RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND FIRM PERFORMANCE: METADATA ANALYSIS FOR M&A PARTICIPATING FIRMS

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Abstract

This paper is an attempt to overview the academic literature on the mergers and acquisitions (M&A) market and further focuses on the relationship between corporate governance (CG) and firm performance in M&A participating firms by systematizing the existing knowledge and further deriving specific implications for the future work scope. M&A market experiences trillions of USD dollar deals on yearly basis. Therefore, M&A becomes the highly studied area by the researchers for analysis of different combinations between CG, firm performance, takeovers, mergers, acquisitions, etc. In this paper, the research has been carried out as a structural assessment of the past fourteen years of research on different CG variables and firm performance. Further, it has been observed that the majority of research has been conducted to identify the impact of specific bid characteristics of CG on firm performance however; there is a dearth of study to analyze the relation between CG and firm performance for the firms actively participating in M&A market as an acquirer or as a target. In lieu of this, the paper has extracted the prospective area of the study and provided a path towards future research. This review will be useful for academicians and researchers working in the area of CG and M&A, and firm performance.

Keywords: Corporate Governance, M&A, Firm Performance, Takeovers, Political Connections

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1. INTRODUCTION

The Committee on the Financial Aspects of Corporate Governance (1932) defined corporate governance (GC) as a system through which firms are directed and they are controlled with a motive to maintain economic and social balance. The OECD (2015) defined corporate governance as a set of relationships between a company's management, shareholders, board members, and the stakeholders. Researches on analyzing the relation between firm performance and CG are widely covered. Evidence from various empirical studies in the literature suggests a significant relationship between both CG and firm performance. Gompers, Ishii, and Metrick (2003) analyzed that good corporate governance is associated with a higher firm valuation which is measured by Tobin's Q. Brown and Caylor (2009) concluded that better-governed firms of the US have higher ROE and higher ROA along with higher Tobin's Q. Whereas, Klein, Shapiro, and Young (2005) identifies no evidence which suggests that good and better CG enhances firm performance. There are various studies that are successful in exploring the relation between CG and firm performance. The previous literature has concluded mixed results where some suggest a positive relation between CG and firm performance (Klapper, Laeven, & Love, 2004) while others find no association between CG and firm performance (Hermalin & Weisbach, 1991; Klein et al., 2005). However, many scholars have focused on different dimensions or attributes of CG such as board size (Li, Nan, & Zhao, 2018; van Hoorn & van Hoorn, 2011), CEO duality (Gleason, Kim, Kim, & Kim, 2012; Liu & Wang, 2013; Gillian, 2006), a number of independent directors (Zhang, Wang, Li, Chen, & Wang, 2018), etc., and their influence on firm performance. There are also some studies that elaborate the correlation between CG and M&A transactions and firm performance (Carline, Linn, & Yadav, 2009). CG is related to firm performance via different theoretical studies and various empirical studies (Claessens & Yurtoglu, 2013).

Any institutional changes, especially reforms of corporate governance directly affect the firms' deal decisions (Xu & Meyer, 2012). Yen, Chou, and André (2013) analyzed that firm's internal CG mechanism (CEO position and blockholders) is less important to explain the short-term performance of M&A participating firms however, it is much more important to explain and analyze the long-term performance of the M&A firm. It has been examined that there is a dearth of the study in examining the relation between CG and firm performance in M&A participating firms however as discussed extensive research has been conducted by the researchers for the relationship between CG and firm performance.

The rest of the paper is structured as follows. Section 2 discusses the changing dynamics of CG in India. Section 3 comprises the literature review on the relation between CG and firm performance and discussing the variables of CG and firm performance. Section 4 elaborates the literature for CG and firm performance in M&A participating firms. Section 5 concludes the paper.

2. CHANGING DYNAMICS OF CORPORATE GOVERNANCE IN INDIA

The theoretical extension of research related to corporate governance comes from the well-known thesis of Berle and Means in 1932, "The Modern Corporation and Private Property". Corporate governance (CG) found its place in India during the 90's as a measure that was voluntarily adopted by Indian companies. In April 1998, the Confederation of Indian Industry (CII) formed a set of non-mandatory codes of corporate governance named "Desirable Corporate Governance: A code" which were meant primarily for the listed companies and were completely on a voluntary basis. This measure was inspired by the Anglo-Saxon model and was formed to bring out the self-conviction among the companies that shareholder's interest must be assured which is possible with good CG practices. Later, in 1999 Kumar Mangalam Committee was set by the efforts of the Securities and Exchange Board of India (SEBI) to recommend and promote the standards of CG. The committee aimed to emphasize the composition of the audit committee's board, the board's independence, and the role of CG in protecting the interest of the investors. The SEBI agreed with the recommendations and included the same in clause 49 of the listing agreement of the stock exchanges. According to the clause it was applicable only for the listed companies with a net worth of Rs 25 crores and above, for those corporations with a paid-up capital of Rs 3 crores. Later, in 2000 the Department of Corporate Affairs (DCA) formed a study group under the guidance of Dr. P. L. Sanjeev Reddy to study the ways and methods to operationalize the concept of the corporate on a sustained basis. In 2002, the Naresh Chandra Committee was formed to recommend the role of auditors and independent directors followed by the formation of the Narayan Murthy Committee in 2004 to review clause 49 and suggest measures for improvements. Considering these improvements major initiatives towards clause 49 in the listing agreement were introduced on December 31, 2005 by the SEBI followed by a major setback in 2009 for CG in the Indian scenario with the mammoth accounting scandal, which was one of the largest information technology companies, Satyam computers, resulting of poor corporate governance mechanism (Bhattcharyya & Dave, 2016). On experiencing these CG failures, the Confederation of Indian Industry (CII) formulated a task force with an aim to examine the efficacy of CG within the country. This task force was successful enough to provide certain recommendations of a set of voluntary reforms aiming to achieve a balance between strong CG norms. Further, the National Association of Software and Services Companies (NASSCOM) formed a CG and Ethics Committee that focused to save the interest of the stakeholders, an audit committee, and a policy that would ensure the safety of whistleblowers. New bills were passed in the parliament in the year 2011–2013 acting as the new provisions in the direction of strengthening corporate governance in India. In the lieu of revision of the Companies Act, clause 49 was revised for all companies which were listed with the SEBI from a particular period October 1, 2014. With this, issues with CG can be overcome with certain internal mechanisms (board of directors, ownership structure, etc.) and external mechanisms (takeover markets, legal system) for corporate control. India is a developing country and the CG mechanisms are also developing (Mishra & Kapil, 2018; Khanna & Palepu, 1999). However, the enforcement of CG regulations through the legal channels is weak, calling for the utmost need for further strong internal mechanisms which will have a significant bearing on the corporate performance (Sarkar & Sarkar, 2003).

3. LITERATURE REVIEW AND THEORETICAL BACKGROUND

A single governance theory is not enough to explain the significant relation between CG and firm performance. Literature is imbedded with different results and further witnessed that on considering board characteristics, an increased board size has two competing effects: firstly, a larger board size generally leads to the path with rich experience and more linkages to the external environment, and secondly, a large board deaccelerates the decision-making process (Mishra & Kapil, 2017). Abor and

Biekpe (2007) highlighted the positive impact of board size on firm's profitability. Mishra and Kapil (2017) analyzed that board size is positively related to return on assets (ROA), earnings per share (EPS) along the market-to-book ratio. Geraldes Alves (2011) concluded a non-linear relationship between board size and earnings management. Kumar and Singh (2013) found a negative relationship between board size and firm value in the Indian context. Kota and Tomar (2016) indicated that the smaller the board the better results. Corporate governance/ board characteristics impact the firm performance significantly. The size of the board, CEO duality, busy director's position, friendly boards, the dominance of some other party, ownership structure, the number of independent directors are some of the characteristics of CG which impacts the long-term and short-firm performance. In lieu of Afza and Nazir's (2012) research, Liu and Wang (2013) also considered ownership structure and presence of institutional investors and analyzed their impact on the firm performance. However, with the research conducted by many researchers, it has been found that board size negatively effects the firm performance, short-term performance (Rani, Yadav, & Jain, 2013b), long-term performance (Sevastyanov & Ilina, 2016). CEO equity positively impacts the short-term firm performance as the larger the share of equity holds by the CEO the less divergent his interest would be from the shareholders. Such a situation proves to be a perfect solution for the agency problem as managers would be the shareholders of the firm (Rani et al., 2013a). Schmidt (2015) empirically analyzed a mix impact of the friendly board on the US firm performance for 2000–2011. Schmidt (2015) considered a different CG variable which was more social specific, i.e., social ties of the CEO, CEO age, CEO's qualification, and found varied costs and benefits of the friendly board vary as per the specific needs of the firm. A director's role of advising and monitoring the board requires devoting substantial time and great efforts to deliver strong decisions.

Apart from the board governors, when it comes to the interest of shareholders then researchers agree with the fact that a perfect merged market is the one where CG practices favor shareholders as well. The aim of CG is to resolve the conflict between the managers and the shareholders of the firms (Jensen & Meckling, 1976). Ahiabor, James, Kwabi, and Siems (2018) emphasized their research on the principal-agent problem that arises from the difference in the ownership structure and control of the firm.

Corporate governance variables (especially board characteristics) are studied extensively with firm performance. Zhou, Guo, Hua, and Doukas (2013) believed that the board of directors came from a different professional background, work experience, and professional training, so they are incapable of having a broader perspective to solve problems. Hu and Leung (2012) contended that "the board must oversee the blind expansion and assertive behavior of the management" (p. 8). Horner (2010) contributed to the role of agency theory in explaining corporate governance by extending upper-rank management's thinking to the study of boards. Hermalin (2005) found that the board of directors' features can cause significant effects on a shareholder value. Perry and Shivdasani (2005) stated, "Charged with hiring, evaluating, compensating and ongoing monitoring of the management, the board of directors is the shareholder's primary mechanism for oversight of managers" (pp. 332–333). Furthermore, Song and Lei (2008) examined the influences of board composition and ownership structures on firm performance. Bettinazzi, Miller, Amore, and Corbetta (2018) investigated the ownership similarity of the acquiring and the target firm pointing highly positive relation of the ownership similarity with the firm performance and less probability to confront the CG problem. Therefore, different researchers came up with different CG variables to examine the correlation between CG and firm performance. Table 1 summarizes the CG variables studied extensively by different researchers with firm performance.

Table 1. Summary of corporate governance variables (Part 1)

Explanatory variable	*Sources*	*Sample area*	*Results with firm performance*	*How to measure?*
Board size/board composition	Guest (2019), Tampakoudis, Nerantzidis, Soubeniotis, and Soutsas (2018), Abor and Biekpe (2007), Geraldes Alves (2011), Kumar and Singh (2013), Kota and Tomar (2010), Gleason et al. (2012), Liu and Wang (2013), Gillan (2006), Shi, Xu, and Zhang (2018), Zhao et al. (2018), van Hoorn and van Hoorn (2011), Yen et al. (2013), Afza and Nazir (2012), Sevastyanov and Ilina (2016), Schmidt (2015), Hauser (2018)	US, EU	Mixed results were figured: the higher a number of board members the lower performance and some advised a large number of board members implies good experienced knowledge affecting firm performance positively.	Annual reports
CEO duality	Gleason et al. (2012), Liu and Wang (2013), Kota and Tomar (2010), Gillan (2006)	US, China	CEO duality affects firm performance.	Annual reports
Board of director size	Li et al. (2018), Varottil (2012), Gillan (2006), Ahiabor et al. (2018)	EU	Mixed results: the higher the board of directors' size negative will be the performance.	Companies' annual reports
CEO compensation	Guest (2019)	US	An increase in the proportion of minority directors increases CEO compensation.	Calculated as the natural log of the total annual compensation of the CEO.
Number of independent directors	Zhang et al. (2018)	China	More the number of independent directors negative would be the performance.	Companies' annual reports

Table 1. Summary of corporate governance variables (Part 2)

Explanatory variable	*Source*	*Sample area*	*Results with firm performance*	*How to measure?*
Ownership structure	Jiang, Li, and Mei (2019), Yacoob and Alias (2018), Najid et al. (2011), Gleason et al. (2012), Liu and Wang (2013), Leepsa and Mishra (2016), Drobetz and Momtaz (2020), Kumar and Singh (2013), Zhou et al. (2015), Boateng et al. (2016), Bettinazzi et al. (2018), Hong and Gao (2019)	China, Australia, Malaysia	Private equity (PE) is higher for the government-linked companies, and lower ROA ROE was observed for the global listed companies (GLCs).	Companies' reports
Shareholder's voting rights	Tampakoudis et at. (2018), Drobetz and Momtaz (2020), Schmidt (2015), Fu, Guay, and Zhang (2016), Li, Duan, and Chan (2018), Goranova, Priem, Ndofor, and Trahms (2018), Ahiabor et al. (2018)	EU	Higher returns are associated with the higher scores of voting (VT), the higher the shareholder's protection provisions the higher the value of the firm.	Companies' reports
Anti-takeover provisions (ATP)	Tampakoudis et al. (2018), Fidrmuc and Fidrmuc (2007), Gompers et al. (2003), Bebchuk, Cohen, and Ferrell (2009), Ismail, Dbouk, and Azouri (2014)	EU, Czech Republic, US	The higher the ATPs the higher the returns.	Companies' reports
Blockholdings	Gleason et al. (2012)	US	It is positively related with the abnormal returns.	Defined as the % age shareholdings by the largest institutional blockholder which owns at least 5% of the firm's outstanding shares.
Pension fund holdings	Gleason et al. (2012)	US	Pension fund holdings are negatively related to the abnormal returns of the acquirer firm.	Defined as the % age of shares held by the 18 largest public pension funds.
Institutional investors	Liu and Wang (2013), Kim, Wan, Wang and Yang (2019)	China, US, EU	Institutional investor positively impacts the M&A performances and firm performance.	Companies' reports
CG index (CGI)	Rani et al. (2013a, 2013b), da Graça and Masson (2016), Fidrmuc and Fidrmuc (2007), Ismail et al. (2014)	India, EU, US	A stable board negatively affects the shareholder's interest.	CGI is calculated on the basis of certain CG variables and index is created as Bebchuk et al. (2009).
Frequency of managing director (MD) change	Fidrmuc and Fidrmuc (2007)	Czech Republic	Higher the incentives less will be the frequency of change in the MD.	Companies' annual reports
Frequency of corporate board of directors (CBD) change	Fidrmuc and Fidrmuc (2007)	Czech Republic	Higher the incentives less will the change	Companies' annual reports
Audit committees	Kota and Tomar (2010)	India	No significant results were found of its effects on the M&A firm performance.	Audit committee function depends upon a series of characteristics such as its composition, size, members' qualification, and actual audit committee operations.
Board independence	Schmidt (2015)	US	Mixed results	Annual reports
Political connections	Tao et al. (2017)	China	Higher the connections higher the results for SOEs	Public reports, newspaper
Friendly board	Schmidt (2015)	-	Negative impact on the firm performance	Companies' employees
The busyness of the board	Hauser (2018)	S&P 1500 indexed firms	Negative impact on the firm performance	Reports of the company as to where the board member is aligned for multiple responsibilities.
Media coverage	Cihan, Ghosh, and Pinto-Gutiérrez (2017), Kim et al. (2019), Borochin and Cu (2018)	China	Mixed results	Newspapers and other social media coverage

The relationship between CG and firm performance is studied vastly however it is needed to study the CG and firm performance in M&A participating firms as M&A are those growth strategies that have received attention from both developed as well as emerging (developing) economies. Therefore, researchers have also focused to study the relationship between CG and M&A. With CG, "certain objectives of the company are set and the means of attaining those objectives and further monitoring the performance are determined" (Jensen & Meckling, 1976, pp. 9–10). Afza and Nazir (2012) considered board size, CEO duality, board independence, other party dominance, and presence of independent blockholders in the firm as CG variables and analyzed their impact on the operating performance of the M&A participating firms. Hauser (2018) studied the impact of the appointment of CEO in multiple boards (busy directors) on the US M&A participating firms. Busy directors or the appointment of the CEO in multiple boards negatively impact both the short-term and long-term performance of the firm. Ahiabor et al. (2018) examined the cross-border deals of the US firms and concluded a significant effect of shareholders' laws on the stock market development and the convergence of shareholder protection laws through cross-border M&A deals.

Researchers have also elaborated their research taking ownership as one of the CG aspect. Zhou et al. (2015) demonstrated the role of state ownership in M&A by analyzing the short- and long-term performance of state-owned enterprises (SOEs) as acquirers relative to privately owned enterprises (POEs) for the period 1994–2008. Zhou et al. (2015) favored the SOEs over the POEs in terms of long-run stock performance and operating performance. State ownership of Chinese M&A gains from the government interventions. Whereas, Boateng, Bi, and Brahma (2016) highlighted the efficiency of POEs over SOEs for the Chinese M&A deals. Boateng et al. (2016) investigated the operating performance of 340 Chinese M&A deals for the period 2004–2011 by considering five CG variables (CEO duality, Independent directors, managerial ownership, relatedness, related party transactions) and board monitoring mechanism. On investigating the relation between different CG variables and operating performance (OP) of the acquiring firms, a positive relation is analyzed between independent directors, managerial shareholdings, ownership concentration, and OP of the acquiring firm. However, related party transactions impacted ROA negatively. However, Tao, Liu, Gao, and Xia (2017) indicated a difference as compared to what is analyzed by Zhou et al. (2015) and Boateng et al. (2016). Tao et al. (2017) demonstrated the negative relation of SOE ownership structure and the level of political risk with the short-term market performance of Chinese acquiring firms. The Chinese shareholders earn lower abnormal profits in the case of SOEs and higher in the case of POEs especially when the M&A deals are cross bordered. The next section highlights the literature review of CG and firm performance for the M&A participating firms.

4. CORPORATE GOVERNANCE AND FIRM PERFORMANCE IN M&A PARTICIPATING FIRMS

"The environment of market economy fosters companies to achieve its goal by accumulating internal resource and the mergers and acquisitions" (Liu & Wang, 2013, p. 19). It was George Stigler who noted that to some extent companies will not grow without M&A activities, however, big organizations hardly grow by organic business expansion for growth perspective which is evident in developing countries (Ismail et al., 2014; Liu & Wang, 2013). Therefore, it can be concluded that M&A influences the growth and development of an industry. M&A in emerging economies have attracted much attention from researchers. "M&As provide opportunities to examine the effects of corporate governance provisions on firms' values because the post-deal firm has governance provisions different from the provisions of at least one of the combining firms" (Carline et al., 2009, pp. 1832–1833).

M&A is considered as one of the growth strategies and these days researchers are conducting M&A research with different proxies of corporate governance and firm performance for developed economies. M&A deals are the important instrument of CG with which corporate efficiency can be increased (Rani et al., 2013a). M&A deals have become the perfect way to seek combined entity's resources and development. The extension of many pieces of research gives evidence that there is a number of reasons that M&A can improve firm performance especially through synergies (Larsson & Finkelstein, 1999). However, these M&A participating firms may experience a low firm performance due to difficulties at the people and process levels (Hu & Leung, 2012). The past studies have only discussed either CG with firm performance or M&A and its post-M&A performance or performance of GC after merger using traditional financial parameters which did not reflect any conclusive evidence of whether M&A improves the performance of the company considering different aspects of CG. Literature on research in M&A (Rao-Nicholson, Salaber, & Cao, 2016; Liu & Wang, 2013), takeovers (Christic et al., 2018; Zouridakis, 2018; Khan & Bibi, 2015), effects of M&A on firm performance (Stahl et al., 2013; King et al., 2004; Chen & Young, 2010) is quite vast. Evidence from Indian M&A firm performance has also been studied by a few (Rani, Yadav, & Jain, 2011) though India is one of the emerging economies where M&A activities have been accelerated at a much faster pace in the last few years. According to PwC (2019), over the last decade almost 600–750 Indian companies have been acquired annually with an average transaction size of Rs 200 crores, and more than 3,400 Indian companies, both in public and private sectors, have been actively participating in M&A deals over the last decade (2010–2018). This provides an immense opportunity to examine the relationship between corporate governance and firm performance in M&A participating firms. Even the researchers attempted to find the relation between corporate governance and managerial choices, and consequently, fundamental value and operating performance changes (Gompers et al., 2003; Cremers, Nair, &

John, 2005; Core, Wayne, & Rusticus, 2006) but the research were not concluded to any significant results.

However, the most important "drivers which are responsible to force firms to involve in Mergers and Acquisitions (M&As) are the generation of synergy gains, the assimilation of new competencies and the diversification of business risk, which in turn strengthen corporate growth and enhance corporate profitability" (Alexandridis, Petmezas, & Travlos, 2010, p. 1132). Based on this it can be rightly concluded that M&A may act as one of the efficient ways for any organization to expand into new markets, which could result in increasing the wealth of their shareholders and maintaining the interests of their investors (Papadakis, 2007). However, it is complex for firms to make mergers and acquisitions decisions and the literature is enabled to reach any consensus regarding the appropriate CG mechanisms in M&A participating firms. "Corporate governance and M&A enjoy a symbiotic relationship, mutually feeding off each other" (Carline et al., 2009, p. 245). M&A induce the necessary incentives in companies to enhance their governance practices. The corporate control mechanisms suggest that poorly governed firms would automatically become targets for acquirers. With CG, the role of the board is to monitor and further advice managers on their important decisions, such as M&A, restructuring of the organization. If the board is structured effectively and efficiently, then enough monitoring takes place with which proposals by managers that may lead to personal perquisite consumption or entrenchment will be voted down. To examine the effectiveness of the board as a monitor of the firm, many studies (Mikkelson & Partch, 1997; Goyal & Park, 2002; Huson, Malatesta, & Parrino, 2004) have investigated top management turnover, which is attributed to actions taken by the monitors of the firm, such as boards, and to the market for corporate control. Lawal (2012) analyzed that "it is logical to identify first if the board size affects the quality of corporate board decision before moving further to ascertain whether such board decision has an impact on firm performance (board size → quality decision → firm performance)" (p. 26). Some studies (Mak & Kusnadi, 2005; Haniffa & Hudaib, 2006) favor smaller board sizes.

However, Dwivedi and Jain (2005), Jackling and Johl (2009) favor large board size whereas Bhagat, Black, and Blair (2004) indicated that share ownership by directors impacts the ability of the board to discipline management. In addition, it is important to incorporate the impact of a broader set of governance quality indicators, such as percentage of independent directors, board size, percentage of director shares, chief executive officer (CEO), CEO duality, and institutional block holdings, when researchers investigated the relation between corporate governance and firm performance in M&A participating firms. Mergers are among the most economically significant decisions made by corporate managers. Much of the studies were conducted in developed economies. Gill, Vijay, and Jha (2009) found that there is no unanimity among the researchers about the relationship between corporate governance and M&A performance. Prospect researchers can also find that most of the research for CG and M&A performance was conducted in the context of developed countries mostly (Liu & Wang, 2013) and it is needed to study the anatomy of firm performance through the lens of governance mechanisms, noting how pulls and pressures within a company affect the performance of M&A participating firms. Liu and Wang (2013) examined the impact of governance and ownership variables on firm performance of 36 real estate M&A deals by employing a range of techniques to analyze the data — fixed effects, correlation analysis, and multilinear regressions. They found that institutional investors affect M&A performance positively. A large size board negatively affects the firm performance even in M&A deals.

Carline et al. (2009) examined UK's domestic merger deals during the period 1985–1994 and found CG characteristics of acquiring firms basically board ownership, board size, and blockholder have a statistically significant impact on its operating performance changes following M&A. Van Hoorn and van Hoorn (2011) studied the impact of different CG variables that is board size, board ownership, board composition, CEO duality on firm performance especially after the merger's announcements. Studies proved that these specific CG variables have a significant impact on the merged entity's performance to generalize its synergy gains). An extensive literature study on M&A provides some positive, some negative, and some neutral improvements with post-M&A corporate governance. Few researchers have studied the impacts of M&A taking different dimensions of CG viz. shareholder's wealth/interest, ownership, shareholder's voting rights, anti-takeover provisions, CEO duality, board characteristics in developed economies mostly in the US (Gleason et al., 2012; Schmidt, 2015; Ismail et al., 2014; Bebchuk et al., 2009) and EU (Tampakoudis et al., 2017; Li et al., 2018; Fidrmuc & Fidrmuc, 2007; Drobetz & Momtaz, 2020; da Graça & Masson, 2016; Florio, Ferraris, & Vandone, 2018), Australia (Yaacob & Alias, 2018), along with emerging economies Malaysia (Kim et al., 2019), China (Liu & Wang, 2013; Jiang et al., 2019; Firth, Fung, & Rui, 2006) and less focused emerging economy India (Rani et al., 2013a, 2013b). Inquiry on M&A and CG to date has not possessed the capacity to give definitive confirmation for a firm's improved productivity or decimate efficiency. Table 2 summarizes the literature review of CG studied with M&A.

Table 2. Summary of CG and firm performance in M&A participating firms

Source	*Country/ period covered*	*Sector*	*Sample size*	*CG aspect*	*Firm performance aspect*	*M&A aspect*	*Result*
Shi et al. (2018)	China 2008–2016	Pharmaceutical	Listed 146 firms	An increase in the independent directors affects the M&A deal negatively	PE, ROA	Technology-seeking M&A and value chain extension M&A are positively correlated with firm performance (FP).	M&A strategy does not synchronize with policy change.
Jiang et al. (2019)	China 2007–2017	-	53 M&A deals	Institutional ownership	Improvement in abnormal returns	Deal value, deal duration, % of multiple bidders, % acquirer pre-deal ownership, % acquirer premium	Activist M&A arbitrage serves as a governance remedy for acquiring firms' shareholders, as well as a profitable investment strategy for the activists themselves.
Tampakoudis et al. (2018)	EU 2003–2017	All business sector	160613 listed firms	Board size, voting rights, anti-takeover provisions	ROA, abnormal returns, Tobin's Q, market-to-book value, leverage	Deal value, deal attitude, geographic focus, product focus	An increase in ATPS generates higher returns to shareholders, negative correlation between ATPS and announcement period returns.
Yaacob and Alias (2018)	Australia 1997–2009		2017 completed deals	Blockholder: board ownership, managerial, institutional	Book-to-market equity, operating cash flow, ROA, ROE, revenue	% of shares acquired in the deal was 50%, the acquirer was not engaged in another deal	ROA, ROE, OCF were improved, no significant results were found that of ownership on the M&A.
Li et al. (2018)	EU 2012–2016		268 listed companies' acquisitions	Board of director's size	Debt ratio, fixed asset ratio, ROA, ROE, EPS	M&A premium	Debt ratio -ve with M&A premium, firm's abnormal returns (FAR) & CG are positively affecting the M&A premium.
Fidrmuc and Fidrmuc (2007)	Czech 1993–1998	Non-financial firms	4920	Frequency of MD change, Frequency of CBD change	Total sales, no of employees, gross profit, labor productivity, return in fixed assets	Antitakeover provisions, transaction value > $1 mil, acquirer controls less than 50% of its target shares prior to the announcement.	Higher incentives lead to less frequency of MD change and the same in the post-M&A deals.
Drobetz and Momtaz (2020)	EU 2001–2011	Non-financial firms	3085 intra EU takeovers	Shareholder right, ownership structure	Total assets, Tobin's Q, leverage	M&A premium, payment methods, deal characteristics are taken	The higher the shareholder protection — the higher will be the M&A premium, the higher will be the domestic takeovers.
Liu and Wang (2013)	China 2008–2009	Real estate industry	36 M&A deals	Ownership structure, the board size, institutional investors, CEO duality	Tobin's Q	M&A performance (post-merger Tobin's Q)	There is a positive impact of, ownership structure on M&A performance, -ve impact of board size on FP, institutional investors positively impact the M&A performance.
Leepsa and Mishra (2016)	India 1974–2015	Manufacturing firms	Literature review	Ownership structure, the board size, shareholders interest	All accounting-based measures	M&A deals size	The literature review revealed a mixed result.
da Graça and Masson (2016)	EU 1990–2008	Non-financial sector	Literature review	Target's CGI, acquirer's CGI	Abnormal return, beta	Synergy (total value) and dominance (bargaining power) two event studies are considered	A stable board negatively affects the shareholder's interest and value of the M&A deals.
Florio et al. (2018)	Italy 2006–2008	Non-financial firms	93 M&A deals	Ownership structure	Size, ROE, abnormal returns	M&A disclosure practices, purchase price premium (PPA), business combinations are considered, goodwill	Goodwill emerging from the PPA is -vely related to BC disclosure quality, financial transparency is higher in low state-owned companies.
Gleason et al. (2012)	US 1996–2003	High technology and non-high technology firms	1640 observations	CEO duality, board size, blockholding, pension plans, board composition.	Abnormal returns, total assets, debt/total assets, OCF/total assets	Return to bidders, deal characteristics, announcement returns	Firm size and deal size are very related to abnormal returns, blockholding impact -vely to abnormal returns pension impact +vely to abnormally returns.

5. CONCLUSION

M&A activities have become the focus of academic studies in the fields of finance, strategy, and firm development. However, it has been analyzed while taking into consideration several studies on CG and firm performance that M&A decisions of an organization are also affected by the quality of the board, number of independent directors, and other CG variables where there is a dearth of studies. Here through this, an attempt has been made to analyze the gaps for future scope of studies, and the rest of the work is still in progress. For the future scope of the study, it must be analyzed that how the CG variables effect the market-based measures of a firm in M&A participating firms and how this pattern is different from how CG variables effects the accounting-based measures of a firm in M&A participating firms. Further, it must be examined whether there is any correlation between CG variables and firm performance of listed companies involved in M&A activities (deal size, acquisition premium, mode of financing and other M&A characteristics, etc.).

The relationship between CG and firm performance is extensively studied by the researchers and enough evidence is available for the significant effect of various CG variables on firm performance, however, when it comes to M&A participating firms experiencing the most CG related issues, there is a dearth of study and academicians must focus on the effect of CG variables on the firm performance of M&A participating firms. The researchers further can continue their studies in the prospective area by taking into consideration the following research gap: 1) by dividing the same of deals into their long-run and short-run performance, 2) by dividing the deals as the failures and successful deals and further analyzing the probable corporate governance variables responsible for their failure and success, 3) by dividing the deal sample size into different slots of deal values. The above research gaps would benefit the researchers for their future studies in the respective area.

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