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Role of Corporate Governance mechanism and Firm performance: A study of Indian corporate sector

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Abstract:
The study intends to examine the main role of corporate governance mechanisms and its relationship with firm performance. The study is confined to the BSE 500-indexed companies for the period 2009-2019. For the firm performance analysis two approaches measured by market based (Tobin's Q) and accounting-based (Return on Assets (ROA), Return on Equity (ROE)). In addition to this study corporate governance used as proxies by set of some mechanisms including board independence, board size, board meetings i.e. audit committee, remuneration and nomination committee, CEO duality and ownership structure.
The regression analysis was run to test the dataset of 327 listed companies in Indian corporate sector. The results of our study indicated that companies which comply with good and strong corporate governance mechanisms can directly achieve higher market and accounting based performance. Thus, the research findings reach to the conclusion that the research findings lead to the conclusion that the corporate governance mechanisms, which have been introduced in the Indian corporate sector for transparency, accountability and integrity have partially successful to deal with the different issues and manifestations of firm performance.
Key words: Corporate Governance, Firm Performance, Board of Directors, listed companies.

1. INTRODUCTION

Corporate governance is mainly known as a system by which companies are directed and controlled. (Jensen and Meckling, 1976, Fama and Jensen, 1983, Aboagye and Otieku, 2010) It is a set of standards which aims to improve the company's image, efficiency, effectiveness and social responsibility. In the past few decades, corporate governance has received noticeable attention in the literature (Krivogorsky 2006; Larcker et al. 2007). Good corporate governance is considered to increase firm performance. The relationship between corporate governance and firm performance has been widely discussed in the context of developed countries as well as in emerging and developing countries, like India, corporate governance is become key model for all types of the organization because of some recent corporate fraud and collapses. Numerous corporate failures have been in lime light worldwide like Enron, BCCI, Maxwell, Sunbeam, Global crossing, which forced the regulatory authorities to set and implement corporate governance codes like the Cadbury Committee, Oxley Act etc. The Indian market has also faced a number of scams since early nineties; all this led to setting up of Kumar Mangalam Birla committee in 1999, to issue codes of corporate governance which were later included in Clause 49 of the listing agreement. It has been made mandatory for the Indian companies to comply with the corporate governance norms, to give reports and disclosures as per the listing agreement and various provisions of the Companies Act in their annual reports. Corporate governance mechanisms play significant role in ensuring firm

competitiveness and sustainability (Vander, 2009, Aboagye and Otieku, 2010; Ehikioya, 2009). The huge debate on whether corporate governance mechanisms have any impact on the firm performance or not theoretically inconclusive.

Jensen and Meckling (1976) and Fama and Jensen (1983) argue that the separation of ownership and control creates an agency relationship between shareholders and executives making it impossible to arrange a perfect contract between shareholders and executives (as cited in Williamson, 1979, 1981). From the agency viewpoint, firm's performance will be enhanced and assured if there are corporate governance mechanisms to minimise the agency conflict. However, the stewardship theory argues that agency mechanisms create transactional relationship between executives and shareholders. Because of the absence of an inner motivation, executives are unable to achieve good corporate performance to which they aspire. Thus, stewardship theory holds that firm's performance rises through trust and goodwill between executives and shareholders (Donaldson and Davis, 1991).

The earlier empirical studies on corporate governance and financial performance has shown contradictory results by using different corporate governance variables (Maher and Anderson, 2000, Bhagat and Black, 2002, Fiador, 2013, Bhagat and Bolton, 2013, Hermalin and Weisbach, 1988, Borlea et al., 2017; Cavaco et al., 2016; Gaur et al., 2015; Makhlouf et al., 2014;; Brown and Caylor, 2006; Bruno and Classens, 2007,). Bhagat and Bolton (2002) have identified board independence as the key indicator in examine the relationship between corporate governance and firm performance, while Maher and Anderson (2000) found shareholder concentration as main indicator of corporate governance for firm performance. Futhermore, Makhlouf et al. 2014, Bhagat and Black 2002 and Hermalin and Weisbach (1988) results showed that there is a positivity in corporate governance and its relationship with firm performance, where as some researcher explained in their study that corporate governance and firm performance has negative relationship and (Hutchinson 2002, Cavaco et al. 2016, Fiador 2013) and Prevost et al. (2002) arrived at no relationship between variety of corporate governance mechanisms and firm performance.

In the developing countries like India, the empirical work is still on infancy due to the relatively opaque disclosure practices followed and problem of incomplete data by various companies. In Indian context, most of the prior studies dealing with the problem of small sample size or cross- sectional data or may be limited observations available for the study which do not allow controlling for unobserved firm effects (Ghosh 2006, Jackling and Johl, 2009, Garg 2007) Moreover, the importance of the corporate governance and a relaxation of restriction on the measurements of firm performance have provided main reason to conduct this study to provide significant empirical evidence on the problem for a further debate.

In the present study main objective is to examine the significant relationship between the main role of corporate governance and firm's performance with the sample of Indian corporate sector industry. To meet the objective of study the research sample of 327 companies with 3278 observations from the BSE 500-indexed companies for the period 2009-2019 is collected. For the firm performance analysis two approaches measured by market based (Tobin's Q) and accounting-based (Return on Assets (ROA), Return on Equity (ROE)). In addition to this study corporate governance uses as proxies by set of some mechanisms including board independence, board size, board meetings i.e. audit committee, remuneration and nomination committee, CEO duality and ownership structure.

The presentation of the study includes five sections. Following this section, Section II contains the extensive literature review on corporate governance and firm performance. Section III focuses on Research methodology, model development and data. Section IV discusses empirical results and analysis and final section V will summaries the main finding.

2. Literature review and hypothesis development

In the literature there are numerous debates available on corporate governance mechanism's impact on firm performance. Several researchers like Gillan 2006, Claessens and Fan 2002, and Shleifer and Vishny (1997) have examined the relationship between corporate governance and firm performance. Generally, in the previous literature review much emphasis has given to the theories of corporate governance. The agency theory deals with main responsibility of board director have to monitor the management and protection of the shareholders from any conflict of interest that may be raised by ownership separation and control (Jensen and Meckling, 1976). In contrast to agency theory, Davis, Schoorman and Donaldson (1997) found that the new approach to the relationship between the benefit of shareholders and managers.

The interests of individual and organization are mixed and managers operate companies to maximize utility. According to L.D. Brown & M.L. Caylor 2004 in their study found that companies with better governance would generate high profit, increase in firm value with fairness and equity, and would also provide some cash dividends benefits to the shareholders. Thereby improve firm performance some corporate governance mechanisms are frequently considered as board composition, board committees, CEO duality/separation, board meetings and the extent of shareholder concentration

Board Independence

The board of directors is one of the importance mechanisms of corporate governance that can determine the firm financial performance of any firm. They have the right to monitor all tasks and activities related performance or related to assigned duties to managers, and give reward for their performances. The independent board of directors comprises the core of corporate governance that has a role in ensuring the implementation of corporate strategy, overseeing management in managing the company also requires the implementation of accountability (Yermack, 1996). In the various studies researchers found some inconsistent results while examine the relationship between the independence of directors and firm performance. The investigation done by Bhagat and B. Black (2002) explained that there is nil or zero association in between proportion of outsider and firm performance that analyzed by Tobin's Q, ROA, asset turnover, and stock returns. Ningsih, Diana, and Junaidi (2019) found positive relationship between the board of directors and firm performance. From the results of previous studies, it can be concluded that the independent commissioner has an important position in overseeing management. R. Anderson el.at. (2004) concluded the opposite relations between independence of directors and firm performance. In keeping of view of the above explanation following hypothesis can be formed:

H1: board of Independent directors affects firm performance

Board size

In the previous studies there are two main different views on the relationship between board size and firm performance. First thought is boars size has small in number can highly contribute to the firm's achievement. Recent few studies supported this view as empirical evidence found by S. Cheng (2008) that companies that has large number of board members leads to the low firm performance.

The second thought is argued about a large number of board size will certainly enhance the firm performance. Board size is always a component of board directors to screen and control managerial tasks. The view stated that the company should always have a larger board size to monitor activities effectively and easier to obtain information (R. Adam and H. Mehran 2002). These bigger board size will also support a more effective and successful management of the company. Similarly, Gaur et al. (2015) found that board size had a positive and significant impact on financial performance of the firm.

One group of researchers predicts board size to have a positive association with firm performance (Pearce and Zahra, 1992; Dwivedi and Jain, 2002) while another group has shown a negative relationship (Yermack, 1996; Hermalin and Weisbach, 2003). Meanwhile, yet another group have arrived with a non-linear or an inverted "U" shaped relationship (Vafeas, 1999, Golden and Zajac, 2001).

H2: Board size is positively related to firm performance.

Board committees

Audit committee is a committee which composed by a board of directors, consisting of majority of outside independent directors of the company with essential expertise and experiences. The function of the audit is to assist the board of directors in taking precise decision of the company's performance. The audit committee is fully responsible for monitoring of financial statement, internal control, and ensures the company's audit results are under valid accounting requirements.

Some national and international regulatory bodies like Ghanaian Corporate Governance Guidelines have recommended the formation of the audit, nomination and remuneration and committees. The evidence in examining the effect of board committees (nomination, audit and remuneration) on firm's performance is inconclusive.

The nomination committee is also known as appointment committee which is responsible for recruiting and selecting new directors to the board (McMullen, 1996). The appointment of directors should be a formal, rigorous and transparent procedure. Such procedure will establish objective criteria and ensure regular adequate information on the personal and professional qualification of the candidates (BSE) (2008, p. 9). The nomination committee has no impact on Romanian firm performance. However, nomination committees ensure that there is presence of unbiased mechanisms for selecting board members (Borlea et al. 2017).

Remuneration Committee is formed to recommend to the board of directors on the remuneration or compensation to be offered to the directors mainly the executive directors who contribute to the day to day functioning of the firm. According to Makhlouf et al. (2014), in listed Jordanian firms with compensation committees there is certain better chance of financial performance. And in the same way, in the London Stock Exchange, board compensation characteristics have a positive impact on firm performance Müller (2014). Whereas, Borlea et al. (2017) brief that compensation committee didn't have any impact on firm performance which measured by Tobin's Q or ROA in Romania.

It is clear that the board committee (nomination, remuneration and audit) has significant role or influence on firm performance is contestable so the following hypothesis can be as formulated:

H3a. Audit committee positively related with firm performance.

H3b. Nomination committee positively related with firm performance.
H3c. Remuneration committee positively related with firm performance.

Chief executive officer duality

CEO duality refers to board leadership structure where the CEO doubles as the chairperson of the board (Rechner and Dalton, 1991). The empirical studies on this issue of CEO Duality revealed a conflicting set of results (Coles and Hesterly 2000, Elsayed 2007).

Bhagat and Bolton 2002) have concluded that the separation of CEO Duality is positively and significantly correlated with firm's operating performance. In the same way study done by Gaur et al. (2015) also explained that CEO duality had a positive and significant impact on financial performance In contrast, Duru et al.'s (2016) generalized method of moments analysis of US firms found that CEO significantly reduced firm performance. However, Arora and Sharma (2016) revealed that CEO duality did not have any impact on firm performance of Indian manufacturing companies. Earlier, Yasser and Mamum (2015) explained that CEO duality is not related with firm's performance. To test whether CEO duality has an effect on firm's performance the following hypothesis has been formulated:

H4. Duality of CEO and chairman positively influence firm performance.

Ownership Concentration and Firm Performance

Institutional ownership and ownership control are two important determinants of firm performance. In the previous studies wide range of literature debated on it. The discussion about the relationship between ownership structure and corporate performance is based on theoretical and empirical discussion. Large number of studies has sought to evaluate empirically the link between ownership concentration and firm performance. However, results are not uniformly in agreement.

Tam and Tan (2007) recommend that ownership concentration is negatively related to firm performance in Malaysia. Agyemang and Castellini (2015) showed how board control or manage systems and ownership in an emergent economy like Ghana. Dwivedi and Jain (2002) conclude that public shareholding has a negative link with performance. Clark (2008) argues for a causal relationship between the presence of a principal owner and the decision to contribute to ideological politics. He proposes ownership structure should be included as a variable in future studies of corporate political behavior. Therefore this study formed the hypothesis presented below:

H5 ownership concentration positively influence on firm performance.

3. Research methodology

The study is a quantitative in nature and Secondary data obtained from the *PROWESS* database of Centre for Monitoring Indian Economy (CMIE) and annual reports of the companies. The sample is drawn from the BSE 500 index which represents nearly 93% of the total market capitalization on Bombay Stock Exchange (BSE) and comprised of industries including service and manufacturing sector. In the study firm related to financial activities and firm with missing data are not considered for the final sample The panel regression methodology is adopted for testing the impacts of corporate governance mechanisms: board Independence, board size, board committees (audit, nomination and remuneration), CEO duality, and ownership concentration on three firm performance indicators (return on asset (ROA), return of equity (ROE) and Tobin's Q) among BSE 500 listed companies from 2009 to 2019 in Indian corporate sector. The final panel data set composed of 3278 observation from 327 companies spanning over 10 years were used.

3.1 Variable Measurement:

Independent variables: Independent variable in this study include board independence, Board Size Board Committees (audit, Nomination, Remuneration, committees), CEO Duality, ownership Concentration. BOARDSIZE (Board Size) is the number of directors appointed in the board. BIND (Board independent director is the proportion of independent directors to total directors. CEO-Duality (Chairperson Duality) is a binary number that takes a value of 1 if the post of Chief Executive officer and Chairperson of the board are held by the same person and 0 otherwise. AUDICOM (Audit Committee) is the composition of directors of audit committee. NOMCOM (Shareholder Committee) is the number of meetings held during the financial year. REMUCOM (Remuneration Committee) is the number of meetings held during the financial year. OWNCON (Ownership concentration) is calculated by adding up all shares owned by the company's board of directors divided by the total number of shares of the company (Drobetz, Schmid, & Zimmermann, 2003).

The dependent variables: Firm performance measured by accounting based ratios (return on assets,) and market based measure (Tobin's Q). This paper utilized two models for examining the corporate based on the proxies of firm performance Return on Assets (ROA) and TOBIN'S Q. ROA is measured using the proportion of net income to total

assets of the company and TOBIN'S Q is measured by Total asset added market value of equity less book value of equity less deferred taxes divided by Total asset.
Control Variable: Firm size measured by Total net sales of company and Assets TURNOVER is measured by Net sales divided by Total assets.

3.2 Panel Regression methodology

For the panel data analysis many important methods of regression can be used such as fixed effect regression, random effects. The common equation of the fixed effect linear panel data model is:

$$Y_{it} = \alpha_i + X'_{it}\,\beta + U_{it}$$

Where i=1…, N firms, t=1..., T time periods with k regressors in X'_{it} is set of corporate governance mechanism and U_{it} is standard error term and Y_{it} is financial performance. The constant $\alpha í$ represents the unobservable individual firm-specific effects with which differs between firms and is time invariant. In a random effects model, the constant is random outcome variable which has a cross section specific error component which is uncorrelated with the errors of regressors variables. Thus,

$$\alpha_i = \alpha + \varepsilon_i$$

and, ε_i has a zero conditional mean.
Hausman test can be employed to ascertain the feasibility of appropriate method and the Hausman specification test enables us to differentiate between random and fixed effects models by testing for correlation between the X variables and the individual random effects ε_i. If there is no correlation, random effects should be utilized and if the correlation exists, the fixed effect regression should be used. Hausman test concludes that the fixed effect regression is the most appropriate method for analyzing the panel data (Venugopalan T and Shaifali 2018).

4. Data Analysis and Empirical Result

4.1 Descriptive Statistics Explanation

To describe the nature of dependent and independent variables, generally descriptive statistics such as mean, median and standard deviation are employed on variables.

Table: 4.1 Descriptive Statistics

VARIABLE	OBSERVATION	MEAN	STD. DEV.	MIN	MAX
ROA	3278	8.35186	9.219723	-98.02	93.64
ROE	3278	16.83166	16.92541	-130	187.2
TOBINQ	3278	3.313515	7.202053	25.254	197.3667
BOARDSIZE	3278	9.246272	3.940983	0	25
BINDE	3278	25.19548	14.47599	0	100
DUALITY	3278	.7869168	.4130445	0	4
AUDITCOM	3278	4.465239	2.28841	0	17
NOMCOM	3278	.8314093	1.52321	0	16
REMUCOM	3278	1.511079	1.629904	0	14
OWNCON	3278	15.54302	19.17924	-98.02	93.64
TURNOVER	3278	8.35186	9.219723	-98.02	93.64

FIRMSIZE	3278	9.0295	2.657323	-.9162908	16.76842

Table 4.1 shows descriptive statistics results for the dependent and independent variables used in research study. ROA has a mean value of 8.351 % with standard deviation of 9.219 %, while ROE has average value and standard deviation in ROE is 16.831 and 16.925 respectively. Tobin Q recorded mean values of 3.313515 with standard deviation 7.202053. The average value for board size (BOARD) is 9.24 of which 48.86% (missing variable in the table) of board members are consisting of independent directors and the executive directors. The mean value of DUALITY 0.7869168 proves that 78 % of total firms have reserve the position of Chairperson of Board or CEO with different persons. The mean value 4.46 of AUDITCOM reveals that firms have constituted audit committee which is composed of at least 5 directors approximately for impartial and independent evaluation of the firms' accounts. Besides audit committee, .83% firms have also constituted nomination committee (NOMCOM) and 1.51 % of the firms constituted remuneration committee (REMUCOM). In general, the ownership level has the average values of 15.543, while maximum value is very high 93.64%. Another significant aspect of the Indian corporate sector is Firm size (FIRMSIZE) with the mean value 9.02% of nets sales. The mean value of sale is 8.351 with standard deviation 9.219.

4.2 Correlation Analysis

Table 4.2 presents the Pearson's correlation coefficients analysis to examine the nature relationship between dependent variable and independent variables.

Pearson's correlation coefficient

Variable	ROA	ROE	TOBIN'S Q	Boards	BINDE	REMU	NOMCOM	AUDITCOM	DUALITY	OWNCOM	FIRM SIZE	SALES
ROA	1.0000											
ROE	0.1206	1.0000										
TOBIN'S Q	0.0441	0.1211	1.0000									
Boardsize	-0.0258	-0.0225	0.0109	1.0000								
BINDE	0.0123*	-0.0005	-0.0148*	0.2977*	1.0000							
Remcom	0.0024*	0.0012	0.0177	0.2173*	0.3028*	1.0000						
Nomcom	0.0238	-0.0258	0.0300	0.1968*	0.2697*	0.1219*	1.0000					
Audtcom	0.0271*	0.0240*	-0.0046	0.0303	0.0736*	0.2411*	0.2358*	1.0000				
Duality	-0.0175	0.0280*	0.0120*	0.0763*	0.0315*	0.0763*	-0.0338*	0.0733*	1.0000			
owncon	0.0385	0.0219	0.0105	0.0462	0.0597	0.0247	0.0432	0.1224	0.0505	1.0000		

	*			*	*		*	*	*			
Firmsize	**-0.0888**	**0.0509**	**0.0816***	**0.0752***	**0.0016**	**0.0197**	**0.0398***	**0.0096**	**0.0164**	**0.0315***	**1.0000**	
Sales	**0.3665**	**0.3654**	**0.0230**	**0.0215**	**-0.0183**	**-0.0046**	**-0.0208**	**-0.0766***	**0.1218***	**0.3627***	**0.3627***	**1.0000**

*** p<0.05, ** p<0.01, *** p<0.001**
Source: Prowess database

Table 4.2 shows that the Pearson's correlation coefficient between the ROA, and Board Independence, Remuneration committee, Audit committee, Ownership Concentration and sales are significant and positively correlated. However, Board size and Duality is negative and insignificant with firm performance proxies by ROA. In correlation between the ROE with Audit committee and CEO Duality is significant and positively associated where as Board size, Board Independence and Nomination committee is not significant and have a negative association with ROE. And lastly Tobin q is positively and significant correlated with Audit committee and CEO Duality. Whereas Board Independence is negative but significantly correlated with Tobin Q.

Variable	ROA	ROE	TOBIN Q
Firm size	-.03497584	.23914863	-.04291283
Sales	-.00651968	-.08271575**	.29300721
Board size	.01139672*	-.11704307*	.00799931
Board Independence	-.0212714*	-.01187767	-.15410029
Duality	-.12407474*	-.53985779	-.07551954**
Audit Committee	.00316676 *	.01292266 *	.0917118
Remuneration Committee	-.00108	-.15172568	.08183326
Nomination Committee	-.0109346	.05394415***	.12307343***
Ownership Concentration	.11684492*	-.30002693	1.3814193*
Cons	1.1280546	13.831789***	1.1558591
df N	4158	4158	4158
R-Square	0.6021	0.4990	0.5561
*** p<0.05, ** p<0.01, *** p<0.001**			

Source: Prowess database

Board size: The regression results in Table 3 presented below which insight an overview of the results of hypothesis testing. The table indicates that Board size composition is an effective corporate governance mechanism that can monitor the management activities which may help in increase firm performance. The empirical hypothesis is directly related to board size. In Table 4.3, regression coefficient ROA and Board size in Model 1 is significant and positive. Model 2 reveals that regression coefficient on Board size and ROE is statistically significant and negative. However, Model 3 on Tobin Q is the alternative proxy of firm performance displays that the coefficient of Board size and Tobin Q is positive and insignificant. These results are consistent with the findings of some previous studies, i.e. (Dwivedi and Jain 2005, Jackling and Johl 2009, Sadiq et al.'s (2019). The statistically significant coefficient on Board size supports the empirical hypothesis that board size and firm performance are directly related.
Board Independence: In the model 1 the board independence is negatively but significant with ROA and negative correlated in both Model 2 ROE and Model 3 Tobin Q. This indicates that the very less independence is given to outside directors. Bhagat and Bolton (2002) investigated that independence of board and operating performance are negatively correlated in the US firms with Four year data starting from 2000-2004 the finding of study is consistent with the earlier study done in India by several other researchers like Jackling and Johl (2009) and Dwivedi and Jain (2005). Our results of this study also provide support for the empirical hypothesis that high institutions shares in the firms is a positive indicator for the firm performance (TQ). It might be because institutional shareholding is a key signal to other investors about the potential profitability of the firm. This leads to the demand for such shares hence, improves market valuation of such firms, as shown by Kyereboah-Coleman (2007) Akshita Arora, Chandan Sharma, (2016).

Board Committees: The number of audit committee meetings in any firm is positively influence their performances. This means that if more frequent audit committee meetings will occur, level of performance will be higher of the company. In the table 4 audit committee in model 1 and in Model 2 is significant and positively correlated with the ROA and ROE. However in model 3, audit committee is only positively related with the Tobin Q. Yuliani and Sukirno (2018) and Ningsih et al (2019) stated that the monitoring of financial reporting in the company by the audit committee had a positive effect on firm performance. So the regression specifications in all models indicated that the formation of audit committees in any firm perform more an effective and efficient way for internal corporate governance mechanism. Furthermore, in remuneration committee Model 1 and Model 2 shows negatively and insignificant correlated with the ROA and ROE but only positive in the Model 3 strongly repudiates the empirical hypothesis of the study that remuneration committee and firm performance are inversely related (Venugopalan T. el.at 2018). In a same way, nomination committee had a mixed impact as it is positively and significant correlated with both model ROE and Tobin Q but negatively related with ROA. This result seems to confirm the contradicted findings in the literature on how nomination committee's presence affects financial performance. In the study done by Anderson and Bizjak (2003) indicated negative outcomes in the US context and Mülle (2014), Makhlouf et al. (2014) found positive results in Jordan and London. On the other hand, Borlea et al. (2017) found that remuneration committee did not have any impact on financial performance in Romania.

CEO Duality: Table 4 shows that the CEO duality has significant and positive correlation with firm performance measured by model 1 and 3 ROA and Tobin Q respectively. Although in 2 model ROE, duality does not show significant result, the sign of coefficient in all cases is negative. The chairperson and CEO duality is an important corporate governance mechanism. The separation of the roles of chairperson of board and chief executive officer (CEO) can affect the degree of independency of board directors which found better board performance. This result supports the role of CEO as chairperson is highlighted to control firms more effectively. In particular, Davis, Schoorman and Donaldson (1997) explored the mechanism of duality's impact on firm performance.

Ownership concentration:
Table 4 shows that the empirical results on ownership concentration generally impacts on firm performance positively. In the model 1 and model 3, ROA and TOBIN Q have a positive and significant impact on the ownership concentration where as model 2 ROE is negatively an associate with the Ownership Concentration. Thus, somewhat the increase in ownership leads to decrease in firm performance. The results are consistent with the positive results by Mardnly et al. (2018) and Gaur et al. (2015).

5. Conclusion

This research paper empirically examines the nature and extent of relationship between corporate governance mechanism and firm performance. The findings of the study lead to the conclusion that now Indian companies are gradually shifting towards compliance to the governance mechanisms. The findings of this study finally conclude that the relationship between corporate governance and firm performance is not very strong in India due to not properly following regulations and guidelines by companies very strictly. The model 1 shows the regression results on ROA (the proxy of firm performance) that the governance mechanism such as, board independent Remuneration and Nomination failed to mitigate the firm performance and in reverse Board size, CEO Duality Audit committee and Ownership Concentration have comply with corporate governance.

In Model 2 (ROE), the regression results on firm performance prove that audit and nomination committee are important governance mechanisms are positively associated with firm performance in the organizations however, sales and board size are significantly but negatively correlated with firm performance .so these indicator are not seem to be a vital determinant of firm performance.

In the model 3 (Tobin Q), only CEO duality, nomination committee and ownership Concentration are positively associates with firm performance whereas sales, board size, Board Independence, Audit and remuneration committee are only positively associated with the firm performance of the organization. The results of our study indicated that companies which comply with good and strong corporate governance mechanisms can directly achieve higher market and accounting based performance. Hence, the research findings lead to the conclusion that the corporate governance mechanisms, which have been introduced in the Indian corporate sector for transparency, accountability and integrity have partially successful to deal with the different issues and manifestations of firm performance.

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