

EFFECTS OF MACRO ECONOMIC FORCES ON CORPORATE GOVERNANCE PERFORMANCE OF INDIAN COMPANIES: AN EXPLORATORY STUDY

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ABSTRACT

This paper investigates the influence of macroeconomic forces on Corporate Governance (CG) performance in India. The main goal is to identify the macroeconomic factors and their nature of effects on CG through econometric analysis. As part of this investigation, statistical significance of corporate characteristics such as age, size and industry membership on CG performance index (CGPI) is examined. Joint effects and independent effects of corporate characteristics on CGPI are investigated. A list of macroeconomic variables identified from international studies are used to understand the factors influencing CGPI in different categories. Generalized Linear Model (GLM) and Ordinary Least Squares (OLS) regression are utilized in this study for econometric modeling. This study help rate the progress of economic reforms from the point of CG performance, plan further reforms and enable investors to choose the right firms. Major findings of the paper are; there exists statistically significant influence from age and size on the CG performance in every category of CGPI. OLS examination for identifying macroeconomic factors that influences CGPI reveals different sub-sets of the factors influencing different categories of CGPI. GLM analysis enables characterizing ideal high CGPI corporate as from services industry, with corporate age beyond 58 and market capitalization around INR 1430 crores with average CGPI of 66.

KEY WORDS: Corporate Governance Performance Index, Macroeconomic sensitivities, Morphological factors, Themes, Attributes.

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