I. Background

As early as 1776 Adam Smith had argued that the separation of ownership and control in publicly held corporations created poor incentives for professional managers to operate the firm efficiently and the performance of the firm would suffer– the first articulation of the agency problem.

Corporate governance deals with the agency problem and has been defined by Shleifer and Vishny (1997) as '… how to assure financiers that they get a return on their investment'.

While worldwide, investors recognize good corporate governance, Coombes and Watson (2000), not only is there no unanimity on what constitutes good governance but also there has been considerable divergence on this subject; however, various empirical studies have found different measures of 'good' governance to be positively correlated with firm performance, Gompers, Ishii and Metrick (2003), Bebchuk, Cohen and Ferrell (2004) Brown and Caylor (2004).

Based on such results it has been the objective of the policy makers, across the world, to change the governance characteristics of the firm, on the basis of an intuitive belief that 'better' governance, will cause the firm's performance to improve.

Research across different countries has shown that differing ownership characteristics of firms across the world have led to the creation of different governance structures and there is no "one size fits all" kind of governance structure that has universal applicability. Systems of corporate governance have been distinguished according to the degree of ownership and control and the identity of controlling shareholders and while some systems are characterized by wide dispersed ownership (outsider systems), others tend to be characterized by concentrated ownership or control (insider systems**),** La Porta, Lopez & Shleifer(1988); Claessens and Fan (2003), Klapper and Love (2002), Berglof and Claessens (2004), Singh and Zammit (2006), Maher and Andersson (1999).

The elusive search for a universal standard of governance, towards which all firms are expected to strive towards, has been a major challenge in the field of corporate governance. Attempts to collapse into one number, usually a governance rating or index, the multiple dimensions of a company's governance have raised the question whether a uniform standard of governance does exist at all or is the governance framework contextual to a specific firm that is best implemented in a flexible framework, that allows for differences in firm characteristics Researchers have suggested that good governance is best understood as highly context-specific, something that even the best-constructed index cannot capture and the most effective governance system depends on the context of the firms' specific circumstances, making it very difficult, almost impossible, for a prescription based approach to capture the nuances of what constitutes good governance, Bebchuk & Hamdani(2007),Khanna (2009), Arcot and Bruno (2007), Bhagat, Bolton and Romano (2007),Van den Berghe and Levrau (2003).

Corporate governance is a soft process which cannot be measured by a 'tick in the box' approach and is not amenable to 'hard' measures', instead it has to be 'touched and felt'. For instance, a study on corporate governance needs to take into account the quality of discussions and debate that takes place inside a board room, which is the truer reflection of the quality of a corporate governance and the resulting board effectiveness, rather than ascertaining, for instance, how many time issues have been put up to the board of directors (or a committee of the board members) in compliance with good corporate governance guidelines or regulations. Levrau and Van den Berghe (2007).

This paper is organized as follows- Section II describes the evolution of corporate governance in India and provides an overview of empirical research into corporate governance in India, section III covers the framework of our study and the definition of the various parameters investigated, section IV contains the details of the sample used for the study and the source of our data, section V has a summary of our results and discusses their interpretation while section VI deals with conclusions and identifies the path ahead for future research.

II. Evolution of Corporate Governance in India and an overview of empirical research into corporate governance in Indian firms.

Since financial liberalization began in 1991 in India, the country has undergone significant corporate governance reforms. While, on paper, the framework of India's legal system provides some of the best investor protection in the world, enforcement is a major problem with slow, over-burdened courts and significant corruption. Despite the challenges, corporate governance in India does not compare unfavorably with any of the other major emerging economies and if the trend of corporate governance reforms was maintained then

India should have the quality of corporate governance necessary to sustain its impressive current growth rates, Chakrabarti, Megginson, and Yadav, (2007).

Pointing out that unlike the governance issue in the US or the UK is essentially that of disciplining the management who has ceased to be effectively accountable to the owners, the central problem in the Indian corporate sector is that of disciplining the dominant shareholder, who is the principal block holder, and of protecting the minority shareholders, Varma (1997) has argued that the corporate governance problems in India are very different from those found in the Anglo Saxon World and fixing these would need a basically different model for corporate governance, one that has a significant external focus.

While family managed organizations dominate the private sector in Indian Business, Bajaj (2004), Godrej (2005), other dominant groups, like the public sector units (PSUs) where the government is the dominant (in fact, majority) shareholder and the multinational companies (MNCs) where the foreign parent is the dominant (in most cases, majority) shareholder, also exist, Varma (1997) .

Empirical studies, in India, examining the linkage between ownership concentration and the performance of the firm, have found that while low levels of insider block holdings decreased the firm's value, a convergence of interests' occurred at high levels, rather than the expected insider entrenchment, and concentrated ownership had not destroyed firm value, Sarkar and Sarkar (2000), Pant & Pattanayak (2007). Pointing to the limitation of research studies that examined the relationship between ownership structure and firm performance in a onedimensional mode (when there could be many other factors that impact the firm's performance such as Age, Size, Technology etc.) other researchers have suggested that insider ownership, in the Indian context, had no influence on the performance of the firm, Kumar (2003), Phani, Reddy, Ramachandran and Bhattacharya (2004)

Through surveys, conducted across Indian organizations, researchers have found that, despite a few notable companies, important governance issues persist among India companies, Banaji and Mody (2001), Mukherjee & Ghosh (2004), ICRA (2007): however positive relationship between corporate governance practices and firm performance in India have been reported by Black & Khanna (2007),Balasubramanian, Black and Khanna (2008), Mani and Sridharan (2004).

In line with the global challenge, the key challenge in researching 'good' governance in India has been that it is not easy to clearly define what 'good' governance is. Some researchers have assessed the quality of governance indirectly, by measuring adherence or compliance to certain actions (clause 49 of the SEBI Listing Agreement) which are expected to lead to 'good' governance, Gupta & Parua (2006), Samantroy(2010). Taking a different approach, other researchers have tried to identify the constituents of corporate governance with the objective of ranking companies according to a governance score, Balasubramanian, Black and Khanna (2008), Mohanty (2002), Sarkar, Sarkar and Sen (2012), Selarka (2005).

Given the divergent views of the researchers in defining the same phenomenon that they are interested in observing, it is not surprising that the empirical findings are inconsistent with each other.

Anecdotal evidence from Indian Business has clearly bought to the forefront the challenges to corporate governance and role of the dominant shareholder in undermining good governance. Chronicling the dispute in the Ambani family, Dalal (2005) has pointed out, ironically, that the serious charges of mis-governance were levied against a company that had been showered with awards of Corporate Excellence (Institute of Company Secretaries) in 2003 and Corporate and Social Responsibility awards (Golden Peacock, by the Institute of Directors) in 2004 which actually coincided with the period when the alleged misdemeanors had actually taken place!

The accounting scandal (in January 2009) involving Satyam Computer Services (Satyam), one of India's largest information technology companies, was India's 'Enron moment' that demanded a reassessment of the country's progress in corporate governance, Economist (2009).

Some commentators have identified the cause of the poor effectiveness of the Indian corporate governance reforms to the fact that the reforms are based on transplanting an inappropriate alien corporate governance model that is unsuited to the Indian business conditions. Compounded by the problem of weak enforcement of corporate governance regulations through the Indian legal system, the situation becomes considerably worse and serious concerns have been raised on the effectiveness of corporate governance reforms in India, Afsharipour(2010), Varottil(2009).

Currently corporate governance reforms in India are at crossroads; while there is no doubt about the good intention behind the reforms, there is a need to look for a more complete solution, evolved from within, and to craft a solution that would address the specific challenges of India and researchers have suggested the evolution of home grown solution for the corporate governance challenges in India, Varottil (2009).

III. Framework for the Study and the parameters investigated.

Researchers, while examining the governance framework of Indian companies, have attempted to identify the constituents of corporate governance, use them to build an overall index to measure governance and then running a regression model of the index and its constituents with firm performance; Balasubramanianm et al (2008), Mohanty (2002),Selarka(2005).

Such empirical research can be faulted on two counts, firstly no one index can predict a firm's performance on all of the performance measures that are thought to be important to investors and secondly, and more importantly, such indices are constructed so as to treat the various components that constitute the governance mechanisms as complements, whereas data suggest that several of such mechanisms are actually substitutes for, and not complements to, each other, Bhagat et al (2007)

Agreeing with the view that,’ one size indeed does not fit all’ and that good governance is best understood as being highly context-specific, this study takes a different approach and does not attempt to develop yet another index to measure corporate governance. Instead, an attempt is made to identify select India specific, key underlying factors that impact governance (and are amenable to measurement) and, using them as proxies for governance in the study, examine firm performance in the context of the presence of dominating shareholder(s) in Indian firms.

Structures, institutions, and legal framework of corporate governance are developed and administered by individuals whose behaviors are shaped by cultural factors and personal beliefs as well as by the social ethos in which they function, and problems are expected to arise when these influences do not conform to the regulatory prescriptions of corporate governance. The factors that would have the greatest impact on governance would be those where the clash between culture, social ethos and personal beliefs and governance regulations are expected to be the strongest. In the Indian business context such clashes are expected to be the strongest in three areas: related-party transactions, the promoter's or large shareholder's actions, and the board's nominations, deliberations, and effectiveness, Kar (2011). Also, given that the problem in the Indian corporate sector (be it the public sector, the multinationals or the Indian private sector) is that of disciplining the dominant shareholder and of protecting the minority shareholders; Varma (1997), it follows that the concentration and nature of dominant shareholding in the organization should be a key variable in any study that would investigate the relationship between the proxy variables that define governance and firm performance.

We suggest that the following five parameters are significantly relevant for corporate governance, in the Indian business context, and examine their relationship with the firm's performance.

- Related Party transactions.
- Independence of Auditors.
- Board Independence and Processes
- Nature of Dominant Shareholder
- Ownership concentration

Related Party transactions (RPTs) and other forms of self-dealing transactions by controlling shareholders are a significant concern in India where most firms have a major, often controlling shareholder, Kar (2011). In their survey Balasubramanian et al (2008) found that while a majority of the firms had policies requiring RPTs to be on arms-length terms, it was one thing to require RPTs to be on arms-length terms but another to put procedures in place that would ensure that this policy was adhered to and pointed out that not only was approvals of related party transactions by non-conflicted directors uncommon but also approvals by non-conflicted shareholders was rarer.

The occurrence of related party transactions in a firm (with other related parties) provides the dominating shareholder with an opportunity to gain private benefit at the expense of the minority shareholders with higher incidence of related party transactions providing greater opportunities for such actions.

Gordon, Henry, and Palia (2004) explored two alternative perspectives of related party transactions: on one hand was the view that such transactions are ‘conflicts of interest’, which compromise management’s agency responsibility to shareholders as well as directors’ monitoring functions, while on the other hand was the opposing view that such transactions are ‘efficient transactions’ that fulfill rational economic demands of a firm such as the need for service providers with in-depth firm-specific knowledge. These two contrasting views offer very different implications of the potential costs and benefits of transacting with related parties, on one hand, the ‘conflict of interest view’, which is consistent with agency issues portrays related party transactions as potentially harmful to the interests of the shareholders, on the other hand, the ‘efficient transactions view’ maintains that related party transactions do not harm, and perhaps even benefit, shareholders; Khanna and Palepu (2000). Some empirical results provide evidence that while related transactions are detrimental to shareholders and reduce firm performance, the negative effect is mitigated with the presence of good governance which helps to shift related party transactions from the category of ‘conflicts of interest’ to the category of ‘efficient transactions’, Abdul Wahab, Haron,Yahya and Lok (2011), Chien and. Hsu (2010)

With increased ownership concentration, the positive impact of any convergence in the interests and identity of the dominating shareholder could be outweighed by the negative impact of management entrenchment and the controlling families might then maximize their private benefits, at the expense of other shareholders, Bhaumik, and Gregorious (2009). The extent of this expropriation – popularly referred to as ‘tunneling’ – is especially high in countries that have weak legislative protection of the rights of the minority shareholders and it is now understood that tunneling can take the form of expropriation of cash flows, or assets, or equity, or a combination of two or more of these forms, Expropriation of cash has implications for the earnings statement, while expropriation of assets and equity has implications for the balance sheet. In the long run, both forms of expropriation results in loss of earnings for minority shareholders, either directly or by way of loss of productive assets, Atanasov, Black, and Ciccotello (2011).

Bertrand, Mehta and Mullainathan (2002) have reported evidence of tunneling during 1989-1999 within Indian business groups; however, Siegel and Choudhury (2010) failed to confirm this for 1989-2008, using stronger statistical methods.

The Institute of Chartered Accountants of India has prescribed a mandatory accounting standard, Accounting Standard AS-18, which identifies the various Related Parties, transactions with whom must be disclosed in the Annual report of the Company since 2004 and are for listed companies, banks, financial institutions, companies with sales of over Rs.500 million or with a borrowing of over Rs.100 million, or the holding or subsidiary companies of any of these.

Our study examines the Related Party transactions based on only the expropriation of cash flow rights and we develop an Index of Related Party Transactions for the firms, in our sample, in respect of transactions involving purchases from and sales to all the related parties (as defined by AS-18) by calculating the total related purchases from/sales to all related parties as a percentage of the total expenses and sales by the firm for the same period.

The Index would range from 0 (for a firm that has no related party transactions) to close to 100 (for a firm which has only related party transactions). A high value for the related party index would indicate a higher proportion of related party transactions thereby presenting increased opportunities for tunneling and transferring profits and expenses in a way such that the dominating shareholders controls cash flow disproportionate to their ownership in the firm.

Independence of Auditors has been an area of extensive research in accounting literature and studies in this genre have looked at the effect auditor independence on earnings management, earnings informativeness, and other measures of earnings quality, Sarkar & Sarkar (2010). Theory and the empirical literature suggest that auditor and audit committee independence play an important role in the governance of companies. While Frankel, Johnson and Nelson (2002) report significant positive associations between non audit fees and discretionary accruals, and therefore conclude that higher non audit fees threaten the independence of the auditor, Ashbaugh, La Fond and Mayhew (2003) challenge the methodology in Frankel et al. (2002) and discover no association between fee metrics and their current accrual measures. Larcker and Richardson (2004) also observe some loss in reporting quality, but for clients where management control is high and Huang, Mishra and Raghunandan (2007) find some evidence of non audit fees diminishing the quality of financial information.

Research on auditor independence has focused on the extent of non-audit services provided by the external auditor which is generally seen as hindrances to auditor independence. New regulations, enacted in the wake of the major corporate scandals in the US and similar reforms initiated in many other countries, including India, prohibit a number of non-audit services which are considered to be a hindrance to auditor independence.

We develop an Index for Auditor's Independence by calculating the ratio of audit fees paid by the firm to its Auditors to the total fees paid to the Auditors (for all services rendered to the firm) as a proxy to measure the independence of Auditors. A higher level for this Index (maximum of 100%) indicates that the Auditor provides primarily Audit services since; at the 100% level for this Index, there is no engagement with the firm in providing any non audit related work. At lower levels of Index, the auditor's engagement with the firm for providing non audit services increases and there is a greater share for non audit service engagement making the auditor more dependent on the company for their economic survival which could, possibly, hinder and comprise the ability of the Audit Firm to fully and faithfully discharge its audit related functions.

Another important line of research in the area of corporate governance, which has relevance for the Indian business context, has been the investigation of various elements of board governance, such as board size and composition, frequency of board meetings and participation of independent directors (collectively defined as **Board Structure and Process**) as, as they relate to financial performance, Shleifer and Vishny(1997)

An independent board of directors in public listed companies is seen as an integral element of a country's corporate governance norms and Board independence has taken on a pivotal status in corporate governance that it has become almost indispensable. Consequently, governance reform in recent years has increasingly pinned hope as well as responsibility on independent directors to enable higher standards of governance.

Dominant shareholder(s), in Indian companies, by virtue of being able to muster a majority of shareholders present and voting on such resolution can not only control the appointment of every single director (including independent directors) and thereby determine the constitution of the entire board but also can influence the renewal of the term of directorship. Assuming that one of the purposes of the independent directors is to protect the interest of the minority shareholders from the actions of the controlling shareholders, such a purpose can hardly be achieved given the current matrix of director appointment, renewal and removal, Varrotil (2010),Sarkar (2009).

Significant corporate governance reforms, primarily aimed at improving the board oversight process, have been proposed in the new Companies Bill; for instance it has proposed, for the first time in Company Law, the concept of an Independent Director and all listed companies are required to appoint independent directors with at least one-third of the Board of such companies comprising of independent directors.

In analyzing the governance role of Independent Directors on company boards' two key variables of interest are;

(i) the independence of the Board i.e. extent to which independent directors constitute the board of the company and,

(ii) the diligence of the Independent Directors i.e. extent to which independent directors are diligent in their duties.

While (i) would proxy the independence of the board from the influence of the dominant shareholder(s) -the Index of Independence, (ii) -the Index of Diligence would be a proxy for the quality of monitoring by independent directors.

Our study follows the commonly used approach, popular in empirical studies, of measuring the board's Index of Independence by the proportion of independent directors on the board to the entire number of Board members of the firm and measuring the Index of Diligence of the board as the actual attendance by Independent Directors is Board meetings expressed as percentage of total number of Board meetings that the Independent Directors were expected to attend.

We determine an overall Board Structure and Process Index by multiplying the Independence Index with the Diligence Index and hypothesize that a higher value for this index, as manifested in an independent and diligent Board, will have a positive effect on the firm's performance.

Two other variables are also examined in our study for their linkage to corporate performance;

- ownership concentration and,
- Nature of the dominant shareholder

Demsetz and Lehn (1985) have used fraction of shares held by five largest shareholders as a measure of **ownership concentration**. Subsequent studies have also focused on the fraction of shares owned by the management which include shares owned by the board members, the CEO and top management Hermalin and Weisbach (1988). While the percentage of shares owned by the company's top five shareholders indicates the ability of outside shareholders to control the action of the management, the level of board ownership indicates the ability of directors to ignore the wishes of other shareholders. Hence, researchers have used both of the measures to capture divergent interest to examine impact on the firm performance.

In the Indian context we believe that the corporate governance challenge, arising from the concentration of ownership of the dominant shareholder, is best captured by a proxy measure that measures the quantum of the 'promoter control' in Indian companies. Promoters (who may not be holding controlling shares) usually exercise significant influence on matters involving their companies, even though such companies are listed on stock exchanges and hence have public shareholders, Varottil (2010).

Indian law confers some distinct roles for promoters which largely holds good even for companies where such shareholders only have a small percentage holdings in companies. A Promoter has been defined as a person or persons who are in overall control of the company or persons who are instrumental in the formulation of a plan or program pursuant to which the securities are offered to the public and those that are named in the prospectus as promoters. Indian law and regulation require that for the sake of protection of the interest of the investing community at the initial stage of going public, promoters should have substantial stake in the company. The shareholding interest of the promoters must not be less than 20% of post-issue share capital. Moreover, the minimum promoter's contribution must be locked in for a minimum of 3 years.

Even though the agency problems between controlling shareholders and minority shareholders are not normally expected to arise at the low shareholding levels of the dominating group, it is quite likely that in India a company with low levels of promoter shareholding could still be subject to considerable influence by its promoters. For instance, the Raju family, as promoters in Satyam, continued to wield significant powers in the management of the company despite a drastic drop in their shareholdings over the last few years; helped by the diffused nature of the remaining shareholding of Stayam, the Raju Group consolidated and exercised power that was disproportionate to their voting rights. While the institutional shareholders collectively held a total of 60% shares as of Dec. 31, 2008 in Satyam, the highest individual shareholding of an institutional shareholder was only 3.76% .On the other hand given that large parts of promoter shares were pledged to lenders and those pledges were enforced by the lenders during the few months surrounding the revelation of misstatements in Satyam's financial information, it is quite likely that promoter holdings in Satyam could have been down to negligible levels at the time when the knowledge of the scam became public, Varottil (2010).

In view of the significant role played by promoters in the Indian business environment, we use the shareholding of the Promoter/Promoter Groups as the measure for the concentration of ownership in the firm.

Although the shareholding information is well structured and potentially insightful with its break-up of promoter and non-promoter, it suffers from some lack of clarity on the definition of the term "promoter". SEBI describes promoter as the person(s) who are in control of the company directly or indirectly, whether as shareholders, directors or otherwise or person(s) named as promoter in any offer document of the company. It also has a rather circular extension of the above definition by stating that promoters are also persons named as promoters by the company in the disclosure under the provisions of the Listing Agreement

Therefore implicitly, a Promoter is also a person who the company has called a Promoter.

The fifth variable, which is the focus of our study, is the **nature of the dominant shareholding**. Extending the framework proposed by Varma (1997), this study classifies Indian firms into organizations on the basis of difference on account of the nature of ownership by adding a fourth category i.e. Dispersed Organizations with "No Dominating Shareholders", organizations where no Group is identified as the Promoter Group, to the following three categories proposed by Varma (1997);

- Family Group dominated Organization – where the Promoter Group is identified as an Indian Group.
- Foreign Ownership dominated organizations – where the Promoter Group is a Foreign Group.
- Government dominated organizations- Where the Promoter Group is the Government and,
- Dispersed Organizations with No Dominating Group – organizations where the there is no identified Promoter group

Apart from the independent variables considered above, the performance of a company is also influenced by various other external factors that impact the firm. In any empirical study it is customary to control for the effect of these external factors and, in keeping with previous empirical research, we use Age (number of years since inception), Size (market capitalization at year end), Debt Intensity (Term Liabilities divided by Net Worth of the firm), Export Intensity (Exports as a percentage of Total Sales) and Advertising Intensity (Advertising Expenses as a percentage of Total Expenses), as control variables in our study, Balasubramanian et al (2008), Sarkar and Sarkar (2000), Selarka(2005).

Firm Performance –measured by Tobin's Q has been taken by us as the dependent variable in our study. This is the most frequently used performance variable , in academic literature, to assess firm performance; Demsetz and Lehn (1985), Pant and Pattanayak (2007), Sarkar & Sarkar(2010), Selarka(2007). By definition, it is the ratio between the market value of the firm's assets and the replacement value of those assets and captures the market's view of the firm's ability to utilize its assets.

Following Chung & Pruitt (1994) and basing on other published studies on India, Khanna and Palepu,(2000), Sarkar and Sarkar, (2000), we calculate the proxy for Tobin's q, an adjusted Tobin's Q, by taking the book value of debt and the book value of assets in place of market values.

The list of the various variables, used in the study, along with their brief description is given in the Annexure I.

We examine the interrelationship between the various variables through the following empirical model,

$$Tobin's\ Q_i \ =$$

$$\beta_0 \ + \beta_1 . BSP_i \ + + \beta_2 \,. AUD\_IND_i + \ \beta_3 \ . RPT\_IND_i + \beta_4 . OWN\_CONC_i +$$

$$\sum_{j=1}^{j=3} \beta_{5j} \ . OWN\_DUM_j \ \ + \sum_{k=1}^{k=5} \beta_{6k} \,. CTRL_k \ + \in_i$$

where:

- β_0 is the intercept,
- Tobin's Q is the measure of firm value,
- BSP is a measure of board structure and processes,
- AUD_IND is a measure of auditor independence,
- RPT_IND is a measure of the quantum of the related party transactions,
- OWN_CONC is a measure of ownership concentration in the company measured by the promoter group holding,
- OWN_DUM is a dummy variable that indicates whether the promoter group in the company is the government, an Indian group, a foreign group or whether the company has no promoter group.
- CTRL are control variables of firm size, firm age, leverage, export intensity and advertisement intensity and,
- ε_i is the error term.

Our hypotheses are that the nature of the dominant shareholder and ownership concentration significantly impact firm performance while governance characteristics of the firm do not significantly affect firm performance. Also we expect significant differences in the firm's governance characteristics linked to the nature of the dominant shareholder and further expect that firms, where the dominating shareholders that are expected to have a clearer business focus(for example a firm dominated by a foreign group), can be expected to outperform firms with other forms of ownership.

IV. Data Source and selection of the Sample

Our study is based on the sample of S&P CNX 500 companies for the financial year 2010-2011 and is sourced from the Prowess database maintained by the Center for the Monitoring of Indian Economy (CMIE), an independent economic think-tank headquartered in Mumbai, India which contains detailed information on over 27,000 firms. Annual Reports of companies and regulatory filings made by them are the most important source of this database while, for listed companies, the Prowess database contains additional data sourced from the stock exchanges.

Firms constituting the S&P CNX 500 index are included in the sample for this study. This Index represents about 95.37% of the free float market capitalization of the stocks listed on NSE as on December 31, 2012. This Index is developed and maintained by India Index Services & Products Limited (IISL), a joint venture between NSE and CRISIL Ltd.

This remaining part of this section describes how some key data elements have been obtained for the study from Prowess database and is based on information available on the CMIE website, CMIE (2008), the Prowess user's manual available online and personal clarifications obtained by the Authors through the online help facility available on the Prowess users' site.

The data on **Ownership Concentration** (proxied by **Promoter holding)** is obtained by CMIE based on the detailed information provided by the stock exchanges on the pattern of ownership of equity capital of companies listed with them. Such data is made available by companies on a quarterly basis and CMIE collects such information from the National Stock Exchange and the Bombay Stock Exchange and makes it available in Prowess. Broadly, it divides the owners of equity shares into two broad groups - promoters and non-promoters. While it would appear that every company should have at least some promoter, this is not the case and there are several companies that have, in their regulatory filings, have classified themselves as belonging to the 'No Promoter' category.

The classification of companies in S&P CNX 500 according to the **nature of ownership,** obtained from the mapping of all companies in the Prowess database to an ownership group in CMIE's classification of ownership groups, which reflects the structure of the ownership of the equity shares and the management control of the companies. At the broadest level, companies are classified as either being owned by the government or by the private sector while the broad categories within the private sector are - Indian private sector, (companies owned by Indians), foreign private sector (companies owned by foreigners including foreign government), cooperatives and joint sector (companies owned by government and private sector jointly, a form that is now getting defunct).

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There is no strict rule that can be applied to associating a company with a business group as it is neither entirely defined by the concept of promoters stake, nor is it a case of a certain percent of equity ownership with a particular individual or family, nor is it management control and CMIE uses the available data, its intelligence and judgment in associating a company to a business group or any ownership heading in the ownership structure. The classification is thus, sometimes, tentative.

The **classification of directors** of the S&P CNX 500 companies, as being an Independent or Non-independent director, is obtained from the Prowess database. At times companies do not publicly reveal a classification of their directors by these attributes although regulations require them to effectively classify them as such since this determines the conformity of the composition of the Board of Directors and the various committees of the Board of Directors to regulatory requirements. CMIE uses evidences available within the Annual Report to make such classifications, at times; these are not official and are often tentative reflecting judgments made by CMIE.

The details as regards the **meetings of the Board of Directors** and the attendance of the Independent directors in these meetings is obtained from information provided by these companies to the stock exchanges, on which they are listed, regarding any meeting of the Board that is scheduled to take place. The companies are also required to inform the exchanges regarding the purpose(s) of the meeting. The stock exchanges make this information public on their websites and CMIE captures this information and puts it on to the database.

The details of **Related Party transactions** are sourced by CMIE from the annual reports of the companies as such disclosures are mandatory under AS-18 issued by The Institute of Chartered Accountants of India.

Prowess classifies the related parties and the transactions of the firm with them into standard types of related parties and transactions. This standardisation makes it possible to access the information with some predictability and overcomes the problem of variability in the nomenclature used by companies in describing related parties and their transactions.

Since CMIE exercises some judgment in classification of data, the data obtained from the Prowess database was reviewed by us and in cases where there appeared to be some doubts on the classification, we obtained clarifications from CMIE through their online help facility; also in some instances CMIE made modifications to their Data Base which they communicated to us. Such clarifications and modifications have been incorporated by us in our analysis.

Of the 500 companies that constitute the current S&P CNX 500 companies, there were 7 companies which were listed in FY 2011-12 leaving a potential universe of 493 companies for our FY 2010-11 cross section study. Since CMIE relies on information provided by the companies we came across some cases of missing data in respect of some of the variables when the company did not provide the information in its annual reports or filing: this was observed most in the case of board structure& process(17 cases) followed by related party transactions (13 cases). There were also three cases where, as confirmed by CMIE, the companies had not provided the details in respect of payment to auditors.

Additionally, there were two cases (Karturi Global and Varun Shipping) where, on querying the Prowess database, the Index of Related Party transactions came to over 100%, a theoretical impossibility, since related party transactions cannot exceed the total transactions of the company in any period. CMIE explained these anomalies by clarifying that in one case (Karuturi Global) the data was as provided by the company in its annual accounts, in the other case (Varun Shipping) whereas under 'Related Party Disclosures' the particulars were disclosed as 'Sale Consideration received for ships sold to' and 'Vessel sold on Finance lease basis to', the profit and loss statement disclosed only the amount of profit on sale of ships.

All cases where one of the variables, used in the study, was missing and all cases which looked illogical (such as the two cases on related party transactions which showed the Index of RPT as above 100%) were eliminated from the study. After accounting for cases which were common across variables, we were left with a final sample of 460 companies, from the current S&P CNX 500 list, for our study.

The market capitalization for the 460 companies in our sample had a combined market capitalization which is approximately 92% of the current market capitalization of the full S&P CNX 500 companies.

There were 19 companies in the Prowess Data Base which were identified as belonging to the 'No Promoter' category in FY10-11. These included the 7 companies that were listed in FY11-12 and for which no data was available for promoter holding in FY10-11 and also IFCI, which, although being a Government company, was classified in the 'No Promoter' group in FY10-11 because of some technical reasons. After eliminating these, there were a total of 11 companies belonging to the 'No Promoter' Group in Prowess. Since Prowess identified the 'No Promoter' companies only up to the first level, we added three more companies (First Source Solutions, HDFC Bank, L& T Finance Holdings) to this list as there was no Promoter identified, at the second level, by the respective promoter company (ICICI Bank, HDFC and Larsen & Toubro) that had promoted the first level companies.

With the above adjustment to the Prowess output there were a total of 14 companies, in FY 11-12, which were identified as having 'No Promoter'. The list of these 14 companies is provided in Annexure II.

Lastly, even though there were 7 companies in the current S&PCNX 500 list which listed in FY 11-12 and therefore do not have details on promoter shareholding for the period under study, for the purpose of classification into the four categories of dominant shareholding we have classified them based on their current promoter holding. Therefore, the categorization details for the entire S&P CNX 500 has been provided in the four categories of dominant shareholding, even though the analysis is based on 460 companies, of the 500 companies in the S&P CNX index, for which observations were valid for all the variables used in our model.

V. Results and interpretation.

Based on the nature of dominant shareholding, the S&P CNX 500 companies have been classified, by numbers and by market capitalization, in Tables I and II below;

TABLE I

Classification of S&P CNX 500 companies –by numbers

	Dominating Group	Frequency	Percent (%)
	Government	55	11%
Nature of	Indian Group	370	74%
Dominant	Foreign Group	61	12.2%
Shareholding	No Dominating Group	14	2.8%
	Total	500	100

While Indian Groups constitute an overwhelming 74 % of the number of companies in the sample under study, they account for only 51 % of the total market capitalization of the sample. On the other hand, Government owned companies that comprise of only 11 % of the number of companies in the sample, account for as much as 30.3% of the total market capitalization of the sample.

TABLE II

Classification of S&P CNX 500 companies –by market capitalization

	Dominating Group	Mean-Market Cap (Rs mil)	Category-Market Cap (Rs mil)	Column %
Nature of Ownership	Government	339,322.86	18,662,757.56	30.3%
	Indian Group	84,877.75	31,404,766.85	51.0%
	Foreign Group	86,863.46	5,298,671.29	8.6%
	No Dominating Group	443,451.65	6,208,323.04	10.1%

The companies dominated by Indian groups and Foreign Groups were roughly about the same mean size, in terms of market capitalization, while the mean size of a government dominated company was much higher - around four times that of the mean size (in terms of market capitalization) of companies that were dominated by Indian or Foreign Groups.

Ownership concentration (measured by Promoters Holding) among the S&P CNX 500 was highest in government dominated companies (mean holding 64.8%) followed by Foreign Groups (mean holding 60.75%) and is the least in Indian Group dominated companies (mean holding 50.95%).

Prior to conducting our analysis we tested the data, relating to corporate governance parameters (board structure and process, auditor's independence and index of related party transactions), for normality and found that the results from both the Kolmogorov –Smirnov Test and the Shaprio -Wilk Test were significant at $p<0.05$ level indicating that these parameters were not likely to conform to a normal distribution. Considering the data on corporate governance parameters as non parametric we then applied the Kruskal- Wallis test across k samples to examine whether the three corporate governance parameters were significantly different across the four categories of firms classified based on the nature of dominant shareholding. We also extended this test to also examine whether there was significant difference in the firm's performance (Tobin's Q) across the categories of firms classified according to the nature of the dominant shareholder.

The SPSS output for the Kruskal–Wallis test is presented in Table III below; we provide the results for the test for significance using the asymptotic method as well as the monte - carlo method;

TABLE III

Test Statistics to compare corporate governance characteristics across firms categorized based on the nature of dominant shareholding [a,b]

			Board Structure & Process	Index of Auditor Independence	Index of RPT	Tobin's Q
	Chi-Square		34.798	3.538	71.312	37.193
	df		3	3	3	3
	Asymp. Sig.		.000	.316	.000	.000
Monte Carlo[c] Sig.	Sig.		.000	.309	.000	.000
	99% Confidence Interval	Lower Bound	.000	.297	.000	.000
		Upper Bound	.000	.321	.000	.000

a. Kruskal Wallis Test

b. Grouping Variable: Nature of Ownership

c. Based on 10000 sampled tables with starting seed 2000000.

Similar results, obtained under the asymptotic method and the monte carlo method, signify that while the differences in the characteristics of Board Structure and Process and the Index of RPT are significant across the four categories of firms, classified on the basis of the nature of dominant shareholding of Indian firms, no significant difference exists in respect of the Auditor's Independence across these four categories. Additionally, there is also a significant difference in the firm performance (Tobin's Q) across these four categories.

As a post hoc analysis, it would be possible to extend the analysis and do a pair wise KW test to identify the groups (based on the nature of dominant shareholding) across which there is significant difference and a total of ${}^{4}_{2}C$ combinations (=6) are possible for pair wise comparisons. We have not reported the post hoc analysis since the focus of our study was to only ascertain whether or not there were significant differences in corporate governance parameters across the four categories of firms, classified on the basis of the dominant shareholder, and we obtained an affirmative answer to that question for two of the three parameters.

A test for bivariate regression between the variables was carried out to determine the Pearson's correlation coefficient and the results are presented as Annexure III. While there were a few significant correlations they were not high, the highest significant correlation, significant at the 0.01 level (2 tailed) was 0.436 between Advertising Intensity and Tobin's Q. At this level of correlation it would be safe to assume that there would be no problems with multicollinearity.

We carried out regression using the Hierarchical Regression Method, which, as a general rule, is stated in two parts, Peyrot (1996);

(a) Variables are ordered in categories from the most exogenous level to the most endogenous level and a new level is created for each variable that is hypothesized to be affected by a causally prior variable and no variables, which are hypothesized to affect each other, are included in the same category/level,

(b) Variables are entered hierarchically (category-by-category, in order of their links in the causal chain), from the most exogenous (distal) category to the most endogenous (proximal) category.

The objective in entering the more exogenous variables first is that it permits the determination of any relationships which exist, even if subsequent variables eliminate this effect, thereby showing the relationship to be indirect.

Prior to carrying out the regression, in line with some of the previous research, we have transformed two of the variables – Market Capitalization and Age to their natural logs; this transformation helps to pull in the more extreme values in the sample.

We followed a four step hierarchical regression method and entered the variables in the following sequence- in the first step we introduced the control variables, in the second step we introduced the corporate governance variables, in the third step we introduced the dummy variables for the nature of dominating shareholder while in the final fourth step we introduced the ownership concentration.

To further refine our study, we removed outliers from our data that were 3X Standard Deviation away from the mean (8 cases), after the first regression run, and ran the regression model again for a data set comprising of 452 cases. We also carried out some checks on the robustness of the data and found the Durbin Watsin statistic at 2.003, which indicated that autocorrelation was within acceptable limits. VIF (ranging between 1.026 and 2.898) indicated that there was no problem on account of multicollinearity while checking for the homogeneity of variance, by looking at the scatter plots of Z Residuals and by conducting the Levene's test for non parametric data, also gave satisfactory results.

The descriptive statistics of the regression model are presented in Annexure IV

TABLE IV

Descriptive Statistics –Regression Model

	Mean	Std. Deviation	N
Tobin's Q	1.5303	1.25538	452
Log Age	3.4835	.64005	452
Natural Log_Mkt Capitalization	10.4454	1.41449	452
Term Liabilities to Net Worth	.7736	2.03433	452
Export Intensity	14.8480	23.15041	452
Advertising Intensity	1.9455	3.63907	452
Board Structure & Process	.3470	.11051	452
Index of Auditor Independence	72.6656	19.58797	452
Index of RPT	9.9972	14.57051	452
Indian Group	.7522	.43221	452
Foreign Group	.1261	.33234	452
No Dominating Group	.0265	.16094	452
Ownership Concentration (Promoters Holding)	51.8119	18.76059	452

The summary of the regressions results obtained in the different steps are given in Table VI.

TABLE V

Regression Model - Summary[e]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.635[a]	.404	.397	.97489	.404	60.370	5	446	.000	
2	.638[b]	.406	.396	.97590	.003	.693	3	443	.557	
3	.655[c]	.429	.415	.96022	.023	5.864	3	440	.001	
4	.665[d]	.443	.427	.94995	.013	10.564	1	439	.001	2.003

a. Predictors: (Constant), Advertising Intensity, Term Liabilities to Net Worth, Natural Log_Mkt Capitalization, Log Age , Export Intensity

b. Predictors: (Constant), Advertising Intensity, Term Liabilities to Net Worth, Natural Log_Mkt Capitalization, Log Age , Export Intensity, Index of Auditor Independence, Board Structure & Process, Index of RPT

c. Predictors: (Constant), Advertising Intensity, Term Liabilities to Net Worth, Natural Log_Mkt Capitalization, Log Age , Export Intensity, Index of Auditor Independence, Board Structure & Process, Index of RPT, No Dominating Group, Foreign Group, Indian Group

d. Predictors: (Constant), Advertising Intensity, Term Liabilities to Net Worth, Natural Log_Mkt Capitalization, Log Age , Export Intensity, Index of Auditor Independence, Board Structure & Process, Index of RPT, No Dominating Group, Foreign Group, Indian Group, Ownership Concentration (Promoters Holding)

e. Dependent Variable: Tobin's Q

The regression model gave us a R square of 0.443 and an adjusted R square of 0.427.Also, while the R Square changes were found to be significant at Steps 1, 3 and 4 of the hierarchical regression process, they were not found to be significant not at Step 2, when the variables representing the corporate governance parameters are introduced in the regression model indicating that the introduction of the corporate governance variables did not significantly improve the predictability of the model.

Annexure V gives the coefficients and the coefficients of the model, stepwise. The regression co-efficients, for any of the three corporate governance variables are not significant at $p<0.05$ level. The model coefficients are, however, significant even at $p<0.01$ level for Indian Group dominated companies ($p=0.000$) and Foreign Group dominated companies ($p=0.000$) while for the companies in the No Dominating Group category the results are significant at $p<0.05$ level ($p=0.022$).

The unstandardized β coefficients are positive for both Indian Group dominated companies ($\beta=0.639$) and for Foreign Group dominated companies ($\beta= 0.896$). Since the dummy variable for the nature of dominating shareholder has been set with government owned companies as the base, the performance for both Foreign Group companies and Indian Group companies is expected to be better than the performance of the Government owned companies while the performance of the Foreign companies, with a higher un standardized β, will be better as compared to the performance of the Indian Group companies. For companies with No Dominating shareholder, where the β coefficient is significant at $p<0.05$, the unstandardized coefficient is again positive ($\beta=0.831$).

It follows that, in respect of firm's performance as measured by Tobin's Q, Foreign Groups are the best performing firms among the four categories of companies (classified based on the nature of dominating shareholder) while Government owned companies constitute the worst performing group.

Ownership concentration, as measured by Promoter Holding, is also found to have a significant correlation with firm performance (p=.001). We introduced ownership concentration in the last stage of the hierarchical regression model to take care of any potential problem that could arise from a possible two way (endogenous) relationship between concentration of ownership and firm performance as has been suggested by various researchers i.e. the causality may exist both ways between these factors and, therefore, studies ignoring such two way relationship may lead to misleading conclusions regarding causality, Bhagat & Bolton (2007). The un standardized β coefficients, obtained in the third step of the hierarchical regression process, before ownership concentration is introduced in the regression model, are significant for both Indian Group dominated companies (p=.002) and Foreign group dominated companies (p= .000) and point to the robustness of these results which are not affected by any endogenity concerns.

The results from the study confirm our hypotheses as follows;

- Two of the three corporate governance parameters (board structure and process, auditor's independence and the index of related party transactions) vary significantly among firms categorized based on the nature of the dominating shareholder.
- The association between each of the three corporate governance variables and firm performance is not significant.
- Ownership concentration and the nature of dominant shareholding are significantly associated with firm performance.

VI. CONCLUSIONS

As in most emerging economies, Indian Companies are linked in some way or another to an economic group or conglomerate that exercises tight control over the firm and, as the findings of our study indicate, this very important linkage affects the corporate governance characteristics of the firms. Furthermore, while the corporate governance parameters do not have any significant impact on the firm's performance, the nature of the dominating shareholder and the concentration of ownership significantly impact the firm's performance.

Despite no clear evidence emerging of any possible association between corporate governance parameters and firm performance, there is a possibility that the relationship between corporate governance parameters and firm performance could be moderated by two of the factors under investigation in this study, i.e.

- the nature of the dominant shareholder (Government owned, Indian Group, Family Group and No Dominant Group) and,
- the concentration of ownership (Promoters Holding)

A moderation effect occurs when the moderator variable, a second independent variable, changes the form or the strength of the relationship between another independent variable(s) and dependent variable; this is also known as an interaction effect, Baron & Kenny (1986), Sharma, Durand and Gurarie (1981). It may be possible that there could be a significant interaction effect between the nature of the dominating shareholder(s) or ownership concentration and the key corporate governance variables.

Examining the moderating effect of the nature of ownership or concentration of ownership on whether corporate governance variables affect firm performance, would require the use of advanced statistical techniques like moderated regression or structural equation modeling (SEM) for better insights, Gujrati, Damodar N. and Sangeetha (2007), Peyrot (1996).

However, we hold a contrary view on this issue and believe that, without developing a more robust theoretical framework that can model the CG issues and challenges specific to the Indian business context , the mere use of more sophisticated analytical tools will not yield more insightful conclusions because of the following two reasons;

1. Since the constructs presently used for research in corporate governance are primarily structural – they do not measure the 'real stuff'. In majority of current corporate governance research, including this study, researchers are focused on using measurable pieces of information which do not necessarily capture the attribute that they wish to measure. For instance, structural indicators may not be the correct measures to assess the effectiveness of a board in decision making as the researcher is trying to measure behavioral attributes with indicators that may have a tenuous connection to the attribute, Leblanc and Giles (2003).

2. Since Governance is a very context specific process, the attempts to develop a universal model for corporate governance could be an elusive search as no such 'best fit' model exists. Hence the attempt to use techniques like SEM, that would test a hypothesized model against actual data to ascertain its 'fit', are bound to give us unsatisfactory results because an overarching model for corporate governance does not exist in the first place.

Rather than focusing only on structural factors relating to corporate governance, researchers should work towards developing sharper insights into the corporate governance process through the greater use of qualitative research methods, such as observing boards in real time and interviewing directors. Corporate governance studies, for example, would go beyond examining the traditional structural attributes of the boards of directors to include behavioral or attitudinal measures of board effectiveness, Levrau and Van den Berghe (2007)

.

Holistic studies, which recognize the key influence of the dominating shareholder in Indian firms, would help to develop a more robust theory for corporate governance and provide a better understanding of the underlying issues that affect corporate governance in India. This, in turn, would help in evolving a framework for reforms that is appropriate to the Indian situation and ethos.

Such corporate governance reforms would have much greater chance of success as compared to any ad hoc reform measures.

ANNEXURE I

VARIABLES USED IN THE STUDY

The table defines the variables used in the empirical analysis.

Dependent Variables

Serial No.	**Description**	**How Measured**
1	Tobin's Q Ratio (Q-Ratio).	The modified version of Tobin's Q ratio is depicted as the following equation: Q_{ratio} = (MVE +TDEBT)/ TOTASSET where, *MVE* is market value of equity, *TDEBT* is book value of short-term liabilities net of short-term assets, plus book value of long-term debt and *TOTASST* is book value of total assets.

Independent Variables

Serial No.	**Description**	**How Measured**
1	Board Structure & Process(BSP)	Measured as = Board Independence Index X Board Diligence Index =% of Independent Directors on the Board at the yearend X* % of Attendance by Independents Directors in Board Meetings during the year =(No. of Independent Directors on the Board divided by Total No of Directors on the Board)X (Actual Attendance of Independent Directors in Board Meetings divided by total No of Board Meetings that the Independent Directors could have attended)
2	Index of Auditor's Independence(AUD_IND)	Auditor's Independence is measured as = (Amount Paid to Auditors as Audit Fees for the year/ Amount paid to Auditors for Audit and non Audit Services for the year)X100 A higher value indicates greater independence for the Auditor in the review period, 100 indicates that the Company's Auditor did not have any non Audit

		engagement with the Company in that period.
3	Index of Related Party Transactions(RPT_IND)	For a specific year, Related Party Transaction is measured by constructing the following index for Related Party Transactions for the company; = (Sales by the company to all Related Parties +Purchases by the company from all Related Parties)/ (Total Sales by the company + Total Purchases by the company). A higher value for this Index indicates a higher level of Related Party transactions for the company.
4.	Nature of organizational ownership (OWN_DUM)	This will be measured as a dummy variable depending on which of the following four categories the organization falls into: Sl.No. — Description 1 — Promoter Group is Government 2 — Promoter Group is Indian Group 3 — Promoter Group is Foreign Group 4 — No Promoter Group exists
5.	Ownership Concentration (OWN_CONC)	Ownership Concentration is measured by the % of Promoter Group shareholding in the Company at the end of the year.

<u>Control Variables</u>

<u>Serial No.</u>	**<u>Description</u>**	**<u>How Measured</u>**
1	Firm Size (MKT_CAP).	This variable reflects the effect of unobserved factors that are related to size. While several past studies have used total assets as a proxy for firm size; in the current business environment, where intellectual capital has become an important component of the firm's assets, market capitalization (at the end of the year) may be a more appropriate measure of the firm's size.
2	Firm Age (AGE).	The age of the company, defined as the number of years (till 2013), from the incorporation of the firm, has

		an effect on the performance of the firm. This variable controls for life-cycle effects -as profits of older and mature companies may be enhanced due to previous reputation-building and learning efforts. However, older companies may be subject to entrenchment of management and may lack the ability to respond swiftly to changes in the environment. This study uses the age of listing (AGE) as a proxy for company's age to control for firm maturity.
3	Leverage (TL_NW).	Leverage is a control variable to proxy for the level of Indebtedness of the company. Debt plays an important role in limiting managerial discretion over the use of free cash; hence, leverage influences firm value through monitoring activities by debt holders. This study measures it as total Term Liabilities divided by total Net Worth as a proxy for financial leverage (TL_NW) at the end of the year.
4	Export Intensity (EXP_INT)	Export Intensity of a company, for a period, is the total Foreign Exchange earned by the company divided by its Total Income. This variable controls for the effects of exposure to international competition and accounts for the behavior of firms that are subject to international competition.
5	Advertising Intensity (ADV_INT):	Advertising Intensity of a company, for a period, is measured by total Advertising Expenditure divided by Total expenses. This partly captures the effect of intangible assets like brand building and is also a proxy for an entry barrier in firm's product market as Companies that incur high advertising expenditure may be more successful in building up brand image and, along with it, entry barriers for its market.

ANNEXURE II

LIST OF COMPANIES IN THE SAMPLE IN THE 'NO PROMOTER' CATEGORY

1. Balmer Lawrie & Co. Ltd.
2. City Union Bank Ltd.
3. Dhanlaxmi Bank Ltd.
4. Federal Bank Ltd.
5. Firstsource Solutions Ltd.
6. H D F C Bank Ltd.
7. Housing Development Finance Corporation. Ltd.
8. I C I C I Bank Ltd.
9. I D F C Ltd.
10. I T C Ltd.
11. Karnataka Bank Ltd.
12. L & T Finance Holdings Ltd.
13. Larsen & Toubro Ltd.
14. South Indian Bank Ltd.

ANNEXURE III

Correlations

	Tobin's Q	AGE	Market Capitalization	Term Liabilities to Net Worth	Export Intensity	Advertising Intensity	Board Structure & Process	Index of Auditor Independence	Index of RPT	Ownership Concentration (Promoters Holding)
Tobin's Q	1									
AGE	-.044	1								
Market Capitalization	.258**	.011	1							
Term Liabilities to Net Worth	-.138**	-.052	-.024	1						
Export Intensity	.025	-.119*	.069	-.080	1					
Advertising Intensity	.436**	.044	-.052	-.030	-.100*	1				
Board Structure & Process	-.024	.005	-.040	.002	.080	.023	1			
Index of Auditor Independence	.019	-.029	-.118*	-.042	-.012	.040	.065	1		
Index of RPT	.058	-.156**	-.028	-.070	.141**	.010	-.023	.070	1	
Ownership Concentration (Promoters Holding)	.249**	-.118*	.029	-.007	-.091	.152**	-.227**	-.101*	.153**	1

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

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

ANNEXURE IV

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	-1.641	.418		-3.926	.000		
	Log Age	-.145	.072	-.074	-2.008	.045	.987	1.013
	Natural Log_Mkt Capitalization	.321	.033	.362	9.852	.000	.991	1.009
	Term Liabilities to Net Worth	-.082	.023	-.133	-3.617	.000	.989	1.011
	Export Intensity	.004	.002	.065	1.753	.080	.978	1.023
	Advertising Intensity	.171	.013	.495	13.457	.000	.986	1.014
2	(Constant)	-1.820	.500		-3.637	.000		
	Log Age	-.125	.074	-.064	-1.700	.090	.952	1.051
	Natural Log_Mkt Capitalization	.323	.033	.364	9.819	.000	.975	1.025
	Term Liabilities to Net Worth	-.080	.023	-.129	-3.495	.001	.983	1.018
	Export Intensity	.003	.002	.059	1.576	.116	.958	1.044
	Advertising Intensity	.170	.013	.493	13.354	.000	.982	1.018
	Board Structure & Process	.021	.422	.002	.050	.960	.973	1.028
	Index of Auditor Independence	.001	.002	.009	.252	.801	.982	1.018
	Index of RPT	.005	.003	.053	1.400	.162	.941	1.062
3	(Constant)	-2.551	.554		-4.607	.000		
	Log Age	-.118	.074	-.060	-1.601	.110	.919	1.089
	Natural Log_Mkt Capitalization	.351	.034	.395	10.306	.000	.882	1.134
	Term Liabilities to Net Worth	-.071	.023	-.116	-3.170	.002	.975	1.026
	Export Intensity	.002	.002	.042	1.116	.265	.936	1.068
	Advertising Intensity	.157	.013	.455	12.118	.000	.922	1.085
	Board Structure & Process	-.151	.429	-.013	-.353	.725	.909	1.100
	Index of Auditor Independence	.001	.002	.012	.332	.740	.976	1.025
	Index of RPT	.002	.003	.027	.725	.469	.916	1.092
	Indian Group	.535	.175	.184	3.055	.002	.357	2.802
	Foreign Group	.861	.209	.228	4.129	.000	.425	2.351
	No Dominating Group	.248	.319	.032	.779	.437	.777	1.287

4	(Constant)	-3.182	.581		-5.475	.000		
	Log Age	-.094	.073	-.048	-1.278	.202	.909	1.100
	Natural Log_Mkt Capitalization	.337	.034	.380	9.923	.000*	.868	1.152
	Term Liabilities to Net Worth	-.072	.022	-.116	-3.211	.001*	.975	1.026
	Export Intensity	.003	.002	.054	1.451	.147	.927	1.079
	Advertising Intensity	.151	.013	.437	11.658	.000*	.903	1.107
	Board Structure & Process	.047	.429	.004	.109	.913	.891	1.122
	Index of Auditor Independence	.001	.002	.022	.607	.544	.969	1.032
	Index of RPT	.001	.003	.006	.157	.875	.888	1.126
	Indian Group	.639	.176	.220	3.628	.000*	.345	2.898
	Foreign Group	.896	.207	.237	4.338	.000*	.424	2.357
	No Dominating Group	.831	.363	.106	2.290	.022**	.587	1.702
	Ownership Concentration (Promoters Holding)	.010	.003	.144	3.250	.001*	.647	1.545

a. Dependent Variable: Tobin's Q

* significant at 0.01 level.

** significant at 0.05 level

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