TRAVERSING CORPORATE GOVERNANCE: ASSESSING INTERNAL MECHANISMS AND FINANCIAL PERFORMANCE IN EVOLVING LANDSCAPE

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How to cite this paper: Sharma, R., Sachdeva, T., Sharma, R., Riyadh, H. A., Tabash, M. I., & Bansal, R. (2025). Traversing corporate governance: Assessing internal mechanisms and financial performance in evolving landscape [Special issue]. *Journal of Governance & Regulation, 14*(2), 288–298. https://doi.org/10.22495/jgrv14i2siart7

ISSN Print: 2220-9352
ISSN Online: 2306-6784

Received: 27.06.2024
Revised: 21.10.2024; 20.11.2024; 02.05.2025
Accepted: 26.05.2025

JEL Classification: G3, G32, L25
DOI: 10.22495/jgrv14i2siart7

Abstract

This research delves into the evolving landscape of corporate governance (CG) in India, propelled by historical scandals and subsequent reforms. Using panel data, the study focuses on the investigation of the impact of ownership concentration and board characteristics on financial performance. To achieve the objective of the study, a sample of the top 34 non-financial enterprises listed on the National Stock Exchange of India (NSE) has been obtained to test the relationship. The study utilized multiple regression analysis to examine the association between the independent and dependent variables. This research attempts to close the gap in the existing literature about the relationship between company performance and ownership structure in the emerging country of India. The findings showed a positive and significant relationship between board members and the performance of the firm. This study further contributes to the larger conversation on CG in developing countries by putting the research inside the unique business environment of India and offering insights into how internal governance procedures affect financial performance.

Keywords: Corporate Governance, Performance, Ownership Concentration, Board Size, Emerging Markets, India

Authors' individual contribution: Conceptualization — Rat.S.; Methodology — T.S.; Formal Analysis — Rat.S.; Data Curation — H.A.R.; Writing — Original Draft — T.S., Ridh.S., and M.I.T.; Writing — Review & Editing — Ridh.S. and R.B.; Supervision — H.A.R.; Project Administration — M.I.T.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

A variety of business scams and scandals (e.g., Enron, WorldCom, HIH Insurance, Satyam) coupled with the economic crisis in the last three decades have reinforced the importance of corporate governance (CG). The term CG refers to a set of regulations, guidelines, and procedures that establish the manner in which a business's board of directors supervises and administers its activities while also

guaranteeing honesty, responsibility, and protection. CG is a system by which companies are directed and controlled (The Committee on the Financial Aspects of Corporate Governance, 1992).

Different countries have different institutional backgrounds, concentrations of shareholders, and socio-cultural factors and, therefore, offer a different level of protection to investors. For a long time, emerging markets have adopted the corporate practices of advanced nations without realizing the fact that their institutional environment differs from developed markets (Siswanti et al., 2024; Mahmudi, 2024). Thus, the policies designed to work for advanced nations may prove ineffective for emerging markets. Stock exchanges are responsible for issuing major CG standards in industrialized nations. The existing body of research pertaining to CG mechanisms has mostly concentrated on established regulatory bodies and has carefully adhered to the principles outlined by the Organization for Economic Co-operation and Development (OECD). Corporate governance poses challenges in economically disadvantaged nations as a result of inadequate regulatory frameworks and a dearth of sensitive data mediators (Daily et al., 2003; Rajagopalan & Zhang, 2008). Effective CG contributes significantly to achieving superior financial performance and market value. Regarding emergent marketplaces, the body of literary works has found a correlation between firm board characteristics and financial performance (Ehikioya, 2009; Gibson, 2003; Klapper & Love, 2004). "The significant increase in the inclusion of firms from developing nations on global stock exchanges serves as a primary impetus for examining the corporate oversight of these economies" (United Nations Trade and Development [UNCTAD], 2017). Further, the developing nations endeavor to increase their inflow of foreign direct investments (FDI) in order to foster sustained economic growth. Investors, local and global, look forward to the well-functioning CG mechanisms before investing in firms based in emerging economies (Rajagopalan & Zhang, 2008).

In India, a series of scandals in the early 1990s, coupled with liberalization, paved the way for the emergence of CG reforms. The most crucial step in that direction was the establishment of the Securities and Exchange Board of India (SEBI) in 1992 as a statutory body and regulator of the capital market. SEBI constituted a number of committees to provide a set of guidelines for the ethical and effective management of a company. Securities and Exchange Board of India officially adopted the suggestions put forward by the Birla Committee. In 2009, the Ministry of Corporate Affairs (MCA) issued a series of optional standards pertaining to CG. The Companies Act, 2013 (hereafter referred to as the new Act) superseded the Companies Act, 1956, which had been in effect for six decades. The newly enacted legislation introduced a range of governance reforms, including an expansion of the maximum number of directors on the board, regulations pertaining to the qualifications of directors serving on the Audit Committee, the requirement for at least one female director and an Indian resident director to be included on the board, the establishment of a director for small shareholders, and other related measures. Globally, people widely recognize India as a prominent rising economy. Nevertheless, it is important to note that the Indian approach toward business administration diverges from that of both industrialized and developing countries. In India, the law seems to have the structure or appearance of governance but lacks the actual content or essence of effective government (Palaniappan, 2017). The rigorous implementation of rules and prompt retribution for those who break them are integral components of the rule of law, just like the laws themselves (Narayanaswamy et al., 2012).

Unlike developed economies, founding families dominate the boards of emerging economies. India is no exception. The majority of the listed companies have founding family members (called promoters in India) on board. Therefore, CG issues in India differ significantly from the governance issues in Anglo-Saxon economies. The advanced economies are usually characterized by a dispersed ownership structure, and CG laws act as disciplinarians to management.

For instance, we can roughly categorize the governance methods examined in the USA as either within or outside the organization. The primary focal points of internal mechanisms within a corporation are the governing body of directors and the ownership of the equity structure. The main outside forces consist of the corporate takeover market and the judicial system. In the Indian economy, in which the market for business ownership continues to grow and a formal enforcement framework is lacking, it is important to examine how a firm's internal oversight mechanisms affect its economic health following the implementation of the new Act (Hoang & Mateus, 2024).

According to Pfeffer and Slanick (1978), the resource dependency theory characterizes ownership as a source of power that, depending on its use and degree of focus, may either help or impede management. Furthermore, ownership structure is crucial to CG because it helps legislators focus their efforts on improving the system. While many wealthy countries widely distribute the ownership structure, developing countries with weak legal frameworks safeguarding investors' interests heavily concentrate it (Ehikioya, 2009). Research has largely ignored the impact of ownership structure on company performance, despite its intended improvement. Hence, there is a need for analytical thinking and to comprehend the influence of ownership on financial success.

Furthermore, despite the relationship's significance, limited empirical research has examined the relationship between ownership structure and firm performance. Several authors (Rashid, 2020; Bhakar et al., 2024) discovered positive relationships, while others (Espinosa-Méndez et al., 2020) found inconsistent relationships. In order to fill this gap, the present study incorporates ownership structure attributes, such as ownership concentration, board characteristics, board size, and board independence in relation to the performance of the firm. Hence, the primary objective of the study is to investigate the impact of ownership concentration and board characteristics on financial performance.

The structure of this paper is as follows. Section 2 examines the existing literature on ownership, board characteristics, and the firm's performance. Section 3 describes the methodology that has been used to conduct empirical research and presents sample data. Section 4 presents the empirical results and discussion. Section 5 concludes the paper.

2. LITERATURE REVIEW

The major component of a successful governance system is the characteristics of the board, and one of the foremost issues in implementing successful CG is the shareholders-management conflict (Berle & Means, 1932; Judge, 2009). Different theories such as CG-agency theory, stewardship theory, and resource dependence theory have addressed this issue. The agency theory (Jensen & Meckling, 1976) posits that the separation of ownership from control creates moral hazard, which is a fundamental governance problem. This theory also explores the contractual relationship where a principal grants authority to agents to act on their behalf, providing the agents with the opportunity to enhance their own utility at the expense of the principal's wealth (Jensen & Meckling, 1976). The idea assumes that in the dearth of any outside surveillance and reward systems for management, the employees of the company would act in their best interests (Judge, 2009). Agency theory aims to decrease the expenses incurred by the agency through the imposition of internal controls (Jensen & Meckling, 1976). If these internal control mechanisms fail, external control mechanisms will arise to regulate agenda-driven administrators. Due to the high costs associated with external control systems, firms have the potential to enhance their financial performance by minimizing agency costs (Mansouri et al., 2024; Haroon & Zaka, 2023; Shiyyab et al., 2023). Hence, to mitigate the agency cost, the manner in which CG operates must address the root causes of such disputes (Allen & Gale, 2000). Ownership concentration is one such governance mechanism (Maug, 1998). No single owner can influence board decisions if the ownership is dispersed. Secondly, board independence, wherein outsiders take positions on the board, is suggested. We expect the inclusion of third-party directors on the executive committee to enhance the board's oversight function. We predict better performance from firms with improved monitoring.

Donaldson and Davi's (1991) theory suggests that trustees strive to act in their patrons' best. Unlike the agency hypothesis, the manager in this context not only acts as an opportunistic shirker but also has a genuine desire to perform well and effectively manage the business assets. The role of the steward entails exhibiting pro-organizational conduct and safeguarding and optimizing shareholders' money by means of business success. Stewardship theorists prioritize the examination of systems that promote facilitation and empowerment, as opposed to those that include monitoring and control. According to Clarke (2004), it is believed that giving executives the authority to make choices independently, despite navigating administrative processes, enhances job fulfillment, which in turn positively impacts the fiscal health of the company.

The managers are believed to have greater access to specific insider information than independent directors (Fama & Jensen, 1983). The stewardship idea recommends having just a handful of autonomous directors on the executive team. The stewardship idea posits that the chief executive officer's (CEO) primary objective is to effectively manage the organization rather than taking advantage of the system for personal gain (Donaldson, 1990). Thus, the presence of a CEO and chairman in a corporation is crucial for its success.

According to the proponents of this theory, "boards of directors are vehicles for coopting important external organizations" (Pfeffer & Salancik, 1978, p. 167). Directors play a crucial part in the resource dependency function by establishing connections between the company and external elements that give rise to ambiguity and dependence on outside sources. In addition, directors also offer the company's resources, including expertise, data, accessibility to crucial components, and credibility (Barroso et al., 2011; Gales & Kesner, 1994). Research studies have demonstrated the effectiveness of boards of directors in acquiring resources (Boeker & Goodstein, 1991) and enhancing the reputation and credibility of their firms (Daily & Schwenk, 1996; Hambrick & D'Aveni, 1992). Several scholars have analyzed board composition and its impact on firm performance using the resource dependence theory, supporting the argument that boards play a more significant role in securing resources from the external environment than just monitoring firm management (Pearce & Zahra, 1992). Therefore, Pfeffer (1972) argues that larger boards acquire more resources.

The literature on CG has always aimed to minimize the conflict, and therefore agency theory is a predominant theory. However, in cases where the focus is on agency difficulties, the structure of the board differs from that of boards that prioritize other factors, such as resource reliance and advisory functions. While it might be impossible to replace agency theory, we can deliberate on integrating the complementary perspective(s). This led to studying the linkage between board characteristics and firm performance (Singh & Gaur, 2009). An integrative theoretical view can be insightful for policymakers and practitioners.

2.1. Chief executive officer-chair duality

More independent directors on the board and a clear separation between the board's chairperson and the firm's CEO achieve board independence. Stewardship theory supporters oppose board independence (Donaldson & Davis, 1991). The stewardship theory further challenges the inclusion of outside directors on the board, arguing that their limited knowledge about the firm limits their advisory role (Donaldson & Davis, 1991). Better effectivity (Boyd, 1995), profitability (Abor & Biekpe, 2007), and earnings per share (Iqbal-Hussain et al., 2019) positively correlate with CEO duality. On the contrary, it has been affecting firm performance adversely (Ehikioya, 2009), lowering market valuation and increasing costs (Collett & Dedman, 2010). Most studies conducted with firms in Egypt (Abdelzaher & Abdelzaher, 2019; Quttainah et al., 2023), Malaysia (Iqbal-Hussain et al., 2019), and Italy (Merendino & Melville, 2019) find CEO duality to be insignificant. The empirical evidence also indicates a negative relationship when measuring firm performance by return on assets (ROA) (Assenga et al., 2018; Palaniappan, 2017; Saidat et al., 2019) and Tobin's Q (Shao, 2019). Given the aforementioned context, we formulate the first hypothesis as follows:

H1: There is a positive relationship between the separation of the board of directors and CEO positions and business performance.

2.2. Board independence

The presence of autonomous members on the management team is indicative of good governance. In order to provide efficient supervision, it is necessary for directors to possess non-executive and independent qualities. Independent directors have the ability to mitigate conflicts between management and shareholders. The researcher supports additional study and debate to develop stakeholder theory and identify optimal business strategies for its implementation, as supported by empirical and theoretical data. This idea establishes a connection between financial performance and CG, emphasizing the importance of creating value for all stakeholders in order to generate value for investors. Business purpose involves a company's expectations of its stakeholders' contributions and its efforts to inspire and encourage them to fulfill them. Profit maximization shapes a company's operating architecture and business strategy. The presence of independent directors on the board is associated with the maximization of shareholders' value (Fama, 1980), excess share returns (Rosenstein & Wyatt, 1990), and a higher firm value (Mak & Kusnadi, 2005). However, the empirical studies investigating the relationship between board independence and firm performance are inconclusive (Dalton & Dalton, 2011; Kumar & Zattoni, 2013). While some studies report a negative relationship (Bauer et al., 2004; Boyd, 1995; Iqbal-Hussain et al., 2019), others have observed it to be positive (Rechner & Dalton, 1991; Saidat et al., 2019) and even no relationship (Abdelzaher & Abdelzaher, 2019; Duppati et al., 2019; Unite et al., 2019; Yasser et al., 2017). Most studies in India have found a positive correlation between a board's independence and a firm's performance, as measured by ROA (Mishra & Kapil, 2018; Palaniappan, 2017) and Tobin's Q (Mukarram et al., 2018). Based on the aforementioned findings, we formulate the second hypothesis as follows:

H2: There exists a strong correlation between the independence of the board and the success of a business.

2.3. Board size

A large board size involves a compromise regarding two divergent viewpoints. Having a big board of directors has many advantages. Agency theory suggests that it allows for a greater diversity of experiences and perspectives, which may enrich decision-making processes. Additionally, a larger board can give more connections to the external world, which can lead to increased access to resources for the business (Pfeffer, 1972). Resource dependence theory posits that external resources will affect a company's administrative activities, behaviors, and overall efficiency. Conversely, a big board hinders the speed of reaching conclusions (Harford et al., 2008). There is a lack of solid evidence in the existing research about the association between board composition and company performance. While some found support in the positive relationship (Gordini & Rancati, 2017; Merendino & Melville, 2019; Singh et al., 2018), others found a negative relationship (Mak & Kusnadi, 2005; Saidat et al., 2019) or even no significant relationship (Ionascu et al., 2018; Saidat et al., 2019; Unite et al., 2019). Observations in the country have also yielded mixed results. While some studies report a negative relationship between board size and a firm's performance (Mukarram et al., 2018), others have observed it to be positive (Mishra & Kapil, 2018; Mohapatra, 2017; Hassan, 2023). Given the aforementioned context, we formulate the third hypothesis as follows:

H3: There is a positive correlation between the size of a firm's board and its performance.

2.4. Ownership concentration

The ownership structure is an important component of CG. When firms go public, they create a separation between ownership and control of wealth in the modern corporation (Berle & Means, 1932). Experts argue that the separation of ownership and control fosters the development of specific knowledge and expertise (Fama & Jensen, 1983). On the downside, the agency theory contends that this divorce between ownership and control leads to a conflict of interest, and ultimately the managers pursue their own self-interests at the cost of shareholders (Fama, 1980). The board structure's effectiveness is based on the diversity of the company's ownership (Cho & Kim, 2007). In dispersed ownership, owners often struggle to find resources for monitoring and maintaining discipline, whereas in concentrated ownership, these resources are readily available and can effectively discipline managers (Carney & Gedajlovic, 2001). However, concentrated ownership has some ill consequences, too. Although ownership concentration can reduce principal-agent conflict, it can give rise to principal-principal conflict by inducing tunneling of resources (La Porta et al., 1999). According to Johnson et al. (2000), tunneling refers to the transfer of assets and profits from firms to their controlling shareholders. In the context of emerging nations, namely India, a significant proportion of enterprises consist of closely held companies, including family-owned enterprises, business conglomerates, and state-controlled corporations. In such businesses, the issue of the 'principal-principal' agency problem and tunneling can be found. Leading shareholders have the ability to take advantage of minority shareholders by using tiered organizational frameworks, intricate interlocked leadership positions, cross-shareholdings, casting agreements, and diverting capital from the main business entity to different entities under their control (Javid & Iqbal, 2008). The empirical studies conducted to study the relationship between family ownership and firm performance found significant positive results (Anderson & Reeb, 2003; Rajput & Joshi, 2015). The aforementioned information informs the development of the fourth hypothesis:

H4: There is a positive correlation between concentrated ownership and company performance.

2.5. Moderating effect of ownership concentration

The controlling shareholders may use their power to select the directors on the board, suggesting a potential relationship between the aforementioned board characteristics and ownership concentration (Guizani, 2013). The limited empirical literature reveals that interactions between independent

directors and large shareholders adversely affect the positive relationship between independent directors and firm performance (Chen & Jaggi, 2000; Cho & Kim, 2007). Hence, the current research aims to examine the influence of the interplay between board qualities and concentration of ownership on the financial health of firms. The study formulates the following hypotheses:

H4a: The association between CEO duality and business success is adversely moderated by ownership concentration.

H4b: The association between board independence and corporate performance is adversely moderated by ownership concentration.

H4c: The association between board size and business performance is adversely moderated by ownership concentration.

3. DATA AND METHODOLOGY

The study's sample comprises the top 34 non-financial listed firms from the National Stock Exchange of India (NSE), covering a five-year period from 2018–2019 to 2022–2023. The initial step involved collecting data for all 50 companies indexed in the National Stock Exchange Fifty (NIFTY 50). In the initial stage, we eliminated 11 entities associated with the financial services and sectors from the 50 companies, due to their distinct governance structures (Palaniappan, 2017). Afterward, the analysis excluded firms that did not comply with fiscal year reporting and provided insufficient information for each of the five-year periods. We removed an additional five firms during this round. The aforementioned filtering procedure results in a total of 34 firms that possess comprehensive information. The Capitaline server gathered the pertinent details. Capitaline is an online database that houses information on 35,000 companies in India, both publicly listed and privately owned. We primarily utilize it for study purposes. This research measures the organization's economic performance, evaluating it using Tobin's Q. This study uses panel data. Furthermore, it assists in the control of distinct unexplained volatility and improves the capacity to detect and measure effects that could be challenging to spot in longitudinal data.

The independent factors included in this study consist of ownership concentration, the size of the board, CEO duality, and board independence. Denis and McConnell (2003) quantify ownership concentration by evaluating the ownership proportion of the top 10 shareholders. The size of the board refers to the overall count of directors serving on it. The level of board independence is contingent upon the presence of a sufficient number of independent directors on the board. We apply a natural logarithm to the numbers to normalize the distributions of count factors before including them in the regression equations.

The analysis's objective and the type and volume of data required for collection determine the research method to use. The quantitative research strategy, based on a planned and comprehensive statistical analysis, guides this investigation. We employ quantitative research methods for the following reasons: the primary focus of the quantitative data, which forms the basis of the research from the outset, is on financial performance measures and board characteristics. Due to the prevalence of numerical data, a quantitative research approach is optimal. Since the purpose of this study is to determine whether there is a correlation between board characteristics and financial success, the quantitative approach is also considered appropriate. The research design is the blueprint for how the study will collect, analyze, and present its results. This study aims to use a causal research technique to investigate the impact of board characteristics on financial success. The theory of positivism aligns with the causal analysis approach, allowing for the establishment of a causal relationship between the variables under investigation. We adopt the causal research technique because it allows us to clearly identify the moderating effect of ownership concentration and the cause-and-effect relationship between board qualities and financial outcomes.

Control variables: we take into consideration factors that currently influence the connections between governance and effectiveness. The presence of debt in the firm's capital structure fosters managerial accountability, resulting in improved decision-making efficiency. The measurement of leverage included the division of the company's total debt by its paid-up equity capital, as documented by Mulyadi and Anwar (2012) and Cho et al. (2007). The ownership of promoters reflects the ownership of the individuals who actively promote the company.

Table 1. Variable description

Variables	*Acronym*	*Measuring criteria*	*Supporting studies*
Return on assets	*ROA*	Profits after tax divided by total assets	Saidat et al. (2019)
Tobins Q	*TOBINSQ*	Market capitalization divided by total assets	Shao (2019)
Ownership concentration	*OC*	Shareholding percentage of the top 10 shareholders	Rajput and Joshi (2015)
Board size	*BS*	Aggregate count of directors currently serving on the board	Mishra and Kapil (2018)
Board independence	*BI*	Total count of autonomous directors serving on the board	Bauer et al. (2004), Kumar and Zattoni (2013)
CEO-chair duality	*DUALITY*	A binary variable is assigned a value of 1 if the CEO and chairman are the same person: and 0 if otherwise	Ehikioya (2009)

Source: Authors' compilation.

4. DATA ANALYSIS AND DISCUSSION OF RESULTS

The first stage of the process involves the computation of descriptive statistics. Table 2 presents the results of the descriptive statistics. The average *BS* is 12.6. This numerical value has a resemblance to the matching numerical value seen in several developed regions around the globe. The literature reports a mean *BS* of 11.45 in the USA (Bhagat et al., 2011) and 12.86 in Europe (Mateos de Cabo et al., 2012), which is significantly larger than the average *BS* in Australia (Kiel & Nicholson, 2003) and 5.81 in New Zealand (Gaur et al., 2015). Furthermore, the average number of autonomous members is significantly high, at 6.28.

Promoter's ownership (*PO*) reflects the ownership held by the promoters of the firm.

Table 2. Descriptive analysis

Variable	*Obs.*	*Mean*	*Std. dev.*
Return on assets (*ROA*)	170	12.282	12.518
Return on equity (*ROE*)	170	18.946	19.234
Tobins Q (*TOBINSQ*)	170	3.407	3.778
Ownership concentration (*OC*)	170	20.308	13.605
Board size (*BS*)	170	12.6	3.74
Board independence (*BI*)	170	6.28	1.86
CEO-chair duality (*DUALITY*)	170	0.371	0.484
Company size (*SIZE*)	170	10.81	1.163
Firm age (*AGE*)	170	47.441	25.456
Leverage (*LEVERAGE*)	170	0.341	0.505
Promoter's ownership (*PO*)	170	48.326	19.1

Source: Authors' calculation.

In the second phase, we calculated the Karl-Pearson's pairwise correlation (Table 3) between variables. Additionally, a substantial and positive connection was found between *ROA* and both *DUALITY* and *OC*. A correlation exists between *ROA* and *OC*, *SIZE*, and *LEVERAGE*, which is both negative and moderate. The previously mentioned independent and control variables exhibit comparable connections with *TOBINSQ*. Moreover, we observe a negative correlation between the *SIZE* and *TOBINSQ*. We observe a positive correlation between ownership level and *AGE*, *BS*, and *SIZE*; on the other hand, we observe an adverse relationship with supporter ownership. The total number of trustees significantly positively correlates with *BI*. Researchers have observed a negative correlation between *OC*, *LEVERAGE*, and *BI*. Duality and factors such as *SIZE*, *LEVERAGE*, and *OC* exhibit a positive correlation, while company age displays a negative correlation. The control factors show a positive link between *SIZE* and *LEVERAGE*, whereas *AGE* and *OC* demonstrate a negative relationship. We calculated the variance inflation factor (VIF) for the independent variables, and the results revealed estimates below five. Therefore, we can dismiss the presence of multicollinearity.

Table 3. Correlation matrix

Variables	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*VIF*
(1) ROA	1.000										
(2) TOBINSQ	**0.642*****	1.000									
	(0.000)										
(3) OC	**-0.213*****	**-0.242*****	1.000								1.562
	(0.005)	(0.001)									
(4) LNBS	-0.086	**-0.226*****	**0.181***	1.000							2.241
	(0.262)	(0.003)	(0.018)								
(5) LNBI	-0.028	-0.011	0.042	**0.615*****	1.000						2.094
	(0.714)	(0.888)	(0.587)	(0.000)							
(6) DUALITY	**0.173****	-0.092	-0.078	0.071	-0.084	1.000					1.238
	(0.024)	(0.235)	(0.314)	(0.355)	(0.277)						
(7) SIZE	**-0.446*****	**-0.579*****	**0.248*****	**0.454*****	0.122	**0.205*****	1.000				1.795
	(0.000)	(0.000)	(0.001)	(0.000)	(0.114)	(0.007)					
(8) AGE	-0.045	0.114	**0.296*****	0.053	0.035	**-0.173****	0.072	1.000			1.249
	(0.556)	(0.138)	(0.000)	(0.491)	(0.651)	(0.024)	(0.349)				
(9) LEVERAGE	**-0.460*****	**-0.399*****	0.009	0.121	**-0.211*****	**0.244*****	**0.492*****	-0.070	1.000		1.551
	(0.000)	(0.000)	(0.909)	(0.114)	(0.006)	(0.001)	(0.000)	(0.365)			
(10) PO	**0.218*****	**0.184****	**-0.494*****	-0.037	**-0.214*****	**0.360*****	0.006	**-0.414*****	0.111	1.000	1.867
	(0.004)	(0.016)	(0.000)	(0.632)	(0.005)	(0.000)	(0.933)	(0.000)	(0.148)		

*Note:*** p < 0.01, ** p < 0.05, * p < 0.1.*
Source: Authors' calculation.

This study employs panel data analysis to investigate the impact of board qualities on business performance. We possess comprehensive data for a period of five years for 34 businesses, resulting in a well-balanced panel of observations. The panel models exhibit violations of the ordinary least squares (OLS) criteria of uniformity of variance and no correlation. Therefore, we recommend using the generalized least squares (GLS) method. Furthermore, the use of a random regression model serves to address the issue of omitted variable bias, as well as the existence of autocorrelation. By using this technique, researchers are able to simultaneously investigate differences across cross-sectional units and variances within each unit over time. The selection of random-effect estimation is contingent upon the assumption that the unobserved variation does not exhibit correlation with the variables that are not dependent. The Hausman test assesses the assumption and suitability of random-effects estimates.

The findings of the GLS estimation are shown in Tables 4 and 5. The findings for *TOBIN'SQ* are represented in Table 4, while the results for *ROA* as the dependent variable are displayed in Table 5. The models are constructed using a hierarchical approach, whereby each interaction is considered individually. The provided tables include the unstandardized beta coefficients and the standard deviation (shown in parentheses), along with the significance levels associated with the coefficients. The basic line model is denoted as Model 1, while Models 2–5 represent the interaction models.

Hypothesis *H1* proposes that firms with separate individuals serving as chair and CEO will achieve worse performance in comparison to firms where an individual occupies both spots. Based on the strong and positive coefficient observed for the concept of the duality variable, we may clearly accept *H1*. Hypothesis *H2* posits a positive correlation between a higher number of independent board members and positive financial performance. A beneficial and statistically significant factor was found for the variable that quantifies the number of independent members. Thus, *H2* is corroborated. Hypothesis *H3* suggests a correlation between a larger board of directors and enhanced company success. The coefficient for the *BS* variable was not statistically significant. Consequently, *H3* is not compatible.

Hypothesis *H4* is likely to be a positive association between the degree of ownership and corporate performance. Building on the antecedent contentions, it appears that *H4a* suggests a detrimental moderating impact of *OC* on the relationship between corporate success and CEO

duality. The relationship between *OC* and duality is characterized by a negative and statistically significant coefficient, which supports *H4a*. Hypothesis *H4b* suggests the degree of *OC* negatively influences the relationship between firm performance and the number of independent directors. However, it does exhibit a detrimental and statistically significant correlation with *ROA*. Therefore, *H4b* is confirmed. Hypothesis *H4a* suggests that the degree of *OC* negatively influences the relationship between company success and *BS*. The strong and significant correlation between *OC* and board composition does not support *H4c*.

Table 4. GLS estimation *TOBINSQ* (dependent)

Variable	***Basic model***	***Interaction models***			
	(1)	***(2)***	***(3)***	***(4)***	***(5)***
	TOBINSQ				
OC	-0.019	0.018	-0.118	**0.04***	**-0.303****
	(0.017)	(0.074)	(0.138)	**(0.022)**	**(0.153)**
LNBS	-0.387	-0.456	-0.879	-0.346	**-3.19***
	(1.304)	(1.313)	(1.47)	(1.262)	**(1.864)**
LNBI	**1.975*****	**2.419****	**1.82****	**2.138*****	**3.438****
	(0.743)	**(1.148)**	**(0.775)**	**(0.713)**	**(1.427)**
DUALITY	**2.419*****	**2.405*****	**2.392*****	**4.834*****	**5.004*****
	(0.71)	**(0.711)**	**(0.71)**	**(0.906)**	**(0.925)**
SIZE	**-2.093*****	**-2.095*****	**-2.084*****	**-2.221*****	**-2.239*****
	(0.409)	**(0.409)**	**(0.408)**	**(0.408)**	**(0.408)**
AGE	**0.046****	**0.045****	**0.046****	**0.042****	**0.044****
	(0.02)	(0.02)	**(0.02)**	**(0.021)**	**(0.022)**
LEVERAGE	0.128	0.124	0.156	0.603	0.949
	(0.869)	(0.869)	(0.869)	(0.871)	(0.88)
PO	**0.034***	**0.034***	0.032*	0.033*	0.029
	(0.019)	**(0.019)**	(0.019)	(0.019)	(0.019)
OCID		-0.018			-0.087
		(0.036)			(0.063)
OCBS			0.035		**0.182****
			(0.048)		**(0.084)**
OCDUAL				**-0.088*****	**-0.093*****
				(0.023)	**(0.024)**
_cons	**19.108*****	**18.419*****	**20.797*****	**18.674*****	**24.374*****
	(4.287)	**(4.488)**	**(4.891)**	**(4.273)**	**(4.954)**
Observations	170	170	170	170	170
R^2	0.0.3639	0.3633	0.3668	0.2857	0.2850
Wald chi^2	64.60	64.62	65.04	83.34	90.87

*Note:*** p<0.01, ** p<0.05, * p<0.1.*
Source: Authors' calculation.

Table 5. GLS estimation *ROA* (dependent)

Variable	***Basic model***	***Interaction models***			
	(1)	***(2)***	***(3)***	***(4)***	***(5)***
OC	-0.016	**0.35***	0.082	0.022	-0.6
	(0.047)	**(0.2)**	(0.389)	(0.065)	(0.443)
LNBS	2.581	1.699	3.036	2.572	-7.739
	(3.686)	(3.684)	(4.119)	(3.689)	(5.357)
LNBI	0.375	4.871	0.537	0.493	**10.854*****
	(2.05)	(3.131)	(2.149)	(2.055)	**(4.054)**
DUALITY	**5.069****	**4.981****	**5.067****	**6.507****	5.05*
	(2.056)	**(2.045)**	**(2.063)**	**(2.679)**	(2.707)
SIZE	**-3.999*****	**-4.044*****	**-4.003*****	**-4.054*****	**-4.067*****
	(1.241)	**(1.24)**	**(1.246)**	**(1.246)**	**(1.234)**
AGE	0.005	0	0.004	0.002	0.004
	(0.069)	(0.07)	(0.07)	(0.07)	(0.07)
LEVERAGE	**-8.841*****	**-8.872*****	**-8.899*****	**-8.599*****	**-7.875*****
	(2.636)	**(2.631)**	**(2.654)**	**(2.658)**	**(2.663)**
PO	0.061	0.066	0.062	0.061	0.057
	(0.055)	(0.055)	(0.056)	(0.055)	(0.055)
OCID		-0.18*			**-0.528*****
		(0.096)			**(0.179)**
OCBS			-0.034		**0.579****
			(0.135)		**(0.242)**
OCDUAL				-0.056	-0.008
				(0.066)	(0.069)
_cons	**46.689*****	**40.512*****	**45.08*****	**46.232*****	**55.79*****
	(12.976)	**(13.386)**	**(14.509)**	**(13.02)**	**(14.71)**
Observations	170	170	170	170	170
R^2	0.3961	0.3694	0.3914	0.3966	0.3976
Wald chi^2	47.07	50.79	46.82	47.57	57.36

*Note:*** p < 0.01, ** p < 0.05, * p<0.1.*
Source: Authors' calculation.

The present research used analysis to assess the influence of board features on business performance, resulting in valuable and detailed findings pertaining to governance. The outcomes contradicted the original hypothesis, indicating a multifaceted association between board configurations and business performance. The presence of *DUALITY* emerged as a significant factor positively associated with firm performance, challenging the conventional belief that separating these roles leads to better outcomes (*H1*) (Daily et al., 2003). Additionally, the study supported *H2*

(Fama & Jensen, 1983). However (*H3*) was not substantiated, indicating a lack of significant association between the size of the board and the performance of the firm (Hambrick, 2007).

Surprisingly, in a comparative expected positive relationship (*H4*), *OC* exhibited an adverse effect on the efficiency of the firm (La Porta et al., 2000). Furthermore, the examination of the moderating influence of concentration of ownership on the association between the company's performance and board features has shown noteworthy trends. There was no substantial moderating effect of shareholder concentration on the connection between *BS* and business performance; however, it did mitigate the effects of CEO duality and directors who were independent (Rosenstein & Wyatt, 1990).

The stakeholder and resource dependency theories support this study's conclusions on *BS* and independence. In order to enhance the responsibilities of *BI* and competence in financial success, stakeholder theory suggests that management should focus on cultivating and maintaining connections with all stakeholders, not just shareholders, as Jensen (2001) argues. The idea emphasizes the necessity of producing benefits for all stakeholders with the goal of benefiting shareholders, thereby connecting financial success with CG. The resource dependence theory assesses a manufacturing firm's available human resources by examining the board's composition, which includes the number of individuals, the percentage of non-executives, their educational background, professional experience, and financial acumen. These human assets hold the potential to enhance financial results. The elimination of dependence through the tactical incorporation of key resources into the board of directors greatly improves a company's financial success.

5. CONCLUSION

This research provides valuable insights into the evolution of CG in non-financial enterprises listed on the NSE. The corporate context of India is characterized by a high concentration of ownership and family-controlled businesses, which results in the observation of significant business and management practices in governance. The majority of Indian firms are either family-owned or have a family history. Consequently, these stakeholders wield significant power, thereby dominating the governance dynamics. The observed positive correlation between CEO-chairman duality and firm performance implies that, under specific circumstances, the combination of these roles may improve strategic alignment. However, firms must establish safeguards to prevent conflicts of interest. Improving board diversity in terms of gender, talent, and independent representation will yield greater benefits than simply increasing the board size in India. Additionally, the significance of promoter ownership in Indian firms necessitates understanding its effects on governance and minority shareholders in order to make informed decisions that are fair. In the Indian context, future research could investigate sector-specific governance trends, the influence of SEBI's regulations, and cultural factors such as corporate social responsibility. This would provide a more comprehensive understanding of the relationship between governance and firm performance in a dynamic regulatory environment. Thus, future research can incorporate additional internal CG variables in order to improve the firm's performance, such as the qualities of the board of directors, committees of audit, risk, executives, compensation, and others. Future researchers can extend the study period and include more sectors in their analysis of business performance. Furthermore, this study's examination of the association suggests that future research should consider additional variables such as political turmoil, culture, and corporate social responsibility.

The study's focus on the top 34 non-financial enterprises listed on the NSE limited the sample size. Expanding the study to encompass other economic sectors could have resulted in a larger sample size. To boost generalizability, future studies should include a larger number of listed and non-listed enterprises in India. Future studies may look into other sectors of the economy as well.

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