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RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE: A STUDY OF INDIAN TELECOM INDUSTRY

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ABSTRACT

Corporate governance is about commitment to values and about ethical business conduct. It is about how an organization is managed. This includes its corporate and other structures, its culture, policies and the manner in which it deals with various stakeholders. Accordingly, timely and accurate disclosure of information regarding the financial performance, ownership and governance of the company is an important part of corporate governance. This study is mainly focus on measuring the corporate governance practices adopted by selected Indian companies on various parameters and also to study the implication of governance on the financial performance.

KEYWORDS:

Corporate Governance, Financial governance, Stakeholders' interests, Transparency Disclosure, Price Earning Multiple.

Corporate Governance Defined

The concept of corporate governance has gained importance in the recent past. To get a fair view on the subject it would be prudent to give a narrow as well as a broad definition of corporate governance. In a narrow sense, corporate governance involves a set of relationships amongst the company's management, its board of directors, its shareholders, its auditors and other stakeholders. These relationships, which involve various rules and incentives, provide the structure through which the objectives of the company are set, and the means of attaining these objectives as well as monitoring performance are determined. Thus, the key aspects of good corporate governance include transparency of corporate structures and operations; the accountability of managers and the boards to shareholders; and corporate responsibility towards stakeholders.

In a broader sense, however, good corporate governance- the extents to which companies are run in an open and honest manner- is important for overall market confidence, the efficiency of capital allocation, the growth and development of countries' industrial bases, and ultimately the nations' overall wealth and welfare.

It is important to note that in both the narrow as well as in the broad definitions, the concepts of disclosure and transparency occupy centre-stage. In the first instance, they create trust at the firm level among the suppliers of finance. In the second instance, they create overall confidence at the aggregate economy level. In both cases, they result in efficient allocation of capital.

Corporate Governance: Recent Developments in India

There are several developments in corporate sector at national and international level which indicate that a detailed study is required in corporate governance area. If we look into history, there are several attempts made by Government and various trade associations for systematic development of Corporate Governance.

• In 1997-98, The first attempt was made by Confederation of Indian Industries (CII), which came out with 'CII Code on Corporate Governance'.

• The second attempt was by Securities and Exchange Board of India (SEBI) in 1999, which appointed Kumar Mangalam Birla Committee and upon its recommendation, SEBI incorporated Clause 49 of Listing Agreement.

• In 2002 the Department of Company Affairs, Government of India appointed a committee under chairmanship of Shri Naresh Chandra to examine various Corporate Governance issues.

• The fourth initiative on corporate governance in India is in the form of the recommendations of the Narayana Murthy committee. The committee was set up by SEBI, under the chairmanship of Mr. N. R. Narayana Murthy, to review Clause 49, and suggest measures to improve corporate governance standards.

• More recently, in 2009, CII constituted a committee under the chairmanship of Shri Naresh Chandra to improve the corporate governance standards in India.

• In December 2009, the Ministry of Corporate Affairs (MCA) published a new set of "Corporate Governance Voluntary Guidelines 2009" , designed to encourage companies to adopt better practices in the running of boards and board committees, the appointment and rotation of external auditors, and creating a whistle blowing mechanism.

• Securities and Exchange Board of India has also incorporated various corporate governance practices as a part of listing agreement (Clause 49).

Review of Literature

Many empirical studies have been conducted in various countries on whether there is any link between the corporate governance / board composition and corporate performance. Some researchers had looked for a direct evidence of a link between board composition and corporate performance. Many foreign researchers have tried to study the correlation between the Corporate Governance and firm's performance. Much of the previous literature has shown a positive relationship between governance and firm performance assuming that governance is an independent regressor, i.e. it is exogenously determined, in a firm performance regression. This would suggest that firms are not in equilibrium, and improvements in governance would lead to improvements in firm performance. On the other hand, Demsetz and Lehn (1985) , among others, have shown that governance is related to *observable* firm and CEO characteristics. Studies have generally examined three characteristics of boards, namely, the size of the board, proportion of outsiders on the board, and the number of board meetings.

Among studies that assume board characteristics are exogenously determined, Jensen (1993) , Yermack (1996) , Eisenberg, Sundgren, and Wells (1998) , and Mak and Kusnadi (2002) find that small size boards are positively related to high firm value, Baysinger and Butler (1985) , Mehran (1995) , and Klein (1998) find that firm value is insignificantly related to a higher proportion of outsiders on the board, and Vafeas (1999) and Adams and Ferreira (2004) find that firm value is increased when boards meet more often. Accordingly, good governance changes are defined when the board got smaller, the proportion of outsiders in the board were increased, and when the number of board

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meetings increases. However, many theoretical and empirical studies have suggested board characteristics are endogenously determined and that board size and composition varies with firm characteristics (see, Kole and Lehn 1999 , Mak and Rousch 2000 and Adams (2005).

The relation between the proportion of outside directors, a proxy for board independence, and firm performance is mixed. Studies using financial statement data and Tobin's Q find no link between board independence and firm performance, while those using stock returns data or bond yield data find a positive link. Consistent with Hermalin and Weisbach (1991) and Bhagat and Black (2002) , we do not find Tobin's Q to increase in board independence (in fact, we find the opposite), but we do find that firms with independent boards have higher returns on equity, higher profit margins, larger dividend yields, and larger stock repurchases, suggesting that board independence is associated with other important measures of firm performance aside from Tobin's Q.

Limiting board size is believed to improve firm performance because the benefits by larger boards of increased monitoring are outweighed by the poorer communication and decision-making of larger groups (Lipton and Lorsch 1992) . Consistent with this notion, Yermack (1996) documents an inverse relation between board size and profitability, asset utilization, and Tobin's Q. Anderson (2004) show that the cost of debt is lower for larger boards, presumably because creditors view these firms as having more effective monitors of their financial accounting processes.

Objective of the Paper

The broader objective of this research is to study the Corporate Governance processes of Indian Telecom Companies and to see the impact of Corporate Governance on the Financial Performance of these selected companies.

Research Methodology

In the present study, various scores have been calculated in the area of financial performance and Corporate Governance.

Ratios (For measuring the Financial Performance)

To evaluate a financial performance has been a difficult task for any researcher. However we have considered the following ratios as key financial performance indicator. There are several parameters to evaluate any financial statement. However as the focus of the research is on Corporate Governance, the following financial parameters are considered. These are as under :

i) EBT / Sales
ii) Sales / Total Assets
iii) Earning Per Share
iv) P/E Multiple
v) Debt-Equity Ratio
vi) Current ratio

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Questionnaire (For estimating Corporate Governance Code)

The present study aims to examine the governance practices prevailing in the corporate sector within the Indian regulatory framework. The study is conducted to assess governance practices and process followed by Indian corporate houses. The study also aims to assess the substance and quality of reporting of Corporate Governance practices in annual reports. The study aims to evaluate the state of compliance of various governance parameters in these companies. The parameters include the Statutory and Non mandatory requirements stipulated by revised Clause 49 of the listing agreement as prescribed by Securities and Exchange Board of India (SEBI) and relative amendments in the Companies Act, 1956.

Table-I Questionnaire (For estimating Corporate Governance Code)

No.		**Governance Parameters**	**Points / Score Assigned**	
1		Statement of Company's philosophy on code of governance		2
2		Structure and Strength of board		2
3		Chairman & CEO Duality	Max	5
	i	Promoter Executive Chairman - Cum - MD / CEO	1	
	ii	Non promoter Executive Chairman cum MD / CEO	2	
	iii	Promoter Non Executive Chairman	3	
	iv	Non Promoter Non Executive Chairman	4	
	v	Non Executive Independent Chairman	5	
4		Disclosure of Tenure and Age limit of directors		2
5		Disclosure of :		3
	i	Definition of Independent Director	1	
	ii	Definition of Financial Expert	1	
	iii	Selection Criteria of Board of Directors incl. independent Directors	1	
6		Post Board meeting follow up system and compliance of the board procedures		2
7		Appointment of lead independent director		2
8		Disclosure of other provision as to the boards and committees		1
9		Disclosure of :		2
	i	Remuneration Policy	1	
	ii	Remuneration of Directors	1	

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10		Code of Conduct		2
	i	Information on Code of Conduct	1	
	ii	Affirmation of compliance	1	
11		Audit Committee		8
	i	Transparency in composition of audit committee	1	
	ii	Compliance of minimum requirement of the number of independent directors in the committee	1	
	iii	Compliance of minimum requirement of the number of meetings of the committee.	1	
	iv	Information about literacy & expertise of committee members.	1	
	v	information about participation of head of finance, statutory auditor and chief internal auditor in the committee meeting	2	
	vi	Disclosure of audit committee charter and terms of reference	1	
	vii	Publishing of audit committee report	1	
12		General Body Meetings		3
	i	Location and time of general meetings held in last three years	1	
	ii	Details of Special Resolution passed in last three AGMs \ EGMs	1	
	iii	Details of resolution passed last year through postal ballot incl. conducting official and voting process	1	
13		Means of communication and General shareholder Information		2
14		CEO / CFO Certification		4
15		Disclosure of Stakeholders' interests :		10
	i	Environment, Health & Safety Measures (EHS)	2	
	ii	Human Resource Development Initiative (HRD)	2	
	iii	Corporate Social Responsibility (CSR)	2	
	iv	Industrial Relation (IR)	2	

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	v	Disclosure of policies on EHS, HRD, CSR & IR	2	
		Total		50

Source: Securities and Exchange Board of India (SEBI)

Ranking as per Governance Score

On the basis of the above analysis of governance structure, process and disclosures made on corporate governance, the following yardstick is used for the ranking of the selected companies?

Table-II Evaluation of Governance Standard.

Score Range	Rank
40 - 50	Excellent
30-40	Very Good
20 -30	Good
10 - 20	Average
Below 10	Poor

Considering the fact that there have been certain genuine difficulties because of non availability of inside information, no scope for discussion with key officials of these companies, their auditors – internal auditors, directors and major shareholders etc. as an alternative, it is developed as a working method, which is described in the above table. It was designed on the basis of Clause 49 of the listing agreement. This point based method gives weight-age to various components and ultimately, each of these companies has been awarded different points on key parameters.

SAMPLE OF THE STUDY

In the present study, the telecom sector has been chosen. Keeping in view the reach of the researchers, the following 5 telecom companies have been selected:

Table-III SAMPLE OF THE STUDY

Sr. No.	Company	Abbreviation
1	Bharti Airtel Ltd.	BAL
2	Idea Cellular Ltd	ICL
3	Mahanagar Telephone Nigam Ltd.	MTNL
4	Reliance Communications Ltd.	RCL
5	Tata Communications Ltd.	TCL

Corporate Governance Score for Telecom Sector

After a series of meetings with the key officials of the concerned companies and after careful observations of their published documents, the following corporate governance scores have been assigned.

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Table: IV Corporate Governance Score for Telecom Sector

No.	Governance Parameters	No.	Bharti	Idea	MTNL	Rel	Tata
1	Statement of Company's philosophy on code of Governance	2	2	2	2	2	2
2	Structure and Strength of board	2	2	2	2	2	2
3	Chairman & CEO Duality	5	1	3	2	3	5
4	Disclosure of Tenure and Age limit of directors	2	2	2	0	2	2
5	Disclosure of :	3	2	0	0	0	1
6	Post Board meeting follow up system and compliance of the board procedures	2	0	0	0	0	0
7	Appointment of lead independent director	2	2	0	0	0	0
8	Disclosure of other provision as to the boards and Committees	1	1	1	1	1	1
9	Disclosure of :	2	2	2	2	2	2
10	Code of Conduct	2	2	2	2	2	2
11	Audit Committee	8	8	7	4	7	6
12	General Body Meetings	3	3	3	3	3	3
13	Means of communication and General shareholder information	2	2	2	2	2	2
14	CEO / CFO Certification	4	4	4	4	4	4
15	Disclosure of Stakeholders' interests :	10	4	2	2	2	2
	Total	50	37	32	26	32	34
	Industry Average	34					
	Rank		1	3	5	3	2

Source: Assigned by the researcher. Industry average taken from moneycontrol.com

Analysis of Corporate Governance Score of Telecom Industry

1. Statement of Company's philosophy on code of governance

In the Telecom sector there are 4 sample companies, as mentioned earlier, the first score point having a weightage of 2 was, statement of Company’s philosophy on Corporate Governance All companies get the expected score of 2 as all companies have sufficient disclosure of the statement of Company's philosophy on code of governance.

2. Structure and Strength of board

In the Corporate Governance score, the second score point was about the Structure and Strength of the board having a weightage of 2. All companies get the expected score of 2. All companies have sufficiently disclosed the composition of the Board of Directors.

3. Chairman and CEO Duality

As mentioned earlier, this point carries a weightage of 5. TCL is assigned a score of 5 as it is having Non Executive Independent Chairman. REL and ICL are having a Promoter

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Non Executive Chairman hence they are assigned a score of 3. MTNL is having a Non promoter Executive Chairman cum MD, it is assigned a score of 2. BAL is having promoter Executive Chairman and is assigned a score of 1.

4. Disclosure of Tenure and Age limit of directors

As mentioned earlier, this point was assigned a weightage of 2. All companies (except MTNL) have sufficiently provided the details of this section. Hence, they get the expected score of 2. MTNL gets Zero score in this section.

5. Disclosure of Definition and selection criteria for (Independent) Directors

As mentioned earlier, this point was assigned a weightage of 3. BAL have disclosed details about one of the definitions, whereas TCL and BAL have disclosed has selection criteria for board members. Therefore BAL is assigned a score of 2 whereas TCL gets 1 and remaining companies get a zero score.

6. Post Board meeting follow up system and compliance of the board procedures This point was assigned a weightage of 2. The systematic disclosure about the Post Board meeting follow up system is not sufficiently available in any annual report of the sample companies. Hence, none of the sample companies could get any point in this section.

7. Appointment of Lead Independent Director

This point is about appointment of lead independent director and carries a weightage of 2. Among the sample, BAL has appointed lead independent director. Hence, BAL gets a score of 2 whereas other sample companies could get any point in this section.

8. Disclosure of other provision as to the boards and committees

It is observed that all companies have sufficiently disclosed about the various committees and sub-committees of the board. Hence, all companies get expected score.

9. Disclosure of Remuneration Policy & Remuneration of Directors

This point is about the disclosure of Remuneration Policy & Remuneration of Directors and it carries a weightage of 2. All sample companies have sufficiently disclosed about remuneration to directors and remuneration policy. Hence they are assigned a score of 2.

10. Code of Conduct

As mentioned earlier, this point is about code of conduct and carries a weightage of 2. The point was further equally divided into two points,

(i) Information on Code of Conduct and

(ii) Affirmation regarding compliance for code of conduct.

It is observed that all the companies have sufficiently disclosed about both the above points. Hence, all companies get expected score of 2.

11. Audit Committee

The Audit Committee is assigned a weightage of 8. It is observed that all companies (except MTNL) have made sufficient disclosure about the audit committee. The MTNL have not complied with of minimum requirement of the number of independent directors in the committee. It had also not provided information about information about participation of head of finance, statutory auditor and chief internal auditor in the committee meeting. TCL have not adequately disclosed about audit committee charter and terms of reference. Other sample companies have sufficiently disclosed committee charter and terms of reference. However, none of among the sample companies (except BAL), have published Audit Committee Report in the annual report. Hence, BAL gets expected score of 8, ICL and RCL gets a score of 7, TCL gets a score of 6 and MTNL gets a score of 4.

12. General Body Meetings
This point was about the General Body Meetings, carrying a weightage of 3. All companies have sufficiently disclosed about the various points related to General body meetings in the annual report. Hence, all sample companies get the expected score of 3.
13. Means of communication and General shareholder information
The 13th score point was disclosure about the means of communication and general shareholder information and carries weightage of 2. All sample companies have sufficiently disclosed about the point in the annual report. Hence, all companies get the expected score of 2.
14. CEO / CFO Certification
The 14th score point was about the certification of CEO \ CFO, carrying a weightage of 2. It is observed that all companies have certification from CEO \ CFO. Hence, all companies get the expected score of 2.
15. Disclosure of Stakeholders' interests :
The 15th score point was about the disclosure of the stakeholders' interest and was assigned a weightage of 10. This point is divided equally to the following.
i) Environment, Health & Safety Measures (EHS)
ii) Human Resource Development Initiative (HRD)
iii) Corporate Social Responsibility (CSR)
iv) Industrial Relation (IR)
v) Disclosure of policies on EHS, HRD, CSR & IR
It is observed that most of the companies have provided information about above mentioned points in various forms. EHS, HRD, CSR & IR policies are not disclosed adequately in the report of any sample companies. All sample companies have sufficiently provided details about HRD. Whereas CSR related activities are adequately mentioned in BAL balance sheet. Therefore, BAL gets the score of 4 whereas other sample companies get a score of 2.

Evaluation of the Financial Performance.

The following parameters are used to analyze the financial performance for this research.
a) EBIT / SALES Ratio:
This ratio is used to analyze the operational efficiency of the company and the sector. This ratio also indicates the impact of sales on Earnings Before Interest and Taxes.
b) SALES / TOTAL ASSETS :
Assets are used to generate sales. Therefore, a firm is required to manage the assets with adequate efficiency to maximize sales. The relationship between Sales and Total Assets is known as Total Assets Turnover. A high ratio indicates better utilization of investments made in assets. However, it ultimately depends upon industry.
c) Earnings Per Share :
Earnings Per Share is net profit divided by number of equity shares. This indicates earnings earned by company per share during the year. A high EPS indicates better performance. However, one has to consider the face value of the share as it varies from Rs. 1 to Rs. 10.
d) Price Earnings Multiple :
This is one of the most popular among the financial analysts to value the firm's performance as expected by the shareholders. This can be calculated as under :

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P/E Ratio = Market Value Per Share \ EPS
This ratio indicates investors' expectations about the firm's performance & It also reflects investors' expectations about the growth in the firm's earnings.
e) Debt-Equity Ratio:
This ratio measures the long term nature of the capital structure of a company. It shows the relative dependence of a company on debt and equity source. This is calculated as under:
Debt-Equity Ratio = External equity/ Internal equity
The standard of 1:1 is considered prudent in the present study as it reflects a balanced capital structure and affects the investors' decision to invest in a company.
f) Current Ratio:
This ratio is an indicator of the liquidity of the company. It establishes the relationship between current assets and current liabilities and gives signals about the strong/poor liquidity. This is calculated as under:
Current Ratio = Current Assets/ Current Liabilities
The standard ratio of 2:1 is used in the present paper to measure the relative liquidity of the selected companies.

Table V Financial Performance of Sample Companies in Telecom Sector

Sr. No.	Company	EBT / SALES	SALES/TA	EPS	P/E	D/E	CR
1	Bharti Airtel Ltd.	27%	0.95	32.91	8.46	2.5	3
2	Idea Cellular Ltd	17%	0.58	3.96	7.47	.75	1.1
3	Mahanagar Telephone Nigam Ltd.	12%	0.43	9.32	19.95	.68	1.3
4	Reliance Communications Ltd.	19%	0.30	6.60	37.78	2	1.5
5	Tata Communications Ltd.	23%	0.47	20.68	6.20	2.3	2.6
Industry Average		18%	0.55	13.89	26.57	1.87	2.1

Source: computed from the annual reports of Companies for the year 2016-17.
Industry average is taken from moneycontrol.com

The following facts can be revealed from above mentioned table.
i. Average EBT/Sales ratio of the industry is almost 18 %. The Bharti Airtel Ltd. is having highest ratio of 27 % whereas MTNL is having lowest ratio of 12 %.
ii. Sales/ Total Assets ratio of the industry is 0.55 times. Bharti Airtel Ltd. carries highest ratio of 0.95 whereas Reliance Communications Ltd. carries ratio of 0.30 which is lowest in the industry.
iii. Earnings Per Share (EPS): The average EPS of the industry is Rs.13.89. The EPS of Bharti Airtel Ltd. is highest at Rs. 32.91 whereas that of Idea Cellular Ltd. is lowest at Rs. 3.96.
iv. The Price Earning Multiple is also a significant indicator for potential investor. As mentioned in the above table, the Industry's average PE at 26.57. The PE of Reliance Communications Ltd. is highest at 37.78 while Tata Communications Ltd. is lowest at 6.20.

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v. The Debt/Equity ration of the telecom industry is 1.87, which is well above the standard itself. The Bharti Airtel Ltd. is having highest ratio of 2.5 whereas MTNL is having lowest ratio of .68.
vi. The current ratio of the telecom industry is 2.1, which is just above the standard . The Bharti Airtel Ltd. is having highest ratio of 3 whereas Idea Cellular Ltd. is having lowest ratio of 1.1.
For further analysis, correlation, regression and discriminant analysis are also used :

Table VI: Correlation Analysis

	DIR	BC	TD	GI	EBT / SALES	SALES/TA	EPS	P/E	D/E	CR
DIR	1.00									
BC	0.81	1.00								
TD	0.56	0.89	1.00							
GI	0.84	0.98	0.81	1.00						
EBT / SALES	0.40	0.70	0.68	0.75	1.00					
SALES/TA	0.40	0.39	0.10	0.54	0.73	1.00				
EPS	0.41	0.43	0.39	0.53	0.85	0.77	1.00			
P/E	0.71	0.64	0.66	0.54	0.01	-0.33	-0.07	1.00		
D/E	0.65	0.62	0.67	0.79	0.23	0.54	0.05	0.2	1.00	
CR	0.59	0.61	0.58	0.74	0.54	0.49	0.08	0.15	0.45	1.00

REGRESSION ANALYSIS

To find out the dependency of various financial parameters used in the present study on the corporate governance score attained, regression analysis has been used. All the t-values have been found highly significant, thereby indicating the extent of dependency of the financial parameters on the corporate governance scores. It establishes a strong cause and effect relationship between the corp[orate governance scores and financial parameters.

Table-VII REGRESSION ANALYSIS

	b	R2	t value	Sig. level
REGRESSION I	.62	.98	13.22*	.000
REGRESSION II	.017	.95	5.96*	.004
REGRESSION III	.47	.85	3.21*	.03
REGRESSION IV	.47	.77	2.41*	.04

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REGRESSION V	.053	.93	5.38*	.006
REGRESSION VI	.06	.95	6.44*	.003

REGRESSION I: DEP. VAR. – EBT/SALES
REGRESSION II: DEP. VAR.. – SALES/TA
REGRESSION III: DEP. VAR.. – EPS
REGRESSION IV: DEP. VAR. – P/E
REGRESSION V: DEP. VAR.. – D/E
REGRESSION VI: DEP. VAR. – CR

Note: Ind. Var. in all regressions was CSCORE

DISCRIMINANT ANALYSIS

Discriminant analysis is used for inter-firm and inter-industry comparison based upon a set of variables. This analysis is based upon a linear combination of the predictor variables which involving more than two groups. J.D. Aggarwal and V.K.Bhala have applied discriminant analysis in order to judge the liquidity & profitability goals and credit worthiness of the concern respectively. In this study the selected firms have been divided into two groups' i.e. good risk and poor risk categories. The selected firms have been categorized into good and poor risk category as per the corporate governance scores. Those having the score ,more than the industry average are categorized as good risk firms and vice-versa. The discriminant function is built as per the coefficients found in the discriminant analysis.

$$Z = aX_1 + bX_2 + \ldots\ldots\ldots\ldots\ldots$$

This is a linear combination of $X_1$and X_2.

In the present study, this analysis has been used to explore the relationship between corporate governance and financial performance. To begin with, discriminant function was found highly significant as described by a low value of Wilk's Lambda. Further, chi-square value has also been found highly significant. Further, the standardized canonical discriminant function coefficients give the relative superiority of various independent variables used in the analysis. It has been crystal clear from the table that corporate governance score (CSCORE) got the highest value, thereby signifying the strength of this variable. It was followed by PE and EPS respectively. So, the explanatory power of the CSCORE has been found strongest. The classification matrix gives the extent of correct classification done by the discriminant model. It has been found that the classification accuracy was 100p.c. The discriminant function built with the help of unstandardised canonical discriminant function coefficients is as follows:

-7.469 + .163 EBT/SALES – 5.086 SALES/TA + .208 EPS + .08 CSCORE – 4.364 D/E – 2.31 CR

Table VIII Classification Results(a)

			Predicted Group Membership		
		RISK	1.00	2.00	Total

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Original	Count	1.00	2	0	2
		2.00	0	3	3
	%	1.00	100.0	.0	100.0
		2.00	.0	100.0	100.0

a 100.0% of original grouped cases correctly classified.

Table IX Wilks' Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.097	13.501	3	.032

Table X
Standardized Canonical Discriminant Function Coefficients

	Function 1
EBTSALES	.548
SALESTA	-.700
EPS	1.137
PE	2.15
CSCORE	3.58
DE	0.05
CR	0.09

8. Conclusion

The following conclusions can be revealed from above mentioned table.

i) Director's related disclosure is positively related with all corporate governance parameters. It is also positively associated with all financial performance parameter. Its relation with P/E is more significant.

ii) Board Committees related disclosure is positively related with all Corporate Governance parameters, it is also positively related with all financial parameter. It is significantly associated with EBT/Sales.

iii) Transparency Disclosure is positively related with all Corporate Governance related parameters. It is also positively related to all financial performance related parameter. It is also significantly related with EBT/Sales, D/E ratio and P/E.

iv) General Information related disclosure is positively related with all Corporate Governance related parameters. It is also positively related with all financial performance related parameter, more particularly, EBT/Sales, D/E and CR.

v) P/E is negatively related with all two financial parameters i.e. Sales/TA and EPS.

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vi) EBT/Sales is significantly positively related with two corporate governance parameters Board Composition parameters (Board Composition and General Information disclosure).

The above analysis provides enough evidence that good corporate governance leads to good financial performance.

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