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A Research Report
on

Corporate Governance Practices and Organizational Performance: An Empirical Investigation of Indian Corporate Organizations

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Corporate Governance Practices and Organizational Performance: An Empirical Investigation of Indian Corporate Organizations

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1. Introduction

Corporate Governance (CG) has in recent times emerged as perhaps the most important issue in business and management, primarily because of its far-reaching impact on the society and its functioning, as demonstrated by some recent happenings in the corporate world. While the social and ethical value of good corporate governance is unquestionably clear, its role in enhancing the business value of corporations is not unambiguously demonstrated by research studies. The proposed study is an attempt to fill this gap.

Providing a fairly comprehensive definition of good corporate governance, the Institute of Company Secretaries of India (ICSI, 2014) describes it as "the application of best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for the sustainable development of all stakeholders" (p. 38). In an article rating the corporate governance practices of various American companies, Byrne (2000) has identified three criteria that are important for good corporate governance, namely: board independence, board accountability, and board quality. A more elaborate description of the characteristic features of good governance is available in Garratt (2010), which are:

a) Separating the roles of the Chairman and the CEO (who represent ownership and control respectively), as implied by the Agency theory;
b) Balancing the composition of the board in terms of skills and competencies as well as the proportions of insiders and outsiders;
c) Having defined criteria for director independence;
d) Establishing audit committees for remuneration of top-level executives, nomination of directors and for making business strategies;
e) Creating robust and transparent processes for appointment of directors;
f) Setting up effective performance evaluation systems (linking rewards to performance) and communicating it with investors.

The present study uses the above framework to measure the effectiveness of CG practices in a sample of Indian corporate organizations and link these measures to the performance indicators of the respective organizations, so as to understand the possible association between CG practices and organizational performance.

2. CG Research: A Review

Corporate Governance (CG) is the way in which companies are controlled and directed. After a series of high-profile corporate scandals in the US and other parts of the world during the last two decades involving corporate giants like Enron, WorldCom, Tyco, Lehman Brothers and Satyam, there was an urgently felt need, especially among governments and policy-makers, for revamping the corporate governance norms and guidelines. The

Cadbury Committee Recommendations in the UK (ECGI, 1992), Sarbanes Oxley Act in the US (SEC, 2002) and OECD Principles on Corporate Governance (OECD, 2004) are some of the best known corporate governance recommendations. The waves of all these developments abroad have crossed over to India and stimulated the formation of various committees like the Kumar Mangalam Birla Committee (SEBI, 2000), the Naresh Chandra Committee (NFCG, 2002) and the Narayana Murthy Committee (NFCG, 2003) on corporate governance. SEBI has made the disclosure of corporate governance practices in the annual reports mandatory for Indian companies through Clause 49 of the listing agreement. Improved disclosure results in improved transparency, which is one of the most essential elements of healthy CG practices (Bhasin, 2010). In an attempt to improve the CG practices of companies in India, the Government of India has been active in reviewing and revising the standards and norms of CG. The three committees mentioned above were part of these initiatives. The recommendations of these committees are summarized below.

2.1 Kumar Mangalam Birla Committee (2000)

This was the first such official committee appointed by SEBI to inquire into the state of Corporate Governance in India. The terms of reference of this committee were to (SEBI, 2000):

a) Suggest amendments to the listing agreements of companies and stock exchanges in light of corporate governance.
b) Draft a code for Corporate Governance best practices.
c) Suggest safeguards to deal with insider information and insider trading.

2.1.1 Key Highlights of the Kumar Mangalam Birla Committee Report

The key highlights of the Kumar Mangalam Birla Committee Report are presented below (SEBI, 2000):

a) Shareholders, Board of Directors and management defined as the three pillars of Corporate Governance.
b) Definition of Independent Directors and the recommendation of an optimum combination of both executive and non-executive directors in the composition of the board.
c) Need for an Audit Committee to oversee the transparency of financial disclosures. Definition of the composition of the Audit Committee, its powers and functions.
d) Creation of a Remuneration Committee to ensure transparency in the policy for determination and accounting of director remuneration. Mandatory disclosure of the remuneration package of all the Directors in the Annual Report. Specification of the composition and quorum of the Remuneration Committee and the elements of the Remuneration Package to be disclosed.
e) Ceiling on the membership of committees across companies that could be held by a Director. Fixation of a certain frequency of Board Meetings in a year.
f) Specification of Accounting Standards and Financial Reporting in terms of consolidation of accounts of subsidiaries, segment reporting in case of companies with multiple lines of business, and disclosure and treatment of third-party transactions.
g) Emphasized the role and functions of the management in assisting the Board and in maintaining and enhancing the company's position while dealing with risks, opportunities and threats posed by the external environment.
h) Specified the rights and responsibilities of the shareholders and those of Institutional Shareholders.
i) Recommended that SEBI be vested with powers so that the proposed mandatory recommendations be implemented through a listing agreement.

2.2 Naresh Chandra Committee Report (2002)

In August 2002, the then Department of Company Affairs (DCA), which came under the jurisdiction of the Ministry of Finance and Company Affairs appointed the Naresh Chandra Committee to look into CG issues and to recommend changes in the following diverse areas (NFCG, 2002):

a) Relationships between the companies and the auditors and how to strengthen the professionalism in these relationships.
b) Requirement of rotation of statutory auditors or partners.
c) Procedure to appoint auditors and to determine their audit fees.
d) Decide on any restrictions to be placed on non-audit fees.
e) Ensure independence of the auditing function.
f) Measures to ensure free and fair reporting of financial statements of companies by managements.
g) Requirement to consider the certification of accounts and financial statements by the management and directors of companies.
h) Need for transparency and random scrutiny of audited accounts.
i) Regulation of chartered accountants, company secretaries and other statutory oversight functionaries.
j) Need for setting up an independent regulator similar to the Public Company Accounting Oversight Board in the Sarbanes-Oxley (SOX) Act, and its constitution, if such a regulator is needed, and
k) Defining the role of independent directors, and specifying how their independence and effectiveness could be ensured.

2.2.1 Key Highlights of the Naresh Chandra Committee Report

The report by the Naresh Chandra committee made sweeping recommendations in the areas of Auditor Company Relationships, Auditor Compliance, Independence of Directors, and Legislations. The key highlights of this report are presented below (NFCG, 2002):

a) With a view to enhance transparency, strict disqualification criteria in terms of the presence of a direct financial interest, receiving of loans and guarantees by the auditors, prohibition of personal relationships and business relationships between the auditor and the auditing firms, prohibition of service and that of undue dependence on an audit client were proposed.
b) Prohibition of certain non-audit services such as accounting and book keeping services, internal audit services, financial information systems design, actuarial services etc. from being provided by an audit firm to an audit client.
c) Proposed Standards of Independence for Consulting Entities and other entities affiliated to Audit Firms.
d) Recommended the Disclosure of Auditor's contingent liabilities, qualifications, and consequent action. Certification of auditor's replacement by the management and Annual Certification of Independence by the auditors.
e) Specification of the Audit Committee's role in the appointment of Auditors and the CEO and CFO certification of the annual audited accounts.
f) Setting up of an independent Quality Review Board (QRB) for ICAI, ICSI and ICWAI with a view to "periodically examine and review the quality of audit, secretarial and cost accounting firms, and pass judgment and comments on the quality and sufficiency of systems, infrastructure and practices."
g) Suggesting an entirely new disciplinary mechanism for auditors, with the creation of a Prosecution Directorate in ICAI, along with specifications to deal with complaint cases and information cases and the role of the Disciplinary Committee, Appellate Body and Council of the ICAI.
h) The Committee outlined specific qualifications for one to be an Independent Director on the Board of the Company. The number of Independent Directors on a Board was to be fixed based on the listing status, turnover and paid-up share capital and free reserves held by the company.

i) There was also an emphasis on the disclosure of the Board and Audit Committee meetings (time, date, duration and number of members in attendance), using technology (tele-conferencing/video conferencing) to enable director participation in the Board Meetings, disclosure of company information to Directors via media releases and the presence of Independent Directors on Audit Committees of listed companies.
j) Recommendations were also made about reviewing the statutory limit on sitting fees, though it was to be left to the shareholders and management to resolve these issues. There were also suggestions to exempt non-executive directors from certain liabilities and to train independent directors.
k) In the areas of legal compliance, it was suggested that SEBI refrain from exercising powers of subordinate legislation in areas covered by the Companies Act of 1956. Improvement of infrastructural and computational facilities at the DCA's offices were suggested, and the setting up of a Corporate Serious Fraud Office to investigate corporate frauds with the along with the establishment of a legislative framework along the lines of the SFO in UK.
l) The Committee also recommended that the ICAI propose to the Government a regime and regulatory framework that encourages the growth of Indian firms, and amendment of the Partnership Act to provide for partnerships with limited liability.

2.3 Narayana Murthy Committee Report (2003)

The Narayana Murthy committee was constituted by SEBI to examine the evolving Corporate Governance scenario in the country in view of the enhanced market dynamics. The terms of reference of this committee were as below (NFCG, 2003):

a) Reviewing the performance of Corporate Governance in India.
b) Evaluate the response of the companies to rumour and other price sensitive information by enhancing the transparency and integrity of the market.

2.3.1 Key Highlights of the Narayana Murthy Committee Report

The key highlights of the Narayana Murthy Committee Report are presented below (NFCG, 2003):

a) Specification of the role of the Audit Committees, including the review and reporting of financial information and the levels of financial literacy of the constituents.
b) Explanation of the adherence to corporate governance accounting standards.
c) Recommending the responsibility to the board to assess and minimize risks faced by the organization.
d) Some evolutionary non-mandatory recommendations, such as those about moving towards unqualified financial statements as a path to better accounting by companies, and of training the Board Members in business models and assessment of company risks.
e) Independent auditing and ratification of related party transaction statements.
f) Periodic review of procedures to ensure the control of risks.
g) Strengthening of accountability especially in case of money raised through an IPO, by recommending the auditing of the usage of funds for purposes other than those stated in the offer document/prospectus by Independent Auditors.
h) Laying down of a Code of Conduct applicable for Senior Management and affirmation of compliance by the Directors.
i) Exclusion of the role of Nominee Directors from those of Independent Directors. Institutional and Nominee Directors would be subjected to the same liabilities as that of any other director.
j) Fixation of the compensation of non-executive directors by the Board of Directors and subject to approval by the shareholders of the company.

k) Reinforcing the definition of Independent Directors as proposed in the Naresh Chandra Committee Report.
l) Recommendation of a Whistle Blower Policy to encourage the reporting of unethical practices to the Audit Committee by company personnel.

A number of studies have been conducted in India and abroad investigating different components of corporate governance disclosure practices through annual reports. These include the descriptive, normative, qualitative as well as empirical studies dealing with disclosure of governance practices in annual reports in a comprehensive manner or covering specific aspects of corporate governance, such as, disclosure of the board size, independence of the board, CSR activities, etc. Good corporate governance may get rewarded by way of performance of the company, as measured in terms of return on equity or market valuations. There exists a great number of studies linking corporate governance practices to the firm performance in an international context. (e.g., Yermack, 1996; Gompers et al., 2003; Cremers and Nair, 2005; Dittmar and Mahrt-Smith, 2007; Core et al., 2006; Chhaochharia and Grinstein, 2007; Bebchuk et al. 2009). These studies generally find that certain governance practices are associated with higher firm value. Much of this literature investigates the specific aspects of corporate governance structures, based on board or ownership structures, and attempts to link them with some aspect of corporate performance. Researchers have undertaken studies on various aspects of CG and highlighted several factors associated with CG and performance. For example, some researchers have found a positive relationship between corporate governance related information and stock prices (Penman, 1980, Waymire, 1984). Others like Klapper and Love (2004) and Durnev and Kim (2005) have observed that governance and disclosure matter more for firm value in countries with poor legal environments. However, Doidge et al. (2007) found that the incentives for firms to adopt better governance mechanisms increase with the country's level of development, because better governance enhances their ability to obtain external finance.

Patibandla (2006) in his study on Corporate Governance in the Indian Corporate Sector found that the higher the share of investment by a Government financial institution, the lower was the firm's profitability (surrogate for organizational performance), and that the higher the share of foreign equity investment, higher was the firm's profitability. It was also suggested that bringing in foreign equity investment could be an avenue of improving CG as the foreign institutional investors would invest in information and tools to monitor the managers and agents of the firms. Therefore, by reducing the degree of Government investment in the private sector and effectively enforcing regulatory policies, transparency could be improved in India.

As we have pointed out above, while there are many studies on CG practices and organizational performance especially in developed countries, there are hardly any such studies in the Indian context. It is against this background that we undertook the present study among Indian corporate organizations to assess the linkages between CG practices and organizational performance.

3. Objectives of the Study

The objectives of this research study were as follows:

a) To assess the level of practice of the following five dimensions of Corporate Governance Practices (CGPs) identified from the literature, namely:(i) Board Structure and Committees (BSC); (ii) Board Processes (BP); (iii) Transparency and Disclosure (TD); (iv) Stakeholders' Value Enhancement (SVE); and (v) Corporate Social Responsibility and Sustainability (CSRS).
b) To identify the dimensions perceived as most relevant by the practitioners and therefore contributing to effective CG.
c) To examine the association of organizational compliance measured along the CGP dimensions obtained in step (a) with organizational performance, measured in terms of CAGR.

4. Research Methodology

The literature review has revealed that there is a shortage of ‘scales’ to measure corporate governance practices, especially those incorporating the provisions of the Indian laws in this regard. One of the first steps, therefore, in the present study was to understand the methods used by other researchers for documenting corporate governance practices. In reviewing the available instruments, special care was taken to examine the items in detail for their relevance to our study. It was found that there were five such instruments that were widely used in research on corporate governance and addressed issues relevant to the objectives of the current study. The five questionnaires that were shortlisted initially for further analysis were: (1) ICRA Corporate Governance Survey, 2004 (ICRA, 2004); (2) Corporate Governance Questionnaire, by the Capital Market Development Authority (CMDA), 2007 (CMDA, 2007); (3) EMC (Emerging Markets Committee) - Task Force of the International Council of Securities Associations (ICSA) - Questionnaire on Corporate Governance Survey, 2007 (ICSA, 2007); (4) DFI (Development Finance Institutions) Toolkit on Corporate Governance, by International Finance Corporation (IFC), 2010 (IFC, 2010); and (5) ICSI (The Institute of Company Secretaries of India) Survey for the National Awards for Excellence in Corporate Governance, 2013 (ICSI, 2013).

Having examined all the five instruments, the questionnaire designed by the ICSI for their 13th National Awards for Excellence in Corporate Governance (2013) was found to be the most comprehensive one that measured all the important dimensions of corporate governance, namely, Board Structure and Committees, Board Processes, Transparency and Disclosure Compliances, Stakeholder Value Enhancement, and Corporate Social Responsibility and Sustainability. This questionnaire was designed by ICSI to capture the corporate governance practices of the listed companies for the purpose of identifying the best CG performer for the “National Award for Excellence in Corporate Governance” Since the purpose of the questionnaire was limited to the recording of CG practices, the responses were to be provided in the YES/NO format and hence were not amenable to rigorous statistical analysis. We have therefore substantially redesigned this questionnaire as a 5-point Likert scale (rating from ‘Least Relevant’ to ‘Most Relevant’), so as to help us understand the relevance of the CG practices (from a practitioners’ perspective) in making CG more effective. The redesigned questionnaire is reproduced in the Appendix.

4.1 Sample Selection and Survey Process

Companies surveyed in this study were chosen using non-probabilistic judgmental sampling procedure. This study targeted and obtained a sample of 100 listed companies in India. Company information was sourced from the websites of the Bombay Stock Exchange (BSE)/National Stock Exchange (NSE) on which these companies were listed. Contact was then established with the offices of the Company Secretaries of these companies, and they were e-mailed a copy of the questionnaire beforehand, so that they could familiarize themselves with the questions and collect the relevant information for answering the questions. After an interval of 1-2 days, during which the Company Secretaries would have familiarized themselves with the questionnaire, our team members carried out a structured interview with them over the telephone to collect their responses. The average time taken for each such telephonic interview was approximately 40-45 minutes.

4.2 Description of Questionnaire used for the Study

The original ICSI questionnaire had four sections, namely: Board Structure and Processes, with 31 questions; Transparency and Disclosure Compliances, with 12 questions; Stakeholders’ Value Enhancement, with 13 questions; and Corporate Social Responsibility (CSR) and Sustainability, with 7 questions. It may be noted that the first section in the questionnaire was too large (with 31 items), as it combined two issues, namely, the Board Structure and the Board Processes. Hence, while redesigning the questionnaire, we split this section into two, namely (1) Board Structure and Committees, and (2) Board Processes. These two, along with the remaining three sections of the ICSI questionnaire, constituted the 5 sections in the questionnaire used for the present study. In addition to increasing the number of sections by one, we also modified the rating system to a 5-point

Likert scale on the perceived relevance of the listed practices for the effective management of CG. The original scheme of YES/NO responses were also retained with a slight modification (addition of a NA option) so that we could assess the extent of CG practices in the respondent organizations.

The questionnaire used for this study comprised of two main parts. Part I asked for the Company Information, and had two sub-sections. Section-A is about the General Information on the Company, such as the main business area, listing details, board composition etc., and also sought information about the sustainability initiatives and Corporate Social Responsibility (CSR) of the company, and if the company had won any awards for Corporate Governance (CG). Section-B of Part I dealt with the financial/performance information on the company, such as the sales turnover, profitability, dividend rate, market capitalization, and some well-known financial ratios such as P/E ratio, Debt to Equity Ratio etc., for the previous three financial years. Data on these were collected for the previous three financial years so that they could be used to compute the CAGR (Compounded Annual Growth Rate), which we propose to use as a metric of organizational performance in the present study.

The second part of the questionnaire (Part II) contained a total of 102 questions adapted from the ICSI questionnaire that measured the relevance of Corporate Governance practices for ensuring the effectiveness of CG in the organization. These questions were now regrouped under five major subthemes of CG practices, namely, (1) Board Structure and Committees (BSC), (2) Board Processes (BP), (3) Transparency and Disclosures (TD), (4) Stakeholders' Value Enhancement (SVE), and (5) Corporate Social Responsibility and Sustainability (CSRS). These questions were anchored on a 5-point Likert scale with option '1' meaning 'Not relevant for any CG issues' and option '5' meaning 'Relevant for all CG issues'. Respondents were also asked to answer YES, NO or Not Applicable (NA) against each of these questions to indicate whether the items being measured were applicable to and followed in their company, applicable to but not followed in their company and not applicable to their company respectively.

Thus our questionnaire provided data on two types of variables, namely, the extent of compliance to CG practices and the perceived relevance of these practices. These were in addition to the data on organizational demographics and performance. The questions were clubbed together without any sub-headings, so as not to provide any hint about the area of Corporate Governance being queried and thereby eliminate any respondent bias. As this study used an adapted version of the ICSI questionnaire (which was fairly comprehensive in listing all the CG practices, both mandatory and normative), there was no doubt about the construct validity of the questions used to measure the relevance of Corporate Governance practices in different areas. Once the responses were obtained from the Company Secretaries, they were segregated under the respective areas of Corporate Governance that they intended to measure the relevance of, and further analysis was done.

5. Data Analysis

As there were 102 variables in the CG practices section and a few more in the demographic and performance sections, the first step required in the process of analysis was to reduce the data to manageable size so as to facilitate meaningful interpretation. As the number of respondents was not large enough (in comparison to the number of variables) for doing an overall factor analysis, we did factor analysis for each of the five sections separately and later consolidated them with another factor-analysis using the first-level factors. Factor scores were computed at both levels, to give an idea of the perceived relevance of these factors. The next step in the analysis was to compute an index for the extent of CG practices. This was done by counting the number of 'YES-responses' on all the variables under a factor and dividing it by the number of variables (to obtain the index, which will be a number equal to or less than one) and multiplying it by 100 to convert this index into percentage. Based on a distribution of these percentages and the clustering observed therein, it is possible to classify the sample into 'HIGH COMPLIANCE', 'MEDIUM COMPLIANCE', and 'LOW COMPLIANCE' groups. In order to sharpen the contrast between the groups in terms of the extent of practice, we first compared the ‘HIGH COMPLIANCE’ and the ‘LOW COMPLIANCE’ groups with respect to the average values of their CAGR (using t-test). This could then be supplemented with the ANOVA analysis involving the three groups. The percentage scores on compliance could be treated as a continuous variable and correlated with the CAGR numbers, which then can be subjected to regression analysis.

To summarize the procedure of analysis described above, the steps involved may be listed as follows: (1) Factor-analysis (section-wise, and overall using the factor-scores derived from the first level) of the 102 CG-practice variables in order to identify the major dimensions of CG-practices; (2) Computing the average scores for each factor (including the first-level ones) to rate them on the relevance perceived by practitioners; (3) Computing the percentage scores for each dimension of CG-practice (including the first level factors) to understand the popularity of each type of practice; (4) Computing the overall CG-practice scores for all the 100 respondents by counting the ‘YES-responses’ on the 102 items and converting the number to percentages; (5) Computing the CAGR for all the 100 respondents; (6) Correlating the CG-practice scores with CAGR, which could also be done for the overall factors (or even the first-level factors); (7) Regression analysis to understand the association of various dimensions of CG-practice, if any, with CAGR; (8) Supplementary analysis of identifying subgroups of the sample based on the level of CG-practice and testing their differences on CAGR scores (which is useful for identifying the differences, if any, between subgroups, even when the overall correlation may be weak).

5.1 Factor Analysis

As explained above, on account of the relatively small sample size, we propose to do the factor-analysis separately for each section so that the variables-to-respondents proportion is in the acceptable range for each factor-analysis. Data collected against questionnaire items for the relevance of Corporate Governance practices in the areas of Board Structure and Committees (BSC), Board Processes (BP), Transparency and Disclosure (TD), Stakeholders’ Value Enhancement (SVE) and Corporate Social Responsibility and Sustainability (CSRS) were separately factor-analysed by using Principal Component Analysis (PCA) with Varimax rotation. Variables with a loading of 0.5 or more were accepted as components of a factor. The factors obtained under each category were also checked for their reliability using Cronbach’s Alpha. A Cronbach’s Alpha value of 0.7 and above indicated that a particular factor was reliable.

The first-level factor-analysis has brought out 17 factors from the five subgroups of variables (for details, please see below Subsections 5.1.1 to 5.1.5 for area-specific analyses and 5.1.6 for a consolidated view). Since the first-level factors showed inter-correlations among them, it was possible to statistically combine them to identify the major factors of CG practice. For this, we performed a second-level factor-analysis (with N=100), where the first-level factors served as the variables, and their factor-scores (average score of the variables constituting a factor) were used as the variable-scores. The second-level factor analysis was also done using PCA and Varimax rotation to obtain a new set of underlying factors onto which the first-level factors obtained in each of the five categories got cross-loaded. These factors were called the Corporate Governance factors, for they represented the underlying associations between measures of Corporate Governance in the five different areas (see Subsections 5.1.7 and 5.1.8 for details of the second-level factor-analysis).

5.1.1 Factors of ‘Board Structure and Committees’ (BSC)

A total of 16 items in the questionnaire were used to measure the relevance of Corporate Governance practices relating to Board Structure and Committees. Factor Analysis of these 16 variables has identified three factors (see Table-1).

Table-1: First-Level Factor Analysis Results for "Board Structure and Committees" (Vs=16; N=100)

Q. No.	Items	Factor		
		1	2	3
	BSC-Factor1: Audit Committee Structure and Processes (α = .971, Vs = 6)			
40	We have the practice of Audit Committee having an independent session with the Statutory Auditor	**.967**	.160	.056
42	We have practice of the Chairperson of the Audit Committee confirming to the Board that the committee has meticulously carried out its audit responsibilities	**.954**	.217	.044
39	We have the practice of Audit Committee having an independent session with the Internal Auditor	**.952**	.145	.064
41	We have the practice of Audit Committee having an independent session with the Chief Financial Officer	**.935**	.145	.051
38	We have a structure with the Head of Internal Audit reporting directly to the Audit Committee	**.879**	.166	.060
43	We try to resolve shareholder complaints promptly	**.762**	.412	.110
	BSC-Factor2: Norms for Recruitment and Remuneration of Directors/Senior Executives (α = .968, Vs = 5)			
46	We have well laid norms for the determination of remuneration of Non-executive directors that is approved by the Board	.168	**.968**	.040
45	We have well laid norms for the determination of remuneration of Executive directors that is approved by the Board	.172	**.967**	.040
47	We have well laid norms for the determination of remuneration of Senior Executives of the company that is approved by the Board	.144	**.962**	.122
48	We disclose the Terms of Reference, role and authority of the Directors' Nomination Committee in the Annual Report	.212	**.919**	.138
44	We disclose the terms of reference and role and authority of the Remuneration Committee in the Annual Report	.444	**.720**	.069
	BSC-Factor3: Appointment and Facilitation of Independent Directors (α = .886, Vs = 5)			
6	We have a specified maximum tenure for Independent Directors	.042	.048	**.972**
7	We facilitate a separate meeting of Independent Directors during every Board meeting	.042	.048	**.972**

Table-1: First-Level Factor Analysis Results for "Board Structure and Committees" (Vs=16; N=100)

Q. No.	Items	Factor		
		1	2	3
8	We have the practice of obtaining an affirmative statement from each of the Independent Directors on meeting the criteria of independence	.042	.048	**.972**
5	We have nominated a few of our Independent Directors on the Board of the material foreign subsidiary company	.329	.117	**.659**
4	We have a written policy/procedure for the appointment of Independent Directors	-.046	.079	**.615**

The first factor comprised of six items related largely to the structure and functioning of the Audit Committee along with a lone item (with the lowest loading) on the resolution of shareholder complaints. This factor was named 'Audit Committee Structure and Processes', and had a Cronbach's Alpha of .971 indicating its reliability. The second factor that emerged out of this analysis had five items loading on to it with a Cronbach's Alpha of .968, which too had high reliability. The five items mainly dealt with remuneration norms for Directors and Senior Executives and disclosures related to the Directors' Nomination Committee and the Remuneration Committee, and it was named 'Norms for Recruitment and Remuneration of Directors/Senior Executives'. The third factor that emerged also had five items loading onto it with a Cronbach's Alpha of .886 indicating its reliability. As all of these five items related to the functioning and regulation of Independent Directors, and it was named 'Appointment and Facilitation of Independent Directors'.

5.1.2 Factors of 'Board Processes' (BP)

There were a total of 28 items in the questionnaire that measured the relevance of Board Processes in the context of Corporate Governance. Upon doing Factor Analysis using PCA, these items were found to load onto six Dimensions, thereby yielding six factors (see Table-2).

Table-2: First-Level Factor-Analysis Results for "Board Processes" (Vs=28; N=100)

Q. No.	Items	Factor					
		1	2	3	4	5	6
	BP-Factor1: Performance Evaluation Based on Code of Conduct (α = .933, Vs = 7)						
25	We have a system in place for the performance evaluation of the Board members	**.877**	-.012	.161	.105	.199	.208
26	We have a system in place for the performance evaluation of the committees members	**.874**	-.078	.148	.197	.167	.242
27	We have a system in place for the performance evaluation of the individual directors	**.837**	-.137	.186	.214	.170	.241
31	We obtain an annual Affirmative Statement on the Code of Conduct from the Directors	**.801**	.138	-.092	.243	-.131	.386
32	We obtain an annual Affirmative Statement on the Code of Conduct from the Senior Management	**.763**	.141	.092	.450	-.185	.134

Table-2: First-Level Factor-Analysis Results for "Board Processes" (Vs=28; N=100)

Q. No.	Items	Factor					
		1	2	3	4	5	6
33	We obtain an annual Affirmative Statement on the Code of Conduct from the other employees	**.763**	.141	.092	.450	-.185	.134
24	We disclose in our annual report the number and nature of orientation programs attended by our directors during the year	**.721**	.312	.100	-.016	.487	-.092
	BP-Factor2: Attendance and Facilitation of Compliance for Directors (α = .930, Vs = 5)						
17	We strictly adhere to policy of removing the Directors from their positions if they don't attend at least 50% of the Board/Committee Meetings	-.029	**.891**	.228	.167	.012	-.013
16	We keep the board informed of the statutory compliances of the various laws applicable to the company at its meeting each quarter by way of statutory compliance certificate(s)	.028	**.858**	.357	.132	.186	-.061
15	We have specified a limit on the number of companies which a Director in our company can be a director of	.062	**.849**	.348	.005	.196	.067
18	We appoint an alternate Director when any serving director has remained absent in more than fifty percent of Board Meetings	-.048	**.814**	.004	-.012	.159	.191
14	We facilitate the participation of directors in Board / Committee meetings through Electronic Mode	.213	**.706**	.369	.066	.079	.084
	BP-Factor3: Board Meeting Processes (α = .954, Vs = 5)						
11	We circulate the draft minutes of the Board / Committee meetings to the Directors within a specified time-frame (7 to 15 days) after the meetings	.107	.244	**.917**	.083	.166	.035
12	We do not circulate the draft minutes of the Board/Committee meetings to the Directors within a specified time-frame after the meeting but present them during the next meeting	.121	.181	**.889**	-.012	.247	.139
10	We do not circulate the agenda and notes in advance of Board / Committee meetings but place them on the table at the time of the meeting	.132	.315	**.885**	.086	.193	.006

Table-2: First-Level Factor-Analysis Results for "Board Processes" (Vs=28; N=100)

Q. No.	Items	Factor					
		1	2	3	4	5	6
9	We circulate the agenda and notes at least 7 days in advance of Board / Committee meetings	.148	.467	**.707**	.206	.131	-.107
13	We have a process to place the Action Taken Report / Implementation Report at the Board Meeting	.085	.524	**.666**	-.057	.134	.208
	BP-Factor4: Monitoring of Directors and Senior Management (α = .984, Vs = 4)						
34	We obtain an annual statement from the Directors that they have not indulged in Insider Trading	.260	.070	.043	**.934**	.104	.092
36	We have a clause in the Directors' Responsibility Statement that proper systems will be followed to ensure compliance of all laws applicable to the company	.249	.071	.054	**.922**	.147	.119
35	We obtain an annual statement from the Senior Management that they have not indulged in Insider Trading	.246	.035	.090	**.920**	.092	.108
37	We have a policy of periodically changing the auditor firm	.181	.095	.054	**.897**	.211	.187
	BP-Factor5: Succession Policy and Training for Directors and Board Members (α = .840, Vs = 4)						
21	We have a succession policy in place for Senior Management	-.050	.072	.367	.233	**.784**	.021
22	We conduct in house orientation programs during the year for the directors	.110	.303	.116	.274	**.782**	-.021
23	We nominate our directors to the orientation programs conducted by other agencies	.302	.495	.139	.018	**.691**	.034
20	We have a succession policy in place for Board members	-.008	.041	.433	.063	**.583**	.062
	BP-Factor6: Code of Conduct (α = .925, Vs = 3)						
28	We have a written Code of Conduct for Directors	.369	-.055	.301	.184	.061	**.781**
29	We have a written Code of Conduct for Senior Management	.480	.210	-.015	.240	.000	**.768**
30	We have a written Code of Conduct for employees	.480	.210	-.015	.240	.000	**.768**

The first factor in the category of Board Processes had seven items loading onto it with a Cronbach's Alpha of .933. These seven items were primarily related to the performance evaluation of Board members, Committees' members and Directors, and to obtaining affirmative statements about the Code of Conduct of Directors, Senior Management and employees. This factor was designated to be 'Performance Evaluation Based on Code of Conduct' as it brought together these two crucial issues.

The second factor in this category comprised of five items related to the attendance norms for Directors and the compliance requirements for the company, which the Directors should take care of., An odd item in this group is about the facilitation of Board Meetings in the electronic mode, which is in fact about the facilitation of Directors to attend the Board meeting, and hence is a natural component of this factor, which has a Cronbach's Alpha of .930. This factor was named 'Attendance and Facilitation of Compliance for Directors'.

The third factor also had five variables loading on to it, which were primarily about the circulation of agenda notes draft minutes and action-taken reports to the Board (related to its meetings) within certain time-frames. Therefore, this factor was named 'Board Meeting Processes. This factor had a Cronbach's Alpha of .954.

The fourth factor comprised of four items that related to the monitoring of Directors and Senior Management with regard to issues such as Insider Trading. This factor, which was found to have a Cronbach's Alpha of .984, was designated as 'Monitoring of Directors and Senior Management'.

Four items that were related to the succession policy for Board Members and Senior Management and the conduct and nomination of Directors for orientation programs were found to load onto the fifth factor in the category of Board Processes, which had a Cronbach's Alpha of .840. This factor was named 'Succession Policy and Training for Directors and Board Members'.

The last three items under the category of Board Processes were about the availability of a written Code of Conduct for Directors, Senior Management and employees, and this factor, which had a Cronbach's Alpha of .925, was named 'Code of Conduct'.

5.1.3 Factors of 'Transparency and Disclosure' (TD)

The next category of Corporate Governance for which the perceived relevance was measured was that of Transparency and Disclosure. This was the largest category in terms of the number of items with a total of 33 variables used to measure the relevance of this function. Factor Analysis using PCA yielded a total of four factors, which, in spite of possessing adequate levels of reliability were distributed rather unevenly in terms of item numbers (see Table-3).

Table-3: First-Level Factor-Analysis Results for 'Transparency and Disclosure' (Vs=33; N=100)

Q. No.	Items	Factor			
		1	2	3	4
	TD-Factor1: Adherence to Governance Norms (α = .988, Vs = 13)				
69	We adhere to the Secretarial Standard on Minutes (SS-5)	**.895**	.358	.139	.119
73	We adhere to the Secretarial Standard on Forfeiture of Shares (SS-9)	**.893**	.374	.148	.121
70	We adhere to the Secretarial Standard on Transmission of Shares and Debentures (SS-6)	**.893**	.374	.148	.121

Table-3: First-Level Factor-Analysis Results for 'Transparency and Disclosure' (Vs=33; N=100)

Q. No.	Items	Factor			
		1	2	3	4
74	We adhere to the Secretarial Standard on the Board's Report (SS-10)	**.893**	.374	.148	.121
72	We adhere to the Secretarial Standard on Affixing of Common Seal (SS-8)	**.893**	.374	.148	.121
71	We adhere to the Secretarial Standard on Passing of Resolutions by Circulation (SS-7)	**.893**	.374	.148	.121
75	We organize Secretarial Audit relating to corporate/secretarial laws from a practicing Company Secretary	**.889**	.182	.148	.215
76	There were no remarks made in the Statutory Auditor's Report in respect of financial audit	**.846**	.177	.186	.236
68	We adhere to the Secretarial Standard on Registers and Records (SS-4)	**.768**	.371	.336	-.038
66	We adhere to the Secretarial Standard on General Meetings (SS-2)	**.767**	.454	.329	.041
77	There were no remarks made in the Secretarial Audit Report	**.736**	.055	.379	.154
67	We adhere to the Secretarial Standard on Dividend (SS-3)	**.733**	.411	.372	-.014
65	We adhere to the Secretarial Standard on Meetings of the Board of Directors (SS-1)	**.693**	.541	.344	.041
	TD-Factor2: Stakeholder Communication Transparency (α = .989, Vs = 8)				
61	We use official news releases on the website as a means of communication with shareholders	**.336**	**.867**	.300	.066
59	We use the Annual Report as a means of communication with shareholders	.386	**.847**	.289	.122
58	We adhere to the Guidelines on Corporate Governance for Central Public Sector Enterprises, issued by the Dept. of Public Enterprises (if applicable)	.386	**.847**	.289	.122
57	We make disclosures regarding compliance with the Corporate Governance Voluntary Guidelines 2009, issued by the MCA (Ministry of Corporate Affairs)	.386	**.847**	.289	.122
60	We use newspaper as a means of communication with shareholders	.386	**.847**	.289	.122
62	We use presentations made to institutional investors or analysts as a means of communication with shareholders	.306	**.839**	.320	.084

Table-3: First-Level Factor-Analysis Results for 'Transparency and Disclosure' (Vs=33; N=100)

Q. No.	Items	Factor			
		1	2	3	4
63	We use analysis on the website as a means of communication with shareholders	.340	**.797**	.293	.103
64	We use other means of communication with shareholders	.391	**.759**	.283	.135
	TD-Factor3: Disclosure on Governance (α = .962, Vs = 9)				
51	We disclose the details of commissions paid to Board Members in the Annual Report	.200	.213	**.911**	.078
52	We disclose the details of sitting fees for meetings paid to Board Members in the Annual Report	.221	.223	**.906**	.045
50	We disclose the details of fixed component and performance linked incentive along with performance criteria of Board Members in the Annual Report	.165	.257	**.901**	.054
49	We disclose the different elements of the remuneration package – salary, benefits, bonus, and pension (variable and not performance linked) of Board Members in the Annual Report	.154	.240	**.895**	.046
53	We disclose the of service contract, notice period, and severance fees paid to Board Members in the Annual Report	.292	.328	**.804**	.041
54	We disclose of stock option details – whether issued at discount, period over which accrued, and over which exercisable – of Board Members in the Annual Report	.331	.349	**.765**	.070
55	We disclose material court cases or proceedings against the company in the Annual Report	.453	.466	**.620**	.137
56	We present the results of the company's financial performance and its analysis on the company website	.469	.528	**.571**	.093
1	We have a written Charter and/or Code of Corporate Governance	-.012	.103	**.564**	.400
	TD-Factor4: Facilitation of Appropriate Processes (α = .785, Vs = 3)				
79	We pass the resolutions by postal ballot, where it is mandatorily required to do so	.306	.201	.097	**.858**
78	There were no remarks made in the Cost Audit Report	.579	.031	.221	**.686**
80	We have the provision of video conferencing facility for any shareholders meetings conducted during the year	.054	.539	.087	**.544**

The first factor in the category of Transparency and Disclosure had 13 items with a Cronbach's Alpha of .988. It was interesting to note that all of the ten items present in the questionnaire which pertained directly to the adherence to Secretarial Standards such as those on Forfeiture of Shares, Transmission of Shares and Debentures. Registers and Records, and General Meetings, to name a few, were loaded onto this factor. The other three items were related to the conduct of a Secretarial Audit and remarks made during audits. Hence, this factor was called 'Adherence to Governance Norms'.

The second factor comprised of eight items and had a Cronbach's Alpha of .989. The items comprising this factor were mainly related to the use of different media for communicating with the shareholders of the company, and making disclosures in line with the guidelines issued by the Ministry of Corporate Affairs (MCA). As this factor represented transparency in communication with the shareholders, it was named 'Stakeholder Communication Transparency'.

A total of nine items were found to load onto the third factor in this category, and it was noted that the items were in some way related to disclosure – of commissions paid to Board Members, incentives and remunerations of Board Members, stock option details of Board Members, any cases against the company and of company performance data. This factor, which has a Cronbach's Alpha of .962, was named 'Disclosure on Governance'.

The fourth and final factor in this category has three items – related to provision of video conferencing for shareholder meetings, remarks in the Cost Audit report, and passage of resolutions by postal ballot – with a Cronbach's Alpha of .785, suggesting that this factor in some way described the initiatives taken to use technology to facilitate processes, and the factor was designated to be 'Facilitation of Appropriate Processes'.

5.1.4 Factors of 'Stakeholders' Value Enhancement' (SVE)

The section on Stakeholders' Value Enhancement (SVE) had 11 items that measured the relevance of the initiatives launched for protecting the interests of all stakeholders of the company, especially the efforts made for assessing their satisfaction. Factor Analysis with PCA on these items yielded a total of three factors (see Table-4).

Table-4: First-Level Factor-Analysis Results for 'Stakeholders' Value Enhancement' (Vs=11; N=100)

Q. No.	Item	Factor		
		1	2	3
	SVE-Factor1: Ensuring Social Equity and Fairness (α = .921, Vs = 5)			
94	We have a policy for prevention of child labor	**.887**	.160	.286
93	We have a committee chaired by a Woman for prevention of sexual harassment at the workplace	**.852**	.304	.205
95	We have a policy of protecting whistle blowers and encouraging them to report malpractices	**.846**	.170	.258
92	We have a policy for prevention of sexual harassment at the workplace	**.844**	.331	.137
91	We have good number of women at executive positions	**.634**	.464	.203
	SVE-Factor2: Monitoring Stakeholder Satisfaction (α = .943, Vs = 3)			
90	We regularly conduct Employee satisfaction survey	.326	**.916**	.146

Table-4: First-Level Factor-Analysis Results for 'Stakeholders' Value Enhancement' (Vs=11; N=100)

Q. No.	Item	Factor		
		1	2	3
89	We regularly conduct Vendor satisfaction survey	.346	**.906**	.117
88	We regularly conduct Shareholders' satisfaction survey	.147	**.791**	.450
	SVE-Factor3: Protecting Investor Interest (α = .909, Vs = 3)			
86	We have norms of service standards for investors	.178	.216	**.921**
87	We have a handbook/FAQs for our investors	.199	.250	**.894**
85	We periodically remind our investors who do not encash their benefits, like dividends / interest etc.	.483	.083	**.763**

The first factor in this subsection was made up of five items and had a Cronbach's Alpha of .921. These items were related to the policy for prevention of child labor, protection of whistle blowers and encouragement of women with a policy of prevention of sexual harassment. This factor had a social justice angle to it and was designated as 'Ensuring Social Equity and Fairness'.

The second factor in this category comprised of three items that outlined the regular conduct of surveys to gauge the satisfaction of the employees, vendors and shareholders, and had a Cronbach's Alpha of .943. This factor was clearly related to the assessment of satisfaction, and was named 'Monitoring Stakeholder Satisfaction'.

The third and final factor in this category which had three items that focused on the availability of service standards for investors and provision of key information to them, had a Cronbach's Alpha of .909. This factor was therefore called 'Protecting Investor Interest'.

5.1.5 Corporate Social Responsibility and Sustainability (CSRS)

The final category of seven items whose relevance was measured in the context of Corporate Governance were those on Corporate Social Responsibility and Sustainability. The Factor Analysis in this case produced an un-rotated solution (see Table-5).

Table-5: First-Level Factor-Analysis Results for 'Corporate Social Responsibility and Sustainability' (Vs=7; N=100)

Q. No.	Items	Factor
		1
	CSRS-Factor1: Corporate Social Responsibility for Sustainability (α = .982, Vs = 7)	
99	We initiate and implement sustainability projects	**.971**
98	We regularly publish a sustainability report	**.971**
100	We have a policy of employing differently-abled persons	**.964**
97	We have constituted a Board-level CSR Committee	**.961**

Table-5: First-Level Factor-Analysis Results for 'Corporate Social Responsibility and Sustainability' (Vs=7; N=100)

Q. No.	Items	Factor 1
102	Our employees get involved in our CSR initiatives	**.941**
101	We comply with the government regulation on the mandatory spending on CSR activities	**.925**
96	We have a policy on Corporate Social Responsibility (CSR)	**.922**

The un-rotated solution showed all of the seven items loading onto a single factor with a Cronbach's Alpha of .982. All the seven items attempted to capture information about the Corporate Social Responsibility and Sustainability initiatives of the company and this factor was designated as 'Corporate Social Responsibility for Sustainability'.

5.1.6 Findings of the First-Level Factor Analysis: An Overview

At the end of the first-level of Factor Analysis, a total of 17 factors had been obtained in the five categories as shown below:

Table-6: First-level Factors

Sl. No.	First-level Factors	Average Factor Score
1.	**Board Structure and Committees (BSC) – Three factors**	
(i)	BSC-Factor1: Audit Committee Structure and Processes (6 items)	4.64
(ii)	BSC-Factor2: Norms for Recruitment and Remuneration of Directors/Senior Executives (5 items)	4.44
(iii)	BSC-Factor3: Appointment and Facilitation of Independent Directors (5 items)	4.87
2.	**Board Processes (BP) – Six factors**	
(i)	BP-Factor1: Performance Evaluation Based on Code of Conduct (7 items)	4.67
(ii)	BP-Factor2: Attendance and Facilitation of Compliance for Directors (5 items)	4.80
(iii)	BP-Factor3: Board Meeting Processes (5 items)	4.74
(iv)	BP-Factor4: Monitoring of Directors and Senior Management (4 items)	4.81
(v)	BP-Factor5: Succession Policy and Training for Directors and Board Members (4 items)	4.46
(vi)	BP-Factor6: Code of Conduct (3 items)	4.84
3.	**Transparency and Disclosure (TD) – Four factors**	
(i)	TD-Factor1: Adherence to Governance Norms (13 items)	4.73
(ii)	TD-Factor2: Stakeholder Communication Transparency (8 items)	4.69
(iii)	TD-Factor3: Disclosure on Governance (9 items)	4.52
(iv)	TD-Factor4: Facilitation of Appropriate Processes (3 items)	4.66
4.	**Stakeholders' Value Enhancement (SVE) – Three factors**	
(i)	SVE-Factor1: Ensuring Social Equity and Fairness (5 items)	4.70
(ii)	SVE-Factor2: Monitoring Stakeholder Satisfaction (3 items)	4.41
(iii)	SVE-Factor3: Protecting Investor Interest (3 items)	4.59

Table-6: First-level Factors

Sl. No.	First-level Factors	Average Factor Score
5.	**Corporate Social Responsibility and Sustainability (CSRS) – One factor**	
(i)	CSRS-Factor1: Corporate Social Responsibility for Sustainability (7 items)	4.78

Since the first-level factors were identified separately for the 5 subsections, it was not possible for us to understand the inter-correlations among the different components of CG practice. Hence we prepared the correlation-matrix for these 17 dimensions (see Table-7), which shows that the inter-correlations among these dimensions are quite high. In view of this finding, it is legitimate to perform a second-level factor-analysis to identify the Corporate Governance Factors (see Table-8 in the next section below).

Table-7: Correlations between First-level Factor Scores

Measures	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. BSC-Factor1	-																
2. BSC-Factor2	.445**	-															
3. BSC-Factor3	.177	.186	-														
4. BP-Factor1	.265**	.603**	.393**	-													
5. BP-Factor2	.231*	.200*	.410**	.190	-												
6. BP-Factor3	.262**	.426**	.343**	.311**	.625**	-											
7. BP-Factor4	.572**	.389**	.356**	.500**	.202*	.211*	-										
8. BP-Factor5	.439**	.537**	.343**	.319**	.476**	.576**	.338**	-									
9. BP-Factor6	.458**	.507**	.322**	.664**	.216*	.273**	.452**	.207*	-								
10. TD-Factor1	.361**	.501**	.110	.656**	.182	.194	.531**	.284**	.371**	-							
11. TD-Factor2	.539**	.560**	.112	.481**	.101	.116	.631**	.315**	.548**	.739**	-						
12. TD-Factor3	.398**	.880**	.185	.664**	.227*	.297**	.488**	.546**	.538**	.598**	.678**	-					
13. TD-Factor4	.303**	.311**	.091	.478**	.144	.100	.523**	.254*	.414**	.581**	.539**	.445**	-				
14. SVE-Factor1	.292**	.594**	.231*	.498**	.274**	.286**	.466**	.525**	.451**	.345**	.470**	.643**	.299**	-			
15. SVE-Factor2	.118	.478**	.373**	.440**	.161	.299**	.344**	.418**	.259**	.261**	.317**	.449**	.136	.626**	-		
16. SVE-Factor3	.364**	.611**	.350**	.518**	.365**	.401**	.441**	.414**	.321**	.622**	.480**	.547**	.390**	.557**	.503**	-	
17. CSRS-Factor1	.371**	.526**	.144	.482**	.255*	.334**	.561**	.540**	.333**	.408**	.546**	.545**	.391**	.779**	.401**	.554**	-

**p* < .05 (2-tailed); ***p* < .01 (2-tailed).

5.1.7 Second-level Factor Analysis: Identifying the Corporate Governance Factors

As expected, the two levels of factor-analysis clearly brought out the important dimensions of CG Practices. Though the number of dimensions that emerged were only four (see Table-8), and they neatly summarize a whole range of activities undertaken under Corporate Governance (CG) and thereby help us in understanding the four pillars on which the CG edifice stands.

Table-8: Results of the Second-Level Factor-Analysis: The Four Corporate Governance Factors (Vs=17; N=100)

Factor Code	Second-level Factors	Factor			
		1	2	3	4
	CG Factor1: Adherence to and Monitoring of Governance Norms (α = .872, Vs = 7)				
TD-Factor2	Stakeholder Communication Transparency	**.807**	.367	.006	-.043
TD-Factor1	Adherence to Governance Norms	**.755**	.296	.009	.109
TD-Factor4	Facilitation of Appropriate Processes	**.744**	.105	.018	.073
BP-Factor4	Monitoring of Directors and Senior Management	**.707**	.231	.196	.162
BSC-Factor1	Audit Committee Structure and Processes	**.649**	.069	.439	-.167
BP-Factor6	Code of Conduct	**.608**	.202	.086	.431
BP-Factor1	Performance Evaluation Based on Code of Conduct	**.548**	.447	.002	.536
	CG-Factor2: Stakeholder Satisfaction for Sustainable Operations (α = .878, Vs = 6)				
SVE-Factor1	Ensuring Social Equity and Fairness	.236	**.826**	.172	.079
SVE-Factor2	Monitoring Stakeholder Satisfaction	-.010	**.755**	.066	.389
BSC-Factor2	Norms for Recruitment and Remuneration of Directors/Senior Executives	.416	**.706**	.198	.057
TD-Factor3	Disclosure on Governance	.539	**.677**	.117	.072
CSRS-Factor1	Corporate Social Responsibility for Sustainability	.384	**.675**	.263	-.125
SVE-Factor3	Protecting Investor Interest	.391	**.552**	.280	.222
	CG-Factor3: Facilitation and Monitoring of Directors' Performance (α = .767, Vs = 3)				
BP-Factor2	Attendance and Facilitation of Compliance for Directors	.078	.049	**.817**	.229
BP-Factor3	Board Meeting Processes	.038	.252	**.781**	.193
BP-Factor5	Succession Policy and Training for Directors and Board Members	.165	.514	**.673**	-.064

Table-8: Results of the Second-Level Factor-Analysis: The Four Corporate Governance Factors (Vs=17; N=100)

Factor Code	Second-level Factors	Factor			
		1	2	3	4
	CG-Factor4: Appointment and Facilitation of Independent Directors				
BSC-Factor3	Appointment and Facilitation of Independent Directors	.072	.076	.399	**.776**

The four factors that emerged after the second-level factor analysis were: (1) Adherence to and Monitoring of Governance Norms; (2) Stakeholder Satisfaction for Sustainable Operations; (3) Facilitation and Monitoring of Directors' Performance; and (4) Appointment and Facilitation of Independent Directors. It is also logical to believe that these four pillars are critical to CG; in fact, these dimensions help us in understanding the CG process much better. *Based on these dimensions, one can state that the purpose of CG is to ensure Stakeholder Satisfaction (Factor-2) by adhering strictly to the prevailing Norms of CG (Factor-1), which is accomplished through the Facilitation and Monitoring of the Performance of both the Stakeholder-Directors (Factor-3) as well as the Independent Directors (Factor-4)*. Details of the constitution of these four dimensions (pillars) of CG are given below.

Factor-1 of the second-level analysis was constituted by 7 first-level factors, of which three are from the category of *Transparency and Disclosure*, (namely, 'Stakeholder Communication Transparency', 'Adherence to Governance Norms' and 'Facilitation of Appropriate Processes'), three are from the category of *Board Processes*, (namely, 'Monitoring of Directors and Senior Management', 'Code of Conduct' and 'Performance Evaluation Based on Code of Conduct'), and one is from the category of *Board Structure and Committees*, (i.e., 'Audit Committee Structure and Processes'). This CG-factor had a Cronbach's Alpha of .872. As all the constituents of this CG-factor were related to governance and monitoring, this factor was named 'Adherence to and Monitoring of Governance Norms'.

Six first-level factors made up the second Corporate Governance factor – which included all the three first-level factors from the category of *Stakeholders Value Enhancement*, (namely, 'Ensuring Social Equity and Fairness', 'Monitoring Stakeholder Satisfaction', and 'Protecting Investor Interest'), the lone factor in *Corporate Social Responsibility and Sustainability* category, ('Corporate Social Responsibility for Sustainability'), and one factor each from *Board Structure and Committees*, ('Norms for Recruitment and Remuneration of Directors/Senior Executives') and *Transparency and Disclosure*, ('Protecting Investor Interest') – with a Cronbach's Alpha of .878. As this factor pre-dominantly dealt with the protection and preservation of stakeholder interests and sustainability, it was designated to be 'Stakeholder Satisfaction for Sustainable Operations'.

The third CG-factor comprised of three factors, all from the category of *Board Processes*, (i.e., 'Attendance and Facilitation of Compliance for Directors', 'Board Meeting Processes' and 'Succession Policy and Training for Directors and Board Members'). The items in this factor were found to primarily relate to Director compliance and training, succession policies and circulation of information related to Board Meetings, and therefore this factor (which had a Cronbach's Alpha of .767) was called 'Facilitation and Monitoring of Directors' Performance'.

Only a single factor from the category of *Board Structure and Committees* ('Appointment and Facilitation of Independent Directors'), was found to make up the fourth Corporate Governance factor. As there was only one first-level factor contributing to this second-level factor, the same name was retained for the second-level Corporate Governance factor.

5.1.8 Findings of the Second-level Factor Analysis: An Overview

At the end of the second-level of Factor Analysis, a total of four Corporate Governance (CG) factors were obtained by the recombination of first-level factors across the five categories. The details of the four second-level CG factors are summarized below (see Table-9).

Table-9: Second-level Factors

Sl. No.	Second-level Factors	Average Factor Score
1.	**CG-Factor1: Adherence to and Monitoring of Governance Norms – Seven First-level factors**	**4.71**
(i)	TD-Factor2: Stakeholder Communication Transparency	4.69
(ii)	TD-Factor1: Adherence to Governance Norms	4.73
(iii)	TD-Factor4: Facilitation of Appropriate Processes	4.66
(iv)	BP-Factor4: Monitoring of Directors and Senior Management	4.81
(v)	BSC-Factor1: Audit Committee Structure and Processes	4.64
(vi)	BP-Factor6: Code of Conduct	4.84
(vii)	BP-Factor1: Performance Evaluation Based on Code of Conduct	4.67
2.	**CG-Factor2: Stakeholder Satisfaction for Sustainable Operations – Six First-level Factors**	**4.59**
(i)	SVE-Factor1: Ensuring Social Equity and Fairness	4.70
(ii)	SVE-Factor2: Monitoring Stakeholder Satisfaction	4.41
(iii)	BSC-Factor2: Norms for Recruitment and Remuneration of Directors/Senior Executives	4.44
(iv)	TD-Factor3: Disclosure on Governance	4.52
(v)	CSRS-Factor1: Corporate Social Responsibility for Sustainability	4.78
(vi)	SVE-Factor3: Protecting Investor Interest	4.59
3.	**CG-Factor3: Facilitation and Monitoring of Directors' Performance – Three First-level Factors**	**4.68**
(i)	BP-Factor2: Attendance and Facilitation of Compliance for Directors	4.80
(ii)	BP-Factor3: Board Meeting Processes	4.74
(iii)	BP-Factor5: Succession Policy and Training for Directors and Board Members	4.46
4.	**CG-Factor4: Appointment and Facilitation of Independent Directors – One First-level Factor**	**4.87**
(i)	BSC-Factor3: Appointment and Facilitation of Independent Directors	4.87

5.2 Group-wise Analysis of CG Compliance and Organizational Performance

5.2.1 Computation of Compliance Scores

The next step of analysis after obtaining the CG factors based on perceived relevance was to assess the degree of compliance with Corporate Governance norms and guidelines. Along with assessing the degree of relevance, the company secretaries were asked to indicate the compliance for each question, in terms of three responses – YES, NO or NA (Not Applicable). A 'YES' response meant that the Corporate Governance practice was required and adhered to, a 'NO' response meant that the CG practice was required but not adhered to, and a 'NA' response meant that the practice was not applicable to the company in question.

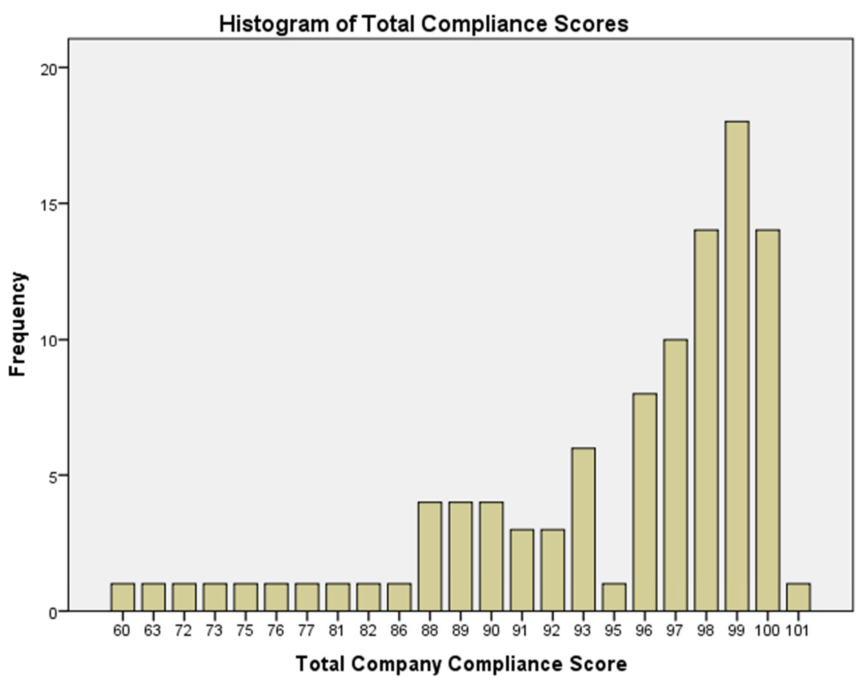
The first step in the analysis of these questions was to aggregate the number of 'YES' responses reported by the surveyed companies in response to all the 102 questions about CG Practices to get their compliance scores. The table below shows the frequency distribution of the compliance scores obtained for the respondent companies (see Table-10).

Table-10: Frequency Distribution Table for Compliance Scores

Total Compliance Score Interval	No. of Companies
51-60	1
61-70	1
71-80	5
81-90	15
91-100	77
101-102	1
Total	100

A skewness towards high compliance scores in the interval of 81-100 could be observed with the scores of over 90 per cent of the respondents falling in this interval. As the class-intervals are fairly large, it is difficult to assess the finer aspects of the skew, and hence we prepared the histogram plot for each compliance score, which is shown below in Figure-1.

Figure-1: Histogram of Compliance Scores



The next step was the computation of the average compliance scores, which were computed as a percentage of the compliance score obtained on a base of 102, the total number of questions. To classify companies based on their average compliance scores, K-means clustering was used to generate three clusters for average compliance scores which had centroids of .96, .70 and .88 that had 66, 7 and 27 companies respectively. The companies which fell in these clusters were classified as 'HIGH COMPLIANCE', 'LOW COMPLIANCE' and 'MEDIUM COMPLIANCE' companies on the basis of their average compliance scores respectively.

A visual examination of the histogram would suggest slightly different group-sizes, with the LOW COMPLIANCE group having 10 companies (scores from 60 to 86), the MEDIUM COMPLIANCE group having 24 companies (scores from 88 to 93) and the HIGH COMPLIANCE group having 66 companies (scores from 95 to 101). Comparison of average CAGR to check for significant differences was done for both of these groups of companies.

5.2.2 Computation of Organizational Performance Scores (CAGR)

In this study, the Compound Annual Growth Rate (CAGR) of the companies was used to measure the financial/organizational performance of the company. We had collected details of the Operating Incomes of the companies for the three Financial Years, namely, 2012-13, 2013-14 and 2014-15 in Part I of the questionnaire. As we had the financial data for two financial year intervals, the CAGR of these companies was calculated using the following formula:

Compound Annual Growth Rate (CAGR) = $\{\frac{Operating\ Income\ for\ FY\ 2014-15}{Operating\ Income\ for\ FY\ 2012-13}\}^{1/2} - 1$

The next steps in the analysis were to examine whether there existed significant differences in organizational performance for companies in the HIGH, MEDIUM and LOW COMPLIANCE categories. This was followed by a correlation and regression analysis of the organizational performance with the average compliance scores computed for both the first and second-level factors of CG identified through the factor-analysis of the relevance scores.

5.2.3 Correlation between Organizational Performance and Compliance

A correlation analysis to examine the possible association between the measure of organizational performance (CAGR) and the average compliance scores of the companies revealed that they were negatively correlated and that the correlation was not statistically significant (see Table-11).

Table-11: Correlation between CAGR and Average Compliance Score

Measures	M (*SD*)	1	2
1. CAGR	.121 (*.477*)	---	-.196
2. Average Compliance Score	.921 (*.076*)	-.196	---

5.2.4 Analysis of Differences in Organizational Performance for the three Compliance Groups

5.2.4.1 Differences in Organizational Performance for Groups based on K-Means Clustering

One of the objectives of the present study was to investigate if the degree of compliance of the companies with the CG norms and practices would in any manner influence their organizational/financial performance. The descriptive statistics for organizational performance of companies according to the K-means clustering classification are shown as below (see Table-12).

Table-12: Descriptive Characteristics of Organizational Performance for Groups based on K-Means Clustering

Dependent Variable: CAGR

Compliance Category	N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
HIGH COMPLIANCE	66	.0859	.39334	.04842	-.76	2.85
MEDIUM COMPLIANCE	27	.1413	.53556	.10307	-.53	2.35
LOW COMPLIANCE	7	.3805	.86150	.32562	-.11	2.32
Total	100	.1215	.47706	.04771	-.76	2.85

At first, it was examined whether there were any significant differences in organizational performance between the groups of companies in the HIGH COMPLIANCE (N = 66, *M* = .08, *SD* = .39) and LOW COMPLIANCE (N = 7, *M* = .38, *SD* = .86) groups. For testing this, an independent samples t-test was used to compare the mean values of CAGR of companies falling in these two groups. The results are tabulated below (see Table-13).

Table-13: Independent Samples Test for Groups of High and Low Compliance using K-Means Clustering

Dependent Variable		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	M (*SD*) Group1	M (*SD*) Group 2	T	Df	Sig. (2-tailed)
CAGR	Equal variances assumed	6.452	.013	.0859 (*.3933*)	.3805 (*.8615*)	-1.64	71	.106
	Equal variances not assumed					-.895	6.268	.404

As Levene's test of homogeneity of variances within groups (F (71) = 6.452, *p* = .013) showed that the variances were not homogenous, we considered the *t*-value for equal variances not assumed, *t* (6.268) = -.895, with *p* = .40, which was found to have a level of significance above that of .05. Thus, we did not have enough evidence to conclude that the mean values of CAGR for the companies in the HIGH COMPLIANCE and LOW COMPLIANCE groups would be significantly different.

Analyzing further, we wanted to know if the organizational performance would differ for companies falling in the three different compliance groups. For this, we performed an ANOVA test to determine whether the performance of the companies would be significantly different for those companies which had different levels of compliance. The means and standard deviations (rounded off to two decimal places) of CAGR for the three sections were: companies with HIGH COMPLIANCE (N = 33, *M* = 0.08, *SD* = .39), MEDIUM COMPLIANCE (N = 27, *M* = .14, *SD* = .53), and LOW COMPLIANCE (N = 7, *M* = 0.38, *SD* = .86). Upon performing a one-way ANOVA, the F-statistic was, F (2, 97) = 1.245, with *p* = .29, which was above the level of significance of .05 that was being tested for. This suggested that significant differences in levels of organizational performance for the companies in the three compliance groups did not exist. As Levene's test for the homogeneity of variances within groups showed that the variances were not homogenous (F (2, 97) = 3.62, *p* = .03), Robust Tests for the Equality of Means such as the Welch Test (F (2, 14.23) = 0.47, *p* = .63) and Brown-Forsythe Test (F (2, 11.17) = .59, *p* = .57) were performed. The levels of significance obtained after conducting both of these tests was found to be above 0.05, confirming that there were no significant differences in the mean values of organizational performance (CAGR) for the companies in the HIGH, MEDIUM and LOW COMPLIANCE groups (see Table-14).

Table-14: ANOVA Results for Organizational Performance of Compliance Groups using K-Means Clustering

Dependent Variable: CAGR

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.564	2	.282	1.245	.293
Within Groups	21.967	97	.226		
Total	22.531	99			

However, as the test for homogeneity of variances had failed, the results of this ANOVA needed to be confirmed by performing robust tests for the equality of means, i.e., Welch and Brown-Forsythe tests. Hence, the null hypothesis that there were no significant differences between the mean values of organizational performance for companies with HIGH COMPLIANCE, MEDIUM COMPLIANCE and LOW COMPLIANCE could not be rejected. It could therefore be inferred that the organizational performance did not vary significantly for companies that had different degrees of compliance on CG practices.

5.2.4.2 Differences in Organizational Performance for Groups based on Visual Classification

A visual examination of the histogram was carried out in order to determine the breaks in the histogram that could help in the classification of companies into three groups of HIGH, MEDIUM and LOW COMPLIANCE respectively. It was found that there were 10 companies (scores from 60 to 86) in the LOW COMPLIANCE group, 24 companies (scores from 88 to 93) in the MEDIUM COMPLIANCE group, and 66 companies (scores from 95 to 101) in the HIGH COMPLIANCE group. The descriptive statistics for organizational performance of companies according to this classification are as below (see Table-15).

Table-15: Descriptive Characteristics of Organizational Performance for Groups based on Visual Classification

Dependent Variable: CAGR

Compliance Category	N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
HIGH COMPLIANCE	66	.0859	.39334	.04842	-.76	2.85
MEDIUM COMPLIANCE	24	.1468	.56903	.11615	-.53	2.35
LOW COMPLIANCE	10	.2957	.71684	.22668	-.11	2.32
Total	100	.1215	.47706	.04771	-.76	2.85

To examine whether there were any significant differences in organizational performance between the groups of companies in the HIGH COMPLIANCE (N = 66, M = .08, SD = .39) and LOW COMPLIANCE (N = 10, M = .30, SD = .71) groups, and Independent Samples t-test was conducted. The results of this test are shown below (see Table-16).

Table-16: Independent Samples Test for Groups of High and Low Compliance using Visual Classification

		Levene's Test for Equality of Variances		t-test for Equality of Means				
Dependent Variable		F	Sig.	M (*SD*) Group1	M (*SD*) Group2	T	Df	Sig. (2-tailed)
CAGR	Equal variances assumed	3.322	.072	.0859 (*.3933*)	.2957 (*.7168*)	-1.388	74	.169
	Equal variances not assumed					-.905	9.837	.387

As the Levene's Test for the homogeneity of variances (F (74) = 3.322, p = .072) showed that the variances within the groups were homogenous, we considered the t-value for assumption of equal variances, t(74) = -1.388, with p = .17. This implied that there are no significant differences between the mean values of CAGR for the companies in the HIGH COMPLIANCE and LOW COMPLIANCE groups.

To further examine if there existed a significant difference in the organizational performance for companies in all the three groups determined by visual classification, i.e., HIGH COMPLIANCE (N = 66, M = .08, SD = .39), MEDIUM COMPLIANCE (N = 24, M = .15, SD = .57) and LOW COMPLIANCE (N = 10, M = .30, SD = .71), a one-way ANOVA was performed. The results of this ANOVA are as below (see Table-17).

Table-17: ANOVA Results for Organizational Performance of Compliance Groups by Visual Classification

Dependent Variable: CAGR

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.402	2	.201	.881	.417
Within Groups	22.129	97	.228		
Total	22.531	99			

Levene's Test for homogeneity of variances (F (2, 97) = 2.632, p = .08) showed that the variances within the groups were homogenous. The ANOVA F-statistic, was F (2, 97) = .88, with p = .42, which was above .05, the level of significance tested for. The results of the ANOVA indicated that there were no significant differences between the mean values of CAGR for the companies in the HIGH, MEDIUM and LOW COMPLIANCE groups based on visual classification.

5.3 Correlation and Regression Analysis using First-level Factor Scores

The next step in the analysis was the examination of the possible association between organizational performance and relevance scores of practices, and organizational performance and company compliance scores obtained along both the first-level and second-level factors. This involved performing correlation analysis between organizational performance and relevance scores and correlation and regression analysis for organizational performance scores and the compliance scores obtained along both the first-level and second-level factors.

5.3.1 Computation of Average Compliance Scores

It was then decided to examine the association of the compliance scores obtained along the first-level factors for relevance in the areas of Board Structure and Committees (BSC), Board Processes (BP), Transparency and Disclosure (TD), Stakeholders' Value Enhancement (SVE) and Corporate Social Responsibility and Sustainability (CSRS) with the organizational performance. To do this, the average compliance scores along each factor of relevance that was obtained under these five categories were computed as the total number of 'YES' responses by the companies for each item loading on the factor divided by the number of items loading onto a factor. This computation was done along all of the 17 first-level factors and four second-level Corporate Governance factors.

5.3.2 Computation of Average Non-compliance Scores

In a manner similar to that of obtaining the average compliance scores along the first-level factors, the average non-compliance scores for each company along the first-level factors were obtained by computing the total number of 'NO' responses for the items of a factor divided by the total number of items loading onto a factor in a manner similar to that of computing the average compliance scores. These scores were also obtained for both the 17 first-level and four second-level Corporate Governance factors.

5.3.3 Relative Importance of First-level Factor and Compliance Scores

The below table shows the average factor scores and the average compliance and non-compliance scores as evaluated along the first-level factors for all the 100 companies surveyed in this study. The factor scores have been calculated using the average scores indicated for the relevance of all items that load onto a factor on a Likert-scale of 1-5. The average factor score in the table represents the mean factor score obtained from all the 100 companies. This has further been standardized by dividing it by five to give a value between zero and one that was rounded off to two decimal places to provide a percentage. The average factor compliance score is the mean of the average compliance scores that were computed for all the 100 companies along the first-level factors. The average non-compliance score along each first-level factor was also computed in a similar manner using the negative responses provided by the companies (see Table-18).

Table-18: Average First-level Factor Scores, Compliance Scores and Non-compliance Scores

Sl. No.	Factor Code	Factor Name	Average Factor Score	Standardized Average Factor Score	Average Factor Compliance Score	Average Factor Non-compliance Score
1	BSC-Factor1	Audit Committee Structure and Processes	4.64	0.93	0.97	0.02
2	BSC-Factor2	Norms for Recruitment and Remuneration of Directors/Senior Executives	4.44	0.89	0.90	0.10
3	BSC-Factor3	Appointment and Facilitation of Independent Directors	4.87	0.97	0.79	0.21
4	BP-Factor1	Performance Evaluation Based on Code of Conduct	4.67	0.93	0.98	0.02

Table-18: Average First-level Factor Scores, Compliance Scores and Non-compliance Scores

Sl. No.	Factor Code	Factor Name	Average Factor Score	Standardized Average Factor Score	Average Factor Compliance Score	Average Factor Non-compliance Score
5	BP-Factor2	Attendance and Facilitation of Compliance for Directors	4.80	0.96	0.96	0.03
6	BP-Factor3	Board Meeting Processes	4.74	0.95	0.99	0.01
7	BP-Factor4	Monitoring of Directors and Senior Management	4.81	0.96	1.00	0.00
8	BP-Factor5	Succession Policy and Training for Directors and Board Members	4.46	0.89	0.84	0.15
9	BP-Factor6	Code of Conduct	4.84	0.97	1.00	0.00
10	TD-Factor1	Adherence to Governance Norms	4.73	0.95	0.97	0.02
11	TD-Factor2	Stakeholder Communication Transparency	4.69	0.94	1.00	0.00
12	TD-Factor3	Disclosure on Governance	4.52	0.90	0.90	0.10
13	TD-Factor4	Facilitation of Appropriate Processes	4.66	0.93	0.87	0.13
14	SVE-Factor1	Ensuring Social Equity and Fairness	4.70	0.94	0.96	0.03
15	SVE-Factor2	Monitoring Stakeholder Satisfaction	4.41	0.88	0.84	0.16
16	SVE-Factor3	Protecting Investor Interest	4.59	0.92	0.86	0.13
17	CSRS-Factor1	Corporate Social Responsibility for Sustainability	4.78	0.96	0.99	0.01

The factors that scored highly on relevance and were the ‘Most Relevant’ were the first-level factors ‘Code of Conduct’ (BP-Factor6) and ‘Appointment and Facilitation of Independent Directors’ (BSC-Factor3), both of which had scores of 97 per cent. Those factors which made up the bottom of the list and had the least scores, and were ‘Least Relevant’ were, ‘Monitoring Stakeholder Satisfaction’ (SVE-Factor2) with 88 per cent, ‘Norms for Recruitment and Remuneration of Directors/Senior Executives’ (BSC-Factor2) with a score of 89 per cent, and ‘Succession Policy and Training for Directors and Board Members’ (BP-Factor5), also with a score of 89 per cent.

The average compliance factor scores and the average non-compliance factor scores were observed to be largely mutually exclusive, and hence this analysis was restricted only to the compliance data. The three factors which exhibited the highest compliance scores of 100 per cent each and were the ‘Most Compliant’ were ‘Code of Conduct’ (BP-Factor6), ‘Monitoring of Directors and Senior Management’ (BP-Factor4) and ‘Stakeholder Communication Transparency’ (TD-Factor2). The factors ‘Appointment and Facilitation of Independent

Directors' (BSC-Factor3) with a score of 79 per cent, and 'Monitoring Stakeholder Satisfaction' (SVE-Factor2) and Succession Policy and Training for Directors and Board Members' (BP-Factor5), both with scores of 84 per cent had the lowest compliance scores, indicating possibly that they were the 'Least Compliant'.

5.3.4 Correlation Analysis between First-level Factor Scores and Average Compliance Scores

To examine the degree of association between the first-level factor scores and the average compliance scores obtained along the first-level factors, a correlation matrix of the factor scores against the average compliance scores was plotted (see Table-19). The main intent was to examine the pairs of first-level factor scores and average compliance scores that possessed significant correlations. We observed that the factor scores of the following first-level factors exhibited significant positive correlations with the corresponding average compliance scores:

(i) BSC-Factor2: Norms for Recruitment and Remuneration of Directors/Senior Executives
(ii) TD-Factor1: Adherence to Governance Norms
(iii) TD-Factor3: Disclosure on Governance
(iv) TD-Factor4: Facilitation of Appropriate Processes
(v) SVE-Factor1: Ensuring Social Equity and Fairness
(vi) SVE-Factor2: Monitoring Stakeholder Satisfaction
(vii) SVE-Factor3: Protecting Investor Interest

Table-19: Correlations between First-level Factor Scores and Average Compliance Scores along the First-level Factors

Measures	BSC-Factor1AvgCompScore	BSC-Factor2AvgCompScore	BSC-Factor3AvgCompScore	BP-Factor1AvgCompScore	BP-Factor2AvgCompScore	BP-Factor3AvgCompScore	BP-Factor4AvgCompScore	BP-Factor5AvgCompScore	BP-Factor6AvgCompScore	TD-Factor1AvgCompScore	TD-Factor2AvgCompScore	TD-Factor3AvgCompScore	TD-Factor4AvgCompScore	SVE-Factor1AvgCompScore	SVE-Factor2AvgCompScore	SVE-Factor3AvgCompScore	CSRS-Factor1AvgCompScore
BSC-Factor1	.015	.053	-.038	-.130	-.092	-.073	.c	-.104	.c	.030	-.073	.101	.032	.007	-.029	.072	-.133
BSC-Factor2	-.106	.407**	.037	-.181	.195	.067	.c	-.232*	.c	-.065	.215*	.594**	.145	.215*	.209*	.283**	.349**
BSC-Factor3	-.067	.152	.111	-.059	-.031	-.045	.c	-.062	.c	.097	.147	.134	.301**	.180	.135	.104	-.066
BP-Factor1	-.068	.065	-.002	-.041	.179	-.061	.c	-.122	.c	.114	.195	.325**	.223*	.053	.229*	.192	.430**
BP-Factor2	-.009	.096	.195	.029	.054	-.050	.c	-.052	.c	.113	.194	.159	.218*	.241*	.142	.189	.011
BP-Factor3	-.007	.250*	.042	-.137	-.071	-.061	.c	-.157	.c	-.075	.169	.256*	.002	.065	.034	.082	-.014
BP-Factor4	-.005	-.022	-.066	-.068	-.018	-.049	.c	-.088	.c	.136	-.049	.085	.155	.127	.119	.119	-.057
BP-Factor5	-.003	.339**	-.015	.050	.178	-.092	.c	.096	.c	.112	-.011	.341**	.130	.273**	.120	.156	.088
BP-Factor6	.010	-.017	.064	-.110	-.077	-.049	.c	-.149	.c	-.003	.240*	.150	.208*	.030	.128	.064	-.039
TD-Factor1	-.006	-.127	.107	-.077	.145	-.047	.c	-.172	.c	.205*	-.047	.118	.140	-.043	.105	.220*	.382**
TD-Factor2	-.044	-.120	.046	-.090	-.077	-.055	.c	-.200*	.c	.007	-.055	.026	.089	.005	-.038	.013	-.055
TD-Factor3	-.069	.258**	.065	-.089	.206*	-.005	.c	-.162	.c	-.039	.171	.507**	.212*	.263**	.268**	.216*	.375**
TD-Factor4	-.009	-.123	.210*	.176	.045	-.064	.c	.057	.c	.105	-.064	.035	.361**	.008	.112	.112	.103
SVE-Factor1	.023	.176	.025	.053	.053	-.060	.c	-.066	.c	-.021	.018	.289**	.152	.355**	.218*	.150	.086
SVE-Factor2	-.057	.168	.077	.023	.165	-.075	.c	-.034	.c	.182	-.075	.208*	.150	.284**	.303**	.197*	.216*
SVE-Factor3	-.127	.276**	.294**	-.015	.103	-.064	.c	-.066	.c	.190	-.014	.401**	.281**	.242*	.309**	.515**	.299**
CSRS-Factor1	-.018	.123	.016	.083	-.016	-.049	.c	-.070	.c	.001	-.049	.205*	.021	.196	.136	.116	-.025

*p < .05 (2-tailed); **p < .01 (2-tailed); c - Cannot be computed because at least one of the variables is constant.

5.3.5 Correlation Analysis between Organizational Performance and Relevance Scores for the First-level Factors

To check the association between the scores on relevance and organizational performance, the organizational performance scores (CAGR) were correlated with the relevance scores obtained for each of the first-level factors obtained in the previous Factor Analysis (see Table-20). It could be noted that organizational performance (CAGR) exhibited significant negative correlations with factor scores of the following first-level factors:

(i) BSC-Factor1: Audit Committee Structure and Processes
(ii) BP-Factor2: Attendance and Facilitation of Compliance for Directors
(iii) BP-Factor5: Succession Policy and Training for Directors and Board Members
(iv) CSRS-Factor1: Corporate Social Responsibility for Sustainability

Table-20: Correlations between CAGR and First-level Factor Relevance Scores

Measures	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1. CAGR	-																	
2. BSC-Factor1	-.230*	-																
3. BSC-Factor2	-.092	.445**	-															
4. BSC-Factor3	-.007	.177	.186	-														
5. BP-Factor1	.039	.265**	.603**	.393**	-													
6. BP-Factor2	-.266**	.231*	.200*	.410**	.190	-												
7. BP-Factor3	-.105	.262**	.426**	.343**	.311**	.625**	-											
8. BP-Factor4	-.178	.572**	.389**	.356**	.500**	.202*	.211*	-										
9. BP-Factor5	-.234*	.439**	.537**	.343**	.319**	.476**	.576**	.338**	-									
10. BP-Factor6	-.095	.458**	.507**	.322**	.664**	.216*	.273**	.452**	.207*	-								
11. TD-Factor1	-.002	.361**	.501**	.110	.656**	.182	.194	.531**	.284**	.371**	-							
12. TD-Factor2	-.056	.539**	.560**	.112	.481**	.101	.116	.631**	.315**	.548**	.739**	-						
13. TD-Factor3	-.114	.398**	.880**	.185	.664**	.227*	.297**	.488**	.546**	.538**	.598**	.678**	-					
14. TD-Factor4	.066	.303**	.311**	.091	.478**	.144	.100	.523**	.254*	.414**	.581**	.539**	.445**	-				
15. SVE-Factor1	-.195	.292**	.594**	.231*	.498**	.274**	.286**	.466**	.525**	.451**	.345**	.470**	.643**	.299**	-			
16. SVE-Factor2	-.123	.118	.478**	.373**	.440**	.161	.299**	.344**	.418**	.259**	.261**	.317**	.449**	.136	.626**	-		
17. SVE-Factor3	-.018	.364**	.611**	.350**	.518**	.365**	.401**	.441**	.414**	.321**	.622**	.480**	.547**	.390**	.557**	.503**	-	
18. CSRS-Factor1	-.244*	.371**	.526**	.144	.482**	.255*	.334**	.561**	.540**	.333**	.408**	.546**	.545**	.391**	.779**	.401**	.554**	-

*p < .05 (2-tailed); **p < .01 (2-tailed).

5.3.6 Correlation and Regression Analysis using Average Compliance along the First-level Factors

Once the average compliance scores were obtained for all the companies along all of the 17 first-level factors, the possible association of these scores with organizational performance (signified by CAGR) was then examined using a correlation plot. The legend used to denote the average compliance scores along a factor of relevance was by suffixing the term 'AvgCompScore' to the factor code. For example, the average compliance score on the factor 'Adherence to Governance Norms' coded 'TD-Factor1' was denoted as 'TD-Factor1AvgCompScore'.

A correlation plot of the CAGR with the average compliance scores obtained along each of the first-level factors (see Table-21) revealed that the CAGR had significant negative correlations with the average compliance scores obtained along the following first-level factors:

(i) TD-Factor1: Adherence to Governance Norms
(ii) SVE-Factor1: Ensuring Social Equity and Fairness

Table-21: Correlations between CAGR and Average Compliance Scores along the First-level Factors

Measures	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1. CAGR	-																	
2. BSC-Factor1AvgCompScore	-.156	-																
3. BSC-Factor2AvgCompScore	-.157	.015	-															
4. BSC-Factor3AvgCompScore	.017	-.027	.079	-														
5. BP-Factor1AvgCompScore	.016	.280**	.052	.281**	-													
6. BP-Factor2AvgCompScore	-.117	.197*	.485**	-.091	.217*	-												
7. BP-Factor3AvgCompScore	.032	-.02	.324**	-.014	-.023	.632**	-											
8. BP-Factor4AvgCompScore	.a	.a	.a	.a	.a	.a	.a	-										
9. BP-Factor5AvgCompScore	-.038	.295**	.126	.005	.388**	.245*	-.057	.a	-									
10. BP-Factor6AvgCompScore	.a	.a	.a	.a	.a	.a	.a	.a	.a	-								
11. TD-Factor1AvgCompScore	-.236*	-.05	.201*	-.034	.055	.369**	.043	.a	.196	.a	-							
12. TD-Factor2AvgCompScore	.004	-.02	.324**	-.014	-.023	-0.024	-.01	.a	.125	.a	-.025	-						
13. TD-Factor3AvgCompScore	-.137	-.057	.845**	.157	-.022	.442**	.171	.a	.097	.a	.202*	.344**	-					
14. TD-Factor4AvgCompScore	-.038	-.131	.228*	.139	-.061	.198*	-.065	.a	.235*	.a	.364**	.102	.421**	-				
15. SVE-Factor1AvgCompScore	-.231*	.003	.448**	.273**	.048	.268**	-.032	.a	.106	.a	.278**	-.032	.603**	.499**	-			
16. SVE-Factor2AvgCompScore	-.196	.134	.362**	.368**	.241*	.364**	.048	.a	.245*	.a	.304**	.242*	.508**	.383**	.572**	-		
17. SVE-Factor3AvgCompScore	-.101	-.09	.507**	.284**	-.027	.493**	.284**	.a	.189	.a	.416**	.064	.618**	.511**	.564**	.562**	-	
18. CSRS-Factor1AvgCompScore	.056	-.037	.123	.091	-.041	.473**	-.018	.a	-.008	.a	.226*	-.018	.425**	.276**	.310**	.416**	.405**	-

**p* < .05 (2-tailed); ***p* < .01 (2-tailed); a - Cannot be computed because at least one of the variables is constant.

To measure the impact of any changes in the average compliance reported by companies along the 17 first-level factors, the following equation was evaluated:

$$Y = \beta_0 + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \beta_4 * X_4 + \beta_5 * X_5 + \ldots\ldots\ldots\ldots\ldots\ldots + \beta_{17} * X_{17}$$

Where Y = Organizational Performance, measured by CAGR, and X_1, X_2, …. X_{17} represented the average compliance scores obtained for companies computed along the 17 first-level factors. The model obtained (R^2 = .216, F (15, 84) = 1.545, p = .108) could help explain nearly 21.6 per cent of the variance in the CAGR, suggesting that it may be a good fit. To check if there existed any significant differences between the mean values of the CAGR for the predictor variables, and an ANOVA was performed, the results of which are as below (see Table-22).

Table-22: ANOVA for Regression of CAGR against Average Compliance Scores along First-level Factors

Dependent Variable: CAGR

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	4.872	15	.325	1.545	.108
Residual	17.659	84	.210		
Total	22.531	99			

The ANOVA F-statistic was F (15, 84) = 1.545, with p = .108, which was above .05, and hence not found to be statistically significant. This suggested that there were no significant differences in mean CAGR values for the predictors considered, and the coefficients of the seventeen predictors were then examined more closely for their impact on the CAGR. The results of this analysis are presented below (see Table-23).

Table-23: Analysis of Coefficients for Regression of CAGR against Average Compliance Scores along First-level Factors

Variables	*B*	*SE B*	*Β*	T	Sig.
(Constant)	-3.866	2.862		-1.351	.180
BSC-Factor1AvgCompScore	-.347	.406	-.097	-.854	.395
BSC-Factor2AvgCompScore	.330	.430	.193	.769	.444
BSC-Factor3AvgCompScore	-.458	1.372	-.043	-.334	.739
BP-Factor1AvgCompScore	1.219	.754	.212	1.618	.109
BP-Factor2AvgCompScore	-1.431	.817	-.462	-1.750	.084
BP-Factor3AvgCompScore	1.540	.894	.323	1.722	.089
BP-Factor5AvgCompScore	.152	.210	.088	.723	.472
TD-Factor1AvgCompScore	-.826	.486	-.205	-1.698	.093
TD-Factor2AvgCompScore	.555	1.570	.043	.353	.725
TD-Factor3AvgCompScore	-.653	.687	-.271	-.950	.345
TD-Factor4AvgCompScore	.404	.314	.169	1.288	.201
SVE-Factor1AvgCompScore	-.568	.642	-.137	-.885	.379
SVE-Factor2AvgCompScore	-.276	.208	-.202	-1.326	.188
SVE-Factor3AvgCompScore	.143	.256	.092	.560	.577
CSRS-Factor1AvgCompScore	4.099	1.597	.472*	2.567	.012

R^2 = .216; F = 1.545; $*p < .05$

It could be noted that for average compliance scores along the factor obtained for 'Corporate Social Responsibility for Sustainability' (CSRS-Factor1) were shown to be significant in determining the CAGR, used as a measure of organizational performance.

5.4 Correlation and Regression Analysis using Second-level Factor Scores

5.4.1 Relative Importance of Second-level Factor and Compliance Scores

The average second-level factor scores along with average compliance and non-compliance scores along the second-level factors for all the 100 companies are shown in the below table. The average factor score, which was a value scored on a 1-5 Likert scale, was further standardized by dividing by five to obtain a value between zero and one rounded to two decimal places that could be interpreted as a percentage. The average factor compliance score was computed by calculating the mean value of the average compliance scores for all the 100 companies along each of the four second-level factors. The average factor non-compliance scores have been similarly computed using negative responses provided by all the 100 companies. Again, as the average factor compliance scores and the average factor non-compliance scores were observed to be largely mutually exclusive, the analysis was restricted to using compliance scores (see Table-24).

Table-24: Average Second-level Factor Scores, Compliance Scores and Non-compliance Scores

Sl. No.	Factor Code	Factor Name	Average Factor Score	Standardized Average Factor Score	Average Factor Compliance Score	Average Factor Non-compliance Score
1	CG-Factor1	Adherence to and Monitoring of Governance Norms	4.71	0.94	0.97	0.03
2	CG-Factor2	Stakeholder Satisfaction for Sustainable Operations	4.59	0.92	0.91	0.09
3	CG-Factor3	Facilitation and Monitoring of Directors' Performance	4.68	0.94	0.93	0.06
4	CG-Factor4	Appointment and Facilitation of Independent Directors	4.87	0.97	0.79	0.21

There was no significant difference observed in the average factor scores obtained for the second-level factors. The one discernible observation was the low average compliance score for the fourth second-level Corporate Governance factor 'Appointment and Facilitation of Independent Directors' (CG-Factor4), which had a score of 79 per cent on compliance and scored 21 per cent on non-compliance, indicating that it was the 'Least Compliant', although it had the highest average factor score of 97 per cent, and was also the 'Most Relevant'. The average compliance scores for all the three other second-level Corporate Governance factors were over 90 per cent. The factor score for the factor 'Stakeholder Satisfaction for Sustainable Operations' (CG-Factor2) was the lowest of the four at 92 per cent, indicating that it was the 'Least Relevant'. The average compliance score of 97 per cent was the highest for the factor 'Adherence to and Monitoring of Governance Norms' (CG-Factor1), indicating that it was the 'Most Compliant'.

5.4.2 Correlation Analysis between Second-level Factor Scores and Average Compliance Scores

The factor scores for the second-level Corporate Governance factors were correlated with the average compliance scores obtained along the second-level factors to examine their degree of association. Upon examining the correlation matrix between the second-level factor scores and the average compliance scores obtained along the second level factors for significant associations between such pairs of values, it could be observed that the factor score for the second-level Corporate Governance factor 'Stakeholder Satisfaction for

Sustainable Operations' (CG-Factor2) had a significant positive correlation with the average compliance score obtained along that factor (see Table-25).

Table-25: Correlations between Second-level Factor Scores and Average Compliance Scores obtained along the Second-level Factors

Measures	CG-Factor1AvgCompScore	CG-Factor2AvgCompScore	CG-Factor3AvgCompScore	CG-Factor4AvgCompScore
CG-Factor1	.146	.113	-.118	.065
CG-Factor2	.106	.407**	-.048	.088
CG-Factor3	.122	.255*	-.021	.080
CG-Factor4	.211*	.163	-.069	.111

*$p < .05$ (2-tailed); **$p < .01$ (2-tailed).

5.4.3 Correlation Analysis between Organizational Performance and Relevance Scores for the Second-level Factors

A correlation analysis between the relevance scores for the second-level factors and the measure of organizational performance (CAGR) revealed that there existed a significant negative correlation between CAGR and the relevance factor scores for the second-level Corporate Governance factor 'Facilitation and Monitoring of Directors' Performance' (CG-Factor3) (see Table-26).

Table-26: Correlation between CAGR and Relevance Scores of CG-Factors

Measures	1	2	3	4	5
1. CAGR	-				
2. CG-Factor1	-.058	-			
3. CG-Factor2	-.163	.725**	-		
4. CG-Factor3	-.241*	.353**	.538**	-	
5. CG-Factor4	-.007	.241*	.275**	.433**	-

*$p < .05$ (2-tailed); **$p < .01$ (2-tailed).

5.4.4 Correlation and Regression Analysis using Average Compliance along the Second-level Factors

A correlation analysis was then carried out between the measure for organizational performance (CAGR) and the average compliance scores obtained along the second-level Corporate Governance factors to examine the association between them (see Table-27).

Table-27: Correlations between CAGR and the Average Compliance Scores along Second-level Factors

Measures	1	2	3	4	5
1. CAGR	-				
2. CG-Factor1AvgCompScore	-.176	-			
3. CG-Factor2AvgCompScore	-.189	.524**	-		
4. CG-Factor3AvgCompScore	-.065	.489**	.420**	-	
5. CG-Factor4AvgCompScore	.017	.141	.300**	-.037	-

*$p < .05$ (2-tailed); **$p < .01$ (2-tailed)

It could be observed that there existed no significant correlations between the measure of organizational performance (CAGR) and the average compliance scores obtained along the four second-level Corporate Governance factors. To measure the impact of the average compliance scores obtained along the four Corporate Governance factors on the CAGR, the following multiple regression equation was evaluated:

$Y = \beta_0 + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \beta_4 * X_4$

By substituting the variables,

CAGR = $\beta_0 + \beta_1$* (Average Compliance Scores along 'Adherence to and Monitoring of Governance Norms') + β_2 *(Average Compliance Scores along 'Stakeholder Satisfaction for Sustainable Operations') + β_3 *(Average Compliance Scores along 'Facilitation and Monitoring of Directors' Performance') + β_4 *(Average Compliance Scores along 'Appointment and Facilitation of Independent Directors'). The outcome of this multiple regression analysis is discussed below.

It could be noted from the regression model ($R^2 = .054$, $F (4, 95) = 1.359$, $p = .254$) that the average compliance scores along the four Corporate Governance factors explained approximately 5.4 per cent of the variance in the Compound Annual Growth Rate (CAGR). This indicated that the model was not a good fit. The next step in the analysis was to check if there existed any significant differences between the mean values of CAGR for each of the predictor variables (see Table 28).

Table-28: ANOVA for Regression of CAGR against Average Compliance Scores along Second-level Factors

Dependent Variable: CAGR

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.219	4	.305	1.359	.254
Residual	21.311	95	.224		
Total	22.531	99			

The ANOVA F-statistic obtained, $F (4, 95) = 1.359$, with $p = .254$ was not found to be significant, and hinted at there being no significant differences in the mean values of CAGR for the predictor variables. This was further confirmed by examining the coefficients of the average compliance scores along the second-level Corporate Governance factors, which were not found to be significant and this suggested that they were not reasonable predictors of organizational performance (see Table 29).

Table-29: Analysis of Coefficients for Regression of CAGR against Average Compliance Scores along Second-level Factors

Variables	*B*	*SE B*	*β*	T	Sig.
(Constant)	.896	1.371		.653	.515
CG-Factor1AvgCompScore	-1.428	1.336	-.134	-1.069	.288
CG-Factor2AvgCompScore	-.503	.352	-.18	-1.43	.156
CG-Factor3AvgCompScore	.294	.445	.079	.662	.510
CG-Factor4AvgCompScore	.997	1.142	.093	.873	.385

$R^2 = .054$; $F = 1.359$

Therefore, the line of best fit that could quantify organizational performance in terms of the average compliance scores along the second-level CG Factors obtained by the regression analysis was:

Organizational Performance (CAGR) = 0.896 - 1.428 * (Average Compliance Scores along 'Adherence to and Monitoring of Governance Norms') - 0.503 *(Average Compliance Scores along 'Stakeholder Satisfaction for Sustainable Operations') + 0.294 *(Average Compliance Scores along 'Facilitation and Monitoring of Directors' Performance') + 0.997 *(Average Compliance Scores along 'Appointment and Facilitation of Independent Directors')

5.5 Consolidated Findings of the Study

5.5.1 Findings of the Group-wise Analysis of Organizational Performance

1) It was found that organizational performance (CAGR) and compliance had a negative correlation which was not significant.

2) After carrying out an ANOVA, it was observed that the organizational performance (CAGR) did not vary significantly for companies in the LOW COMPLIANCE, MEDIUM COMPLIANCE and HIGH COMPLIANCE groups. This result was consistent for the ANOVA of organizational performance done based on grouping done by both K-means clustering and visual classification.

5.5.2 Findings of the Correlation and Regression Analysis using First-level Factor Scores

5.5.2.1 Relative Importance of First-level Factor and Compliance Scores

Details of the key First-level Factors that were rated both high and low on the parameters of relevance and compliance are summarized below (see Table-30).

Table-30: High and Low Relevance and Compliance Ratings of First-level Factors

Sl. No.	Factor Rating	Basis of Rating	Factor Code and Name
1.	Most Relevant	Factor Score	(i) BP-Factor6: Code of Conduct (ii) BSC-Factor3: Appointment and Facilitation of Independent Directors
2.	Least Relevant	Factor Score	(i) SVE-Factor2: Monitoring Stakeholder Satisfaction (ii) BSC-Factor2: Norms for Recruitment and Remuneration of Directors/Senior Executives (iii) BP-Factor5: Succession Policy and Training for Directors and Board Members
3.	Most Compliant	Average Factor Compliance Score	(i) BP-Factor6: Code of Conduct (ii) BP-Factor4: Monitoring of Directors and Senior Management (iii) TD-Factor2: Stakeholder Communication Transparency
4.	Least Compliant	Average Factor Compliance Score	(i) BSC-Factor3: Appointment and Facilitation of Independent Directors (ii) SVE-Factor2: Monitoring Stakeholder Satisfaction (iii) BP-Factor5: Succession Policy and Training for Directors and Board Members

5.5.2.2 Correlations between First-level Factor Scores and Average Compliance Scores

1) The factor scores of the following first-level factors exhibited significant positive correlations with the corresponding average compliance scores:

(i) BSC-Factor2: Norms for Recruitment and Remuneration of Directors/Senior Executives
(ii) TD-Factor1: Adherence to Governance Norms
(iii) TD-Factor3: Disclosure on Governance
(iv) TD-Factor4: Facilitation of Appropriate Processes
(v) SVE-Factor1: Ensuring Social Equity and Fairness
(vi) SVE-Factor2: Monitoring Stakeholder Satisfaction
(vii) SVE-Factor3: Protecting Investor Interest

5.5.2.3 Correlations between Organizational Performance and Relevance Scores

1) Organizational performance (CAGR) exhibited significant negative correlations with the factor scores of the following first-level factors:

(i) BSC-Factor1: Audit Committee Structure and Processes
(ii) BP-Factor2: Attendance and Facilitation of Compliance for Directors
(iii) BP-Factor5: Succession Policy and Training for Directors and Board Members
(iv) CSRS-Factor1: Corporate Social Responsibility for Sustainability

5.5.2.4 Correlation and Regression Analysis using Average Compliance Scores

1) Average compliance scores along the following first-level factors had significant negative correlations with organizational performance (CAGR):

(i) TD-Factor1: Adherence to Governance Norms
(ii) SVE-Factor1: Ensuring Social Equity and Fairness

2) Average compliance score along the first-level factor 'Corporate Social Responsibility for Sustainability' (CSRS-Factor1) was found to be a significant predictor of organizational performance (CAGR).

5.5.3 Findings of the Correlation and Regression Analysis using Second-level Factor Scores

5.5.3.1 Relative Importance of Second-level Factor and Compliance Scores

Details of the key Second-level Factors that were rated both high and low on the parameters of relevance and compliance are summarized in this section (see Table-31).

Table-31: High and Low Relevance and Compliance Ratings of Second-level Factors

Sl. No.	Factor Rating	Basis of Rating	Factor Code and Name
1.	Most Relevant	Factor Score	(i) CG-Factor4: Appointment and Facilitation of Independent Directors
2.	Least Relevant	Factor Score	(i) CG-Factor2: Stakeholder Satisfaction for Sustainable Operations
3.	Most Compliant	Average Factor Compliance Score	(i) CG-Factor1: Adherence to and Monitoring of Governance Norms
4.	Least Compliant	Average Factor Compliance Score	(i) CG-Factor4: Appointment and Facilitation of Independent Directors

5.5.3.2 Correlation Analysis between Second-level Factor Scores and Average Compliance Scores

1) The factor scores of the following second-level factors exhibited significant positive correlations with the corresponding average compliance scores calculated along that factor:

(i) CG-Factor2: Stakeholder Satisfaction for Sustainable Operations

5.5.3.3 Correlations between Organizational Performance and Relevance Scores

1) The factor scores for the following second-level Corporate Governance factor had significant negative correlations with organizational performance (CAGR):

(i) CG-Factor3: Facilitation and Monitoring of Directors' Performance

5.5.3.4 Correlation and Regression Analysis using Average Compliance Scores

1) None of the average compliance scores obtained along the second-level factors were found to be significantly correlated with organizational performance (CAGR).

2) None of the average compliance scores for the second-level factors were found to be significant predictors of organizational performance upon performing a multiple regression analysis.

6. Concluding Remarks

Corporate Governance (CG) is an area of emerging importance in management because of its role in preventing unfair practices by corporations and thereby ensuring their long-term sustainability. Though there are several prescriptions about the acceptable practices in CG (as may be seen from the recommendations of various committees in India discussed in the early part of this report), academic perspectives and empirical research on the issue are lagging behind, especially in India. The present research is a humble attempt at filling this gap. As this study had to be completed within a short period with limited budget, the sample size had to be restricted to 100, which is rather small, considering the fact that there are more than 130,000 registered companies in India (PTI, 2014). The findings of this study, therefore has to be taken as indicative of some trends in corporate governance in India, which may be used for generating hypotheses for further research. The major contributions of this study and their implications are briefly outlined below:

a) Starting with a list of 102 CG-related practices, this study was able to consolidate them into 4 major dimensions of CG, thereby identifying the four pillars on which the CG edifice is supported, namely: (1) Stakeholder Satisfaction, (2) Governance Norms, (3) Investor-Directors and Top Management, and (4) Independent Directors. As we have pointed out above, the identification of these four factors from the large number of CG practices has led to a better understanding of the purpose and process of CG. It may be inferred from this finding that the purpose of CG is to ensure Stakeholder Satisfaction (Factor-2) by adhering strictly to the prevailing Norms of CG (Factor-1), which is accomplished through the Facilitation and Monitoring of the Performance of both the Stakeholder-Directors/top Management (Factor-3) as well as the Independent Directors (Factor-4).

b) The 'long-term sustainability', which is stated as a major goal of CG is expected to result from the satisfaction of all stakeholders. In other words, the equitable and fair treatment of all stakeholders is likely to ensure the support of all for the enterprise, which in turn would help the company to offer relevant services to all concerned and thereby ensure its own sustainability.

c) The ratings of the relevance and practice of CG is generally on the higher side. This was to be expected in a self-report survey about practices that are prescribed as mandatory. One interesting observation is that perceived relevance does not always lead to a corresponding level of practice in that item, except in the case of having a Code of Conduct, which is a high-relevance/high-practice item, and 'Monitoring Stakeholder Satisfaction', which is (strangely though) a low-relevance/low-practice item. Apparently, the respondents are focused more on the mandatory norms rather than the desirable ones. However, it is encouraging to see that this factor ('Stakeholder Satisfaction' at the second-level analysis) is positively correlated with all the compliance scores, which supports our hypothesis that CG compliance would lead to Stakeholder Satisfaction.

d) One of the (rather unexpected) findings of this study is from the correlation and regression analysis involving CAGR (as a surrogate for 'Organizational Performance') and the CG-Compliance scores. The overall finding of this analysis is that CG-Compliance and 'Organizational Performance' are not related or are negatively related in case of some first-level compliance factors such as 'Adherence to Governance Norms' (TD-Factor1), and 'Ensuring Social Equity and Fairness' (SVE-Factor1). Similarly, the second-level Corporate Governance factor 'Facilitation and Monitoring of Directors' Performance' (CG-Factor3) had a significant negative correlation with organizational performance (CAGR). It is possible to explain this as a short-term phenomenon. Control and monitoring of the directors' performance in terms of their compliance to CG norms would curtail their freedom of operation, which in turn can affect their performance in the short run. However, the satisfaction for all stakeholders resulting from this compliance to norms of equity, fairness and CG may in the long run lead to sustainable performance and prosperity. Since the performance data for this study were collected only for three years, it is not possible for us to comment on the possible long-term impact, which could be of interest to future researchers.

The overall finding of the present study is that regulation is a tool that should be used sparingly and judiciously – the lesser the regulation, the better. However, on an issue like Corporate Governance, which has not yet become an inseparable part of the corporate culture, the government and the public institutions will have to develop and enforce the norms of good governance until it becomes a strong culture in the corporate sector. As with a regulated economy, the regulated CG too will have its ill-effects, especially in the short run, but (if judiciously used) can develop a salutary culture of good governance in the long run, and thereby ensure the long-term sustainability of enterprises through stakeholder satisfaction.

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A1. APPENDIX 1: Questionnaire Used for the Study

Corporate Governance (CG) Practices in India: A Questionnaire

Dear Sir/Madam,

We are a team of researchers from Indian Institute of Management Bangalore (IIMB) trying to understand the corporate governance practices being followed by companies in India. As the field is still evolving, some of the practices we have included in this questionnaire may not be very relevant in the current context. Hence we would like you to kindly indicate whether each of the CG practices is followed in your organization and rate its relevance on a 5-point scale [**'1'** indicating **NOT RELEVANT** for any CG issues and **'5'** indicating **RELEVANT** for all CG issues].

This questionnaire has two parts: Part-I is about the General and Financial Company Information and Part-II is on the CG practices. It is to be completed by a top-level officer of the company, who is involved in decision-making, implementing and/or monitoring corporate governance practices in the company.

Kindly mention the designation of the officer completing this questionnaire: ____

The information provided by you will be used for aggregate analyses, and will not be identified or cited as practices of individual companies. We assure the complete confidentiality of your responses and seek your help in understanding the corporate governance practices in Indian companies. Your assessment of the relevant practices will be valuable inputs for recommending appropriate policies for corporate governance in the country.

We thank you for your cooperation and request you to kindly provide us a frank assessment of the current corporate governance practices and their relevance.

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PART I: COMPANY INFORMATION

A. General Information about the company	
1. Name of the Company (Optional):	
2. Year of incorporation and State of incorporation:	
3. Equity listed on:	
4. Industry sector:	
5. Main business:	
6. No. of subsidiaries:	
7. Promoters/Holding Company (Optional):	
8. Paid-up share capital as on: ______________________	
9. No. of employees:	
10. No. of locations of plants/offices:	

11. No of Directors on the board of the company and their functional areas of expertise

Functional Areas of Expertise	No of Directors
Finance	
Marketing	
Operations	
IT	
HRM	
Strategy	

12. Number of independent directors on the board:

13. Duration of the independent directors term (in years):

14. Maximum number of terms (if any) for the independent directors:

A. General Information about the company

15. Are your shareholders satisfied with the company: YES/NO

If not please specify:

Number of complaints at the beginning of the year-

Number of the complaints resolved during the year-

Number of the complaints pending at the end of the year-

16. Sustainability initiatives of the company and the areas of their operation:

Sustainability initiatives	*YES/NO/NA*
1. Water Resource Management	
2. Waste Management	
3. Reduction of Global Warming	
4. Energy Saving	
5. Protection of the Ecological Environment	

17. CSR activities of the company:

Areas of CSR activities	*Percentage*
Livelihood	
Education	
Health	
Energy	
Environment	

14. Awards/Recognitions received in CG/CSR/HR:

CG:

CSR:

HR:

B. Financial Information of the specific company (not including group companies)			
Financial Information	*2012-13 (INR in Lakhs)*	*2013-14 (INR in Lakhs)*	*2014-15 (INR in Lakhs)*
Operating Income:			
Other Income (specify):			
Total:			
EBIDT:			
Net Profit:			
Net Worth:			
EVA (Economic Value Added):			
P/E Ratio:			
EPS:			
Rate of Dividend:			
Market Capitalization:			
Debt/Equity Ratio:			
Promoters' shareholding (%):			
Total number of shareholders:			
Audit Qualifications (if any) Attach Note, if necessary:			
Trends in Shareholders value (Net worth) for the last three years			
Trends in Dividends paid in the last three years (Rupees per share)			
Trends in earnings per share (EPS)			
Credit Rating, if any:			

B. Financial Information of the specific company (not including group companies)			
Corporate Governance Rating, if any:			

PART II: CORPORATE GOVERNANCE PRACTICES

Instructions: There are **two** types of responses needed for each of the statements given below, one stating **YES** or **NO**, and the other rating the relevance of the particular practice for effective Management of Corporate Governance. This rating should be on a 5-point scale **('1'** indicating **NOT RELEVANT** for any Corporate Governance (CG) issues and **'5'** indicating **RELEVANT** for all Corporate Governance (CG) issues**)**

Sl. No.	Corporate Governance Practices	YES/NO/NA	1 (Not relevant for any CG issues)	2 (Relevant for a few CG issues)	3 (Relevant for some CG issues)	4 (Relevant for most CG issues)	5 (Relevant for all CG issues)
1.	We have a written Charter and/or Code of Corporate Governance						
2.	We have an Independent Director as the Chairperson of the Board						
3.	We have diversity in skills/expertise of Board members						
4.	We have a written policy/procedure for the appointment of Independent Directors						
5.	We have nominated a few of our Independent Directors on the Board of the material foreign subsidiary company*						
** The term "material foreign subsidiary" shall mean a subsidiary, incorporated outside India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in India, in the immediately preceding accounting year.*							
6.	We have a specified maximum tenure for Independent Directors						
7.	We facilitate a separate meeting of Independent Directors during every Board meeting						

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8.	We have the practice of obtaining an affirmative statement from each of the Independent Directors on meeting the criteria of independence						
9.	We circulate the agenda and notes at least 7 days in advance of Board / Committee meetings						
10.	We do not circulate the agenda and notes in advance of Board / Committee meetings but place them on the table at the time of the meeting						
11.	We circulate the draft minutes of the Board / Committee meetings to the Directors within a specified time-frame (7 to 15 days) after the meetings						
12.	We do not circulate the draft minutes of the Board/Committee meetings to the Directors within a specified time-frame after the meeting but present them during the next meeting						
13.	We have a process to place the Action Taken Report / Implementation Report at the Board Meeting						
14.	We facilitate the participation of directors in Board / Committee meetings through Electronic Mode						
15.	We have specified a limit on the number of companies which a Director in our company can be a director of *If yes, please specify the limit (no of companies):* ________________________						

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16.	We keep the board informed of the statutory compliances of the various laws applicable to the company at its meeting each quarter by way of statutory compliance certificate(s)						
17.	We strictly adhere to policy of removing the Directors from their positions if they don't attend at least 50% of the Board/Committee Meetings *If yes, please attach a copy of the policy document*						
18.	We appoint an alternate Director when any serving director has remained absent in more than fifty percent of Board Meetings						
19.	No Independent Director has so far resigned from our service without competing their term						
20.	We have a succession policy in place for Board members						
21.	We have a succession policy in place for Senior Management						
22.	We conduct in house orientation programs during the year for the directors						
23.	We nominate our directors to the orientation programs conducted by other agencies						
24.	We disclose in our annual report the number and nature of orientation programs attended by our directors during the year						
25.	We have a system in place for the performance evaluation of the Board members						

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26.	We have a system in place for the performance evaluation of the committees members						
27.	We have a system in place for the performance evaluation of the individual directors						
28.	We have a written Code of Conduct Directors						
29.	We have a written Code of Conduct Senior Management						
30.	We have a written Code of Conduct for employees						
31.	We obtain an annual Affirmative Statement on the Code of Conduct from the Directors						
32.	We obtaining an annual Affirmative Statement on the Code of Conduct from the Senior Management						
33.	We obtaining an annual Affirmative Statement on the Code of Conduct from the other employees *If yes, please specify the type of the employee:* ________________________						
34.	We obtaining an annual statement from the directors that they have not indulged in Insider Trading						
35.	We obtaining an annual statement from the Senior Management that they have not indulged in Insider Trading						
36.	We have a clause in the Directors' Responsibility Statement that proper systems will be followed to ensure compliance of all laws applicable to the company						

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37.	We have a policy of periodically changing the auditor firm *If yes, please specify the number of years after which the change is made:________________ and attach a copy of the policy document*						
38.	We have a structure with the Head of Internal Audit reporting directly to the Audit Committee						
39.	We have the practice of Audit Committee having an independent session with the Internal Auditor						
40.	We have the practice of Audit Committee having an independent session with the Statutory Auditor						
41.	We have the practice of Audit Committee having an independent session with the Chief Financial Officer						
42.	We have practice of the Chairperson of the Audit Committee confirming to the Board that the has meticulously carried out their audit responsibilities						
43.	We try to resolve shareholder complains promptly						
44.	We disclose the terms of reference and role and authority of the Remuneration Committee in the Annual Report						
45.	We have well laid norms for the determination of remuneration of Executive directors that is approved by the Board						

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46.	We have well laid norms for the determination of remuneration of Non-executive directors that is approved by the Board						
47.	We have well laid norms for the determination of remuneration of Senior Executives of the company that is approved by the Board						
48.	We disclose the Terms of Reference, role and authority of the director's nomination committee in the Annual Report						
49.	We disclose the different elements of the remuneration package – salary, benefits, bonus, and pension (variable and not performance linked) of Board Members in the Annual Report						
50.	We disclose the details of fixed component and performance linked incentive along with performance criteria of Board Members in the Annual Report						
51.	We disclose the details of commissions paid to Board Members in the Annual Report						
52.	We disclose the details of sitting fees for meetings paid to Board Members in the Annual Report						
53.	We disclose the of service contract, notice period, and severance fees paid to Board Members in the Annual Report						

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54.	We disclose of stock option details – whether issued at discount, period over which accrued, and over which exercisable – of Board Members in the Annual Report						
55.	We disclose material court cases or proceedings against the company in the Annual Report						
56.	We present the results of the company's financial performance and its analysis on the company website						
57.	We make disclosures regarding compliance with the Corporate Governance Voluntary Guidelines 2009, issued by the MCA (Ministry of Corporate Affairs)						
58.	We adhere to the Guidelines on Corporate Governance for Central Public Sector Enterprises, issued by the Dept. of Public Enterprises (if applicable)						
59.	We use the Annual Report as a means of communication with shareholders						
60.	We use newspaper as a means of communication with shareholders						
61.	We use official news releases on the website as a means of communication with shareholders						
62.	We use presentations made to institutional investors or analysts as a means of communication with shareholders						
63.	We use analysis on the website as a means of communication with shareholders						

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64.	We use other means of communication with shareholders *If yes, please specify:* ____________________ ____________________ ____________________ ____________________ ____________________						
65.	We adhere to the Secretarial Standard on Meetings of the Board of Directors (SS-1)						
66.	We adhere to the Secretarial Standard on General Meetings (SS-2)						
67.	We adhere to the Secretarial Standard on Dividend (SS-3)						
68.	We adhere to the Secretarial Standard on Registers and Records (SS-4)						
69.	We adhere to the Secretarial Standard on Minutes (SS-5)						
70.	We adhere to the Secretarial Standard on Transmission of Shares and Debentures (SS-6)						
71.	We adhere to the Secretarial Standard on Passing of Resolutions by Circulation (SS-7)						
72.	We adhere to the Secretarial Standard on Affixing of Common Seal (SS-8)						
73.	We adhere to the Secretarial Standard on Forfeiture of Shares (SS-9)						
74.	We adhere to the Secretarial Standard on the Board's Report (SS-10)						
75.	We organize Secretarial Audit relating to corporate/secretarial laws from a practicing Company Secretary						

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76.	There were no remarks made in the Statutory Auditor's Report in respect of financial audit						
77.	There were no remarks made in the Secretarial Audit Report						
78.	There were no remarks made in the Cost Audit Report						
79.	We pass the resolutions by postal ballot, where it is mandatorily required to do so						
80.	We have the provision of video conferencing facility for any shareholders meetings conducted during the year						
81.	We have consistent growth in the shareholders' value in the last five years						
82.	We have a stable Dividend Policy for the company *If yes, please attach a copy of the policy document*						
83.	We pay dividends regularly at consistent rates						
84.	Our EPS has been growing during the last five years						
85.	We periodically remind our investors who do not encash their benefits, like dividends / interest etc.						
86.	We have a norms of service standards for investors						
87.	We have a handbook/FAQs for our investors						
88.	We regularly conduct Shareholder's satisfaction survey *If yes, please state the periodicity (years):* _____						

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89.	We regularly conduct Vendor satisfaction survey *If yes, please state the periodicity (years):* _____						
90.	We regularly conduct Employee satisfaction survey *If yes, please state the periodicity (years):* _____						
91.	We have good number of women at executive positions *If yes, please specify the percentage:* ___________						
92.	We have a policy for prevention of sexual harassment at the workplace *If yes, please attach a copy of the policy document*						
93.	We have a committee chaired by a Woman for prevention of sexual harassment at the workplace						
94.	We have a policy for prevention of child labor *If yes, please attach a copy of the policy document*						
95.	We have a policy of protecting whistle blowers and encourage them to report malpractices *If yes, please attach a copy of the policy document*						
96.	We have a policy on Corporate Social Responsibility (CSR) *If yes, please attach a copy of the policy document*						

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97.	We have constituted a Board-level CSR Committee						
98.	We regularly publish a sustainability report *If yes, please attach a copy of the report*						
99.	We initiate and implement sustainability projects						
100.	We have a policy of employing differently-abled persons *If yes, please state the percentage of such employees:________ and attach a copy of the policy document*						
101.	We comply with the government regulation on the mandatory spending on CSR activities						
102.	Our employees get involved in our CSR initiatives						

End of the questionnaire

Thank you for your co-operation