

Effect of Corporate Governance Practices On Profitability and Firm Value of Selected Indian IT Companies

Dr. Chetana R. Marvadi : Assistant Professor, S.D. School of Commerce, Gujarat University. E-Mail : chetanamarvadi1977@gmail.com

Abstract

The primary aim of corporate governance is to increase the company's performance and harmonization of various interest groups. But the performance of a company is not only to achieve superior financial results but all financial and non financial aspects of its work. Performance of listed companies is significantly influenced by the shape of corporate governance, namely the ability to identify and harmonize interests of different social partners. This paper aims to study the impact of corporate governance practices on firm's profitability and firm value in Indian context for selected listed seven IT companies over the period of ten years. For evaluating the impact of Corporate Governance Practices, variables studied are- Family controlled firms, Board Size, Board Composition, Board Meetings, Chairman – CEO duality, Woman as an executive director, Firm Age, Asset Tangibility, and Financial Leverage. Multiple regression analysis was conducted to identify the factors that affect profitability and firm value. It is found that the profitability of the firms do have effect on Corporate Governance practices. It is also found that corporate governance has effect on Firm Value indicating the awareness among various stakeholders regarding corporate governance practices.

Key Words : Corporate Governance, Tobin's Q, ROCE

Introduction

Corporate governance in India gained prominence in the wake of liberalization during the 1990s and was introduced, by the industry association Confederation of Indian Industry (CII), as a voluntary measure to be adopted by Indian companies. It soon acquired a mandatory status in early 2000s through the introduction of Clause 49 of the Listing Agreement. The corporate governance is essentially a soft issue, whose essence cannot be captured by quantitative and structural factors alone, one of the challenges of making corporate governance norms mandatory is the need to differentiate between form and content. Currently, corporate governance reforms in India are at a crossroads; while corporate governance codes have been drafted with a deep

understanding of the governance standards around the world, there is still a need to focus on developing more appropriate solutions that would evolve from within and therefore address the India-specific challenges more efficiently. 20th century witnessed the glossy of Indian Economy due to liberalization, globalization, and privatization. Indian economy for the 1st time here was together with world economy for product, capital and labour market and which resulted into world of capitalization, corporate culture, business ethics which was found important for the existence of corporation in the world market place. This research paper is an attempt to study the impact of corporate governance practices on firm's profitability and value for selected Indian Information Technology companies over the period of ten years.

Literature Review

The magnitude of corporate governance has been examined by different authors and the review of prior literature revealed that there exist significant impacts of corporate governance on firm performance. **Aboudou Maman Tachiwou (2016)** conducted the study to examine empirically the impact of corporate governance mechanisms on firm financial performance and found that there is a positive and significant relationship between composition of board member and board size and firm performance. CEO status has positive while ownership concentration has negative relationship with ROA. The results revealed that high concentration of shares tends to create more pressure on managers to behave in ways that are value-maximizing. **Duc Hong VO (2014)** conducted this empirical research for listed firms in Vietnam were conducted to examine the relationship between corporate governance and firm performance. The findings of this study indicated multiple effects of corporate governance on firm performance. Duality role of the CEO is positively correlated with firm performance. **Victor Lekaram (2014)** attempted to find out the effects of corporate governance on the financial performance of manufacturing firms listed in the Nairobi Securities Exchange. The study revealed that there is a significant relationship between board size and performance of

manufacturing firms listed at the Nairobi Securities Exchange. There is an inverse relationship between the size of the board of directors and firm performance variables of ROA and ROE. The board size cannot adequately explain the Tobin's Q ratio. **Pooja Gupta (2013)** conducted this research to determine relationship between corporate governance and firm performance. For the purpose of this study, two countries in Asia were chosen, namely, India and South Korea. It was found that India follows more stringent corporate governance practices based on US model as compared to South Korea which follow stakeholder form of corporate governance. **Priyanka Aggarwal (2013)** attempted to investigate the impact of corporate governance on corporate financial performance in an Indian context. She found that governance ratings have positive and significant impact on corporate financial performance. But like any other research, this study also revealed that governance rating of company has a significant positive impact on its financial performance. **Pallavi Kapooria (2013)** aimed at studying the impact of adopting Corporate Governance norms as listed by Securities and Exchange Board of India on firm performance. The findings showed that the Disclose of Directors' Remuneration in the Annual Report had a major influence on the performance of organizations across the selected sectors. The disclosure policy gave a certain level of confidence in the minds of the stakeholders. **Hemal Pandya (2013)** conducted the study with objective to identify the impact of corporate governance practices on firm's performance in Indian context and found that corporate governance has still a long way to go, to influence the firm's value; and it has no significant influence on firm's profitability. **Anthony Kyereboah-Coleman (2007)** examined the effect of corporate governance on the performance of firms in Africa by using both market and accounting based performance measures. Results indicate that large and independent boards enhance firm value and that combining the positions of CEO and board chair has a negative impact on corporate performance. They also found that CEO's tenure in office enhances a firm's profitability while board activity intensity affects profitability negatively. The size of audit committees and the frequency of their meetings have positive influence on market based performance measures.

Objectives

The main objective of this study is to analyse the impact of corporate governance on performance of selected Indian IT companies. However, the secondary objectives of the study are:

1 To analyze the impact of Corporate Governance variables on

the Firm's profitability (measured by ROCE).

2 To analyze the impact of Corporate Governance variables on the Firm's value (measured by Tobin's Q).

3 To analyse company wise effect of corporate governance practices on firms performance for selected sample companies.

Research Methodology

Selection of sample

The IT sector was being considered for this research and Seven IT companies which are highly socially sensitive and active are selected for research purpose. All the companies under this research were listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). Reason behind to the selection of BSE and NSE listed companies is that Indian stock market is highly influenced by the BSE and NSE index.

Sample Size : Table 1 is the list of selected companies for the study:

Table 1: Sample Description

Sr. No	Name of Selected Companies
1	Tech Mahindra Limited
2	Tata Consultancy Services Limited
3	Wipro Limited
4	Sasken Technologies Limited
5	Infosys Limited
6	Zensar Technologies Limited
7	NIIT Technologies Limited

Period of Study

The time period for the study is 10 years from 2006-07 to 2015-16. The study is based on descriptive research design.

Sources of Data

The study uses secondary data that have been extracted from the annual reports of the selected IT companies.

Tools and Techniques

The following Multiple Regression Analysis Model is used to identify the impact of Corporate Governance on Firm Performance:

Model - 1

$$ROCE = \alpha + \beta_1 * FCFs + \beta_2 * BS + \beta_3 * BC + \beta_4 * BM + \beta_5 * DUAL + \beta_6 * WEX + \beta_7 * AGE + \beta_8 * FL + \beta_9 * AT + \epsilon_t$$

Model - 2

$$\text{Tobin's } Q = \alpha + \beta_1 * \text{FCFs} + \beta_2 * \text{BS} + \beta_3 * \text{BC} + \beta_4 * \text{BM} + \beta_5 * \text{DUAL} + \beta_6 * \text{WEX} + \beta_7 * \text{AGE} + \beta_8 * \text{FL} + \beta_9 * \text{AT} + \epsilon_{it}$$

Where:

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9$ are the regression coefficient.

Description of Variables

Table 2: Description of Variables

Name of Variable	Description
------------------	-------------

Dependent Variables:

Return on Capital It is calculated by dividing earnings before interest and taxes (EBIT) by Employed (ROCE-capital employed. proxy for Profitability)

$$\text{ROCE} = \frac{\text{EBIT}}{\text{Capital Employed}}$$

Tobin's Q (proxy for Tobin's Q is defined as the ratio of market value of equity and market Firm Value) value of debt to the replacement cost of assets.

$$\text{Tobin's } Q = \frac{\text{MARKET Value of Firm}}{\text{Book value of total assets}}$$

Corporate Governance Variables-Independent Variables:

Family Controlled Firm (FCF)	It is defined as a firm whose shares of not less than 51% are held by the promoter and his or her family members.
Board size (BS)	It is defined as the number of both executive and non-executive directors on the board of the firm.

Board composition (BC)	It is defined as the proportion of representation of non executive directors on the board.
Board Meetings (BM)	Total number of board meetings held in a year
CEO Duality (DUAL)	This measure uses the dummy coded variable. If the company has CEO as a chairman of the board then it is coded as (1) and if not, it is coded as (0).
Women executive (WEX)	It is dummy coded variable where the company employs women executive in the board, it is coded as (1) or else, it is coded (0).

Control Variables :

Apart from the governance characteristics, the performance of a firm is influenced by other factors, which operate through the product and the capital market.

Age	It is defined as the log difference between end of each year viz. 2012, 2010, 2008 and firm's founding year. It controls for the life cycle effect because profits of older and matured firms may be higher on account of good will and learning efforts.
Financial leverage (FL)	It is the ratio of long - term debt to total equity plus retained earnings. $\text{Financial leverage} = \frac{\text{Long term debt}}{\text{Total equity} + \text{retained earnings}}$
Asset tangibility (AT)	It is ratio of net fixed assets to total assets. $\text{Asset Tangibility} = \frac{\text{Net Fixed Assets}}{\text{Total Assets}}$

**Data Interpretation and Analysis:
[A] - Correlation Analysis of the Study Variables:**

Table 3: Correlation Analysis

	Q	ROCE	FCF	BS	BC	BM	DUAL	WEX	AGE	FL	AT
Q	1.000 (0.00)										
ROCE	0.070 (0.538)	1.000 (0.00)									
FCF	0.138 (0.127)	0.413* (0.00)	1 (0.00)								
BS	-0.02 (0.434)	0.069 (0.286)	0.12 (0.16)	1 (0.00)							
BC	-0.067 (0.291)	-0.047 (0.351)	0.114 (0.173)	-0.218* (0.035)	1 (0.00)						
BM	-0.177 (0.072)	0.133 (0.137)	-0.129 (0.143)	-0.078 (0.261)	-0.155 (0.10)	1 (0.00)					

DUAL	-0.061 (0.307)	-0.570* (0.00)	0.075 (0.268)	0.063 (0.302)	0.052 (0.333)	-0.211* (0.04)	1 (0.00)				
WEX	-0.35* (0.001)	0.170 (0.079)	-0.07 (0.282)	0.355* (0.001)	-0.074 (0.27)	0.242 (0.022)	0.039 (0.375)	1 (0.00)			
AGE	0.116 (0.17)	-0.272* (0.011)	0.177 (0.071)	-0.147 (0.112)	0.651* (0.00)	-0.468* (0.00)	0.384* (0.001)	-0.216* (0.036)	1 (0.00)		
FL	0.099 (0.208)	-0.236* (0.025)	0.258* (0.016)	0.067 (0.292)	-0.047 (0.349)	-0.072 (0.278)	-0.105 (0.193)	-0.268* (0.013)	-0.009 (0.472)	1 (0.00)	
AT	-0.007 (0.478)	-0.074 (0.271)	-0.218* (0.035)	-0.473* (0.00)	-0.076 (0.267)	-0.031 (0.399)	-0.209* (0.041)	-0.276* (0.01)	-0.059 (0.314)	-0.089 (0.231)	1 (0.00)

*Indicates Level of Significance @5%

Table 3 shows correlation analysis between the variables under study. From the above table it is seen that Q has negative significant correlation with WEX. Q has positive correlation with FCF, AGE and FL, while negative correlation with BS, BC, BM, DUL, WEX and AT. From the above table it is also seen that ROCE has negative significant correlation with DUAL, AGE and FL, while positive significant correlation with FCF. ROCE has positive correlation with FCF, BS, BM and WEX, while negative correlation with BC, DUAL, AGE and FL.

[B] Multiple Regression Analysis- Model 1:

The following Multiple Regression Model is applied for the overall data and company wise data to identify the effect of Corporate governance practices on Firm Profitability:

$$ROCE = \alpha + \beta_1*FCFs + \beta_2*BS + \beta_3*BC + \beta_4*BM + \beta_5*DUAL + \beta_6*WEX + \beta_7*AGE + \beta_8*FL + \beta_9*AT + \epsilon_{it}$$

Table 4: Multiple Regression Analysis- Model 1

Dependent Variable : ROCE								
Variables	Overall Analysis	Tech Mahindra Ltd.	TCS Ltd.	Wipro Ltd.	Sasken Ltd.	Infosys Ltd.	Zensar Ltd.	NIIT Ltd.
Constant	50.788 (0.000)	118.392 (0.071)	-85.82 (0.553)	-626.644 (0.287)	103.313 (0.079)	36.940 (0.592)	211.196 (0.469)	-10.952 (0.876)
FCF	16.486* (0.000)	-1.529 (0.687)	-	-	-	-	1.491 (0.875)	-
BS	-0.322 (0.466)	-0.483 (0.426)	5.824 (0.37)	-1.733 (0.498)	-9.474* (0.045)	-0.390 (0.851)	-4.963 (0.294)	0.876 (0.884)
BC	-0.045 (0.619)	-1.036 (0.065)	0.495 (0.224)	0.776 (0.142)	-3.888* (0.020)	-0.208 (0.698)	-0.272 (0.387)	-
BM	-0.540 (0.463)	-0.905 (0.225)	8.595 (0.324)	4.19 (0.318)	2.823 (0.116)	0.419 (0.812)	-1.422 (0.505)	2.069 (0.274)
DUAL	-19.594* (0.000)	-	-	-	-	-	-	-
WEX	2.266 (0.284)	-13.663 (0.089)	-1.392 (0.819)	28.93 (0.188)	29.019* (0.047)	0.269 (0.933)	-1.010 (0.927)	-15.480 (0.165)
AGE	-0.106 (0.249)	-1.99 (0.175)	-2.202 (0.319)	6.693 (0.307)	7.717* (0.035)	0.323 (0.784)	-1.521 (0.72)	0.736 (0.680)
FL	-1.795* (0.000)	-0.628 (0.183)	9.707 (0.282)	-5.709 (0.232)	-47.509* (0.029)	-12.514 (0.491)	-1.874 (0.416)	3.367 (0.111)
AT	-0.295 (0.070)	2.86 (0.066)	1.023 (0.731)	13.87 (0.261)	2.317* (0.031)	0.331 (0.727)	-1.496 (0.383)	-0.252 (0.600)

R Square	0.765	0.997	0.734	0.844	0.966	0.631	0.976	0.854
F Change	21.740	412.119	0.789	1.541	8.014	0.489	5.031	2.923
Sig.F	0.000	0.038	0.661	0.449	0.115	0.800	0.332	0.204

(Source: Primary study)

Interpretation

Overall analysis

Estimated Model

$$ROCE = 50.788 + 16.486 (FCF) - 0.322 (BS) - 0.045 (BC) - 0.540 (BM) - 19.594 (DUAL) + 2.266 (WEX) - 0.106 (AGE) - 1.795 (FL) - 0.295 (AT)$$

The estimated model indicates that FCF has positive significant impact on ROCE while DUAL and FL have negative significant impact on ROCE. WEX have positive impact on ROCE, while BS, BC, BM, AGE and AT have negative impact on ROCE. It is also found that DUAL followed by FCF is the major contributing factor in determination of ROCE. The value of R square in the above table is 0.765 which means that 76.50% variation in ROCE is explained by all independent variable hence the model is to be considered as strong model. The value of R square is significant as the p value (0.00) in the above table is less than 0.05 i.e. assumed level of significance.

Tech Mahindra Limited

$$ROCE = 118.392 - 1.529 (FCF) - 0.483 (BS) - 1.036 (BC) - 0.905 (BM) - 13.663 (WEX) - 1.990 (AGE) - 0.628 (FL) + 2.86 (AT)$$

There is a positive impact of AT on ROCE while there is negative impact of FCF, BS, BC, BM, WEX AGE and FL on ROCE. WEX is the major contributing variable. Value of R square in the above table is 0.997 which means that 99.70% variation in ROCE is explained by all these independent variable and hence model is powerful.

Tata Consultancy Services Limited

$$ROCE = -85.82 + 0.5824 (BS) + 0.495 (BC) + 8.595 (BM) - 1.392 (WEX) - 2.202 (AGE) + 9.707 (FL) + 1.023 (AT)$$

There is a positive impact of BS, BC, BM, FL and AT on ROCE while there is negative impact of WEX on ROCE. BM is the major contributing variable. Value of R square in the above table is 0.734 which means that 73.40% variation in ROCE is explained by all these independent variable and hence model is powerful.

Wipro Limited

$$ROCE = - 626.644 - 1.733 (BS) + 0.776(BC) + 4.19 (BM) + 28.93 (WEX) + 6.693 (AGE) - 5.709 (FL) + 13.87(AT)$$

There is a positive impact of BC, BM, WEX AGE and AT on ROCE while there is negative impact of BS and FL on ROCE. WEX is the major contributing variable. Value of R square in the above table is 0.844 which means that 84.40% variation in ROCE is explained by all these independent variable and hence model is powerful.

Sasken Technologies Limited

$$ROCE = 103.313 - 9.474 (BS) - 3.888 (BC) + 2.823(BM) + 29.010 (WEX) + 7.717 (AGE) - 47.509 (FL) + 2.317 (AT)$$

There is a positive significant impact of WEX, AGE and AT while negative significant impact of BS, BC and FL on ROCE as measured by ROCE. There is a positive impact of BM, WEX AGE and AT on ROCE while there is negative impact of BS, BC and FL on ROCE. FL is the major contributing variable. Value of R square in the above table is 0.966 which means that 96.60% variation in ROCE is explained by all these independent variable and hence model is powerful.

Infosys Limited

$$ROCE = 36.940 - 0.390 (BS) - 0.208 (BC) + 0.419(BM) + 0.269 (WEX) + 0.323 (AGE) - 12.514 (FL) + 0.331 (AT)$$

There is a positive impact of BM, WEX AGE and AT on ROCE, while there is negative impact of BS, BC and FL on ROCE. FL is the major contributing variable. Value of R square in the above table is 0.631 which means that 63.10% variation in ROCE is explained by all these independent variable and hence model is powerful.

Zensar Technologies Limited

$$ROCE = 211.196 + 1.491 (FCF) - 4.963(BS) - 0.272 (BC) - 1.422 (BM) - 1.010(WEX) - 1.521 (AGE) - 1.874 (FL) - 1.496 (AT)$$

There is a positive impact of FCF on ROCE, while there is negative impact of BS, BC, BM, WEX AGE, FL and AT on ROCE. BS is the major contributing variable. Value of R square in the above table is 0.976 which means that 97.60% variation in ROCE is explained

by all these independent variable and hence model is powerful.

NIIT Technologies Limited

$$\text{ROCE} = -10.952 + 0.876 (\text{BS}) + 2.069 (\text{BM}) - 15.480 (\text{WEX}) + 0.736 (\text{AGE}) + 3.367 (\text{FL}) - 0.252 (\text{AT})$$

There is a positive impact of BS, BM, AGE and FL on ROCE, while there is negative impact of WEX and AT on ROCE. WEX is the major contributing variable. Value of R square in the above table is 0.854 which means that 85.40% variation in ROCE is explained

by all these independent variable and hence model is powerful.

[C] Multiple Regression Analysis- Model 2:

The following Multiple Regression Model is applied for the overall data and company wise data to identify the effect of corporate governance practices on Firm Value:

$$\text{Tobins' Q} = \alpha + \beta_1 \cdot \text{FCFs} + \beta_2 \cdot \text{BS} + \beta_3 \cdot \text{BC} + \beta_4 \cdot \text{BM} + \beta_5 \cdot \text{DUAL} + \beta_6 \cdot \text{WEX} + \beta_7 \cdot \text{AGE} + \beta_8 \cdot \text{FL} + \beta_9 \cdot \text{AT} + \varepsilon_t$$

Table 5: Multiple Regression Analysis- Model 2

Dependent Variable: Tobins' Q								
Variables	Overall Analysis	Tech Mahindra Ltd.	TCS Ltd.	Wipro Ltd.	Sasken Ltd.	Infosys Ltd.	Zensar Ltd.	NIIT Ltd.
Constant	58.242 (0.214)	159.897 (0.486)	93.701 (0.477)	1086.914 (0.167)	-15.435 (0.721)	156.847 (0.335)	207.162 (0.314)	-39.363 (0.675)
FCF	3.536 (0.444)	3.452 (0.933)	-	-	-	-	-11.377 (0.232)	-
BS	0.172 (0.870)	-6.198 (0.392)	-1.755 (0.735)	4.649 (0.201)	0.478 (0.868)	-0.959 (0.829)	-0.594 (0.751)	3.617 (0.655)
BC	-0.333 (0.129)	0.899 (0.596)	-0.266 (0.404)	-0.915 (0.140)	-0.246 (0.753)	0.555 (0.632)	0.134 (0.439)	-
BM	-0.696 (0.692)	0.036 (0.994)	-1.972 (0.769)	-7.537 (1.80)	-1.959 (0.268)	-2.676 (0.502)	-1.669 (0.296)	6.404 (0.052)
DUAL	-6.761 (0.206)	-	-	-	-	-	-	-
WEX	-12.739* (0.014)	-1.869 (0.946)	3.585 (0.529)	-36.463 (0.169)	-10.710 (0.310)	-138.889* (0.002)	10.931 (0.277)	-3.748 (0.760)
AGE	0.251 (0.253)	-2.592 (0.757)	0.181 (0.914)	-11.589 (0.182)	2.924 (0.248)	-0.733 (0.771)	-3.732 (0.297)	0.669 (0.775)
FL	-0.340 (0.608)	-1.289 (0.653)	1.793 (0.79)	7.032 (0.217)	-8.546 (0.486)	23.643 (0.535)	2.562 (0.200)	1.220 (0.583)
AT	-0.0327 (0.396)	-1.426 (0.747)	-1.816 (0.512)	-20.669 (0.187)	-0.024 (0.968)	1.312 (0.534)	0.138 (0.855)	-0.453 (0.485)
R Square	0.195	0.767	0.723	0.864	0.762	0.997	0.992	0.863
F Change	1.616	0.412	0.746	1.818	0.916	113.653	16.053	3.137
Sig.F	0.131	0.842	0.779	0.400	0.613	0.009	0.191	0.188

(Source: Primary study)

Interpretation

Overall analysis

Estimated Model

$$\text{Tobin's Q} = 58.242 + 3.536 (\text{FCF}) + 0.172 (\text{BS}) - 0.333 (\text{BC}) - 0.696 (\text{BM}) - 6.761 (\text{DUAL}) - 12.739 (\text{WEX}) + 0.251 (\text{AGE}) - 0.340$$

(FL) - 0.327 (AT)

The estimated model indicates that FCF, BS and AGE have positive impact on Tobin's Q, While BC, BM, DUAL, FL and AT have negative impact on Tobin's Q. It is also seen that WEX has negative significant impact on Tobin's Q. It can also be seen that WEX followed by DUAL is the major contributing factor in determination of Tobin's Q. The value of R square in the above table is 0.195 which means that only 19.50% variation in Tobin's Q is explained by all independent variable hence the model is to be considered as weak model. The value of R square is not significant as indicated by p value (0.131) in the given above table.

Tech Mahindra Limited

Tobin's Q = 159.897 + 3.452 (FCF) - 6.198 (BS) + 0.899 (BC) - 0.036 (BM) - 1.869 (WEX) - 2.592 (AGE) - 1.289 (FL) - 1.426(AT)

It is found that there is positive impact of FCF, BC and BM on Tobin's Q, while negative impact of BS, AGE, WEX, FL and AT on Tobin's Q. BS is the major contributing variable. Value of R square in the above table is 0.767 which means that 76.7% variation in Q is explained by all these independent variable and hence model is powerful.

Tata Consultancy Services Limited

Tobin's Q = 93.701 - 1.755(BS) - 0.266 (BC) - 1.972 (BM) + 3.585(WEX) + 0.181 (AGE) + 1.793 (FL) - 1.816(AT)

There is positive impact of WEX AGE and FL on firm Tobin's Q, while negative impact of BS, BM, and AT on Tobin's Q. WEX is the major contributing variable. Value of R square in the above table is 0.723 which means that 72.30% variation in Q is explained by all these independent variable and hence model is powerful.

Wipro Limited

Tobin's Q = 1086.914 + 4.649 (BS) - 0.266 (BC) - 7.537 (BM) - 36.463(WEX) - 11.589 (AGE) + 7.032 (FL) - 20.669 (AT)

There is positive impact of BS and FL on Tobin's Q, while negative impact of BC, BM, WEX, and AGE and AT on Tobin's Q. WEX is the major contributing variable. Value of R square in the above table is 0.864 which means that 86.40% variation in Q is explained by all these independent variable and hence model is powerful.

Sasken Technologies Limited

Tobin's Q = -15.435 + 0.478 (BS) - 0.246(BC) - 1.959 (BM) - 10.710 (WEX) + 2.924(AGE) - 8.546 (FL) - 0.024(AT)

There is positive impact of BS and AGE on Tobin's Q, while

negative impact of BC, BM, WEX, FL and AT on Tobin's Q. WEX is the major contributing variable. Value of R square in the above table is 0.762 which means that 76.20% variation in Q is explained by all these independent variable and hence model is powerful.

Infosys Limited

Tobin's Q = -156.847 - 0.959 (BS) + 0.555(BC) - 2.672 (BM) - 138.899 (WEX) - 0.733 (AGE) + 23.643 (FL) + 1.312 (AT)

There is a significant impact of WEX on Tobin's Q. There is positive impact of BC, FL and AT on firm performance, while negative impact of BM, WEX and AGE on Tobin's Q. WEX is the major contributing variable. Value of R square in the above table is 0.997 which means that 99.70% variation in Q is explained by all these independent variable and hence model is powerful.

Zensar Technologies Limited

Tobin's Q = 207.162 - 11.377 (FCF) - 0.594 (BS) + 0.134 (BC) - 1.669 (BM) + 10.931 (WEX) - 3.732 (AGE) + 2.562 (FL) + 0.138 (AT)

There is positive impact of BC, WEX, FL and AT on Tobin's Q, while negative impact of FCF, BS, BM and AGE on Tobin's Q. WEX is the major contributing factor. Value of R square in the above table is 0.992 which means that 99.20% variation in Q is explained by all these independent variable and hence model is powerful.

NIIT Technologies Limited

Tobin's Q = -36.363 + 3.617 (BS) + 6.404 (BM) - 3.748 (WEX) + 0.669 (AGE) + 1.220 (FL) - 0.453 (AT)

There is positive impact of BS, BM, AGE and FL on Tobin's Q, while negative impact of WEX and AT on Tobin's Q. BM is the major contributing factor. Value of R square in the above table is 0.863 which means that 86.30% variation in Q is explained by all these independent variable and hence model is powerful.

Findings

This study examines the impact of corporate governance on firm performance as measured by ROCE and Tobin's Q for selected SEVEN Information Technology (IT) companies in India from 2006-07 to 2015-16. The following are the major findings of this study:

- From the Correlation analysis, it is found that there is a significant negative relationship between Tobin's Q and WEX; ROCE has a significant negative relationship with DUAL, AGE and FL while, significant positive relationship with FCF.
- From the overall Analysis of Model 1, it has been found that DUAL is the highest contributing variable followed by FCF to the

profitability of the firm. CEO Duality has negative significant and FCF has positive significant impact on ROCE. From the company wise analysis of Model 1, FL followed by BS and BC have significant negative impact on ROCE while WEX followed by AGE and AT have positive significant impact in case of Sasken Ltd. BS is having major impact in Zensar. FL is the highest contributor in TCS and Infosys, while in rest of the companies WEX is the highest contributor to the firms' profitability.

- From the overall Analysis of Model 2, it is found that WEX is the most important variable and have negative significant impact on Tobin's Q. From the company wise analysis of Model 2, WEX is the only most important variable and have negative significant impact on Tobin's Q for Infosys Ltd. BM is the highest contributing variable in case of NIIT whereas BS is having the highest impact on Q in case of Tech Mahindra, while in rest of the companies WEX is the highest contributor to the firm value.

Conclusion

The primary aim of corporate governance is to increase the company's performance and harmonization of various interest groups. From this study it is found that corporate governance variable DUAL and Family Control variable have significant impact on ROCE under overall analysis. This means that profitability of the firms do have effect of Corporate Governance practices. Tech-Mahindra, Wipro and NIIT have major impact of WEX suggesting impact of women executives on profitability. Sasken Ltd. is the only company having significant effect of almost all the selected variables of Corporate Governance on profitability. The present study revealed that there is negative significant impact of corporate governance variable WEX on Tobin's Q under overall analysis and for company wise analysis also for majority of companies. WEX is the highest contributing variable except for NIIT and Tech Mahindra. This means existence of women executives do have impact on firm value as measured by Tobin's Q. It indicates that corporate governance has still a long way to go, to influence the firm's profitability but it is also confirmed from this study that Corporate governance have effect on Firm Value

indicating the awareness among various stakeholders regarding corporate governance practices.

References

1. Aboudou Maman Tachiwou (2016) "Corporate Governance and Firms' Financial Performance of Listed Company in the West African Monetary Union (WAMU) Regional Financial Exchange" International Journal of Economics and Finance; Vol. 8, No. 8; 2016 ISSN 1916-971XE-ISSN 1916-9728.
2. Anthony Kyereboah-Coleman (2007) "Corporate Governance and Firm Performance in Africa: A Dynamic Panel Data Analysis" Global Corporate Governance Forum (GCGF) and Asian Institute of Corporate Governance (AICG).
3. Duc Hong Vo and Tri Minh Nguyen (2014) "The Impact of Corporate Governance on Firm Performance: Empirical Study in Vietnam" International Journal of Economics and Finance; Vol. 6, No. 6; 2014 ISSN 1916-971XE-ISSN 1916-9728.
4. Hemal B. Pandya (2013) "Impact of Corporate Governance Practices on Firm's Performance: An Indian Perspective" International Journal of current Business and Economics Vol. 2, No. 9, pp. 043-051, September, 2013.
5. Pallavi Kapooria, R C Sharma and Deepak Kaul (2013) "Impact of Corporate Governance on Firm Performance : An Empirical Analysis of IT and Manufacturing Sectors" Volume 2 Issue 6 June 2013 ISSN No 2277 - 8160
6. Pooja Gupta (2013) " A study of the impact of corporate governance practices on firm performance in Indian and South Korean companies" Procedia - Social and Behavioural Sciences 133 (2014) 4–11
7. Priyanka Agrwal (2013) "Impact of Corporate Governance on Corporate Financial Performance" IOSR Journal of Business and Management e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 13, Issue 3
8. Victor Lekaram (2014) "The Relationship of Corporate Governance And Financial Performance Of Manufacturing Firms Listed In The Nairobi Securities Exchange" International Journal of Business and Commerce Vol. 3, No.12: Aug 2014, ISSN: 2225-2436