IJMRSET

ISSN: 2582-7219

International Journal of Multidisciplinary Research in Science, Engineering and Technology

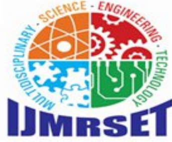
(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Impact Factor: 8.206

Volume 9, Issue 4, April 2026

© 2026 IJMRSET | Volume 9, Issue 4, April 2026| DOI:10.15680/IJMRSET.2026.0904096

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

A Study on Corporate Governance Practices and their Influence on Firm Performance

Vittal Rishika

MBA Student, CMS Business School, JAIN (Deemed-to-be University), Bengaluru, India

ABSTRACT: This study examines how corporate governance practices influence firm performance, with a focus on selected Indian companies. In recent years, corporate governance has gained increasing importance due to growing concerns about transparency, accountability, and ethical management practices. Against this background, the study attempts to understand whether well-structured governance mechanisms contribute to improved financial performance. The research is based on secondary data collected from the annual reports of ten major Indian companies across different sectors, covering a period from 2019 to 2023. Firm performance is evaluated using Return on Assets (ROA) and Return on Equity (ROE), while key governance variables include board structure, board independence, audit committees, ownership concentration, and CEO duality. The study adopts ratio analysis, trend analysis, and comparative analysis to examine performance patterns over time.

The findings suggest that companies with stronger governance practices tend to demonstrate better financial performance and greater stability, especially during periods of economic uncertainty. The study highlights the importance of effective governance mechanisms in improving efficiency, enhancing shareholder value, and ensuring long-term sustainability.

I. INTRODUCTION

In the modern business environment, corporate governance has become increasingly important as organizations face growing expectations of transparency, accountability, and ethical management. Instances of corporate failures and financial irregularities have further highlighted the need for effective governance systems that ensure responsible decision-making and protect stakeholder interests.

Corporate governance refers to the framework of rules and practices through which a company is directed and controlled. It establishes the relationship between shareholders, management, and the board of directors. One of its key roles is to address the agency problem, which arises due to the separation of ownership and management, by promoting accountability and reducing conflicts of interest.

Firm performance reflects how efficiently a company utilizes its resources and generates returns for shareholders. It is commonly measured using indicators such as Return on Assets (ROA) and Return on Equity (ROE), which provide insights into operational efficiency and profitability.Therefore, this study aims to analyse corporate governance practices and their influence on firm performance using selected Indian companies, with the objective of understanding how governance mechanisms contribute to financial outcomes and long-term sustainability.

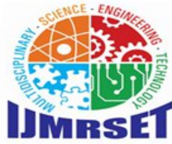
OBJECTIVES OF THE STUDY

- To examine the impact of corporate governance practices on firm performance in selected Indian companies.
- To analyse the role of board structure and audit committees in influencing financial performance.
- To study the effect of ownership concentration and CEO duality on firm performance.
- To compare the financial performance of companies across different sectors.

II. REVIEW OF LITERATURE

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behaviour, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305–360.
This study introduces Agency Theory and explains the conflict between managers and shareholders due to the

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

separation of ownership and control. The authors argue that corporate governance mechanisms help reduce agency costs and align managerial interests with those of shareholders, thereby improving firm performance.

Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. Journal of Law and Economics, 26(2), 301–325.The study highlights the importance of monitoring mechanisms in firms where ownership and management are separated. It emphasizes the role of the board of directors in ensuring accountability and effective decision-making.
Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. The Journal of Finance, 52(2), 737–783.
This paper provides a comprehensive overview of corporate governance systems and explains how governance structures protect investors and improve resource allocation, ultimately enhancing firm value.

Gompers, P., Ishii, J., & Metrick, A. (2003). Corporate governance and equity prices. The Quarterly Journal of Economics, 118(1), 107–156.
The authors develop a governance index and find that firms with stronger governance mechanisms achieve higher stock returns and better market valuation.

Bhagat, S., & Bolton, B. (2008). Corporate governance and firm performance. Journal of Corporate Finance, 14(3), 257–273.
This study examines the relationship between governance structures and firm performance and finds that certain governance mechanisms are positively associated with operating performance.

Klapper, L. F., & Love, I. (2004). Corporate governance, investor protection, and performance in emerging markets. Journal of Corporate Finance, 10(5), 703–728. The study focuses on emerging markets and concludes that firms with better governance practices demonstrate higher profitability and firm value.

Yermack, D. (1996). Higher market valuation of companies with a small board of directors. Journal of Financial Economics, 40(2), 185–211. This research finds that smaller boards are associated with higher firm valuation, suggesting that board size plays an important role in governance effectiveness.

III. RESEARCH METHODOLOGY

This study adopts a descriptive and analytical research design to examine the relationship between corporate governance practices and firm performance. The research is quantitative in nature and is based entirely on secondary data collected from reliable and publicly available sources.

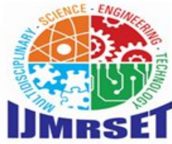
The data for the study has been collected from the annual reports and financial statements of ten selected Indian companies, namely Reliance Industries Limited, Tata Consultancy Services Limited, Infosys Limited, HDFC Bank Limited, ICICI Bank Limited, Hindustan Unilever Limited, ITC Limited, Larsen & Toubro Limited, State Bank of India, and Wipro Limited. These companies were selected based on the availability of consistent and complete financial and governance-related information.The study covers a period of five years from 2019 to 2023, allowing for the analysis of trends and performance over time.

LIST OF SELECTED COMPANIES

S. No.	Company Name	Sector
1	Reliance Industries Limited	Oil & Gas
2	TCS	IT
3	Infosys	IT
4	HDFC Bank	Banking
5	ICICI Bank	Banking
6	HUL	FMCG
7	ITC	FMCG
8	L&T	Infrastructure
9	SBI	Banking
10	Wipro	IT

© 2026 IJMRSET | Volume 9, Issue 4, April 2026| DOI:10.15680/IJMRSET.2026.0904096

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Variables of the Study

The study includes both independent and dependent variables:

- Independent Variables (Corporate Governance):

Board size, board independence, audit committee characteristics, ownership concentration, and CEO duality

- Dependent Variables (Firm Performance):

Return on Assets (ROA) and Return on Equity (ROE)

Based on the theoretical framework and existing literature, the following hypotheses are formulated:

- **H1:** Board size has a significant impact on firm performance.
- **H2:** Board independence positively influences firm performance.
- **H3:** Audit committee effectiveness has a significant impact on firm performance.
- **H4:** Ownership concentration is associated with firm performance.
- **H5:** CEO duality has a significant impact on firm performance.

The corresponding null hypotheses state that there is no significant relationship between these governance variables and firm performance.

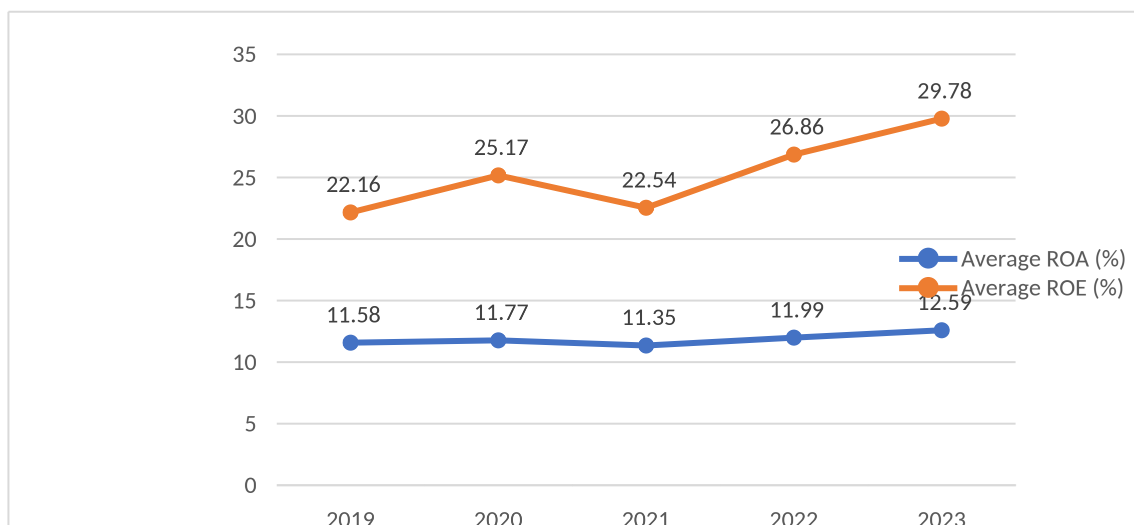
The data has been analysed using simple and effective techniques such as ratio analysis, trend analysis, and comparative analysis. ROA and ROE have been used to evaluate financial performance, while comparisons across firms help in identifying performance variations associated with governance practices. The study focuses on identifying patterns and relationships rather than establishing direct causality. The findings are interpreted based on observed trends and comparisons across firms with different governance structures.

IV. DATA ANALYSIS AND INTERPRETATION

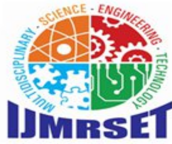
Table 1: Average ROA and ROE of Selected Companies

Year	Average ROA (%)	Average ROE (%)
2019	11.58	22.16
2020	11.77	25.17
2021	11.35	22.54
2022	11.99	26.86
2023	12.59	29.78

Figure 1: Trend of Average ROA and ROE of Selected Companies



INTERPRETATION: The overall trend across companies such as Reliance Industries, TCS, Infosys, HDFC Bank, ICICI Bank, HUL, ITC, L&T, SBI, and Wipro shows a gradual improvement in both ROA and ROE over the study

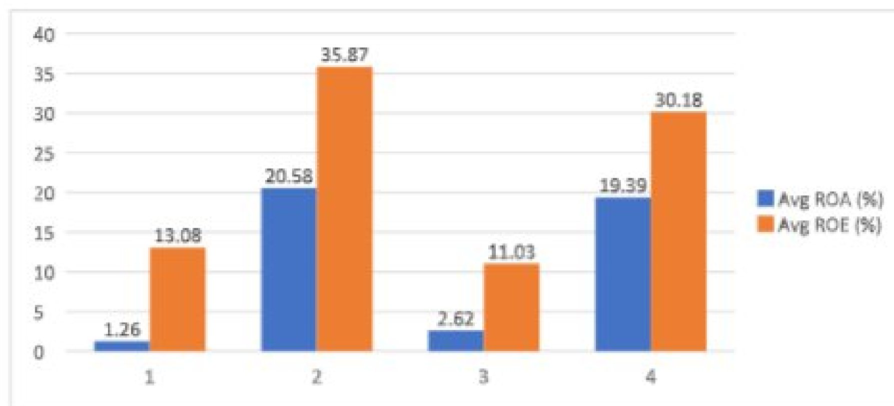


period. While a slight dip is observed in 2021, likely due to pandemic-related disruptions, the recovery in subsequent years indicates improved operational efficiency. The rising ROE suggests that these companies are generating better returns for shareholders, reflecting the positive role of corporate governance practices.

Table 2: Sector-wise Average ROA and ROE of Selected Companies

Sector	Companies	Average ROA (%)	Average ROE (%)
IT	TCS, Infosys, Wipro	19.39	30.18
Banking	HDFC Bank, ICICI Bank, SBI	1.26	13.08
FMCG	HUL, ITC	20.58	35.87
Others	Reliance Industries, L&T	2.62	11.03

Figure 2: Sector-wise Comparison of Average ROA and ROE

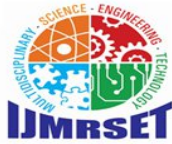


INTERPRETATION: The sector-wise analysis highlights differences in performance across companies. IT companies such as TCS, Infosys, and Wipro show strong profitability, while FMCG companies like HUL and ITC demonstrate even higher returns due to efficient operations. Banking institutions including HDFC Bank, ICICI Bank, and SBI show relatively lower ROA due to their asset-heavy nature, though ROE improves over time. Reliance Industries and L&T fall under the 'Others' category and reflect moderate performance. This suggests that industry characteristics significantly influence firm performance alongside governance practice.

Table 3: Comparison of High and Low Performing Companies Based on ROA and ROE

Company	Sector	Average ROA (%)	Average ROE (%)
TCS	IT	27.34	40.29
Infosys	IT	18.57	27.19
L&T	Infrastructure	1.39	9.12
SBI	Banking	0.55	9.36

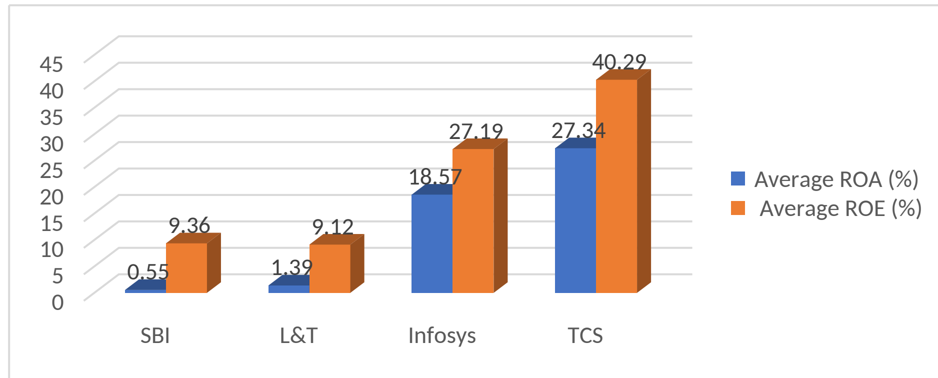
ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

Figure 3: Comparison of Financial Performance of Selected Companies

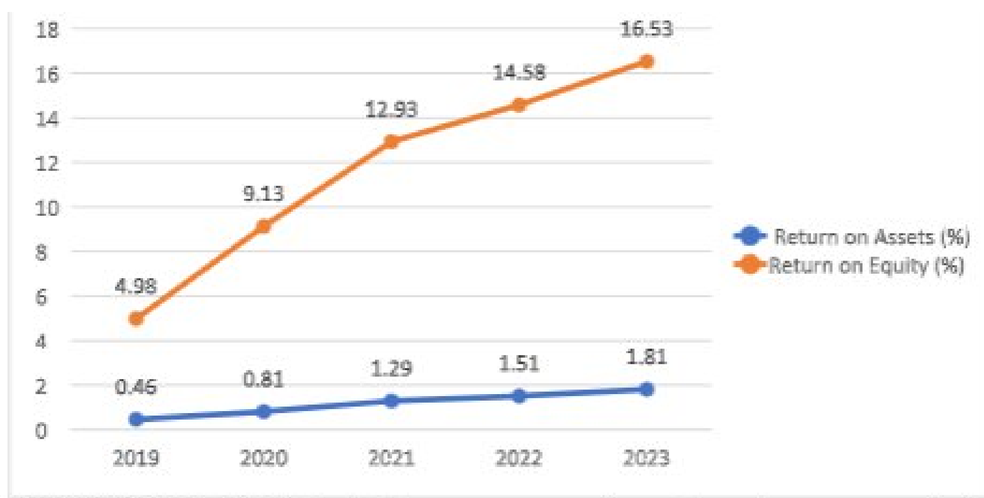


INTERPRETATION: The comparison between selected companies highlights a clear performance gap. TCS and Infosys, both from the IT sector, demonstrate high profitability and efficiency. In contrast, L&T and SBI show relatively lower performance due to the capital-intensive nature of their operations. This comparison indicates that companies with strong governance practices and efficient business models tend to achieve higher financial performance.

Table 4: Trend of ROA and ROE – ICICI Bank (2019–2023)

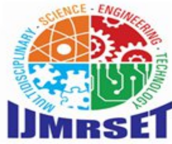
Year	ROA (%)	ROE (%)
2019	0.46	4.98
2020	0.81	9.13
2021	1.29	12.93
2022	1.51	14.58
2023	1.81	16.53

Figure 4: Trend of ROA and ROE of ICICI Bank (2019–2023)



INTERPRETATION: ICICI Bank shows a strong and consistent improvement in both ROA and ROE over the study period. The steady upward trend reflects enhanced operational efficiency, better risk management, and improved governance practices. The recovery after 2020 highlights the bank's ability to adapt to challenges and strengthen financial performance.

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

V. RECOMMENDATIONS

Based on the findings of the study, the following recommendations are suggested to improve corporate governance practices and enhance firm performance:

- **Strengthening Board Independence:**

Companies should ensure a higher proportion of independent directors on their boards to improve transparency, accountability, and unbiased decision-making.

- **Enhancing Audit Committee Effectiveness:**

Audit committees should be more proactive in monitoring financial reporting and internal controls to reduce risks and ensure accuracy in disclosures.

- **Reducing CEO Duality:**

Firms are encouraged to separate the roles of CEO and Chairperson to avoid concentration of power and improve governance effectiveness.

- **Improving Ownership Structure:**

A balanced ownership structure should be maintained to avoid excessive control by a few stakeholders and to protect minority shareholder interests.

- **Industry-Specific Governance Practices:**

Companies should adopt governance frameworks that suit their industry characteristics, especially in capital-intensive sectors like banking and infrastructure.

- **Focus on Long-Term Performance:**

Firms should prioritize sustainable growth over short-term profits by integrating governance practices into strategic decision-making.

- **Regular Governance Evaluation:**

Organizations should periodically assess their governance practices to identify gaps and implement necessary improvements.

VI. CONTRIBUTION OF THE STUDY

This study contributes to the existing literature on corporate governance and firm performance by providing empirical evidence based on selected Indian companies over a five-year period. By focusing on an emerging economy like India, the study adds valuable insights to a context where governance frameworks and regulatory practices are still evolving. Unlike many prior studies that examine individual governance factors in isolation, this research adopts an integrated approach by considering multiple variables such as board structure, board independence, audit committees, ownership concentration, and CEO duality. Additionally, the inclusion of companies from diverse sectors enables a comparative understanding of how industry characteristics influence the relationship between governance and performance. The findings of the study also hold practical relevance, as they offer useful implications for managers, policymakers, and investors by highlighting the role of effective governance in improving financial performance and ensuring long-term sustainability.

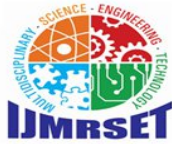
VII. CONCLUSION

The study concludes that corporate governance plays a significant role in influencing firm performance. The analysis of selected Indian companies over the period 2019 to 2023 indicates that firms with well-structured governance practices tend to demonstrate better financial performance in terms of Return on Assets (ROA) and Return on Equity (ROE). Effective governance mechanisms, such as independent boards, efficient audit committees, and balanced ownership structures, contribute to improved transparency, accountability, and decision-making.

The findings also highlight that while governance positively impacts performance, the extent of its influence may vary across industries due to differences in operational structure and capital requirements. Sectors such as IT and FMCG show relatively higher profitability, whereas banking and infrastructure sectors reflect moderate performance trends. Despite these variations, the overall results suggest that strong governance practices enhance organizational efficiency and support long-term sustainability.In conclusion, corporate governance should not be viewed merely as a regulatory requirement but as a strategic tool that can drive better performance, build investor confidence, and ensure sustainable growth in the long run.

VIII. LIMITATIONS

ISSN: 2582-7219 | www.ijmrset.com | Impact Factor: 8.206| ESTD Year: 2018|



International Journal of Multidisciplinary Research in Science, Engineering and Technology (IJMRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)

The study is subject to certain limitations that should be considered while interpreting the results. Firstly, the analysis is based on a limited sample of ten companies, which may not fully represent all industries or firms in the Indian corporate sector. Secondly, the study relies entirely on secondary data collected from annual reports and published sources, which may be affected by reporting biases or inconsistencies. The research also considers only selected financial indicators, namely Return on Assets (ROA) and Return on Equity (ROE), which may not capture the complete picture of firm performance. In addition, the study focuses on a specific time period from 2019 to 2023, during which external factors such as the COVID-19 pandemic may have influenced financial performance. Furthermore, qualitative aspects of corporate governance, such as leadership quality and organizational culture, have not been included in the analysis. These limitations suggest that the findings should be interpreted with caution and provide scope for further research in this area.

REFERENCES

1. Bhagat, S., & Bolton, B. (2008). Corporate governance and firm performance. *Journal of Corporate Finance, 14*(3), 257–273.
2. Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law and Economics, 26*(2), 301–325.
3. Gompers, P., Ishii, J., & Metrick, A. (2003). Corporate governance and equity prices. *The Quarterly Journal of Economics, 118*(1), 107–156.
4. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360.
5. Klapper, L. F., & Love, I. (2004). Corporate governance, investor protection, and performance in emerging markets. *Journal of Corporate Finance, 10*(5), 703–728.
6. Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The Journal of Finance, 52*(2), 737–783.
7. Yermack, D. (1996). Higher market valuation of companies with a small board of directors. *Journal of Financial Economics, 40*(2), 185–211.
8. Reliance Industries Limited. (2020–2024). *Annual reports*.
9. Tata Consultancy Services Limited. (2020–2024). *Annual reports*.
10. Infosys Limited. (2020–2024). *Annual reports*.
11. HDFC Bank Limited. (2020–2024). *Annual reports*.
12. ICICI Bank Limited. (2020–2024). *Annual reports*.
13. Hindustan Unilever Limited. (2020–2024). *Annual reports*.
14. ITC Limited. (2020–2024). *Annual reports*.
15. Larsen & Toubro Limited. (2020–2024). *Annual reports*.
16. State Bank of India. (2020–2024). *Annual reports*.
17. Wipro Limited. (2020–2024). *Annual reports*.
18. Screener.in. (n.d.). *Financial data and company analysis*. Retrieved from https://www.screener.in
19. National Stock Exchange of India. (n.d.). *Company filings and financial disclosures*. Retrieved from https://www.nseindia.com
20. BSE Limited. (n.d.). *Corporate announcements and financial data*. Retrieved from https://www.bseindia.com

INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH IN SCIENCE, ENGINEERING AND TECHNOLOGY

| Mobile No: +91-6381907438 | Whatsapp: +91-6381907438 | ijmrset@gmail.com |

www.ijmrset.com