

ACCENTUATING ROLE OF BOARD FOR CORPORATE GOVERNANCE IN LISTED INDIAN COMPANIES

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ABSTRACT

India has large number of listed companies, and the efficiency and well-being of the companies involved in economic activities is critical for the economic growth and development in particular and the society as a whole. It has been realized that good corporate governance is vital for better management of any companies. It includes the structures, processes, cultures and systems that engender the successful operation of companies. The one of key actors in corporate governance mechanism to ensure the success of the operations of any company is the board of directors as it guides long-term corporate strategy, puts the key agents in place to implement it, and monitors performance against the strategy set out. An optimum size and composition of board is essential for well-functioning and effective governance of the companies and to support exercise of independent and objective judgments which eventually turns into good company performance. In this paper an effort has been made to examine the relationship between board effectiveness and firm performance through corporate governance mechanisms. For this purpose the two board attributes i.e., total board size and board composition i.e. total number of non-executive independent directors on board and ROA (return on assets) as a proxy for measuring the company performance has been considered. This study could not find any tangible relation between board size and composition and company financial performance, however, the role of board could be emphasized in involving more of rational qualitative decisions which may help in enhancing the long- term sustainability of company and its goodwill for the sake of existing and potential investors and stakeholders as well in order to attract more investment opportunities globally.

KEYWORDS: Corporate Governance, Board of Directors (BOD), Board Size and Composition, Clause 49 of SEBI, Independent Directors, ROA