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### **Research, Consulting and Teaching Experience**

- Associate Director, Corporate Governance and Public Policy, Thought Arbitrage Research Institute, New Delhi, September 2012 to Present
- Research Assistant, NITI Aayog, New Delhi, June 2018 to December, 2018
- Visiting Faculty, Corporate Governance and Business Ethics, June 2017 to November 2017
- Senior Research Fellow, Dept. of Management Studies, IIT Roorkee, January 2009 to September 2012

### **Industry Experience**

- Fullerton India Credit, Branch Credit Manager (CMM), Karnal, December 2007 to January 2009
- HDFC Bank, Manager Credit Personal Loan, Ludhiana, October 2006 to October 2007
- GE MONEY, Relationship Lending Program (RLP), Credit Relationship Manager (CRM), Ludhiana, October 2005 to October 2006
- ICICI Bank, CPA Manager, Personal Loans, Jalandhar, December 03 to October 2005

### **Education**

#### **Doctor of Philosophy (PhD) 2014**

Title: Situating and Analyzing Corporate Governance in India Sequel to Global Financial Crisis  
Department of Management Studies, Indian Institute of Technology Roorkee, Uttarakhand India

#### **Post Graduate Diploma Business Administration (PGDBA) Finance 2006**

Symbiosis Centre for Distant Learning (SCDL) Pune (70.26 %, First Class with distinction)

#### **Master of Technology (M.Tech.) Agri. Systems and Management 2003**

Indian Institute of Technology (IIT) Kharagpur (9.19/10.0, Excellent Grade)

#### **Bachelor of Technology (B. Tech.) Agricultural Engineering 2001**

Punjab Agricultural University (PAU) Ludhiana (8.06/10.00, Gold Medallist & Merit Holder)

### **Other Professional Courses**

- Business Analytics, Wharton School of Business through Coursera
- The Analytics Edge, Massachusetts Institute of Technology (MITX), through EdX
- Financial Market Analysis, International Monetary Fund (IMF) through EdX
- Analyzing and Visualizing Data with Excel, by Microsoft, through EdX
- Certificate Course on C, C++ from IIT Kharagpur
- Econometric for Time Series Analysis using Statistical Software", IIT Roorkee
- Business Research Workshop, Indian School of Business (ISB), Hyderabad

## **Reports, Books, Academic Publications and Conference Proceedings**

### **• Corporate Governance Reports and Consultancy: UK DFID, UNGC, MCA and FICCI**

- *Genesis of Corporate Fraud in India – Are Early Warning Signals Identifiable*. 2019. Ministry of Corporate Affairs, Government of India, 2019
- Environmental, Social and Governance (ESG) Due Diligence Reports of companies under sectors: agriculture and food processing, affordable housing project, housing finance companies, renewable energy, UK DFID
- *Understanding the Demand and Supply Equations of Corruption and Fraud: An Insight into the Corruption and Fraud by the Private Sector in India*, UNGC and IICA, 2013
- *Polices for Ethical Corporate Governance, Need and Relevance*. Background Paper for UN Global Compact Network of India, 2014
- *Primer on Corporate Governance*. School of Corporate Law, Indian Institute of Corporate Affairs (IICA), Ministry of Corporate Affairs, Government of India, 2015
- *Background Paper for the National Committee on Corporate Governance – Adi Godrej Committee* constituted for the formulation of National Policy on Corporate Governance, 2012
- *Developed Three Training Modules Content Development* for members of the Hon'ble Members of National Company Law Tribunal (NCLT) School of Corporate Law (2016):
  - Corporate Governance: The Concept and Reports on CG
  - Government Protection of Stakeholder's Interest: Investor protection
  - Mergers & Acquisition: Business Perspective
- *Corporate Governance Landscape in India: Where Do We Stand @2016* funded and released by the FICCI. Four recommendations accepted for inclusion in the Companies Amendment Act 2016
- *Developed a framework for analyzing corporate governance and quality of earnings of companies* through framework on *Wealth from Trust: Monetizing Corporate Governance*
- *Prepared Governance and assurance reports for several private sector companies*
- *Prepared fraud investigation reports for a large private sector company*
- *Cross Border Mergers of Companies in India - Implications of Proposed Changes in Company Law*. (2013). Project in collaboration with Centennial Advisory Services

### **• Important Research Reports for International and National Organisations**

- *Non-Communicable Diseases (NCDs) in India*, 2019. A Report prepared for ASSOCHAM
- *Smuggling: Impact on Indian Economy and Employment*, 2019. A Report prepared for FICCI-CASCADE
- *Socio-economic Impact of Cloud Adoption on Small and Medium Business in India*, 2018. A Microsoft Sponsored project
- *Indian Tyre Industry: Turning the Wheels of Progress*. 2018. A Report by TARI in partnership with Automotive Tyres Manufacturers Association (ATMA)
- *Mobile Telephony in India: Towards a Sustainable Innovation Economy*. 2018. A Report by TARI within IIM Calcutta in partnership with Broadband India Forum
- *Invisible Enemy: A Threat to our National Interests: Extent, Causes and Remedies. A study on the top five products smuggled into India*. 2017. A Report prepared for FICCI- CASCADE
- *Make in India .2015*. Report prepared for ASSOCHAM
- *Enabling Effective Implementation of Public Procurement Policy*. 2014. Project funded by GIZ, Germany and report prepared for the Ministry of MSME, Government of India

- *Handbook for Public Procurement Facilitation Cell, Enabling Effective Implementation of Public Procurement Policy through MSME Development Institutes (DI)*. 2015. Project funded by GIZ, Germany and report prepared for the Ministry of MSME, Government of India
- *MSME Sector in Uttar Pradesh, 2016*. Report prepared for ASSOCHAM
- *Food Processing Industry, Contributing to "Make in India"*. 2017. Report prepared for ASSOCHAM
- *Sustainability Reporting: Practices and Trends in India*. 2012. A report prepared by TARI in partnership with GIZ India and Global Reporting Initiative (GRI)
- *Index for Corporates for Promoting Accessibility and Inclusiveness of Persons with Disabilities (PwDs) (2016)*. In collaboration with FICCI for Ministry of Social Justice and Empowerment for Accessible India Campaign
- *Gender Parity Index. 2017*. A Toolkit developed for the FICCI Ladies Organisation to evaluate gender diversity and empowerment of women in the formal sector in India
- *Fair Pricing of Land and its Compensation in an Emerging Economy: Case for India*. (2014). Report by Thought Arbitrage Research Institute (TARI) in Collaboration with GIZ India.
- *IARD Toolkit: Assessing the Unrecorded Alcohol Market. 2015*. Toolkit developed for International Association of Responsible Drinking (IARD) in collaboration with Oxford Economics and Euro Monitor International
- *Socio-Economic Impact of Piracy in the Publishing Sector*. 2014. Project in collaboration with Confederation of Indian Industries (CII) and UK Intellectual Property Office (IPO)
- *Ease of Doing Business in Uttar Pradesh. 2016*. Report prepared for ASSOCHAM
- *Report on Infrastructure Finance Companies*. Report prepared for a private sector client

- **Book and Book Chapters**

- *Handbook for Independent Directors*. 2016. Co-Author with Kaushik Dutta and others. Lexis Nexus, New Delhi
- *Integrity of Financial Reporting: Demystifying the Role of Audit Committee* in edited book titled "Corporate Governance in India: Change & Continuity" by Oxford University Press, New Delhi
- Naveen Kumar and J.P. Singh. 2011. *Reassessing Auditor's Role in the Indian Corporate Governance, in Corporate Governance and Corporate Social Responsibility: A Way of Life*, eds. (Mishra, Sahay, Jhunjhunwala and Bavirishetty) pp. 91-105, MacMillan Publishers, New Delhi.
- J.P. Singh and Naveen Kumar. 2009. *Corporate Governance: The Contemporary Scenario*, in "Converge of Corporate Governance Norms: Monograph" edited by Dr. Indrajit Dube, Cygnus Publication, pp. 328-338.
- *Corporate Fraud: Risks and Challenges Ahead*. Book Chapter in "The Prime Directory- 2014", pp. 104-16.
- *Cracking the Shell: Clandestine Vehicle for Money Laundering and Tax Evasion*, "Prime Directory - 2016"
- *Ethics in Indian Businesses: The Qualify Factor*, in the Business case for Anti-corruption in India: Principles, Economics and Application of Transparency Tools. A Collective Action Project Publication: Global Compact Network India, pp. 30-35

- **Academic Contributions - Journal**

- Srivastava N. (2015). *Does governance structure have any effect on firm performance during the financial crisis: Evidence from selected Indian companies*. *Journal of Strategy and Management*,

- 8(4), 368-383 (*Scopus Indexed, ABDC Journal Ratings – C, Emerging Sources Citation Index-Clarivate Analytics*)
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- Kumar, N., & Singh, J.P. (2013). Global financial crisis: Corporate governance failures and lessons. *Journal of Finance, Accounting and Management*, 4 (1), 21-34 (*Indexed in EBSCO's databases*)
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- Uzma, S. H., Singh, J.P., & Kumar, N. (2010). Discounted cash flow and its implications on intangible valuation. *Global Business Review*, 11(3), 365-378 (*Scopus Indexed, ABDC Journal Ratings – C, Emerging Sources Citation Index- Clarivate Analytics*)
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- Singh, J.P., Kumar, N., & Uzma, S.H (2010). Independent directors: A perspective in light of Companies Bill 2009. *Indian Law Journal*, 3(2).

#### • Conference Proceedings and Online Articles

- Kumar, Naveen and J.P. Singh (2011), "Enablers of Convergence of Indian Corporate Governance System to Anglo-American Model: An Interpretative Structural Model", *Conference Proceedings 11th Consortium of Students in Management Research (COSMAR), Department of Management Studies, IISc. Bangalore*
- Naveen Kumar (2011), "Corporate Governance Regulation: Indian Experience" conference organized by Tashkent State University of Economics, Department of Corporate Governance and Competition Development
- Naveen Kumar, and J.P. Singh (2012), " Audit Committee as Corporate Governance Mechanism- Myths and Realities", 9th AIMS International Conference Proceedings, pp. 652-659, Available at: <http://www.aims-international.org/aims9/aims9cd/pdf/P9908-Final.pdf>
- Naveen Kumar (2012), "Situating and Analyzing Corporate Governance Systems of the World", *Conference Proceedings of National Conference on Emerging Challenges For Sustainable Business, Department of Management Studies, IIT Roorkee*, pp. 633-651, ISBN - 978-93-81583-46-3
- Naveen Kumar (2011), "Independence Compromised", *ICGN Yearbook 2011*, pp. 94

*Naveen Kumar, Curbing and Monitoring Related Party Transactions: A Way Forward to Enhancing Corporate Governance Standard in India, November 29, 2011.*

*Naveen Kumar, Environmental, Social and Governance (ESG) Reporting: Attains a Mandatory Status in India, 30 January 2012.*

### **Conferences/ Seminar/Workshops - Attended/Paper Presented**

- **Conference/Seminar/Conclaves/ Workshops Attended**

- IEA Workshop on Energy Statistics and Building Energy Balance India, International Energy Agency, 3-7 December, 2018, New Delhi India
- SAKSHAM- IT Champion Training Program, FMS Delhi University, Microsoft, 21-22 September, 2017, New Delhi
- IFC Corporate Governance Webinar, What's New in Corporate Governance Standards and how it Links to Sustainable Markets, November 5, 2015, Washington DC, USA
- Equity Valuation Workshop, Value Investing: New Approaches and Applications, ICICI Securities, August 27 2015, Mumbai India
- Indian School of Business (ISB), Business Research Workshop, 12-13 June 2010, Hyderabad, India
- Annual Conference, International Corporate Governance Network (ICGN), 12-14 September, 2011, Paris, France
- "Indian Corporate Law and Corporate Governance: At the Crossroads", 3rd Annual NLSIR Symposium organized by National Law School of India University, April 10-11, 2010, Bangalore
- National Level program on Knowledge Sharing Practices: A management Perspective, Program Sponsored by DIT, Ministry of Communication and Information Technology, department of Management Studies, IIT Roorkee, February 21-23, 2011
- Global Summit: Corporate Social Responsibility and Transparency, 8-9 July, 2011, Global Reporting Initiative and BIMTECH, India Habitat Centre, New Delhi, India
- Econometric for Time Series Analysis using Statistical Software" organized by Department of Management Studies, IIT Roorkee on November 15, 2011
- "Leveraging Quality for Good Governance," 5<sup>th</sup> National Quality Conclave, Quality Council of India, February 19-20, 2010, New Delhi

- **Conferences- Paper Presented**

*Naveen Kumar (2015). New Directions in Corporate Governance: Sequel to Global Financial Crisis. Paper presented at the 2nd National Research Workshop, organized by Indian Institute of Corporate Affairs, New Delhi, 25-26th February, 2015.*

*Naveen Kumar (2012), "Situating and Analysing Corporate Governance Systems of the World", National Conference on Emerging Challenges For Sustainable Business, Department of Management Studies Indian Institute of Technology Roorkee, June 1-2*

*Naveen Kumar and J.P. Singh (2012), "Safeguarding Minority Shareholders Rights: Road to Strengthen Indian Corporate Governance System", Third International Conference on Corporate Governance, Shri Ram College of Commerce, University of Delhi, March 27-29, New Delhi*

*Naveen Kumar, and J.P. Singh (2012), "Audit Committee as Corporate Governance Mechanism- Myths and Realities", 9th AIMS International Conference, FLAME Pune, 1-4th January, 2012*

- Naveen Kumar (2011), "Corporate Governance Regulation : Indian Experience" conference organized by Tashkent State University of Economics, Department of Corporate Governance and Competition Development*
- Naveen Kumar and J.P. Singh ( 2011), " Global Financial Crisis: Corporate Governance Failure and Lessons Therefrom, World Conference on Financial Crisis and Impact, Ankara, Turkey September 28- October 2, 2011*
- Naveen Kumar and J.P. Singh (2011), "Enablers of Convergence of Indian Corporate Governance System to Anglo-American Model: An Interpretative Structural Model" 11th Consortium of Students in Management Research (COSMAR), Department of Management Studies, IISc. Bangalore, 21 October*
- Naveen Kumar and J.P. Singh (2010), " Re-engineering India's Corporate Governance Framework: A Necessity" at Second Excellence in Research and Education Conference, organized by Indian Institute of Management Indore on 14-17 May 2010 Indore*
- Naveen Kumar and J.P. (2010), "Corporate Governance Structure and Firm Value in India: Effect of Board Size and Promoter Ownership", in 5th Yale-Great Lakes International Research Conference organized by Great Lakes Institute of Management, Chennai, December 26*
- Naveen Kumar and J.P. Singh (2010), "Reassessing Auditor's Role in the Indian Corporate Governance" at 2nd International Conference on Corporate Governance organized by Institute of Public Enterprise, Hyderabad on 9-10th December 2010 Hyderabad*
- J.P. Singh and Naveen Kumar (2009), "Corporate Governance: The Contemporary Scenario" at International Conference on Convergence of Corporate Governance Norms organized by Indian Institute of Technology Kharagpur and National Foundation for Corporate Governance on 5-6th September, 2009 Kolkata*

### **Reviewer of Journals**

- Journal of Business Research, Elsevier
- International Journal of Law and Management, Emerald
- Journal of Financial Reporting and Management
- International Journal of Commerce and Management, Emerald
- Management Research Review, Emerald
- Applied Economics , Taylor and Francis

### **Professional Affiliations**

- European Corporate Governance Institute, Former Member
- Corporate Governance Institute (CGI), USA- Member and Author
- VIP Association of Institutional Investors - Corporate Governance Expert India
- Member, Emerging Markets Corporate Governance Network of the International Finance Corporation (IFC) of the World Bank
- Member, AIMS (Association of Indian Management Scholars) International

### **Scholarships Awards and Achievements**

- International Corporate Governance Network (ICGN) Scholarship -2011
- MHRD Scholarship (Govt. of India), IIT Roorkee, IIT Kharagpur
- University Merit Scholarship, PAU Ludhiana: 1997-2001

- International Corporate Governance Network (ICGN) Scholar Award, 2011
- AIMS International Outstanding Management Doctoral Student Award, 2011
- University Topper, Gold Medallist (B. Tech), Merit Certificate, PAU, Ludhiana
- Dean Jacob Trophy 2000, PAU, Ludhiana
- Merit Positions and Certificates at School Level

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### **References**

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# Does governance structure have any effect on firm performance during the financial crisis

Evidence from selected Indian companies

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## Abstract

**Purpose** – The financial crisis of 2008-2009 was truly global in nature that affected all sectors and countries of the world. Being considered that a board of directors is the main governance mechanism through which a company is governed and managed. The purpose of this paper is to examine the effect of the governance structure of a company on its financial performance during the period of financial crisis.

**Design/methodology/approach** – The study investigates the effect of board structure parameters – board leadership, directors and board size on the financial performance for 164 non-financial listed firms in India during the period of financial crisis of 2008-2009.

**Findings** – The study finds a significant positive effect with Chief Executive Officer duality, executive chairperson and proportion of inside directors on the firm's financial performance. Independent directors have no significant influence, while non-executive (grey) director's being affiliated with the firm has a negative influence on firm's financial performance. A larger board has a negative relationship with the firm's financial performance.

**Research limitations/implications** – The study is limited to large non-financial firms of the Bombay Stock Exchange-200 index. The study may be extended to include other firms to generalize the findings.

**Practical implications** – Results imply that during the period of financial distress, a company having more inside (or management) directors with an executive chairperson are in a better position to manage company resources with positive impact on financial performance. Companies with larger boards may find it difficult to take quick decisions, which ultimately affect their performance.

**Originality/value** – The study is original in its idea of assessing company strategy to adopt a suitable governance structure that can sustain its performance during the period of financial crisis.

**Keywords** Firm value, Board size, Global financial crisis, Board leadership, Outside directors, Governance structure

**Paper type** Research paper

## 1. Introduction

The financial crisis of 2008-2009 was truly global in nature that affected all sectors and countries of the world (Clarke, 2010). For example, investors, creditors and shareholders' saw more than half erosion of wealth with a market capitalization of the world stocks that reached around US\$62 trillion at the end of 2007 fell to paltry US\$29 trillion by the end of October 2009, as a result of this crisis (Clarke, 2010). Being stated that a number of economies were under recession being eclipsed by the crisis



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# Satyam Fiasco: Corporate Governance Failure and Lessons Therefrom

J P Singh\*, Naveen Kumar\*\*, Shigufta Uzma\*\*\*

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*The concept of Corporate Governance (CG) is, now, more than a decade old in India. However, the inadequacy and inefficacy of the governance framework in the country has been espoused by the massive corporate disaster—Satyam. The fiasco has brought into limelight the inherent shortcomings in the present corporate regulatory system that has been benchmarked on the CG structure of the United States (US) and United Kingdom (UK). In this backdrop, this article makes an effort to look at events that precipitated the Satyam fiasco and the loopholes in the system that enabled the fraud to occur. The present study also proposes to provide insights into the legislature in formulating provisions for curbing such corporate mishaps that obliterate investor confidence, particularly so when our country is desperate to draw on foreign capital to propel its economic growth.*

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## Introduction

The concept of Corporate Governance (CG) is more than a decade old in India. However, the inadequacy and inefficacy of the governance framework in the country has been espoused by the massive corporate disaster—Satyam. The fiasco has brought into limelight the inherent shortcomings in the present corporate regulatory system. 'Satyam' that means 'truth' in Sanskrit will always be remembered for, perhaps, the largest corporate scam to engulf this nation and which may carry the label of 'India's Enron' (*The Economist*, 2009). Possibly, the only silver lining of this corporate catastrophe is to expose the hardcore truth of the extant CG scenario in India to the millions of stakeholders.

Satyam Computers Services Limited (Satyam) was founded by B Ramalinga Raju in 1987, to provide services in the Information Technology (IT) sector. It soon prospered to become the country's fourth largest software company with a customer base spread across 66 countries. Stocks of Satyam were traded in the Bombay Stock Exchange (BSE), National Stock Exchange (NSE), New York Stock Exchange (NYSE) and Euronext (Amsterdam, Europe). Satyam featured at the 185<sup>th</sup> rank in the list of Fortune 500 companies at the time of the fiasco (*The Economist*, 2009).

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# Effect of board size and promoter ownership on firm value: some empirical findings from India

Naveen Kumar and J.P. Singh

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## Abstract

**Purpose** – The purpose of this paper is to examine the effect of corporate board size and promoter ownership on firm value for selected Indian companies.

**Design/methodology/approach** – The study analyses the corporate governance structure of 176 Indian firms listed on the Bombay Stock Exchange using linear regression analysis.

**Findings** – The empirical findings show a negative relationship of board size with firm value and significant positive association of promoter ownership with corporate performance. The study suggests that only above a critical ownership level of 40 percent does promoter's interest become aligned with that of the company, resulting in positive effect on firm value.

**Research limitations/ implications** – The research has been limited to some selected Indian companies, with focus only on board size and promoter ownership as predictor variables. The study suggests that corporate governance reforms in India and introduction of non-executive independent directors to the board have resulted in diminishing effect of board size on the firm value.

**Practical implications** – The study implies that for emerging economies like India, it is practical to have greater ownership control by promoters to enhance company value. Also, it is not advisable to have a board size above certain limit.

**Originality/value** – The paper adds to existing literature on corporate governance by establishing a relationship between firm performance and board size and promoter ownership.

**Keywords** Corporate governance, Organizational structure, Organizational performance, India, Board size, Promoter ownership, Boards of Directors, Firm value

**Paper type** Research paper

## 1. Introduction

Corporate governance has developed as an important mechanism over the last two decades. The recent global financial crisis has reinforced the importance of good corporate governance practices and structures. It is now well recognized that corporate governance structures play an important role in enhancing firm performance and sustainability in long term (Erickson *et al.*, 2005; Ehikioya, 2009; Iwasaki, 2008; Cho and Kim, 2007). There has been considerable research on corporate governance structures and firm performance, particularly, in the developed countries. However, there has been modest research on the influence of corporate governance variables, such as, board structure on firm performance in India (Dwivedi and Jain, 2005). India as an emerging economy, is gradually moving from controlled to market based economy with market capitalization of all listed companies touching nearly rupees 1 trillion (Sehgal and Mulraj, 2008). Corporate governance has now become a norm in India, with Securities Exchange Board of India (SEBI) making it mandatory for all the listed companies to adopt Clause 49 of the Listing Agreement. However, capital markets are still nascent, and market for corporate control is weak (Standard and Poor, 2009). Indian firms are predominantly of the family origin and promoter controlled (Chakrabarti, 2005). Corporate governance, therefore, relies much on internal structures rather than external ones for enhancing the firm value. Corporate board and

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## The changing landscape of corporate governance framework in India

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**Abstract:** Significant changes have taken place in India after its independence, making the economy more diverse and complex. Among the fastest developing countries of the world, India is in the continuous process of upgrading its corporate governance (CG) framework to endow a transparent business environment. The present article makes an endeavour to retrace developments in CG in India from independence to date. The study analyses the issues and challenges posed in (1) the era after independence and (2) post-liberalisation regime and examines the development of CG during these periods to address these issues with a focus on the Companies Act, 1956 and Clause 49 of the Listing Agreement. The article also evaluates reforms proposed under the new framework of Companies Bill, 2009, which enables an opportunity for lawmakers to reassess the extant CG framework and initiate appropriate improvements that can reinforce investor's confidence in the Indian economy in the aftermath of the Satyam fiasco.

**Keywords:** CG; corporate governance; Clause 49; Companies Act, 1956; Companies Bill, 2009; board; directors; Satyam; auditor.

**Reference** to this paper should be made as follows: Singh, J.P., Kumar, N. and Uzma, S.H. (2011) 'The changing landscape of corporate governance framework in India', *Int. J. Indian Culture and Business Management*, Vol. 4, No. 5, pp.506-522.

**Biographical notes:** J.P. Singh is a Fellow Member of the Institute of Chartered Accountants of India and Institute of Company Secretaries of India and an Associate Member of the Institute of Cost and Works Accountants of India. Additionally, he holds a professional degree in Law and a PG Diploma in Merchant Banking. His research interests embrace corporate governance, corporate finance and accounting, quantitative finance and risk management and related areas. Currently, he engaged as a Professor at the Department of Management Studies, IIT Roorkee. He also has about 10 years of corporate experience as Head of Finance and Secretarial Functions of listed companies.

Naveen Kumar is a Research Scholar in the Department of Management Studies, IIT Roorkee. He is a postgraduate in Engineering from IIT Kharagpur and is working towards his doctorate from IIT Roorkee in the area of corporate governance. His other interest areas include corporate finance and credit risk management.

## Outside Directors, Corporate Governance and Firm Performance: Empirical Evidence from India

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### Abstract

The current study examines the efficacy of outside directors on the corporate boards of 157 non-financial Indian companies for the year 2008. The research particularly investigates if the monitoring by grey director (non-executive non-independent) and independent director influences firm performance. Research finding reveals that while the proportion of grey directors on board has marginally deteriorated effect, the independent director's proportion has an insignificant positive effect on firm value. Outcome of research has significant implications for devising a board model for companies in India that have a significant ownership concentration and insider control. Independent directors require greater representation on the board in lieu of other non-executive outside directors.

**Keywords:** Outside directors, Independent directors, Corporate governance, Firm performance, Insider ownership

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# Integrity of the Financial Reporting Process

## *Demystifying the Role of Audit Committees*

Naureen Kumar Sivastava and Kaushik Dutta

In 1940, in relation to the matter of McKesson & Robbins, Inc., Securities and Exchange Commission (SEC) recommended that outside members of the board of directors nominate the outside auditors and the shareholders elect the public accounting firm. This was made because there was doubt as to whether the external auditors in the company were truly independent of the management and the financial statements of the company were materially misstated, and it was held that the audit process lacked objectivity and skepticism. The quantum of fraud involved was over USD 90 million, which was huge in those days.

McKesson & Robbins debate led New York Stock Exchange (NYSE) to issue a similar recommendation, which stated: 'Where practicable, the selection of the auditors by a special committee of the board composed of directors who are not officers of the company appears desirable' (New York Stock Exchange 1940).

Though the term 'audit committee' was not mentioned, several companies, for example, General Motors, established audit committees as a result of the McKesson & Robbins scandal. This scandal alerted the corporate community and the accounting profession that appointment of an audit committee by the board of directors should be recognized as an important action.

Until 1967, the concept of audit committee received very little support, and the functions of this committee remained undefined and

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