

INTERNAL CORPORATE GOVERNANCE PRACTICES OF MANUFACTURING FIRM IN INDIA: AN EMPIRICAL STUDY

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Abstract *The objective of the study is to examine whether there is a relationship between the firm characteristics and internal corporate governance practices of companies listed in BSE between 2006 and 2015. The study has undertaken 16 major manufacturing sectors covering a total of 357 firms. The Literature has constructed the measures of the ICG Index such as the composition of board composition, board activity, audit committee, and ownership structure. The study has collected the relevant information obtained from the respective firm's annual reports and CMIE-Prowess through the content analysis technique. A panel data method of analysis is conducted while evaluation necessary diagnostics tests are made wherever necessary. The result found a positive association between firm size and profitability whereas leverage and growth in sales are inversely associated with internal corporate governance practices. The study's results have important implications for policymakers, investors, regulatory authorities and academic perspectives, especially those in India and developing countries across the globe.*

Keywords *Corporate Governance, Internal Governance Measures, Board Composition, Board Activity, Audit Committee, Ownership Structure*

INTRODUCTION

Corporate governance focuses on a company's structure and processes to ensure fair, responsible, transparent and accountable corporate behavior. Corporate governance can be described as the system by which companies are directed and controlled in the interest of shareholders. Corporate governance issues assume greater significance in the corporate form of organization where ownership is separated from management. The internal and external corporate governance mechanisms play an important role in determining the quality of governance in a firm. The internal governance mechanism is achieved by the control, transparency, accountability, and information asymmetry and overall growth of the business. Eventually, the primary external governance mechanisms are the external market for corporate control, the legal system, and product market competition. A key issue of corporate governance relates to how a company complies with rules and principles (Al-Bassam, Ntim, Opong & Downs, 2018). It is important to note that corporate governance has linked risks and internal controls. Good corporate governance prevents companies failing to achieve their objectives. Whenever a company collapsed unexpectedly, there was suspected that the internal control system was ineffective (Agyei-Mensah, 2016). The most of corporate scandals around the world, lessened and described that the misuses governance system, poor internal control and malpractices of information disclosures. The firms have

taken disclosure function seriously, to prove complete and reliable information of rigorous internal control measures (Deumes, 2004). Thus, corporate governance problems can be reduced to disclose the quality of financial reporting of the firm and improve its internal control.

The objective of this article is to examine whether Indian manufacturing firms are satisfied with the corporate governance requirements through internal governance disclosures. Further, the study empirically examines the relationship between corporate governance practices and firm characteristics of the sampled firm.

LITERATURE REVIEW

Alper & Aydogan (2017) investigated the relationship between the performance and corporate governance index of companies quoted in the Istanbul stock exchange. The relevant financial data obtained from annual reports published between 2007 and 2005. The analysis is conducted with a System Generalized Moments Method (System GMM). The GMM measurement, further diagnostics estimation purpose to conduct Wald test for consistency and Hansen Test for validity aspects of instrumental variables. The study found that there is a positive and statistically significant relationship between corporate governance scores and ROA. Moreover, there is a positive and significant relationship between Tobin's Q and corporate governance scores. The

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study stressed the significance of corporate governance practices in the improvement of market value and corporate performance in Turkey. The study connotes the corporate governance practices that increase the performance at the company level besides economic value at national level (Alper & Aydogan, 2017).

Akbar, et. al. (2016) empirically tested the relationship between the compliance of corporate governance and firm performance of UK firms. The ICG Index measurement adopted for compliance and disclosure aspects with a sample of 435 firms during the year 1999-2009. The relevant data collected from annual reports of the firms are listed on the London Stock Exchange and BoardEx database. The governance disclosure index comprised of measures of the board of directors and board sub-committees. The study utilized the data after controlling for potential endogeneity through the use of a more robust methodology, Generalized Method of Moments (GMM) Estimation. The contrary result depicted that internal corporate governance does not have perfect determinants of corporate performance evidence of UK firms. The GMM model estimates that the governance index is not materialized a significant determinant of corporate performance. The study signaled that the possibility of reverse causality where the changes in performance level have a casual effect on corporate governance compliance but not reverse (Akbar, Poletti-Hughes, El-Faitouri & Shah, 2016).

Abdallah & Ismail (2017) studied the relationship between corporate governance and performance of firm-level data subject to different levels of ownership concentration. The sample consists of 581 listed firms in the stock exchanges of GCC (Gulf Cooperative Council) countries for the period from 2008 to 2012 and collected from Thomson Reuters, Zawya database and Datastream. The study has utilized seven different governance parameters that are converted into an index. The study found that there is no significant association between corporate performance and governance. The result signified that there exists no relationship between governance and performance (Abdallah & Ismail, 2017). Criuana & Fulop (2014), attempted a case study on the role of the audit committee in corporate governance of Bucharest Stock Exchange and London Stock Exchanges. The relevant audit committee information was obtained from annual reports of respective companies since 2011. The study found that audit committee size is directly related to the firm size and to the workload. Further, audit committee independence and its requirements of financial expertise independent directors are varied from country-specific and also the interpretation of the committee's independence may be different. To conclude, the role of the audit committee is crucial, although few audit committee aspects are unevaluated due to insufficient disclosure information. Thus, the listed Bucharest Stock Exchange firms are not

concentrating on the significance of the audit committee and its structure compared to foreign companies (Criuana & Fulop, 2014).

Rani, et al. (2013), investigated the quality of corporate governance differences that influence the short-term performance of acquiring firms by constructing a corporate governance index. The data contained a sample of 155 Indian companies from 2003 to 2008 by the descriptive analysis and independent t-test, which are analyzed to supplement with the help of a self-structured questionnaire. The study established a positive relationship between corporate governance score and short-term abnormal returns. The result found that governance score is better in short-run performance. Also, the outcome clarified that a positive relationship exists between corporate governance practices and firm performance with higher abnormal returns (Rani, Surendra, Yadava & Jaina, 2013).

Zheka (2003), explored the effect of corporate governance on overall and sub-elements wise influence on firm performance in Ukraine stock exchange and the firm-level data obtained during the year from 2000 to 2002. The data analysis has been made the instrument for governance practices in a cross-sectional framework and regression model for arbitrary heteroscedasticity. The study result reveals that a strong positive effect of transparency and board characteristics on financial performance whereas a negative effect of board independence on performance. Hence, the firms would benefit in terms of financial performance from raising their standards of corporate governance in addition to a strong effect of sub-indices on their performance in the transitional market (Zheka, 2003).

Madhani (2015) studied the overall governance and disclosure practices in terms of board committees by measuring Corporate Governance Disclosure (CGD) scores of 54 sample firms listed in BSE in the form of the S&P BSE sector indices. The data were collected from the annual report of the sample firms during the year 2011-12 by structured content analysis technique was utilized. For the purpose, the data were analyzed with the help of t-test and correlation analysis. The research found that board committee has a positive and strong correlation with CGD scores that prove statistically significant. The results proved that board and audit committees strongly enhance the internal governance standards (Madhani, 2015).

Andersson & Daoud (2005) documented a study to contribute to the understanding of agency theory and factors contributing to the disclosure of corporate governance information of firms listed on the Stockholm Stock Exchange. The study has undertaken a CGD index that is constructed quantitatively and that was analyzed by using both linear and multiple regressions. The study found that the origin of the parent company and the firm size are influenced by the disclosure

of corporate governance information. Further, agency theory is not appropriated when trying to find factors that influence corporations to disclose corporate governance information. The role of duality is only independent factor that represents a significant association with corporate governance index (Andersson & Daoud, 2005).

Al-Bassam, et al. (2018) examined corporate voluntary compliance disclosure practices and its differences that can be explained with board mechanism and ownership structure on Saudi Arabian firms. For this purpose, 145 samples are drawn from annual reports from 2004 to 2010. The SCG Index has been developed by the availed information and analyzed through the panel data method approach. The study found that significant connections between the SCG index and the firm-level explanatory variables. The corporations have a capital intensive experience in Saudi Arabia, which makes significantly less or more voluntary CG disclosures that their less capital-intensive counterparts. The ownership structure of the firms has a significant association with corporate governance disclosure practices in Saudi Arabia (Al-Bassam, Ntim, Opong & Downs, 2018).

The review literature is widely on corporate governance practices and firm performance relating to different nations.

HYPOTHESIS DEVELOPMENT

Based on the objectives of the study and literature reviewed, the following hypothesis was developed and tested in this study:

Firm Size

The relationship between firm size and corporate governance disclosure practices has been investigated extensively by numerous researchers. Signaling theory suggests that there might be a positive association between the level of corporate governance and firm size (Craven & Marston, 1999). In similar, company size was positively associated with the extent of online reporting practices, while no relationship was found with regard to industry type (Ahmed, Burton & Dunne, 2017). In a broad sense, larger companies are more visible in the capital market and in society in general. Because the companies are under greater pressure to provide more disclosure. Larger firms can reduce agency costs and monitoring costs for their greater transparent corporate disclosure practices among the smaller firms. Agency theory described that larger firm size has incurred high agency costs and poor governance practices (Hossain, Perera & Rahman, 1995). Evidence of a positive association between size and internal corporate governance practices in both developing and developed nations is contained in several studies (Agyei-Mensah, 2016).

H1: There exists a significant relationship between firm size and internal corporate governance practices.

Growth in Sales

Growth opportunities are a proxy for business potential. Signaling theory suggests that growth opportunities are directly influenced by voluntary disclosure and more information provided for the stakeholders (Agyei-Mensah, 2016). Firms with high growth options and high-cost cash flow volatility have incentives to decrease debt in capital structure over a period of time (Hando & Sharma, 2014). The agency theory supports these argument, firm growth leads to increase the agency problems (Fama, 1980) (Jensen & Meckling, 1976). Given this context, the study proposes the following related hypothesis:

H2: There exists a significant relationship between firm size and internal corporate governance practices.

Leverage

A high levered (debt finance) firms have incurred higher agency costs (Jensen & Meckling, 1979). The result insisted that a positive relationship between ICG disclosure and leverage decisions. A stronger transparency of governance that is more prone to debt-holder worries about the company paying off its debts and causing the firm's business activities to be constantly monitored. A high debt ratio tends to disclose more voluntarily information in order to provide an opportunity to the lender prolongs their debt contract period (Elfeky, 2017). Notwithstanding the inconsistent results on the relationship between firm control and voluntary disclosure of governance practices (Agyei-Mensah, 2016). The empirical evidence and theory suggest that higher leverage will have a positive impact on internal corporate governance reporting, and the hypothesis is therefore formulated as:

H3: There exists a significant relationship between leverage and internal corporate governance practices.

Profitability

Most governance disclosure literature suggests a positive relationship between firm profitability and disclosure practices. The theory of the political cost argues that a high-profit firm discloses more information for justifying that higher profits. The same argument is accepted by the agency and stakeholders' theory. Higher profitable firms must disclose more information while satisfying the stakeholders (Fame, 1980). A negative signal indicates that the firm does not provide adequate information or failure to the disclosure of governance practices. Furthermore, well-performing

companies are encouraged to provide more voluntary governance information to support their continuation of market performance (Abdallah & Ismail, 2017). In contrast, less profitable firms might tend to restrict access to accounting information to more determined users. The firms that have higher values of the corporate governance index earn higher economic benefits in the market (Sarkar, Sarkar & Sen, 2012). Empirical evidence with regard to profitability is inconclusive. Despite the mixed picture in the literature, the theoretical influence of profitability on internal corporate governance reporting is clear and so the hypothesis formulated as:

H4: There exists a significant relationship between profitability and internal corporate governance practices.

METHODOLOGY

The sample used in this study includes 357 firms listed on the BSE of India during the financial year 2006-2015. The sample includes all manufacturing firms which spread across 16 major sectors of the BSE. The data on corporate governance practices have been collected from annual reports of the companies using content analysis techniques. The relevant financial and stock market related information obtained from PROWESS database which is widely used financial databank. The sector-wise sample firms that were included in the study are shown in Table 1. The study has concentrated on the parameters of Internal Corporate Governance (ICG) mechanisms and constructs ICG index (Appendix I) for 357 listed manufacturing firms using the information on four important ICG mechanisms namely, the board of directors, board meeting diligence, audit committee, and ownership structure. This ICG index can adequately summarize the different aspects of governance with a few numbers might be highly useful.

Table 1: Sectors Wise Sample Firms

Sr. No	Sector	No. of Firm
1	Apparels	22
2	Automobiles	20
3	Cement	31
4	Chemicals	36
5	Coal, Mining, Oil, and Gas	16
6	Commercial Trading & Electronics	20
7	Engineering Products	23

8	Iron and Steel	19
Sr. No	Sector	No. of Firm
9	Miscellaneous	17
10	Paint, Fertilizers & Agro	27
11	Paper, Fiber & Plastics	27
12	Personal Products	19
13	Pharmaceuticals	21
14	Power	16
15	Sugar	18
16	Textiles	25
	Total	357

Model Used: The model for the study is represented by the following equation:

$$\text{Model I: } ICG_Index_{i,t} = \alpha + \beta_{i,t} + \epsilon_{i,t}$$

$$\text{Model II: } BOD_Index_{i,t} = \alpha + \beta_{i,t} + \epsilon_{i,t}$$

$$\text{Model III: } BM_Index_{i,t} = \alpha + \beta_{i,t} + \epsilon_{i,t}$$

$$\text{Model IV: } AC_Index_{i,t} = \alpha + \beta_{i,t} + \epsilon_{i,t}$$

$$\text{Model V: } OW_Index_{i,t} = \alpha + \beta_{i,t} + \epsilon_{i,t}$$

Governance Variables: Literature has different parameters for assessing the firm's corporate governance in conjunction with various predictor variables. The internal corporate governance (ICG_Index) and its four sub-indices such as board composition index (BOD_intex), board activity index (BM_intex), audit committee index (AC_intex), and ownership structure index (OW_intex) are considered as a dependent variable of the study.

Firm Characteristics: Different variables such as firm size, growth in sales, leverage, and profitability (ROA) have been included as independent variables of the study.

ASSUMPTIONS FOR REGRESSION ESTIMATION

Before any regression model, the classical assumptions behind the linear regression models were tested.

Histogram: The study needs and accesses the normality with the help of the histogram and the standardized residues. Histogram indicated that the standardized residuals are approximately a normal distribution of the selected regression models which shown in Fig. 2.

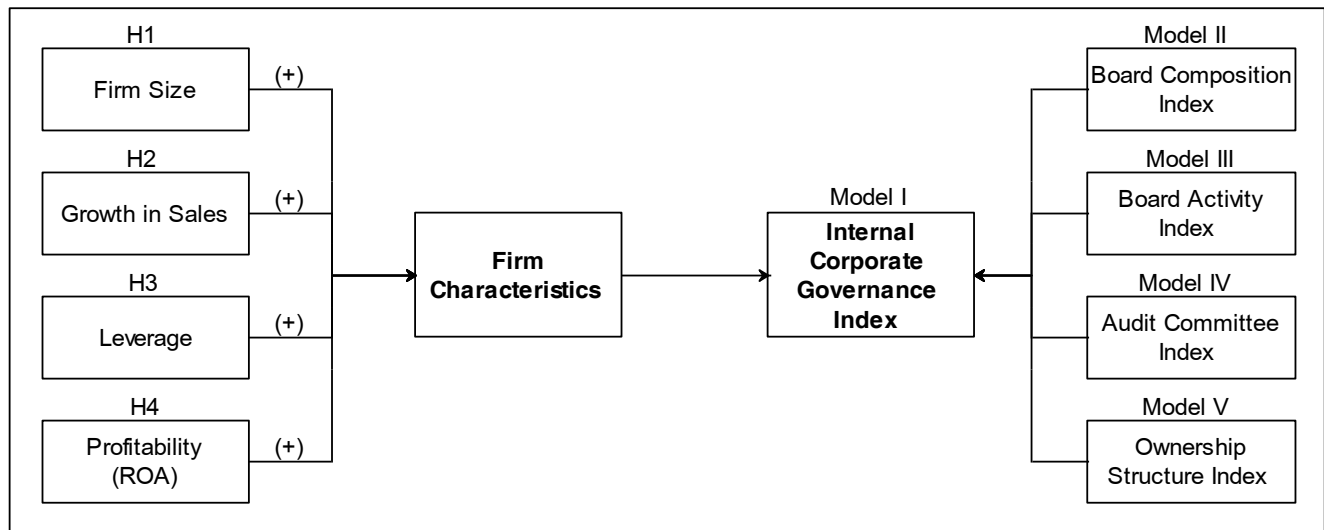
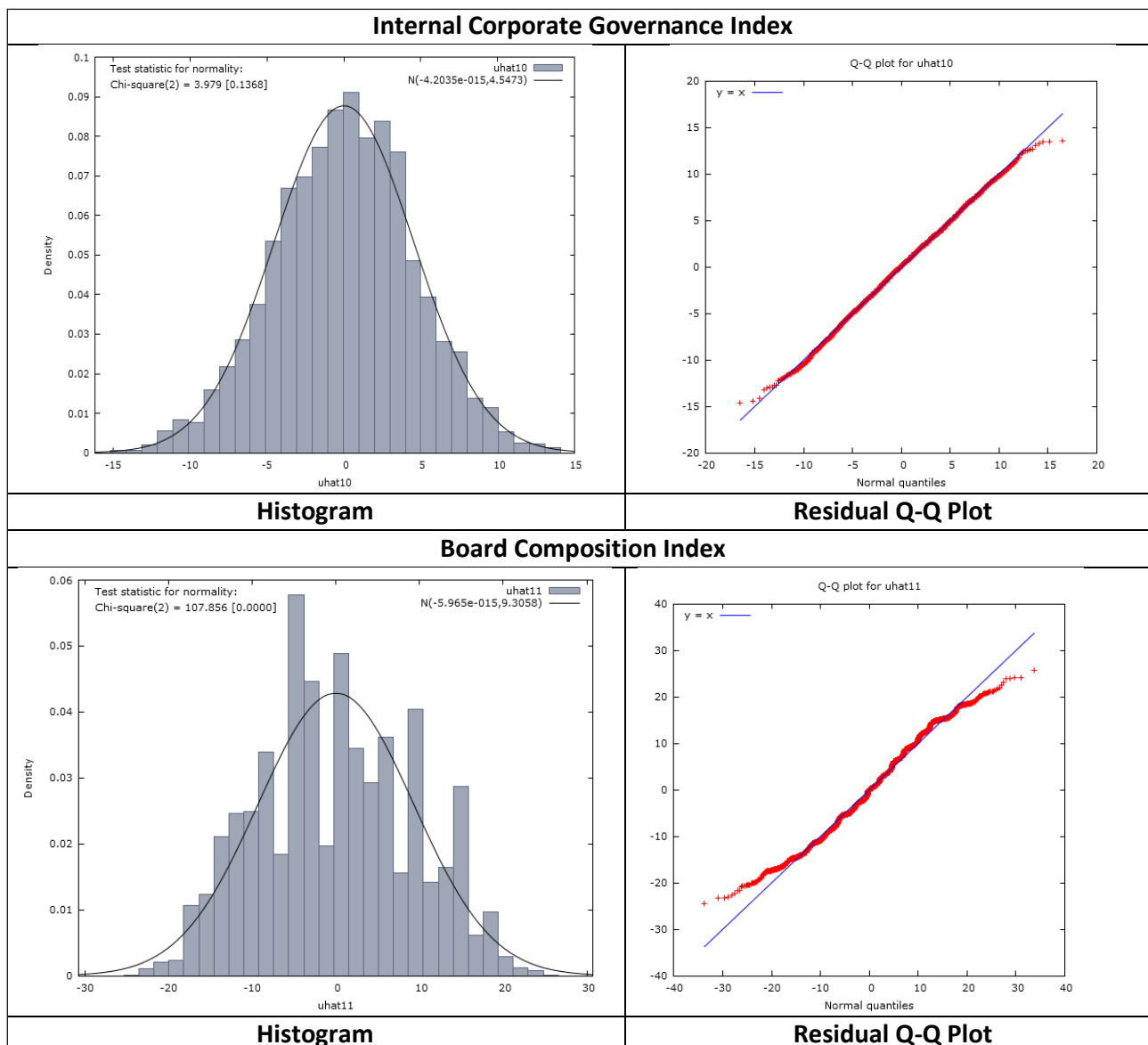


Fig. 1: Proposed Research Model



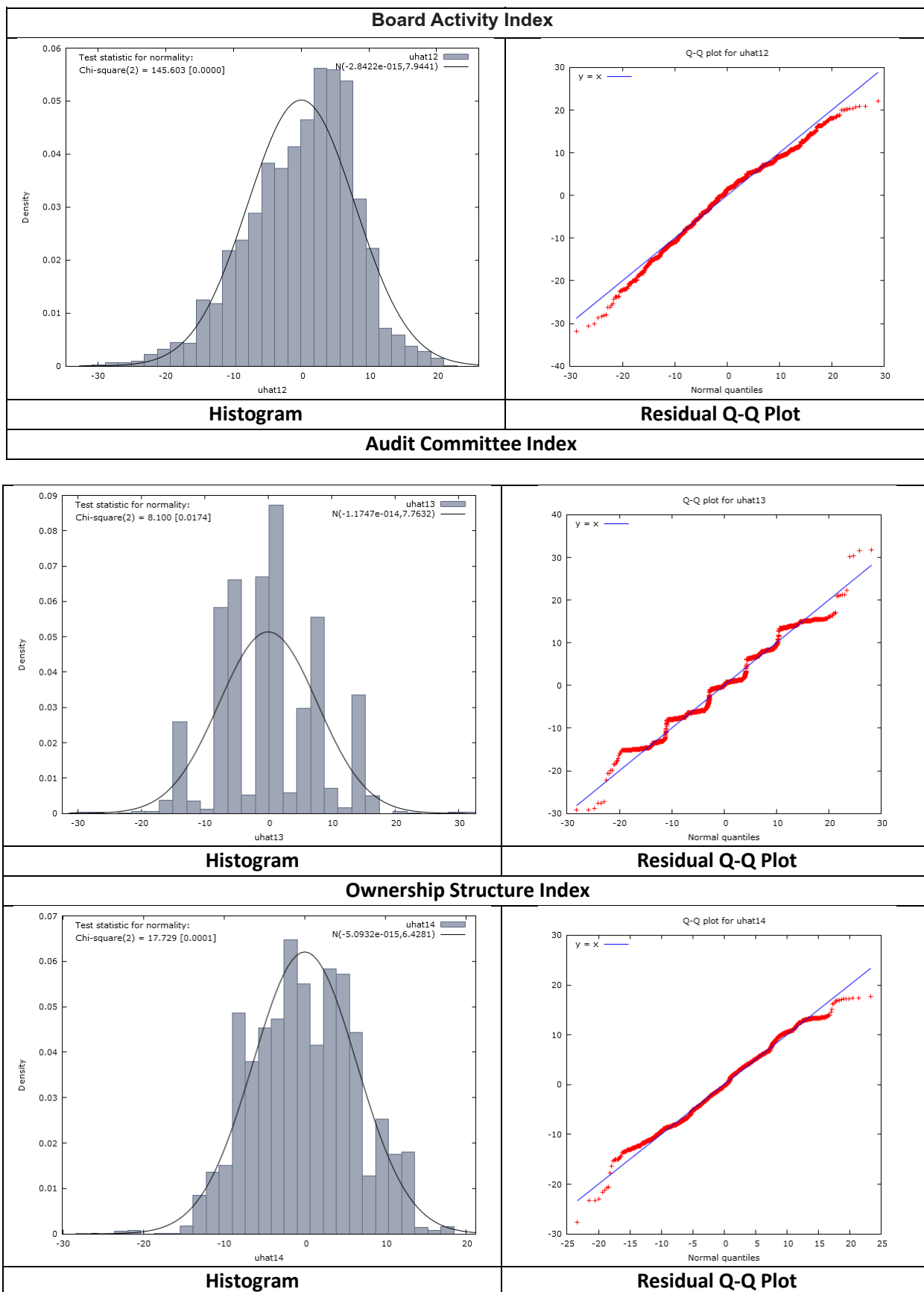


Fig. 2: Normality Assumption of the Regression Models

Normal P-P plot: Using standardized residuals Q-Q plot of the variable to test the homoscedasticity and normality assumptions. The diagram shows that it is not a trend in relation to the error of this multiple regression analysis.

Durbin-Watson: The D-W statistics were used to test the presence of autocorrelation in the residuals. This statistic generally used to test the following hypothesis in this respect.

H1: There is no significant autocorrelation in the residuals.

Ha: There is significant autocorrelation in the residuals.

If the Durbin-Watson statistic is the acceptable limit between $1.5 < d < 2.5$, then H1 is accepted; it can be assumed that there is no first-order linear autocorrelation (Kmenta, 1986).

The Durbin-Watson statistic for the selected models is shown in Table 2.

Table 2: Testing Autocorrelation Between Residuals

Hypotheses	Regression Model	D-W Statistic
Ho: There is no significant autocorrelation in the residuals	ICG_Index	1.775
	BOD_Index	1.542
	BOM_Index	1.502
	AC_Index	1.738
	OW_Index	1.723

As shown in Table 2, the Durbin-Watson statistic for all the models is between 1.5 and 2.5. Therefore, the null hypothesis that there is no significant autocorrelation in the residuals is accepted.

CORRELATION

Table 3 shows the correlation analysis between the internal

corporate measures and independent variables. Results of Table 3 show that the correlations are within the acceptable range and all the degree correlation between independent variables which is either low or moderate, suggesting the absence of multicollinearity between these variables (Kumar & Singh, 2013). The correlation value does not exceed 0.80 or 0.90, it harmful for independent variables suffered correlation risk (Elfeky, 2017).

Table 3: Correlation Matrix

	Board Index	Board Meeting Index	AC Index	Ownership Index	Firm Size	Growth in Sales	Debt-Equity Ratio	ROA	ICG Index
Board Index	1								
Board Meeting Index	.062**	1							
AC Index	.361**	.076**	1						
Ownership Index	.194**	.042*	.064**	1					
Firm Size	.063**	-.077**	0.008	.210**	1				
Growth in Sales	-.092**	0.010	-0.011	-0.006	-0.001	1			
Debt-Equity Ratio	.041*	-.148**	0.011	0.021	.682**	-0.006	1		
Profitability (ROA)	.148**	-.056**	.084**	.121**	.674**	-0.003	.892**	1	
ICG Index	.645**	.665**	.526**	.405**	.047**	-.039*	-.054**	.098**	1

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

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

Table 2 provides the results of the Pearson correlations for continues variables of internal corporate governance index, sub-indices and firm characteristics based on the study period. The magnitude of the coefficient of correlation between the sub-indices of ICG disclosure, that is positive and significant (1% level). The clear findings in line with the study of (Elfeky, 2017). Further, the firm size and profitability

have a positive, relatively low correlation with the ICGs, and the results are statistically significant at the 0.01 level. The growth and leverage are inversely associated with ICGs, and the results are statistically significant at the 0.05 level. This is in line with the academic literature which points out that studying corporate governance is the most appropriate way to utilize for the firm's characteristics.

DETERMINATION OF AN APPROPRIATE MODEL FOR REGRESSION ESTIMATION

Breusch-Pagan LM Test

Results from the chi-square test for regression models used in this study are shown in Table 4.

Considering the significance of the Breusch-Pagan LM Test results, The null hypothesis that is more appropriate to use the pooled regression model. It has resulted in all the selected models that p-value <0.05 stated that the null hypothesis is rejected. In other words, due to existing singular, group effects, panel data method should be used for regression estimation. Hence, the B-P LM test suggested that the random effect model is more appropriate.

Table 4: Breusch-Pagan LM Test for Pooled OLS Regression

Hypotheses	Regression Model	Chi-Square	p-value	Test Results	Remarks
Ho: Pooled OLS model is appropriate Ha: Random Effect model is appropriate	ICG_Index	647.307	0.000	Ho is Rejected	RE Model
	BOD_Index	539.535	0.000	Ho is Rejected	RE Model
	BOM_Index	1710.720	0.000	Ho is Rejected	RE Model
	AC_Index	214.660	0.000	Ho is Rejected	RE Model
	OW_Index	182.882	0.000	Ho is Rejected	RE Model

Note: p value <0.05 – significant at 5% level, p value <0.05 – significant at 1% level

Hausman Test

Table 5: Hausman Test for Random Effects Regression

Null Hypothesis	Regression Model	Chi-Square	p-value	Test Results	Model Used
Ho: Random Effect model is appropriate Ha: Fixed Effect model is appropriate	ICG_Index	35.014	0.000	Ho is Rejected	FE Model
	BOD_Index	20.521	0.000	Ho is Rejected	FE Model
	BOM_Index	49.046	0.000	Ho is Rejected	FE Model
	AC_Index	9.170	0.057	Ho is Accepted	RE Model
	OW_Index	9.042	0.060	Ho is Accepted	RE Model

Note: p value <0.05 – significant at 5% level, p value <0.05 – significant at 1% level.

The results from Hausman test output show that chi-square statistic for the said model ICG_Index, BOD_Index, BOM_Index are 35.104, 20.521, and 49.046, respectively, which is significant at 5 percent level and leads to the disapproval of null hypothesis. Therefore, alternative hypothesis is accepted that stated “Fixed effect model is more appropriate.” By considering AC_Index and the p-value of OW_Index is less than 0.05, which indicates the acceptance of null hypothesis. Thus, random effect model is more appropriate.

Internal Corporate Governance Index

The corporate governance practices covered a wide range of activities, which include internal and external activities. With the internal governance mechanisms, the board of directors, board meeting, the ownership structure of the firm, audit committee, and other committees of the board, like the remuneration committee and nomination committee, acquire special importance. Within external governance measures,

the market for corporate control and product market competition play a significant role in improving corporate governance. The internal and external mechanisms, in turn, are shaped by the overall legal and institutional structure of the country (Sarkar, Sarkar & Sen, 2012). The study believes that the ICG Index would be useful to a wide range of corporate participants in the capital market. The internal corporate governance practices help to reduce agency costs within a corporation and thereby enhance the overall market value (Madhani, 2015).

The results of the estimation of regression model 1 used to test the hypotheses are presented in Table 6. Among the panel data regression model, the internal corporate governance index model evidenced that the fixed effect model is more appropriate. As shown in Table 6, F-statistic for ICG_Index is 45.939 which proves that goodness of fit for this model is of appropriate level. Also, the estimated R-Square and adjusted R-square for this model are 11.3 percent and 11.2 percent, respectively. Based on this, therefore, it can be concluded that explanatory variables used in the regression model (ICG_Index) can explain only 11.3 percent of changes in internal corporate governance practices.

Table 6: Relationship Between Internal Corporate Governance Measures and Firm Characteristics

Method	Independent Variables	Coefficient	Std. Error	t-ratio	p-value	Sig.	Regression Results	
Model I: $ICG_Index_{i,t} = \alpha + \beta_{i,t} + \epsilon_{i,t}$								
Pooled OLS Method	Constant	55.219	0.391	141.10	<0.0001	***	R-squared	0.113
	Firm Size	0.403	0.123	3.28	0.001	***	Adj. R-squared	0.112
	Growth in Sales	-0.006	0.002	-2.63	0.0086	***	F(4, 3565)	113.504
	Leverage	-1.235	0.061	-20.16	<0.0001	***	P-value (F)	0.000
	Profitability	13.942	0.712	19.57	<0.0001	***	Durbin-Watson	1.775
Random Effect Method	constant	51.948	0.501	103.61	<0.0001	***	R-squared	0.259
	Firm Size	1.319	0.146	9.04	0.0006	***	Within R-squared	0.259
	Growth in Sales	-0.002	0.002	-1.61	0.1079	NS	F-Stat. (13, 3556)	312.117
	Leverage	-1.251	0.051	-24.70	<0.0001	***	P-value (F)	0.000
	Profitability	14.392	0.610	23.58	<0.0001	***	Durbin-Watson	1.971
Fixed Effect Method (#)	constant	55.219	0.391	141.06	<0.0001	***	LSDV R-squared	0.113
	Firm Size	0.403	0.123	3.28	0.001	***	Within R-squared	0.112
	Growth in Sales	-0.006	0.002	-2.63	0.0086	***	LSDV F(13, 3556)	45.939
	Leverage	-1.235	0.061	-20.16	<0.0001	***	P-value (F)	0.000
	Profitability	13.942	0.712	19.57	<0.0001	***	Durbin-Watson	1.804

Note: *** Significant at 1% level, ** Significant at 5% level, * Significant at 10% level, NS- Not Significant.

Dependent Variable: Internal Corporate Governance Index

(#) denotes a selection of appropriate regression method

Table 6 depicted that firm size is positively related to internal corporate governance index ($t=3.28$), which proved that it's significant at 1 percent level. Therefore, the hypothesis that there exists a significant relationship between firm size and internal corporate governance measures is accepted. It can be inferred that growth in sales is inversely related to ICG_index, the respective t-statistic is -2.63 which proves that it's significant at 0.01 level. Therefore, the result supports the H2 stated that there exists a significant relationship between growth in sales and internal corporate governance measures, and is thus accepted. In addition, leverage is inversely related to ICG_index and the respective t-statistic is -20.16 which proves that significant at 0.01 level. Hence, the result

supports the H3 that stated that there exists a significant relationship between leverage and internal corporate governance measures. Finally, the profitability is positively associated with the ICG_index and the t-statistics is 19.57 which proves that it's significant at 0.01 level. Therefore, the result supports the H4 that stated that there exists a significant relationship between profitability and internal corporate governance measures.

Board Composition Index

With respect to the board composition, the number of members is constituted and participated in the management

affairs of a firm. The board monitoring plays an important role in reducing the impact of agency cost and information asymmetry problems on the market by achieving a through transparent disclosure of internal corporate governance measures (Healy & Palepu, 2001). The literature argues that the large board size is associated with adequate capacity to monitor the affairs and rich content of disclosure of the firm (Yermack, 1996). Independent directors are defined as those who have no position in the management team and no direct business or benefit links within the firm (Ma & Tian, 2009). The presence of board of directors in the firm is crucial for monitoring the management’s decisions and ensuring that they disclose credible rather than self-serving voluntary information (Healy & Palepu, 2001).

The results of the estimation of regression model 2 used to test the hypotheses are presented in Table 7. Among the panel data regression model, the board composition index model evidenced that the fixed effect model is more appropriate. As shown in Table 7, F-statistic for BOD_index is 30.770, which proves that goodness of fit for this model is of appropriate level. Also, estimated R-Square and adjusted R-square for this model are 10.1 percent and 7.5 percent, respectively. Based on this, therefore, it can be concluded that explanatory variables used in the regression model (BOD_index) can explain only 10.1 percent of changes in board composition measures.

Table 7: Relationship Between Board Composition Measures and Firm Characteristics

Method	Independent Variables	Coefficient	Std. Error	t-ratio	p-value	Sig.	Regression Results	
Model II: $BOD_Index_{i,t} = \alpha + \beta_{i,t} + \epsilon_{i,t}$								
Pooled OLS Method	Constant	52.898	0.801	66.03	<0.0001	***	R-squared	0.072
	Firm Size	0.002	0.251	0.01	0.9935	NS	Adj. R-squared	0.070
	Growth in Sales	-0.028	0.005	5.76	<0.0001	***	F(4, 3565)	68.358
	Leverage	-1.525	0.125	-12.16	<0.0001	***	P-value (F)	0.000
	Profitability	21.896	1.458	15.02	<0.0001	***	Durbin-Watson	1.542
Random Effect Method	constant	50.659	0.826	61.33	<0.0001	***	R-squared	0.833
	Firm Size	0.592	0.261	2.27	0.0232	**	Within R-squared	0.814
	Growth in Sales	-0.005	0.003	-2.12	0.0341	**	F-Stat. (13, 3556)	44.495
	Leverage	-2.168	0.085	-25.38	<0.0001	***	P-value (F)	0.000
	Profitability	27.231	1.043	26.11	<0.0001	***	Durbin-Watson	2.213
Fixed Effect Method (#)	constant	53.395	0.808	66.09	<0.0001	***	LSDV R-squared	0.101
	Firm Size	-0.130	0.254	-0.51	0.6092	NS	Within R-squared	0.075
	Growth in Sales	-0.030	0.005	-6.16	<0.0001	***	LSDV F(13, 3556)	30.770
	Leverage	-1.580	0.124	-12.70	<0.0001	***	P-value (F)	0.000
	Profitability	22.375	1.440	15.54	<0.0001	***	Durbin-Watson	1.561

Note: *** Significant at 1% level, ** Significant at 5% level, * Significant at 10% level, NS- Not Significant.

Dependent Variable: Board Composition Index.

(#) denotes a selection of appropriate regression method.

From Table 7, the firm size was inversely associated with the board composition index (t=-0.51) but the result is not statistically significant. Therefore, the hypothesis that there exists a significant relationship between firm size and board composition measures is rejected. It can be inferred that growth in sales is inversely related to BOD_index, the respective t-statistic is -6.16 which proves that significant at 0.01 level. Therefore, the result supports the H2 that stated that there exists a significant relationship between growth in sales and board composition index is accepted. In addition,

leverage is inversely related to BOD_index, the respective t-statistic is -12.70, which proves that significant at 0.01 level. Hence, the result supports the H3 that stated that there exists a significant relationship between leverage and board activity is accepted. Finally, the profitability is positively associated with the BOD_index and the t-statistics is 15.54 which proves that significant at 0.01 level. Therefore, the result supports the H4 that stated that there exists a significant relationship between profitability and BOD_index measures is accepted.

Board Activity Index

The frequency of firm's board meeting might imply that questionable fraudulent or illegal activities and discuss in the board meeting. As shown in Table 6, firm size is positively related to internal corporate governance index, also the absolute value of t-statistic is 3.28 which proves that it is significant at 1 percent level. The researchers argue that increased in the number of board meeting leads to inefficient decision and imply the internal problem of a firm. In contrast, frequent general shareholder meetings display both confidence in the firm's management and acceptance of broad suggestions (Ma & Tian, 2009). More number of board meeting is associated with stronger management control and efficient management system. The enhanced monitoring

by the board of directors can ensure that the management fulfills the shareholders' interests and does not act in a self-interested way (Andersson & Daoud, 2005).

The results of the estimation of regression model 3 used to test the hypotheses are presented in Table 8. Among the panel data regression model, the board activity index model evidenced that fixed effect model is more appropriate. As shown in Table 8, F-statistic for BM_Index is 31.331 which proves that goodness of fit for this model is of appropriate level. Also, the estimated R-Square and adjusted R-square for this model are 10.3 percent and 5.4 percent, respectively. Based on this, therefore, it can be concluded that explanatory variables used in the regression model (BM_index) can explain only 11.3 percent of changes in board activity practices.

Table 8: Relationship Between Board Activity Measures and Firm Characteristics

Method	Independent Variables	Coefficient	Std. Error	t-ratio	p-value	Sig.	Regression Results	
Model III: $BOM_Index_{i,t} = \alpha + \beta_{i,t} + \epsilon_{i,t}$								
Pooled OLS Method	Constant	59.844	0.684	87.51	<0.0001	***	R-squared	0.351
	Firm Size	0.003	0.215	0.02	0.9876	NS	Adj. R-squared	0.498
	Growth in Sales	0.002	0.004	0.53	0.5954	NS	F(4, 3565)	47.741
	Leverage	-1.389	0.107	-12.97	<0.0001	***	P-value (F)	0.000
	Profitability	12.674	1.245	10.18	<0.0001	***	Durbin-Watson	1.502
Random Effect Method	constant	53.230	1.039	51.24	<0.0001	***	R-squared	0.073
	Firm Size	1.807	0.328	5.51	<0.0001	***	Within R-squared	0.072
	Growth in Sales	-0.003	0.003	-0.87	0.3845	NS	F-Stat. (13, 3556)	69.967
	Leverage	-1.084	0.107	-10.09	<0.0001	***	P-value (F)	0.000
	Profitability	12.708	1.312	9.69	<0.0001	***	Durbin-Watson	2.035
Fixed Effect Method (#)	constant	59.373	0.682	87.10	<0.0001	***	LSDV R-squared	0.103
	Firm Size	0.154	0.214	0.72	0.4725	NS	Within R-squared	0.054
	Growth in Sales	0.003	0.004	0.84	0.4036	NS	LSDV F(13, 3556)	31.331
	Leverage	-1.418	0.105	-13.50	<0.0001	***	P-value (F)	0.000
	Profitability	12.514	1.215	10.30	<0.0001	***	Durbin-Watson	1.506

Note: *** Significant at 1% level, ** Significant at 5% level, * Significant at 10% level, NS- Not Significant.

Dependent Variable: Board Activity Index.

(#) denotes a selection of appropriate regression method.

In Table 8, results found that firm size is positively related to board activity index ($t=0.72$) and the result proves statistically not significant. Therefore, the hypothesis that there exists a significant relationship between firm size and board activity measures is rejected. It can be inferred that growth in sales is positively related to BM_index, the respective t-statistic is -0.84 which proves that the result is not significant. Therefore, the result supports the H2 stated that there is a significant relationship that exists between growth in sales and board activity measures is rejected. In

addition, leverage is inversely related to BM_index, the respective t-statistic is -13.50 which proves that significant at 0.01 level. Hence, the result supports the H3 stated that there exists a significant relationship between leverage and board activity measures. Finally, the profitability is positively associated with the BM_index and the t-statistics is 10.30 which proves that significant at 0.01 level. Therefore, the result supports the H4 that stated that there exists a significant relationship between profitability and board activity index is accepted.

Audit Committee Index

The research finding concerning the relationship between the audit committee and the level of corporate governance disclosure is not consistent (Agyei-Mensah, 2016). The audit committee and corporate governance are responsible for ensuring that the preparation of financial statements generates trust that encourages investors to make sound investment decisions (Okolie, 2014). The audit committee score is positively associated with corporate governance disclosures (Madhani, 2015).

The results of the estimation of regression model 4 used to test the hypotheses are presented in Table 9. Among the panel data regression model, the audit committee index model evidenced that random effect model is more appropriate. As shown in Table 9, F-statistic for AC_Index is 23.015 which proves that goodness of fit for this model is of appropriate level. Also, the estimated R-Square and adjusted R-square for this model is 72.1 percent and 69 percent, respectively. Based on this, therefore, it can be concluded that explanatory variables used in the regression model (AC_index) can explain only 72.1 percent of changes in audit committee measures.

Table 9: Relationship Between Audit Committee Measures and Firm Characteristics

Method	Independent Variables	Coefficient	Std. Error	t-ratio	p-value	Sig.	Regression Results
Model IV: $AC_Index_{i,t} = \alpha + \beta_{i,t} + \epsilon_{i,t}$							
Pooled OLS Method	Constant	79.026	0.668	118.30	<0.0001	NS	R-squared 0.028
	Firm Size	-0.411	0.210	-1.96	<0.0001	***	Adj. R-squared 0.027
	Growth in Sales	-0.003	0.004	-0.70	0.05	*	F(4, 3565) 25.628
	Leverage	-0.815	0.105	-7.79	0.4866	NS	P-value (F) 0.000
	Profitability	12.262	1.216	10.08	<0.0001	***	Durbin-Watson 1.738
Random Effect Method (#)	constant	74.172	0.871	85.14	<0.0001	***	R-squared 0.721
	Firm Size	1.095	0.275	3.98	0.0001	***	Within R-squared 0.690
	Growth in Sales	-0.005	0.003	-1.75	0.2874	*	F-Stat. (13, 3556) 23.015
	Leverage	-0.723	0.090	-8.03	<0.0001	***	P-value (F) 0.000
	Profitability	9.288	1.100	8.44	<0.0001	***	Durbin-Watson 2.102
Fixed Effect Method	constant	79.427	0.678	117.20	<0.0001	***	LSDV R-squared 0.049
	Firm Size	-0.534	0.213	-2.51	0.0122	**	Within R-squared 0.030
	Growth in Sales	-0.005	0.004	-1.13	0.2595	NS	LSDV F(13, 3556) 13.983
	Leverage	-0.800	0.104	-7.66	<0.0001	***	P-value (F) 0.000
	Profitability	12.468	1.208	10.32	<0.0001	***	Durbin-Watson 1.755

Note: *** Significant at 1% level, ** Significant at 5% level, * Significant at 10% level, NS- Not Significant.

Dependent Variable: Audit Committee Index.

(#) denotes selection of appropriate regression methods.

As shown in Table 9, firm size is positively related to audit committee index, also the absolute value of t-statistic is 3.98, which proves that it is significant at 1 percent level. Therefore, the hypothesis that there exists a significant relationship between firm size and audit committee measures is accepted. It can be inferred that growth in sales is inversely related to AC_index, the respective t-statistic is -1.75 which proves that it's significant at 0.01 level. Therefore, the result supports the H2 that stated that there exists a significant relationship between growth in sales and audit committee measures is accepted. In addition, leverage is inversely related to AC_index, the respective t-statistic is -8.03 which proves that it's significant at 0.01 level. Hence, the result supports the H3 that stated that there exists a significant relationship

between leverage and audit committee measures. Finally, the profitability is positively associated with the AC_index and the t-statistics is 8.44 which proves that it's significant at 0.01 level. Therefore, the result supports the H4 that stated that there exists a significant relationship between profitability and audit committee measures is accepted.

Ownership Structure Index

The ownership structure, while shaping the corporate governance system of any country, is regarded as the most important element. The philosophy of the agency theory, management ownership is reduced to agency cost and

improve the financial performance (Jensen & Meckling, 1976). The presence of powerful corporate ownership to obtain legitimacy, which is enhanced for disclosures of corporate governance, according to the legitimacy theory. In contrast, public ownership requires greater monitoring, which can be minimized through increased corporate disclosures (Eng & Mak, 2003) (Ntim, Lindop & Thomas, 2013). The few studies suggested that to corporate managers, for aligning financing decisions and ownership structure to other structural characteristics such as size, age, and profitability (Ezeoha & Okafor, 2010). There is no significant difference between the type of ownership and corporate governance practices and the results evidenced by (Mang'anyi, 2011).

The results of the estimation of regression model 5 used to test the hypotheses are presented in Table 10. Among the panel data regression model, the ownership structure index model evidenced that random effect model is more appropriate. As shown in Table 10, F-statistic for OW_Index is 25.543 which proves that goodness of fit for this model is of appropriate level. Also, estimated R-Square and adjusted R-square for this model are 74.1 percent and 71.2 percent, respectively. Based on this, therefore, it can be concluded that explanatory variables used in the regression model (OW_index) can explain only 74.1 percent of changes in ownership structure.

Table 10: Relationship Between Ownership Structure Measures and Firm Characteristics

Method	Independent Variables	Coefficient	Std. Error	t-ratio	p-value	Sig.	Regression Results	
Model V: $OW_Index_{i,t} = \alpha + \beta_{i,t} + \epsilon_{i,t}$								
Pooled OLS Method	Constant	53.509	0.553	96.70	<0.0001	***	R-squared	0.103
	Firm Size	2.490	0.174	14.34	<0.0001	***	Adj. R-squared	0.102
	Growth in Sales	-0.002	0.003	-0.48	0.63	NS	F(4, 3565)	102.380
	Leverage	-1.317	0.087	-15.20	<0.0001	***	P-value (F)	0.000
	Profitability	11.194	1.007	11.11	<0.0001	***	Durbin-Watson	1.723
Random Effect Method (#)	constant	50.603	0.723	70.00	<0.0001	***	R-squared	0.741
	Firm Size	3.387	0.228	14.86	<0.0001	***	Within R-squared	0.712
	Growth in Sales	0.002	0.002	0.94	0.3475	NS	F-Stat. (13, 3556)	25.543
	Leverage	-0.995	0.075	-13.31	<0.0001	***	P-value (F)	0.000
	Profitability	6.161	0.913	6.75	<0.0001	***	Durbin-Watson	1.981
Fixed Effect Method	constant	53.150	0.562	94.64	<0.0001	***	LSDV R-squared	0.121
	Firm Size	2.616	0.176	14.83	<0.0001	***	Within R-squared	0.106
	Growth in Sales	-0.002	0.003	-0.49	0.6272	NS	LSDV F(13, 3556)	37.624
	Leverage	-1.352	0.087	-15.63	<0.0001	***	P-value (F)	0.000
	Profitability	11.057	1.001	11.05	<0.0001	***	Durbin-Watson	1.737

Note: *** Significant at 1% level, ** Significant at 5% level, * Significant at 10% level, NS- Not Significant.

Dependent Variable: Ownership Index.

(#) denotes a selection of appropriate regression methods.

In Table 10, the firm size is positive and significant association with ownership structure index (t=14.86). Therefore, the hypothesis that there is a significant relationship exists between firm size and ownership structure is accepted. It can be inferred that growth in sales is inversely related to OW_index, the respective t-statistic is 0.94 which proves that not significant. Therefore, the result does not support the H2 that stated that there exists a significant relationship between growth in sales and ownership structure is accepted. In addition, leverage is inversely related to OW_index, the respective t-statistic is -13.31 which proves that significant at 0.01 level. Hence, the result supports the H3 that stated

that there exists a significant relationship between leverage and ownership structure. Finally, the profitability committee ensures with the OW_index and the t-statistics is 6.75 which proves that significant at 0.01 level. Therefore, the result supports the H4 stated that there is a significant relationship exists between profitability and ownership structure is accepted.

DISCUSSIONS

The firm size has a significant positive relationship on internal corporate governance, thus supporting hypothesis

H1 and the summary result shown in Table 11. This finding suggests that large firms have more opportunity for higher disclosure in the annual reports because high utilization of the resources which supports the signaling theory (Craven & Marston, 1999) (Agyei-Mensah, 2016). Further, a negative relationship has been found between growth and corporate governance practices that are statistically significant. The result consistent support of H2 that the result contrary support of agency theory (Fama, 1980). The leverage has a negative and significant association with internal corporate

governance measures. This result supports H4 and high leverage firm is tended to less disclosure of internal control information (Elfeky, 2017). Moreover, the analysis shows that firm profitability is positively correlated with the internal corporate governance measures and statistically significant at 0.01 level. This results from inline agency theory, high-profit firms will disclose more information to gain personal interests (Elfeky, 2017) and to justify the compensation (Hossain, Perera & Rahman, 1995) (Laksmana, 2008).

Table 11: Summary of Hypothesis Testing

Sr. No.	Hypothesis	Result	Model	Remark
H1	There is a significant relationship exists between firm size and internal corporate governance practices.	Positive	Fixed Effect	Accepted
H2	There is a significant relationship exists between firm size and internal corporate governance practices.	Negative	Fixed Effect	Accepted
H3	There is a significant relationship exists between leverage and internal corporate governance practices.	Negative	Fixed Effect	Accepted
H4	There is a significant relationship exists between profitability and internal corporate governance practices.	Positive	Fixed Effect	Accepted

POLICY IMPLICATIONS

Good governance is tended to improve the firm value and the result found that internal corporate governance measures is positive direction and significantly influenced by firm performance. Policymakers may help to justify regulatory actions against implemented corporate governance policies that enable companies to adhere to governance measures effectively. The analysis reveals that there is considerable gap in the sphere of extent, internal corporate governance practices and disclosure made by companies in the annual reports. Larger firms are established to have richer information environments respect their activities, and thus it may require more impression management among stakeholders and regulators. The internal governance disclosing information does not provide in detail for many companies. The disclosure by a few companies is merely a ritual, that too with regard to mandatory requirement. Hence, the SEBI has a constant encouragement for governance disclosure practices and its initiatives attention from the public investment.

CONTRIBUTION OF THE STUDY

The study is expected to contribute valuable input to the literature on corporate governance practices. The empirical evidence found that factors determined the internal corporate governance practices of manufacturing firms in India. Such evidence may help market regulators, ministry of corporate affairs, SEBI and the stock exchanges in

evaluating the adequacy of the present disclosure guidelines in India. The research contribution is to the literature on corporate governance indices and the connection between governance and firm value. The study builds a broad Internal Corporate Governance Index (ICG_Index) and examines the association between ICG_Index and firm related characteristics. The study finds a positive and statistically significant association between ICG_index and firm size as well as profitability. This is a consistent result with prior research in other countries and in cross-country studies. The legal requirement is sufficiently strict in Indian practices because over compliance does not produce any long-run benefits. The study uses the agency theory to examine the relationship between corporate governance attributes and the disclosure of board composition, board activity, audit committee and ownership characteristics. Additionally, the disclosure internal governance information more transparent and quality reporting may be considered a monitoring function to reduce conflicts between shareholders and management.

LIMITATIONS AND SCOPE FOR FURTHER RESEARCH DIRECTION

Further longitudinal studies might be conducted to examine the internal governance practices across the nature of companies and years. The study concentrated only ICG_index which is constructed and measured based on the available literature. Further, a detailed investigation is needed, in

future, in addition, corporate governance initiatives were analyzed to include the external governance process. Future research can be conducted using source documents other than annual reports such as prospectus, press releases and interviews with top management. There is indeed in order to more empirical and qualitative studies on board practices and dynamics in order to gain governance practices in India.

CONCLUSION

This research has outlined the construction of an internal corporate governance index for listed manufacturing firms in India. The index is based on four major internal governance measures namely the board structure, the board activity, the audit committee, and the ownership structure. These indices have several important attributes as identified in the literature were used to construct an overall composite ICGs index as well as the sub-indices. Thus, the internal corporate governance index can identify the good and poorly governed companies which in turn should provide a test for the acceptance of the index. The panel data regression result shows that internal governance measures are positively linked with firm size and profitability. Further, the ICG_index is inversely related to growth and leverage which proves that significant. Internal corporate governance measures can support business control, financial reports preparation, looking for investment opportunities, and have great caution for legal procedures. For corporate managers, the results imply that the management should be aware of the need for efficient corporate governance structure and mechanism to control agency problems.

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Appendix 1: Internal Corporate Governance Index Score Evaluation Sheet

APPENDIX

Sub-Index	Variables	Scoring Measurement	Max. Score	Literature Support
Board Index	1. Board Size	Let assign a score of 5, if the board size is 5 or less, between 6 and 7 members a score of 6, If the board size is 8 or 9, the firm gets a score of 7, If the board size is 10 or 11, the firm gets a score of 8, If the board size is 12 or 13, the firm gets score of 9, If the board size is 14 or more, the firm gets score of 10.	10	(Varshney, Kaul & Vasal, 2012) (Elfeky, 2017)
	2. CEO Duality	Measured using dummy variable with a value one if the CEO and chairman are separate and zero otherwise.	1	(Andersson & Daoud, 2005) (Varshney, Kaul & Vasal, 2012)
	3. Executive Directors	Executive directors are participated in the business operation, policy implementation and mentor of the employees. These are highly responsible for the ICG disclosure. (Below 50% is assigned 0, 1 is assigned for 50-75% and above 75% is assigned for 2).	2	(Bhatt & Bhattarcharya, 2015) (Elfeky, 2017)
	4. Non-executive directors	Let assign a score of 0, 1, 2 for <50%, 50-75% and >75% non-executive directors on the board respectively.	2	(Bhatt & Bhattarcharya, 2015)
	5. Board Independence	A greater proportion of non-executive independent directors bring about more financial disclosures. Let assign a score of 0,1,2 for <50%, 50-75% and >75% independent directors on the board respectively. If the Chairman of the board is an executive director, at least half of the board should comprise independent directors. Below 1/3 rd Independent Directors = 0 1/3 to 2/3 rd Independent Directors = 1 Above 2/3 rd independent directors = 2	2	(Chen & Jaggi, 2000) (Bhatt & Bhattarcharya, 2015) (Elfeky, 2017) (Kumar & Singh, 2013)
		Sub Total		17
Board Meeting Diligence Index	1. Frequency of board meeting	Measured as the number of times the board has met in a financial year. Below 4 meeting held = 0, Between 4 and 6 = 1 7 and above = 2	2	(Bhatt & Bhattarcharya, 2015)
	2. Board meeting attendance (%)	Computed in percentage terms as total attendance count of all board members to the total number of board members (Actual percentage converted into the score of 5).	5	(Agyei-Mensah, 2016) (Varshney, Kaul & Vasal, 2012)
	3. Attendance by Non-Executive directors	The presence of non-executive directors was considered an important variable for board effectiveness. Percentage of board meeting attendance by non-executive directors (Actual percentage converted into score of 5).	5	(Bhatt & Bhattarcharya, 2015) (Varshney, Kaul & Vasal, 2012)
	4. Attendance by Executive directors	Percentage of board meeting attendance by executive directors (Actual percentage converted into a score of 5).	5	(Bhatt & Bhattarcharya, 2015)
	5. Attendance by Independent directors	Percentage of board meeting attendance by independent directors (Actual percentage converted into a score of 5).	5	(Chen, Firth, Gao & Rui, 2006) (Ma & Tian, 2009)
	6. AGM Attendance	Number of directors attended by Annual general meeting (Actual percentage converted into a score of 5).	5	(Ma & Tian, 2009)
		Sub Total		27

Sub-Index	Variables	Scoring Measurement	Max. Score	Literature Support
Audit Committee	1. Audit Committee size	A number of members participated in the audit committee.	5	(Criuana & Fulop, 2014) (Pahuja & Bhatia, 2010)
	2. Independent directors in audit committee	The audit committee is formed by a majority of independent directors as prescribed in the company law. Two-thirds of the members of the audit committee shall be independent directors. Percentage of independent directors in the audit committee.	5	(Pahuja & Bhatia, 2010) (Madhani, 2015) (Criuana & Fulop, 2014)
	3. Executive directors	Percentage of Executive directors in the audit committee. If the executive director in the audit committee is a score of 1, if the percentage is less than 50%. If a score of 2 is more than 50%.	2	(Pahuja & Bhatia, 2010) (Varshney, Kaul & Vasal, 2012)
	4. Audit committee independence	The totally independent audit committee has been assigned '1' and '0' otherwise.	1	(Pahuja & Bhatia, 2010) (Madhani, 2015)
	5. Audit Committee Meeting Diligence	A number of meetings of audit committee exceeding 4, assigned '1' and '0' otherwise.	1	(Pahuja & Bhatia, 2010) (Madhani, 2015)
	Sub Total			14
Ownership Index	1. Promoters shareholding	Promoter's shareholding is equity shares held by executive directors and his family members of the firm. (mean $\pm\sigma$ value calculated that which has been converted into a score of 1,2,3 respectively).	3	(Agyei-Mensah, 2016) (Ezeoha & Okafor, 2010)
	2. Institutional shareholding	Governments' and Financial Institutions' shareholding is equity shares held by government companies as a percentage of total equity shares. These include insurance companies, mutual funds, financial institutions, banks, central and state government firms, state financial Corporations and other government bodies. (mean $\pm\sigma$ value calculated that which has been converted into score of 1,2,3 respectively).	3	(Eng & Mak, 2003) (Mang'unyi, 2011) (Jensen & Meckling, 1976) (Zhuang, 1999) (Al-Bassam, Ntim, Opong, & Downs, 2018)
	3. Corporate Shareholding	Corporates' Share Holding is equity shares held by Corporate bodies as a percentage of total equity shares. These include corporate bodies excluding those already covered. (mean $\pm\sigma$ value calculated that which has been converted into a score of 1,2,3 respectively)	3	(Ntim, Lindop, & Thomas, 2013)(Al-Bassam, Ntim, Opong, & Downs, 2018) (Mang'unyi, 2011)
	4. Public Shareholding	Percentage of shares held by public/individuals. (mean $\pm\sigma$ value calculated that which has been converted into the score of 1,2,3 respectively).	3	(Shoab & Yasushi, 2015) (Zhuang, 1999)
	5. Foreign shareholding	It is measured equity shares held by foreigners as a percentage of total equity shares. These include foreign collaborators, foreign financial institutions, foreign nationals and non-resident Indians. (mean $\pm\sigma$ value calculated that which has been converted into score of 1,2,3 respectively).	3	(Varshney, Kaul, & Vasal, 2012) (Ntim, Lindop, & Thomas, 2013) (Al-Bassam, Ntim, Opong, & Downs, 2018)
	Sub Total			15
ICG	Internal Corporate Governance Index	Internal Corporate Governance index calculated as the total score obtained by company (out of disclosure items) divided by maximum possible score obtainable by the company multiple by 100	83	(Agyei-Mensah, 2016) (Sarkar Sarkar, & Sen, 2012)

Notes: