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ANALYSING THE ROLE OF CORPORATE GOVERNANCE IN IMPROVING FINANCIAL PERFORMANCE OF INDIAN COMPANIES

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Abstract
The main purpose of this study is to investigate the impact of corporate governance mechanisms on firm's financial performance (FP) of Indian companies. This study is based on annual data of 115 companies listed on Bombay stock exchange for the period 2014-2025. The authors have used GLS random effects and fixed effects models to estimate the impact of corporate governance mechanism on firm's financial performance in India. Also, we have used return on assets, return on equity, earning per share and Tobin's Q (TQ) to measure firm performance. This research uses a descriptive research design. The results show that board size and independence are unable improve firm performance. Gender diversity show positive impact on firm's performance and CEO duality showed negative relations with the dependent variables.

Key Words: *Corporate Governance, Board Size, Panel data, Firm performance, India, Fixed effects.*

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1. Introduction

Corporate governance (CG) has become a prominent topic in the current debate of the effects on firm performance, it generates a continuous interest by scholars, regulators and investors worldwide. The recent worldwide financial turmoil along with scandals at the corporate level have brought to the fore the requirement for effective governance mechanisms that will hold corporations accountable and protect stakeholder interests. The structure and operation of the board of directors is widely considered to be a primary factor in the effectiveness with which governance is implemented, both in developed and emerging markets. The board acts as a bridge between owners and managers by providing strategic direction, controlling agency problems, and aligning management actions to achieve shareholder goals. In this context, the particular characteristics of boards among them, board size; independence; gender diversity; meeting frequency and leadership structure and their influence on firm performance have become a crucial area of interest. This investigation has, therefore, theoretical significance on agency stewardship and resource dependence discussions; however, it also has practical implications for firms who are trying to enhance governance practices in a bid to achieve longevity and ability to compete.

For over the past two decades, numerous empirical studies investigated association between corporate governance attributes and firm performance. Most of these investigations have pointed out that the board of directors is characterized by its dual role to supervise and hold management accountable, as well as provide manager with resources including knowledge, advice, and legitimacy (Arora & Sharma, 2016). Board size, for example, is a frequently discussed aspect in relation to governance efficiency. Bigger boards can offer more diverse views and resources, but they may also experience coordination issues and slower decision-making. Conversely, smaller boards may promote greater unity in decision making while imposing the potential constraint of lacking a diverse set of skills and external contacts that can be drawn on by the firm. Also, the ratio of outside directors (or independent directors) has played a significant role as part of governance reforms which was based on an idea that monitoring effectiveness and managerial opportunism are mitigated by presence of independent directors. But evidence from research has been varied, some suggesting independent directors enhance firm performance and others pointing to their potential inertia or low dedication in highly complex corporate contexts. In addition, attention has recently been brought to the actual number of board meetings as a concrete indicator of board activeness and diligence. Meetings can be the perfect cure for too little oversight, and it often provides a way to have the right conversations in response to early warning signs of business model challenges; however, too many meetings may show that governance is impractical or indicate some sort of existential crisis (Arora, 2024).A firm level governance dimension that is particularly salient is the separation of powers in leadership, and hence the power structure whether or not the CEO holds both roles of chief executive officer (CEO) and board chairperson. The CEO duality issue is not new and it is central to agency theory. These in favour of separating roles assert that such a move strengthens boards' independence and reduces the concentration of power, meaning sounder oversight (Bhatt & Bhattacharya, 2015). However, advocates of CEO duality see it as a tool for leadership identification and strategic consistency that can improve the ability of an organization to adapt and to perform. Furthermore, gender diversity in the board invitation agenda has recently drawn much more academic and policy attention given the general trend towards social inclusion and equity. Having women on boards is believed to be critical for wider views, better communication and superior strategic decisions. Positive associations between board gender diversity and firm financial performance have been reported in a number of studies, with many suggesting that this relationship is attributable to the heterogeneous leadership styles and decision processes female directors provide corporate boards. However, other research has reported no association or even negative associations, implying a contingent effect of female directors on board which might be explained by contextual factors including cultural values, ownership structure and wider adoptions of institutions. The inconsistency in the findings has provided a great potential for empirical investigation, particularly in developing countries where governance is still evolving. Notwithstanding the copious academic scrutiny, a few lacunae remain in the literature. First, the vast majority of extant empirical research is very much cantered on companies from developed markets such as the U.S., UK and Western Europe. These contexts are marked by developed governance mechanisms, concentrated ownership and strict regulatory compliance responsibilities; therefore, the findings may not apply to developing market environments. In contrast, emerging markets frequently feature more concentrated ownerships, boards with family dominance and inferior investor protection mechanisms which could greatly impact the relationship between institutional ownership and firm performance. Second, the majority of prior studies (e.g., Khanna et al., 1998; Fich and Shivdasani, 2006; Karuna and Qian, 2012) is based on cross-sectional data that also overlook time-series firm-specific factors affecting the governance-performance associations. Panel data methodology provides a stronger platform for investigating how the impacts of board features change across years and firms than objects under study by adjusting unobservable heterogeneity among

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firms. Third, researchers have responded to calls in portraying the interplay of various governance devices in tandem with board size and independence, CEO duality and gender diversity such effects remain relatively unexplored. This perspective of interdependence is important because governance mechanisms are seldom used in isolation; the interrelationship among them could reinforce or offset effects on firm outcomes. Lastly, although the significance of board activeness and behavioural characteristics have been increasingly acknowledged, empirical research in relation to how frequently a board meets and its performance consequences is lacking, especially in non-Western countries.

In this context, in view of such research gaps, the present study seeks to conduct a systematic analysis on influence of corporate governance attributes as board size; board independence (i.e., outside directors); frequency of board meetings; CEO duality and gender diversity upon firm financial performance by employing panel data regression methodologies. Thus, by zooming in on these five dimensions, the study adds a more nuanced perspective not only of how board attributes collectively influence firm performance outcomes. The study is based on agency theory, and is enriched using resource dependence and stewardship theories. According to agency theory, good governance damps conflicts between shareholders and managers that lead to better performance. Resource dependence theory, on the other hand, emphasises that the board is a channel for external resources, knowledge and legitimacy input (Hillman & Dalziel 2003) whereas stewardship theory suggests that alignment between managerial and directorial interests may result in better performance or firm outcomes. The empirical analysis is based on a panel data set that covers firms and years, which makes it possible to consider variation in governance structures and performance measures within firms as well as across firms. Standard accounting-based measures, namely return on assets (ROA), return on equity (ROE) and return on capital employed (ROCE), which reflect both profitability and operational efficiency will be utilized as a measure of financial performance. The panel data model is useful to control unobserved heterogeneity and time dependence in the analysis, thus leading to conclusions on a solid basis which are more pertinent than in cross-sectional studies.

2. Theoretical framework, review of Literature and hypothesis development

The associations between corporate governance mechanisms and firm's financial performance are intricate, multidimensional, and influenced by variables such as institutional setting, ownership composition, and regulatory development. As the cornerstone of efficient organizational control, corporate governance reconciles the relationship between managers' and shareholders' interests and advocates for transparency, responsibility, and value creation in the long run. Empirical evidence from both developed and developing settings unambiguously indicates that effective governance mechanisms are associated with favourable firm financial performance, although the direction and strength of such relationships often depend on market conditions. Board features such as numbers, independency, diversity, leadership structure and ownership patterns are some the most investigated governance features affecting firm performance.

2.1 Board size and firm performance

Size of the board is an important governance mechanism which determines the effectiveness of monitoring, and access to strategic resources. According to agency theory, a larger board can potentially suffer from coordination problems, free-riding and slow decision making leading to decreased firm performance (Jensen, 1993; Yermack, 1996; Al-Matari, 2024). However, resource dependence theory predicts that larger boards facilitate performance through availing themselves of a variety of knowledge and external ties that grant them access to valuable resources such as finance and legitimacy (Pfeffer & Salancik, 1978). The empirical evidence is somewhat mixed; some studies find that oversized boards have a negative relationship to firm value (Al-Matari, 2024), while others find positive effects in complex environments where advisory services are important (Dalton et al.,1979; Goel, 2021; Gulzar et al., 2020; Yan et al., 2021)). Thus, the impact of board size will vary with the cost-benefit ratio of monitoring and provision.

H1: Board size is positively associated with firm performance.

2.2 Board independence and firm performance

Board independence is the ratio of independent directors who are not in positions or roles with an executive function. According to the agency theory, independent directors enhance monitoring, discourage managerial opportunism, and safeguard shareholder values resulting in enhanced firm performance (Fama & Jensen, 1983; Jensen & Meckling, 1976;). Independent boards are supposed to reduce agency costs through unbiased monitoring and better quality of the disclosure (Jensen, 1993; Sethi et al., 2023; Gunawan et al., 2024). From a resource dependency view, independent board members provide external knowledge, legitimacy and strategic advice that facilitate firm survival and performance (Pfeffer & Salancik, 1978). Yet, when owners and insiders

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have limited or no firm specific expertise, independent directors may be ineffective. Also, independence is symbolic rather than substantive (Bhagat & Black 2002; Jamil Sharif & Ismail Hossain, 2020; Kiranmai & Mishra, 2019). Therefore, the impact of board independence is moderated by institutional context and competency of boards.

H2: Board independence is positively associated with firm performance.

2.3 Board meeting frequency and firm performance

Meetings of the board held in a financial year are called as frequency of board meetings. The number of times that a board meets indicates its level of engagement and monitoring oversight. According to agency theory, more frequent meetings intensify controls and the supervision intensity of boards in relation with management as well as reduce information asymmetry that favour firm performance (Jensen 1993). Meeting frequently allows boards to discuss strategic choices, oversee risk and assure compliance and as a result reduce agency costs (Fama & Jensen, 1983). Resource dependence theory, on the other hand, sees meetings as times for strategic advising and coordinating activities of outside resources and allies (Pfeffer & Salancik 1978; Arora, 2024; Ibrahim Al-Daoud et al, 2016; Mohammed Al-Matari et al., 2014). Yet, a high number of meetings may also reflect reactive governance such as distress or operations problems faced by the firms and detrimental to performance (Vafeas, 1999; Chaudhary & Gakhar, 2018). Hence, the governance role board meetings might be contingent on whether the meetings are scheduled with a proactive and strategic or crisis-driven and corrective approach.

H3: Board meeting frequency is positively associated with firm performance.

2.4 Board gender diversity and firm performance

Board gender diversity is largely studied as a factor for corporate governance quality and firm performance. According to Agency theory, gender-diverse boards enhance monitoring efficiency by mitigating groupthink, and enhancing ethical oversight as well as transparent decision-making hence reducing agency costs (Adams & Ferreira, 2009). Female directors are likely to increase the diligence of boards and lead them into higher governance discipline in that they will attend more and be more participative (Adams & Ferreira, 2009). From the resource-dependence view, gender diversity enhances the human capital and cognitive variety of boards (Brahma et al., 2021; Chatterjee & Nag, 2023; Pandey et al., 2023; Hillman et al., 2007; Pfeffer & Salancik, 1978), which also contribute to their reputational legitimacy and stake-holder trust to access external resources and competitive advantages. On-the-ground studies have often demonstrated the positive correlation of gender diversity with performance and governance quality (although market-level responses depend on institutional norms), see for example, Carter et al. (2003; Adam & Alfawaz, 2025; Tanwer, 2026; Yin Li et al., 2024). As such, gender diversity is now increasingly seen as both a monitoring and value-creation device.

H4: Board gender diversity is positively associated with firm performance.

2.5 Executive director's remuneration and firm performance

Director's pay is a governance feature that is aimed to bring the incentives of managers and boards into alignment with shareholders (Dias et al., 2020). According to agency theory a good compensation package can motivate the directors for effective monitoring over management and it urges that they act in the best interest of shareholders, hence resulting in better firm performance (Jensen & Meckling, 1976). Incentive-based pay may help minimize shirking and encourage monitoring, particularly in firms confronted with complex agency problems (Jensen, 1993). From the resource dependence perspective, competitive compensation is a source of enhancement in attracting valuable resources that is, expertise, contacts and legitimacy which together facilitate strategic resource access and advice (Aslam et al., 2019; Raithatha & Komera, 2016; Saravanan et al., 2016; Pfeffer & Salancik, 1978;). But abusive levels of compensation risk influencing management decisions, increasing managerial capture and reducing independence, leading to additional agency costs' (Core et al., 1999). As such, the effect of pay is contingent upon the performance related nature, transparency and conformance with governance of the compensation.

H5: Director remuneration is positively associated with firm performance.

2.6 CEO duality and firm performance

CEO duality arises when it is the CEO who also serves as board chair, thus concentrating leadership power in one individual. Agency theory suggests that CEO duality reduces board independence and monitoring, enhances managerial entrenchment, and raises agency costs, thereby resulting in worse corporate performance (Fama & Jensen, 1983; Jensen, 1993; Duru et al., 2016); Shrivastava, 2016; Mohan & Chandramohan, 2018). However, when framed from stewardship and resource dependence perspectives duality is seen as a mechanism

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for achieving greater strategic coherence, minimizing leadership conflicts and intensifying pace of decision-making especially in volatile environments needing fast responses (Donaldson & Davis, 1991; Pfeffer & Salancik, 1978). Empirical evidence is still mixed, attesting that the CEO duality performance link is contingent and moderated by institutional context, board quality and ownership type (Dalton et al., 1998). Therefore, CEO duality may be good or bad depending on which of the two agency problems unity of command or monitoring constraints is dominant.
H6: CEO duality is significantly associated with firm performance.

3. Research Design

3.1 Research Design and Approach

This research article used a quantitative design with secondary data using an empirical panel dataset to investigate the relationship between corporate governance mechanisms and firm financial performance for Indian listed companies. The above outlined panel data system is especially suitable for the present study as it accounts for both cross section and time-series differences and permits us to control for any unobserved firm specific heterogeneity which could induce a bias in traditional cross section estimates. A multiple regression is used to test the impact of governance mechanisms (board size, percentage of outside directors serving on the board, number of meetings held by the board throughout the year, CEO duality and presence of women directors) in relation to corporate performance. Both FE and RE models are estimated, and consistency of the estimator is checked by means of the Hausman test. In order to control for potential endogeneity and autocorrelation, we use robust standard errors and diagnostic tests for multicollinearity as well as serial correlation.

3.2 Data and sample determination

In this article we have used secondary data extracted from the annual reports of sample companies. The Financial and governance data are also cross-confirmed with database sources such as the CMIE (Centre for Monitoring Indian Economy), Prowess IQ and company's annual reports fillings to SEBI (Securities and Exchange Board of India). The sample consisted of 115 Indian companies from service and manufacturing sector listed on BSE. Banking and Financial institutions are excluded, being these subject to different accounting and regulatory systems. The period under study covers 2014 to 2025, since the date of the implementation of governance reforms post Companies Act 2013. Also, missing and inconsistent information during the study period are dropped out. The final sample consists of 115 firms.

Table 3 Industry wise sample

Sr. No	Industry	Firms included in Final Sample
1	Cement	4
2	FMCG & Food-Works	13
3	Paints	2
4	Pharmaceuticals & Healthcare	15
5	IT	11
6	Telecom	5
7	Infrastructure & Real Estate	7
8	Automotive & Aviation	15
9	Energy & Power	8
10	Consumer goods	5
11	Industrial Engineering	8
12	Chemicals	8
13	Textiles	2
14	Metals	8
15	Hospitality	1
16	Retail	1
17	Oil & Gas	2
	Total	115

Source: Author's work

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3.3 Model Specification

Several previous research studies (Arora, 2024; Garg & Tanwer, 2023; Sethi et al., 2023; Sthapit & Vaidya, 2024) used different techniques to examine the relationship between corporate governance characteristics and firm performance. In this study we are using panel estimation method fixed effects and random effects (Gujarati, Damodar, N. and Porter, D.C. 2008). The general econometric model for the analysis of the effect of corporate governance characteristics on firm financial performance can be expressed as:

$ROA_{it}=\beta0+\beta1BSIZE_{it}+\beta2BIND_{it}+\beta3BMEET_{it}+\beta4DUAL_{it}+\beta5WOM_{it}+\beta6SIZE_{it}+\beta7LEV+ \beta8LEV+ Ɛit$

$ROE_{it}=\beta0+\beta1BSIZE_{it}+\beta2BIND_{it}+\beta3BMEET_{it}+\beta4DUAL_{it}+\beta5WOM_{it}+\beta6SIZE_{it}+\beta7LEV+ \beta8LEV+ Ɛit$

$ROCE_{it}==\beta0+\beta1BSIZE_{it}+\beta2BIND_{it}+\beta3BMEET_{it}+\beta4DUAL_{it}+\beta5WOM_{it}+\beta6SIZE_{it}+\beta7LEV+ \beta8LEV+ Ɛit$

$TQ_{it}=\beta0+\beta1BSIZE_{it}+\beta2BIND_{it}+\beta3BMEET_{it}+\beta4DUAL_{it}+\beta5WOM_{it}+\beta6SIZE_{it}+\beta7LEV+ \beta8LEV+ Ɛit$

Table: 3 Variables definitions, acronyms and measurements

Variable	Acronyms	Measurement
Dependent Variable		
Return on Assets	ROA	The ratio of income to total assets
Return on Equity	ROE	Net income divided by shareholder's fund
Return on Capital Employed	ROCE	EBIT divided by its capital employed
Tobin's Q	TQ	The ratio of (equity + Current liabilities) to total assets
Independent Variable		
Board Size	BSIZE	Total number of directors in the company
Board Independence	IND	Total number of Independent directors in the company
Board Meetings	MEET	Number of meetings held in a financial year
Gender Diversity	GD	Number of women on the board
Director's Remuneration	REM	Total remuneration to executive director
CEO Duality	DCEO	When CEO also chair the board =1 (otherwise 0)
Control Variables		
Firm's Size	SIZE	The natural log of total assets
Firm's Age	AGE	Natural logarithm of years since incorporation
Leverage	LEV	The ratio of total liabilities to total assets

4. Result and discussion

4.1 Descriptive statistics

Table 4 provides descriptive statistics for the variables under study. The data set contains 1380 firm year observations. The average ROA is 10.17 with a standard deviation 8.91, indicates performance variation across different firms and sectors. Board structures are also diverse, within an average board size of 10.27 directors and significant outside representation as reflected by the means of non-executive directors 6.18 and independent directors 5.34, consistent with regulatory expectations in Indian context. Gender diversity in board of directors is low, with an average number of only 1.62 women members. CEO's duality abounds in 61% of the companies suggesting concentrated leadership and control of the top position. Boards meets on an average 6.33 times per year, which represents moderate monitoring intensity.

Table 4: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	1380	10.169	8.912	-47.18	55.18
BSIZE	1380	10.274	2.503	4	22
NONED	1380	6.184	2.71	0	15
INDIR	1380	5.338	1.669	0	12
GD	1380	1.619	.93	0	6
DCEO	1380	.609	.488	0	1
MEET	1380	6.33	2.232	2	23
REM	1380	17.187	1.879	11.462	21.227
SIZE	1380	4.15	.574	2.859	5.988

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AGE	1380	3.498	.842	0	5.231
LEV	1380	.398	.993	0	22.72
Source: Author's work					

Notes: ROA (return on assets), BSIZE (size of the board), NONED (outside director), INDIR (board independence), GD (gender diversity on the board), DCEO (chairperson dual role), MEET (frequency of board meetings), REM (director's remuneration), SIZE (firm size), AGE (firm age), LEV (firm leverage).

4.2 Correlation analysis

The table 5 shows correlation among variables. Correlation matrix provides initial information on the relationship between corporate governance characteristics and firm performance. ROA presents low and positive correlations to board gender diversity (0.079), CEO duality (0.134), executive director's remuneration (0.088) non-executive directors (0.059) and board size (0.007), which demonstrates that both gender diversity and other governance mechanisms have limited direct margins of influence on profitability at the vitiated level. On the other hand, board meetings frequency is negatively associated with ROA (-0.187), and suggests that firms with poor performance can engage in frequent board discussions, consistent with a reactive monitoring perspective. Weak to moderate correlations among Board Structure variable, especially board size & Independent Directors (0.669), show that there is a compliance of regulation with regards to board independence and oversight in Indian environment.

Table 5: Correlation matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) ROA	1.000										
(2) BSIZE	0.007	1.000									
(3) NONED	0.059	0.299	1.000								
(4) INDIR	0.030	0.669	0.287	1.000							
(5) GD	0.079	0.165	0.028	0.175	1.000						
(6) DCEO	0.134	0.193	-0.062	0.174	0.010	1.000					
(7) MEET	-0.187	0.055	0.007	0.039	-0.027	0.023	1.000				
(8) REM	0.088	0.033	-0.030	0.023	0.006	0.149	0.015	1.000			
(9) SIZE	-0.223	0.308	-0.087	0.183	0.066	0.156	0.239	0.083	1.000		
(10) AGE	0.192	0.200	0.184	0.226	-0.020	0.094	0.029	0.075	0.014	1.000	
(11) LEV	0.004	-0.031	-0.020	-0.025	0.086	0.047	0.043	-0.034	-0.056	-0.112	1.000

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Table 6: Test of multicollinearity

Variables	VIF	1/VIF
(1) BSIZE	2.152	.465
(2) NONED	1.248	.53
(3) INDIR	1.888	.801
(4) GDN	1.063	.803
(5) DCEO	1.079	.909
(6) MEET	1.085	.912
(7) REM	1.096	.922
(8) SIZE	1.245	.927
(9) AGE	1.100	.941
(10) LEV	1.042	.959
Mean VIF		1.3

Source: Author's work

The average VIF is 1.3, suggesting that multicollinearity is not an issue in the regression models. In light of the fact that VIF values near 1 indicate very weak multicollinearity among independent variables, the mean VIF value received implies that predictors of final model are to a considerable extent free from multicollinearity. In empirical work, VIFs less than 5 (or even 10) are usually accepted to be fine therefore the mean VIF of 1.3 indicates that our estimated coefficients are stable and the standard errors are not inflated by multicollinearity. Therefore, it is safe to interpret the regression results as the model meets multicollinearity diagnostic criteria.

4.3 Unsuitability of OLS regression

The assumptions of ordinary least squares were examined to assess the reliability of the regression estimates. Linearity was evaluated by plotting residuals against fitted values, and no visible pattern was observed, indicating an appropriate functional form. Variance Inflation Factor (VIF) values (mean=1.3) were below the conventional threshold of 05, suggesting the absence of problematic multicollinearity among the predictors. Heteroskedasticity, however, was detected, the White test indicated heteroskedasticity (χ^2 = 152.89, p = 0.0000). Given these violations of key OLS assumptions, the model is unsuitable for standard regression. Therefore, the analysis proceeds using panel data techniques, specifically fixed-effects and random-effects estimations, which better accommodate the structure and limitations of the dataset.

5. Results and Discussion

5.1 Board size and firm performance

The board size coefficient is negative under ROE ($\beta = -0.341$), and Q-ratio ($\beta = -0.00695$) with a positive sign for EPS ($\beta = 2.076$) but all the coefficients have again low statistical significance. These findings suggest that an increase in board size actually has no positive effect on Indian listed companies. This evidence is consistent with the agency cost view that overly large boards could suffer from coordination problems, information disparities and slower decision-making process, which in turn impairs their monitoring role (Jensen, 1993; Yermack, 1996). Resource dependence view: It has been suggested that large boards can have better access to directors' expertise and outside resources but only where directors are actively involved beyond symbolic representation (Pfeffer & Salancik, 1978; Nguyen & Nguyen (2024a).
Hypothesis Decision (H1): Not Supported (board size shows no significant association).

5.2 Non-executive director and firm performance

The proportion of non-executive directors is negatively and significantly associated with ROE ($\beta = -0.351$, $p < 0.05$) as well as ROA ($\beta = -0.136$, $p < 0.05$). However, coefficients for EPS ($\beta = -0.873$) and Q-ratio ($\beta = -0.00742$), are negative but not statistically significant. The agency theory posits that non-executive directors contribute to firm's performance by enhancing monitoring and decreasing managerial discretion (Fama & Jensen, 1983). However, the negative and significant effect of non-executive directors on accounting

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performance suggests that non-executive directors may not be effective in their monitoring role, or they may be appointed not for governance quality but instead due to compliance. This would be consistent with findings that independent directors do not universally enhance performance when independence is based on formality rather than functionality (Bhagat & Black, 2002). Resource dependence theory also suggests that non-executive directors should bring external networking and strategic advice, although this may be limited by low levels of participation or firm-specific knowledge (Hillman & Dalziel, 2003).
Hypothesis Decision (H2): Not Supported (effect is significant but negative, contrary to expectation).

5.3 Board independence and firm performance

Board independence has no statistically significant impact on any of the dependent variables. Coefficients are positive in the case of ROE ($\beta = 0.149$) and ROA ($\beta = 0.117$), while coefficients for EPS ($\beta = -0.651$) and Q-ratio ($\beta = -0.000895$) were negative. The combined insignificance effects in all models imply that perceived board formal independence alone is not adequate for enhanced financial or market success. Agency theory suggests that independent board improves monitoring and limits agency costs (Jensen & Meckling, 1976; Jensen, 1993), but some empirical studies contend that independent directors may have problems with information asymmetry, absence of firm-specific knowledge or restricted power from powerful insiders (Bhagat & Black, 2002). In the same vein, resource dependence theory proposes that independent directors potentially offer strategic resources and legitimacy but this contribution hinges on board capacity and institutional effectiveness (Pfeffer & Salancik, 1978).
Hypothesis Decision (H3): Not Supported (no significant association).

5.4 Board gender diversity and firm performance

Board gender diversity appears as one of the key governance mechanisms in the models. Women on board variable exhibits positive and statistically significant effect with ROE ($\beta = 0.947$, $p < 0.05$), ROA ($\beta = 0.271$, $p < 0.10$) and EPS ($\beta = 8.908$, $p < 0.05$). But that for Q-ratio is negative too ($\beta = -0.0101$) with no statistical significance. This evidence indicates that gender-diverse boards are linked with higher accounting-based performance and thus endorse the arguments which advocate for improved monitoring quality, decision-making effectiveness and ethical oversight related to diversity (Adams & Ferreira, 2009). Resource dependence theory would also suggest that female directors can be a source of board human and social capital, stakeholder legitimacy, and external relational resources that provide for superior efficiency and profitability within the firm (Hillman et al., 2007; Pfeffer & Salancik, 1978). The non-significant Market Valuation impact suggests that the investor might fail to immediately incorporate the value of gender diversity governance benefits into firm value, which appears to be in line with evidence showing different response among markets depending on institutional context and time-event (Carter et al., 2003).
Hypothesis Decision (H4): Supported (positive significant effect on ROE/ROA/EPS).

5.5 Board meeting frequency and firm performance

The number of board meetings is negatively correlated with ROE ($\beta = -0.231$) and ROA ($\beta = -0.124$), the latter being significantly such below $p < 0.10$ level. This finding suggests that increasing the number of board meetings may not improve governance performance so much as signify reactive monitoring that compensates for poor operational situations. This perception is in line with work claiming that boards meet more frequently when firm performance is poor, turning meeting frequency into a symptom of weak governance rather than a value-enhancing factor (Vafeas, 1999). From the perspective of an agency, board meetings can mitigate information asymmetry and improve monitoring; however, too many meetings may entail high coordination costs without enhancing performance (Jensen, 1993). Therefore, the resource dependence function of meetings strategic decision-making and resource mobilization may not bifunctional if meetings are policy-based rather than strategy based (Hillman & Dalziel, 2003).
Hypothesis Decision (H5): Not Supported (relationship is negative, not positive).

5.5 Executive director's Compensation and firm performance

Compensation of directors has positive but not statistically significant impact on ROE ($\beta = 0.263$), ROA ($\beta = 0.0675$) and EPS ($\beta = 0.0229$). The effect of performance is also negative and statistically significant to Q-ratio ($\beta = -0.0204$, $p < 0.10$). So, it would seem that higher remuneration is viewed by the market as a cost of governance leading to lower firm value (although not necessarily directly related to improved accounting returns). Agency theory points out that compensation will induce effective incentives and help to mitigate agency problems only if compensation structures are closely related to performance; otherwise, over-incentive pay might be interpreted as managerial capture and rent extraction (Core et al., 1999).

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Table 7: Regression Results

	Model I	Model II	Model III	Model IV
VARIABLES	**ROE**	**ROA**	**EPS**	**Q-Ratio**
Board Size	-0.341	-0.109	2.076	-0.00695
	(0.258)	(0.0956)	(2.193)	(0.0138)
Non-executive Director	-0.351**	-0.136**	-0.873	-0.00742
	(0.178)	(0.0658)	(1.506)	(0.00946)
Board Independence	0.149	0.117	-0.651	-0.000895
	(0.345)	(0.126)	(2.865)	(0.0180)
Women on Board	0.947**	0.271*	8.908**	-0.0101
	(0.430)	(0.158)	(3.637)	(0.0228)
Meeting Frequency	-0.231	-0.124*	-2.446	0.00473
	(0.182)	(0.0665)	(1.515)	(0.00952)
Remuneration	0.263	0.0675	0.0229	-0.0204*
	(0.212)	(0.0776)	(1.756)	(0.0110)
Firm Size	-2.625*	-1.153**	51.28***	0.683***
	(1.383)	(0.563)	(15.10)	(0.0949)
Firm Age	3.789***	1.715***	9.644	0.116
	(1.053)	(0.453)	(13.78)	(0.0866)
Leverage	-0.276	-0.0101	1.849	0.0148
	(0.342)	(0.124)	(2.760)	(0.0173)
Constant	15.05*	9.528***	-181.8**	8.434***
	(7.810)	(3.197)	(85.99)	(0.540)
Observations	1,380	1,380	1,380	1,380
R-squared	0.210	0.023	0.020	0.048
Number of firms	115	115	115	115

6. Summary and Conclusion

It contributes to the extant empirical evidence on governance performance relationship by demonstrating that the characteristics of board and management affect both accounting-based as well as market-based performance. Based on agency and resource dependence theories, our results imply that governance works in different ways across performance dimensions, with individual governance mechanisms not working independently, particularly in emerging-markets settings like India. Board size is not significant in all of the models indicating that larger boards may reduce monitoring intensity (agency view) and are unable to translate additional expertise into performance gains (resource dependence view). Non-executive directors are strongly negatively associated with performance, suggesting that their oversight role might be more symbolic and restrained due to lack of firm specific knowledge. The influence of board independence is positively associated with ROE and RAO but largely non-significant in general, which indicates that formal independence might not be sufficient for effective monitoring or investment. Board gender diversity (GD), however, consistently enhances accounting performance (ROE and ROA) across different measures of it with both the better monitoring and richer strategic resources explanation supported but takes some time to manifest itself in market valuation effects. The significant negative coefficient on frequency of board meetings shows that regular board meetings are associated with lower performance, reflecting reactive governance and higher coordination costs. Executive compensation is negatively associated to Tobin's Q (showing market concerns for agency costs) but with no accounting effect. The influence of firm size is even for controls ambiguous and for firm age positive on accounting performance. Finally, the fit of resource dependence theory to market valuation data and agency theory to accounting outcomes suggests that governance enhances performance only where monitoring and resource-providing roles are truly effective.

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