed) | .036 | .311 | .000 | .578 | .031 | .268 | .275 | .002 | | .087 |
| | N | 336 | 336 | 335 | 335 | 335 | 335 | 336 | 336 | 336 | 336 |
| Leverage | Pearson Correlation | -.164** | .008 | -.073 | -.024 | -.081 | .008 | -.073 | -.247** | -.094 | 1 |
| | Sig. (2-tailed) | .003 | .880 | .182 | .664 | .140 | .882 | .184 | .000 | .087 | |

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

**Regression for the Dependent Variable: Return on Asset Ratio**

**ANOVA:**

A method for assessing the contribution of an independent variable or controllable factor to the observed variation in an experimentally observed dependent variable to determine whether any of the differences between the means are statistically significant, compare the p-value to your significance level to assess the null hypothesis. The null hypothesis states that the population means are all equal. Usually, a significance level (denoted as α or alpha) of 0.05 works well.

**Table.3. Anova: Return on Asset Ratio**

**ANOVA**

| Model | | Sum of Squares | diff | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 4668.871 | 9 | 518.763 | 3.752 | .000[b] |
| | Residual | 44938.106 | 325 | 138.271 | | |
| | Total | 49606.977 | 334 | | | |

a. Dependent Variable: ROA

b. Predictors: (Constant), Leverage, BS, FS, State, FA, FB, OD, CEO, BE

**Hypothesis:**

BOARD SIZE

H0: There is no significance between board size and return on asset.

H1: There is significance between board size and return on asset.

F value <= alpha

0.35>0.05

Therefore, null hypothesis is rejected.

There is no significance difference between board size and return on asset.

**FEMALE BOARD MEMBER**

H0: There is no significance between female board member and return on asset.

H1: There is significance between female board member and return on asset.

F value <= alpha

0.02>0.05

Therefore, null hypothesis is accepted.
There is no significance difference between female board member andreturn on asset.
DUALITY OF CEO:
H0: There is no significance between duality of CEO and return on asset.
H1: There is significance between duality of CEO and return on asset.
F value <= alpha
0.03>0.05
Therefore, null hypothesis is accepted.
There is no significance difference between duality of CEOand return on asset.
BOARD'S EDUCATION LEVEL:
H0: There is no significance between board's education level and return on asset.
H1: There is significance between board's education level and return on asset.
F value <= alpha
0.62>0.05
Therefore, null hypothesis is rejected.
There is no significance difference between board's education level and return on asset.
BOARD'S INDEPENDENT DIRECTOR:
H0: There is no significance between board's independent director and return on asset.
H1: There is significance between board's independent director and return on asset.
F value <= alpha
0.247>0.05
Therefore, null hypothesis is rejected.
There is no significance difference between board's independent director and return on asset.
FIRM SIZE:
H0: There is no significance between firm size and return on asset.

H1: There is significance between firm size and return on asset.
F value <= alpha
0.182>0.05
Therefore, null hypothesis is rejected.
There is no significance difference between firm size and return on asset.
FIRM AGE:
H0: There is no significance between firm age and return on asset.
H1: There is significance between firm age and return on asset.
F value <= alpha
0.01>0.05
Therefore, null hypothesis is accepted.
There is no significance difference between firm age and return on asset.
STATE OWNERSHIP:
H0: There is no significance between state ownership and return on asset.
H1: There is significance between state ownership and return on asset.
F value <= alpha
0.161>0.05
Therefore, null hypothesis is rejected.
There is no significance difference between state ownership and return on asset.
LEVERAGE:
H0: There is no significance between leverage and return on asset.
H1: There is significance between leverage and return on asset.
F value <= alpha
0.023>0.05
Therefore, null hypothesis is accepted.
There is no significance difference between leverage and return on asset.

**Table.4. Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .950 | 3.899 | | .244 | .808 |
| | BS | 2.857 | 1.349 | 1.143 | 2.117 | .035 |
| | FB | -.536 | .853 | -.042 | -.628 | .002 |
| | CEO | -3.408 | 1.797 | -.143 | -1.896 | .003 |
| | OD | -.368 | .317 | -.082 | -1.161 | .247 |
| | BE | -2.660 | 1.419 | -.955 | -1.875 | .062 |
| | FS | -.004 | .003 | -.073 | -1.338 | .182 |
| | FA | .099 | .029 | .197 | 3.436 | .001 |
| | State | 4.896 | 3.487 | .081 | 1.404 | .161 |
| | Leverage | -1.159 | .507 | -.128 | -2.285 | .023 |

a. Dependent Variable: ROA

## FINDINGS AND CONCLUSION
**FINDINGS:** Using formats of annual report and financial statements of 48 listed companies on the National Stock Exchange (NSE) for the period of 7 years from 2012 to 2018. there are various results indicating the relationship between variables in the model. The relationship could be positively related or negatively related and no relation at all. The characteristics of corporate governance, female board members, duality of the CEO, board's education level all have the positive effect on firm performance. In particular, this study finds that female board members represent a

diversification of board's membership and this diversified nature will contribute positively to firm's performance. In addition, when the board's chairman is also the CEO of a firm (known as a duality of the CEO), firm's performance improved. This finding supports the view that board education level will contribute negatively to firm's performance and board's independent, being the link between the benefits of shareholders and that of firm's management, will also contribute negatively to the firm's performance. This study also finds empirical evidence to support the view that a board size will contribute negatively to the firm performance. There is no

link between independent director and firm's performance as it is negatively correlated. Regression analysis has been done to check whether the hypothesis is accepted or rejected. The null hypothesis range is more than 5% is rejected. Whereas the null hypothesis is less than 5% is accepted. Hence, there should not be too many members on the board because a larger board's size will contribute negatively to firm's performance. Board should appoint female board members because these females will make a significant contribution to the firm performance.

## V. CONCLUSION:

The number of board's members should vary within the range of 5 and 11 members. This study indicates that board's size reduces the firm's performance. Hence, it is appropriate to reduce a number of members within the board. As a result, it is argued that data on business operation from listed firms must be provided on a transparent basis. This empirical study aims to provide empirical evidence for listed firm in enhancing their understanding in relation to the development of a corporate governance mechanism. As a result, listed companies are now provided with evidence to set up a flexible, dynamic and efficient.

## VI. REFERENCE

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