A Study on Corporate Governance Practices and its Impact on Market Valuation of Listed Companies in Kerala

Thesis Submitted to the
University of Calicut for the award of the degree of
Doctor of Philosophy in Commerce

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Under the Supervision of

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Certificate

This is to certify that the thesis entitled "**A Study on Corporate Governance Practices and its Impact on Market Valuation of Listed Companies in Kerala**" prepared by **Reshma T P** for the award of the Degree of Doctor of Philosophy in Commerce of the University of Calicut, is a record of bonafide research work carried out under my supervision and guidance. No part of the thesis has been submitted for any degree, diploma, fellowship or other similar title or recognition before. She is permitted to submit the thesis.

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Declaration

I hereby declare that, the thesis entitled "**A Study on Corporate Governance Practices and its Impact on Market Valuation of Listed Companies in Kerala**" done under the guidance and supervision of Dr. K P Muraleedharan, is a record of bonafide research work done by me and that no part of the thesis has been presented for the award of any other degree, diploma, fellowship or other similar title or recognition before.

Place: Calicut University
Date:

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Abstract

This doctoral thesis presents a comprehensive investigation into the corporate governance practices of listed firms in Kerala, India, and their profound impact on market valuation. The study encompasses 45 publicly traded companies listed on both the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) and relies on data gathered from the companies' published annual reports.

The research objectives of this study are structured to address key aspects of corporate governance and its relationship with market valuation. The study analyzes the levels of compliance with corporate governance practices among the listed companies in Kerala. It explores variations in compliance levels based on market capitalization, shedding light on how company size influences governance standards. Furthermore, the study investigates the growth trends in market valuation among these companies and identifies variations in market valuation based on their governance performance. Finally, it delves into the intricate relationship between corporate governance compliance and market valuation, elucidating how governance directly impacts a company's market worth.

The findings of this rigorous examination have far-reaching implications for comprehending the intricate interplay between governance and firm value. One pivotal discovery is the rejection of the null hypothesis concerning uniform corporate governance performance across various market capitalization categories. This underscores the critical importance of tailoring governance assessments to a company's size, with larger-cap companies exhibiting more robust governance processes and structures, essential for attracting investors and ensuring sustained growth. Conversely, smaller-cap companies require specialized governance strategies attuned to their unique needs and challenges.

The study also scrutinizes board structures and governance processes, revealing the profound influence of market capitalization in these domains. Differential compliance levels among companies of varying market sizes underscore the necessity of tailor-made governance strategies. This knowledge empowers stakeholders to make informed decisions regarding governance, thereby enhancing overall governance outcomes. Furthermor, the study examines specific governance facets, such as board committees, corporate social responsibility, investor protection, risk management, reporting frameworks, whistleblowing procedures, and stakeholder concerns. These aspects combine to shape the overall governance landscape, exhibiting significant variations based on market capitalization. The study recommends customized interventions for small-cap companies to enhance investor protection policies and reporting standards, ultimately fostering transparency and accountability.

Crucially, this study establishes a substantial link between corporate governance standards and company market valuation. It highlights that governance is not merely a compliance exercise but a strategic imperative that directly influences a company's market worth. The research underscores that good governance practices result in higher market valuations, emphasizing the significance of considering shareholders' value and financial performance for both investors and corporate executives.

In conclusion, this thesis offers an exhaustive exploration of corporate governance standards among listed companies in Kerala, illuminating their impact on firm valuation. The nuanced nature of corporate governance, evidenced by the rejection of null hypotheses and market-size-dependent differences, provides stakeholders with the knowledge required to tailor governance strategies to specific company sizes. Importantly, it advocates for prioritizing governance as a pivotal factor in achieving market success. The study's findings serve as a valuable reference for formulating governance measures that enhance the overall performance and market value of listed companies in Kerala as they continue to evolve in the dynamic business landscape.

Key words: Corporate Governance, Corporate Governance Index, Corporate Governance Practices, Market valuation, Firm Performance.

സംഗ്രഹം

ഈ ഡോക്ടറേറ്റ് തീസിസ്, കേരളത്തിലെ ലിസ്റ്റുചെയ്ത സ്ഥാപനങ്ങളുടെ കോർപ്പറേറ്റ് ഭരണരീതികളെക്കുറിച്ചും വിപണി മൂല്യനിർണ്ണയത്തിൽ അവയുടെ ആഴത്തിലുള്ള സ്വാധീനത്തെക്കുറിച്ചും സമഗ്രമായ അന്വേഷണം അവതരിപ്പിക്കുന്നു. ബോംബെ സ്റ്റോക്ക് എക്സ്ചേഞ്ചിലും (ബിഎസ്ഇ) നാഷണൽ സ്റ്റോക്ക് എക്സ്ചേഞ്ചിലും (എൻഎസ്ഇ) ലിസ്റ്റ് ചെയ്തിട്ടുള്ള 45 പൊതു വ്യാപാര കമ്പനികളെ ഈ പഠനം ഉൾക്കൊള്ളുന്നു, കൂടാതെ കമ്പനികളുടെ പ്രസിദ്ധീകരിച്ച വാർഷിക റിപ്പോർട്ടുകളിൽ നിന്ന് ശേഖരിച്ച ഡാറ്റയെ ആശ്രയിച്ചിരിക്കുന്നു.

കോർപ്പറേറ്റ് ഭരണത്തിന്റെ പ്രധാന വശങ്ങളും വിപണി മൂല്യനിർണ്ണയവുമായുള്ള അതിന്റെ ബന്ധവും അഭിസംബോധന ചെയ്യുന്നതിനാണ് ഈ പഠനത്തിന്റെ ഗവേഷണ ലക്ഷ്യങ്ങൾ ക്രമീകരിച്ചിരിക്കുന്നത്. കേരളത്തിലെ ലിസ്റ്റുചെയ്ത കമ്പനികൾക്കിടയിൽ കോർപ്പറേറ്റ് ഭരണരീതികൾ പാലിക്കുന്നതിന്റെ അളവ് പഠനം വിശകലനം ചെയ്യുന്നു. മാർക്കറ്റ് ക്യാപിറ്റലൈസേഷനെ അടിസ്ഥാനമാക്കിയുള്ള കംപ്ലയൻസ് ലെവലിലെ വ്യതിയാനങ്ങൾ ഇത് പര്യവേക്ഷണം ചെയ്യുന്നു, കമ്പനിയുടെ വലുപ്പം ഭരണ മാനദണ്ഡങ്ങളെ എങ്ങനെ സ്വാധീനിക്കുന്നു എന്നതിനെക്കുറിച്ച് വെളിച്ചം വീശുന്നു. കൂടാതെ, ഈ കമ്പനികൾക്കിടയിലെ വിപണി മൂല്യനിർണ്ണയത്തിലെ വളർച്ചാ പ്രവണതകളെക്കുറിച്ച് പഠനം അന്വേഷിക്കുകയും അവരുടെ ഭരണ പ്രകടനത്തെ അടിസ്ഥാനമാക്കി വിപണി മൂല്യനിർണ്ണയത്തിലെ വ്യതിയാനങ്ങൾ തിരിച്ചറിയുകയും ചെയ്യുന്നു. അവസാനമായി, കോർപ്പറേറ്റ് ഗവേണൻസ് കംപ്ലയൻസും മാർക്കറ്റ് മൂല്യനിർണ്ണയവും തമ്മിലുള്ള സങ്കീർണ്ണമായ ബന്ധത്തിലേക്ക് ഇത് പരിശോധിക്കുന്നു, ഭരണം ഒരു കമ്പനിയുടെ വിപണി മൂല്യത്തെ എങ്ങനെ നേരിട്ട് സ്വാധീനിക്കുന്നു എന്ന് വ്യക്തമാക്കുന്നു.

ഈ കർക്കശമായ പരിശോധനയുടെ കെ ത്തലുകൾ ഭരണവും ഉറച്ച മൂല്യവും തമ്മിലുള്ള സങ്കീർണ്ണമായ പരസ്പരബന്ധം മനസ്സിലാക്കുന്നതിന് ദൂരവ്യാപകമായ പ്രത്യാഘാതങ്ങൾ ഉ ാക്കുന്നു. ഏകീകൃത കോർപ്പറേറ്റ് ഗവേർണൻസ് കംപ്ലൈൻസ് പ്രകടനം വിവിധ തരത്തിലുള്ള മൂലധന കമ്പനികളുടെ പ്രകടനത്തിൽ മാറ്റം വരുത്തിന്നില്ല എന്ന വാദം നിരസിച്ചതാണ് ഒരു സുപ്രധാന കെ ത്തൽ. നിക്ഷേപകരെ ആകർഷിക്കുന്നതിനും സുസ്ഥിരമായ വളർച്ച ഉറപ്പാക്കുന്നതിനും അത്യന്താപേക്ഷിതമായ കൂടുതൽ കരുത്തുറ്റ ഭരണ പ്രക്രിയകളും ഘടനകളും പ്രദർശിപ്പിക്കുന്ന വലിയ ക്യാപ് കമ്പനികൾക്കൊപ്പം, കമ്പനിയുടെ വലുപ്പത്തിനനുസരിച്ച് ഭരണ വിലയിരുത്തലുകൾ ക്രമീകരിക്കേ തിന്റെ നിർണായക പ്രാധാന്യത്തെ ഇത് അടിവരയിടുന്നു. നേരെമറിച്ച്, സ്മോൾ ക്യാപ് കമ്പനികൾക്ക് അവരുടെ തനതായ ആവശ്യങ്ങളോടും വെല്ലുവിളികളോടും പൊരുത്തപ്പെടുന്ന പ്രത്യേക ഭരണ തന്ത്രങ്ങൾ ആവശ്യമാണ്.

ഈ ഡൊമെയ്നുകളിലെ മാർക്കറ്റ് ക്യാപിറ്റലൈസേഷന്റെ ആഴത്തിലുള്ള സ്വാധീനം വെളിപ്പെടുത്തുന്ന ബോർഡ് ഘടനകളും ഭരണ പ്രക്രിയകളും പഠനം സൂക്ഷ്മമായി

പരിശോധിക്കുന്നു. വ്യത്യസ്ത വിപണി വലുപ്പത്തിലുള്ള കമ്പനികൾക്കിടയിലുള്ള ഡിഫറൻഷ്യൽ കംപ്ലയൻസ് ലെവലുകൾ, അനുയോജ്യമായ ഭരണ തന്ത്രങ്ങളുടെ ആവശ്യകതയെ അടിവരയിടുന്നു. ഈ അറിവ് ഭരണവുമായി ബന്ധപ്പെട്ട് അറിവോടെയുള്ള തീരുമാനങ്ങൾ എടുക്കാൻ പങ്കാളികളെ പ്രാപ്തരാക്കുന്നു, അതുവഴി മൊത്തത്തിലുള്ള ഭരണ ഫലങ്ങൾ മെച്ചപ്പെടുത്തുന്നു. കൂടാതെ, ബോർഡ് കമ്മിറ്റികൾ, കോർപ്പറേറ്റ് സോഷ്യൽ റെസ്പോൺസിബിലിറ്റി, നിക്ഷേപക സംരക്ഷണം, റിസ്ക് മാനേജ്മെന്റ്, റിപ്പോർട്ടിംഗ് ചട്ടക്കൂടുകൾ, വിസിൽബ്ലോയിംഗ് നടപടിക്രമങ്ങൾ, ഓഹരി ഉടമകളുടെ ആശങ്കകൾ എന്നിങ്ങനെയുള്ള പ്രത്യേക ഭരണ വശങ്ങൾ പഠനം പരിശോധിക്കുന്നു. മാർക്കറ്റ് ക്യാപിറ്റലൈസേഷന്റെ അടിസ്ഥാനത്തിൽ കാര്യമായ വ്യതിയാനങ്ങൾ പ്രകടിപ്പിക്കുന്ന ഈ വശങ്ങൾ മൊത്തത്തിലുള്ള ഗവേണൻസ് ലാൻഡ്സ്കേപ്പിനെ രൂപപ്പെടുത്തുന്നു. നിക്ഷേപക സംരക്ഷണ നയങ്ങളും റിപ്പോർട്ടിംഗ് നിലവാരവും മെച്ചപ്പെടുത്തുന്നതിനും ആത്യന്തികമായി സുതാര്യതയും ഉത്തരവാദിത്തവും വളർത്തുന്നതിനും സ്മോൾ ക്യാപ് കമ്പനികൾക്കായി ഇഷ്ടാനുസൃതമാക്കിയ ഇടപെടലുകൾ പഠനം ശുപാർശ ചെയ്യുന്നു.

നിർണായകമായി, ഈ പഠനം കോർപ്പറേറ്റ് ഗവേണൻസ് മാനദണ്ഡങ്ങളും കമ്പനി വിപണി മൂല്യനിർണ്ണയവും തമ്മിൽ ഗണ്യമായ ബന്ധം സ്ഥാപിക്കുന്നു. ഭരണം എന്നത് കേവലം പാലിക്കൽ വ്യായാമമല്ലെന്നും കമ്പനിയുടെ വിപണി മൂല്യത്തെ നേരിട്ട് സ്വാധീനിക്കുന്ന തന്ത്രപരമായ അനിവാര്യതയാണെന്നും ഇത് എടുത്തുകാണിക്കുന്നു. നിക്ഷേപകർക്കും കോർപ്പറേറ്റ് എക്സിക്യൂട്ടീവുകൾക്കും ഓഹരി ഉടമകളുടെ മൂല്യവും സാമ്പത്തിക പ്രകടനവും പരിഗണിക്കുന്നതിന്റെ പ്രാധാന്യം ഊന്നിപ്പറയുന്ന, നല്ല ഭരണരീതികൾ ഉയർന്ന വിപണി മൂല്യനിർണ്ണയത്തിന് കാരണമാകുമെന്ന് ഗവേഷണം അടിവരയിടുന്നു.

ഉപസംഹാരമായി, ഈ തീസിസ് കേരളത്തിലെ ലിസ്റ്റുചെയ്ത കമ്പനികൾക്കിടയിൽ കോർപ്പറേറ്റ് ഗവേണൻസ് മാനദണ്ഡങ്ങളുടെ സമഗ്രമായ പര്യവേക്ഷണം വാഗ്ദാനം ചെയ്യുന്നു, ഇത് ഉറച്ച മൂല്യനിർണ്ണയത്തിൽ അവയുടെ സ്വാധീനം വ്യക്തമാക്കുന്നു. കോർപ്പറേറ്റ് ഭരണത്തിന്റെ സൂക്ഷ്മമായ സ്വഭാവം, അസാധുവായ അനുമാനങ്ങളുടെ നിരാകരണവും വിപണി-വലുപ്പ-ആശ്രിത വ്യത്യാസങ്ങളും തെളിയിക്കുന്നു, പ്രത്യേക കമ്പനി വലുപ്പങ്ങൾക്കനുസരിച്ച് ഭരണ തന്ത്രങ്ങൾ ക്രമീകരിക്കുന്നതിന് ആവശ്യമായ അറിവ് ഓഹരി ഉടമകൾക്ക് നൽകുന്നു. പ്രധാനമായും, വിപണി വിജയം കൈവരിക്കുന്നതിനുള്ള ഒരു പ്രധാന ഘടകമായി ഭരണത്തിന് മുൻഗണന നൽകണമെന്ന് ഇത് വാദിക്കുന്നു. ചലനാത്മകമായ ബിസിനസ്സ് ലാൻഡ്സ്കേപ്പിൽ വികസിച്ചുകൊ ിരിക്കുന്ന കേരളത്തിലെ ലിസ്റ്റഡ് കമ്പനികളുടെ മൊത്തത്തിലുള്ള പ്രകടനവും വിപണി മൂല്യവും വർധിപ്പിക്കുന്ന ഭരണനടപടികൾ രൂപപ്പെടുത്തുന്നതിനുള്ള മൂല്യവത്തായ റഫറൻസാണ് പഠനത്തിന്റെ ക ത്തലുകൾ.

സൂചക പദങ്ങൾ: ചോർപ്പറേറ്റ് ഭരണം, കോർപ്പറേറ്റ് ഭരണ സൂചിക, കോർപ്പറേറ്റ് ഭരണ രീതികൾ, വിപണിമൂല്യനിർണ്ണയം, സംരംഭ പ്രകടനം.

List of Abbreviations

AGM	:	Annual General meeting
BSE	:	Bombay Stock Exchange
CG	:	Corporate Governance
CGI	:	Corporate Governance Index
CII	:	Confederation of Indian Industries
CSR	:	Corporate Social Responsibility
ID	:	Independent Director
IFC	:	International Finance Corporation
LODR	:	Listing Obligations and Disclosure Requirements
NED	:	Non-Executive Director
NSE	:	National Stock Exchange
OECD	:	Organization for Economic Co-operation and Development
ROA	:	Return on Assets
ROE	:	Return on Equity
SEBI	:	Securities and Exchange Board of India

CHAPTER 1
INTRODUCTION

1.1 Preface

Companies in their different forms play a vital role in a country's economy. They contribute to economic growth, job creation, and innovation. Companies create wealth by producing goods and services that satisfy human needs and wants, thereby contributing to the overall prosperity of a society (Porter & Kramer, 2006). As the world becomes increasingly interconnected, the relationship between human existence and the world of business becomes more important and complex. Changes in one area can have significant impacts on the other, and this relationship is only becoming more pronounced due to the accelerating pace of globalization and technological innovation. Companies and their function in the economy have been significantly impacted by the speed of globalization and technological advancement. The increasing complexity and competitiveness of corporations have been a direct result of these changes (Porter & Heppelmann, 2014). However, the speed of globalization and technological innovation has increased the complexity and competitiveness of corporations, making it more difficult for them to compete in an increasingly crowded and dynamic marketplace (Hamel, G., & Prahalad, C. K. (1990).

Pre-industrial economies were generally characterized by poor productivity, little commerce, and a dearth of technological innovation. There was no separation between ownership and management. For example, in family-owned and managed businesses, the owners oversaw both management and operations. Nevertheless, the company's size and complexity grew day by day. In the 19th century, both the global economy and society were affected by significant economic and commercial changes. The evolution of modern trade and economic activity resulted in a more widespread separation between ownership and management around the end of the 19th century and the beginning of the 20th. Firms now had their own corporate ownership and governance structures due to the growing complexity of enterprise operations and the introduction of modern management theory. One of the factors that helped to create new types of business organizations and modern corporate activities was the rapid growth of industry and trade during this period. Moreover, a new face had been given to production, distribution, and consumption due to the growth of industrialization, globalization, and urbanization. This period also saw the growth of colonialism and international trade, along with global economic development.

Shareholders not only owned businesses but also held stock in the company, which allowed them to raise substantial amounts of money. This facilitated the initiation of major business ventures and rapid growth. By investing in new companies and maintaining diversified personal portfolios, shareholders were able to avoid the burden of all associated financial risks. Consequently, a new class of wealthy investors and several large corporations emerged. However, it should be noted that during the 19th century, corporate governance primarily focused on safeguarding the interests of shareholders, with minimal regard for the interests of other stakeholders, such as employees and customers (Hansmann & Kraakman, 2001).

In the 19th century, joint stock companies also emerged, leading to the agency problem where conflicts of interest arose between shareholders and managers. Delegating authority often led to managers prioritizing their interests or short-term gains over long-term value creation, posing a persistent challenge in modern corporate governance. Shareholders have implemented various measures to address the agency problem, which focuses on observing and managing managers' behavior in modern corporate governance. These measures include corporate governance practices such as independent directors, executive compensation plans, and performance indicators. Shareholders also use activism, such as proxy battles or shareholder resolutions, to pressure managers to act in their best interests. However, despite these efforts, the agency problem remains a persistent challenge due to conflicting objectives and misaligned decision-making among investors. This can lead to suboptimal investments and even scandals or failures. Furthermore, investors may have differing views on the value of the company, which can also create conflicts of interest.

The Enron scandal in the US in 2001 and the Maxwell Communications scandal in the UK in 1991 are examples of international scandals that demonstrate the severity of the agency problem. In the Maxwell Communications scandal, Robert Maxwell, the company's owner, stole pension money. Enron manipulated balance sheet transactions and changed its financial reports to conceal its debt. The Sarbanes-Oxley Act of 2002 was enacted in the US to strengthen corporate governance and financial reporting in response to the Enron scandal. Other scandals, such as the WorldCom scandal in 2002, the bankruptcy of Lehman Brothers in 2008, and the Volkswagen emissions scandal in 2015, further eroded investors' confidence in firms. The collapse of these large firms prompted serious discussions about establishing an internationally accepted system of corporate control. Consequently, the concept of "Corporate Governance" emerged as a means of addressing the agency problem and ensuring that firms act in the best interests of their shareholders.

Corporate governance: Corporate governance issues have also been observed in India. Historically, the British East India Company held significant influence over the country during the 18th and 19th centuries, shaping its economy and society. The British colonial government played a key role in regulating and promoting joint stock companies in India during the 19th century. The English East India Company was established in the early 1600s and received a royal charter to conduct business with India and other Asian nations, leading to a significant impact on the Indian economy in various areas such as trade, finance, and agriculture. The company was governed by several laws and rules, and its management and operations were subject to control. Several Companies Acts were also passed over time, based on the English Companies Act. The Companies Acts were amended to strengthen the legal and regulatory system of corporate governance. However, it is important to note that this framework was primarily designed to serve the interests of the British East India Company and the British Government, and did not place much emphasis on promoting transparency, accountability, or protecting shareholder interests. Additionally, there were very few regulations in place to govern corporate governance procedures, indicating a lack of an established framework for corporate governance in the capital markets.

The Indian Companies Act of 1882 mandated joint stock companies to keep proper accounts and hold annual general meetings, which improved transparency and accountability in corporate governance (Ghosh, 2018). The Companies Act of 1956 introduced some fundamental guidelines for corporate governance that remained in force until 2013, but earlier capital markets lacked adequate corporate governance standards. As a result, the concept of corporate governance emerged in India during the early 1990s after the liberalization of the Indian economy (Kumar & Sharma, 2014). In 1998, the Securities and Exchange Board of India (SEBI) adopted a voluntary code of corporate governance for listed companies that provided guidance on board composition, audit committees, and disclosures (SEBI, 1998). Despite low compliance, SEBI made it mandatory by amending it in 2000 (SEBI, 2000).

In India, numerous committees have been established to address issues related to corporate governance such as Kumar Mangalam Birla Committee (1999), Naresh Chandra Committee (2002), Narayana Murthy Committee (2003), J J Irani Committee (2005) and Uday Kotak committee (2017). In recent decades, India has made significant progress in improving its corporate governance structure by implementing new laws, regulations, and standards that promote transparency, accountability, and ethical business practices. The Securities and Exchange Board of India Act 1992 (SEBI) and the Companies Act, 2013, have introduced various rules and regulations to ensure that companies adhere to robust corporate governance standards. Corporate governance practices have a profound impact on the functioning and performance of listed firms. While inadequate governance can lead to financial scandals, mismanagement, and a loss of investor confidence, effective governance practices can enhance transparency, accountability, and ethical conduct.

Corporate governance regulations cover various aspects such as the composition of the board of directors, audit committees, disclosure requirements, and related-party transactions, among others. Compliance with these regulations is essential for Indian businesses to build stakeholder trust, mitigate risks, and ensure their long-term sustainability. This study aims to examine corporate governance practices and their impact on the performance of listed companies in Kerala, as well as the extent of their compliance with relevant regulations and norms.

1.2. Stakeholders

Stakeholders represent the shareholders that have an interest and are key stakeholders in the enterprise's inception, sustainability, growth, and development. Stakeholders are individuals or groups who have an interest in an organization and its operations and can be affected by its actions and decisions (Freeman, 1984). Stakeholders may include shareholders, employees, customers, suppliers, regulators, and the wider community in the context of corporate governance (OECD, 2004).

Stakeholders are of two types: *internal stakeholders* and *external stakeholders*.

1.2.1 Internal stakeholders and external stakeholders.

Internal stakeholders are those who are within the organization and their interest comes through a direct relationship, especially through employment, ownership, and investment. Staff, managers, and owners are the major internal stakeholders. On the other hand, external stakeholders are outsiders of the company, and they are not directly working with the company, but are affected by the affairs of the business. External stakeholders include suppliers, creditors, customers, shareholders, government, and society.

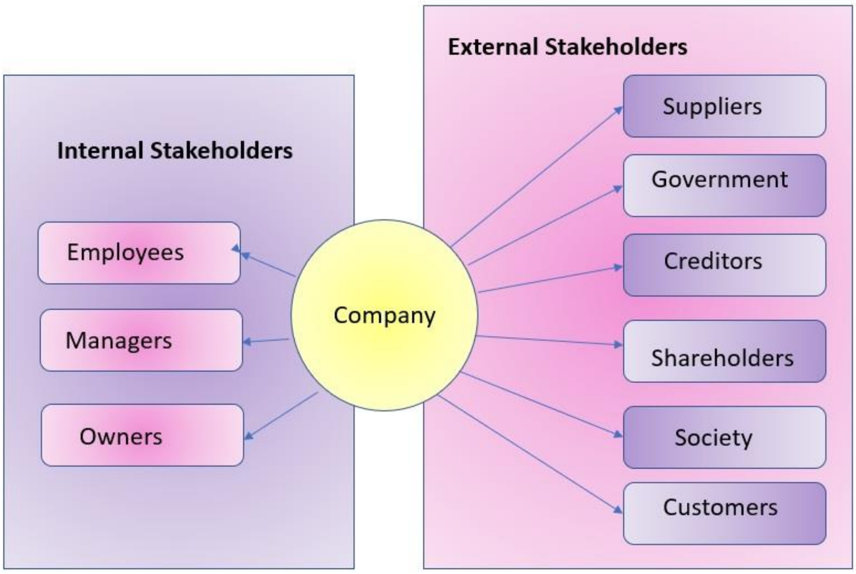

Figure 1.1. Stakeholders of a company

1.3. Theories of Corporate Governance

Different kinds of theories are there to define the success of an organization. Agency theory, stewardship theory, stakeholder theory, resource dependence theory, transaction cost theory, and sociological theory are the different theories of corporate governance. Applying these theories together helps to ensure effective corporate governance.

- Agency theory
- Stewardship theory
- Stakeholder theory
- Resource dependency theory
- Transaction cost theory
- Sociological Theory

1.4. Statement of the problem

The corporate world has always been criticized for its extrapolation in figures and conjunctions in transparency. Corporate scams in many parts of the globe, including the UK and the US led to the emergence of the concept of corporate governance. As a result of the liberalization in 1992, India's trade became internationally visible and the market grew exponentially, dwelling in the new sphere of the international platform. However, corporate governance gained significance in India with the Sathyam scam.

Improvised form of transparency has often been proved through the considerable discussion on the concept of corporate governance. In the current scenario, India demands enhanced visualization in configuring the art of corporate governance in a fair business. Various committees including committees by SEBI have studied the inadequacy of the current situation which led to the legal codes on corporate governance. But even today Indian corporate governance faces allegations from big business giants.

Good corporate governance emphasizes transparency and efficacy of the corporate, leading to the success of the organizations and the need for the same is increasing nowadays. This study aims to find out the factors influencing corporate governance practices and to check what is the outcome of listed companies in Kerala. Moreover, the study covers how far these companies have complied with the corporate governance norms, and also an objective has been set to study the impact of corporate governance on firm performance.

1.5. Research questions

This study attempts to answer the following questions;

1. What is the magnitude of corporate governance practices of listed companies in Kerala?
2. Is there any improvement in corporate governance practices during the last five years?

3. Is there any variation in the magnitude of corporate governance practices based on market capitalization?

4. What is the market valuation growth rate for Kerala's listed companies?

5. Are there any variations in the market valuation of listed companies in Kerala?

6. What is the relation between the corporate governance practices and the market value of companies in Kerala?

1.6. Scope of the study

This study focuses on corporate governance practices and outcomes of listed companies in Kerala and checks how far they complied with the corporate governance rules and regulations. It also studies the relationship between the quality of corporate governance and the market valuation of the listed companies. This study covers 45 listed companies in Kerala (both BSE and NSE) for a period of five years starting from 2013-2014 to 2017-2018. For this, the researcher collected data from the published annual reports of the companies.

1.7. Objectives of the study

Based on the research questions the following objectives are set for the study:

1. To analyze the compliance levels of corporate governance practices of listed companies in Kerala.

2. To study the variations in the compliance levels of corporate governance based on market capitalization.

3. To examine the growth of market valuation of listed companies in Kerala.

4. To study the variations in the market valuation of listed companies in Kerala.

5. To study the relationship between the compliance level of corporate governance and the market valuation of the listed companies.

6. To suggest recommendations based on the findings of the study.

1.8. Hypothesis of the study

Based on the above objectives, the scholar has formulated the following hypothesis for the study.

H_0: The overall corporate governance compliance performance does not significantly differ among large-cap, medium-cap, and small-cap companies in Kerala.

H_0: There is no significant difference in the level of compliance with board structure and process performance among different categories of companies based on market capitalization.

H_0: There is no significant difference in CSR compliance among the three categories of listed companies based on market capitalization (large cap, medium cap, and small cap).

H_0: There is no significant difference in the compliance levels of investor protection among large-cap, mid-cap, and small-cap companies based on market capitalization.

H_0: There is no significant difference in the compliance levels of risk management among large-cap, mid-cap, and small-cap companies based on market capitalization.

H_0: There is no significant difference in the compliance levels of reporting framework whistle blowing mechanism among large-cap, mid-cap, and small-cap companies based on market capitalization.H0:

H_0: There is no significant difference in the compliance levels of whistle blowing mechanism among large-cap, mid-cap, and small-cap companies based on market capitalization.

H_0: There is no significant difference in the compliance levels of value of other stakeholders among large-cap, mid-cap, and small-cap companies based on market capitalization.

H_0: There is no significant difference in the compliance levels of statutory auditors among large-cap, mid-cap, and small-cap companies based on market capitalization.

H_0: The growth rates of market valuation for listed companies are equal.

H_0: There is no significant difference in the mean market capitalization among the three categories (Large cap, medium cap, small cap) based on market capitalization in each year.

H_0: There is no significant relation between corporate governance and firm market valuation.

1.9. Potential contributions of the study

The present study tries to validate Eugene Fama's (1970) theory of Efficient Market Hypothesis (EMH) which states that the capital market is efficient in information processing and adjusting to market valuation. Hence, higher quality of corporate governance leads to higher market valuation and vice versa. The study attempts to validate this theory through redefined methodology.

1.10. Conceptual Model

This study aims to demonstrate how effective corporate governance enhances a firm's performance. The overall goal of this study is to determine whether corporate governance practices have an impact on firm performance. Corporate governance is an umbrella term used to ensure fairness, transparency, equity, etc. in the affairs of the functioning of a corporate body. Corporate governance practices studied here are Board Composition and Structure, Board Committees, Corporate Social Responsibility (CSR), Investor protection, Reporting Framework, Risk Management, Independent/Statutory auditors and Value for other stakeholders on firm performance. The interrelationship between corporate Governance practices and Firm performance is depicted in the conceptual model (Figure 2.0) developed for the study.

As per solid corporate governance concepts like Transparency, Accountability, Responsibility, Independence, and Fairness, corporate governance is intended to expertly steer a corporation. Good corporate governance is believed to improve business performance. Corporate governance standards are significantly influenced by the individuals involved in a company's management system, including its shareholders, investors, creditors, employees, and government. Implementing strong corporate governance has as its main objective maximizing value for stakeholders and shareholders over the long term.

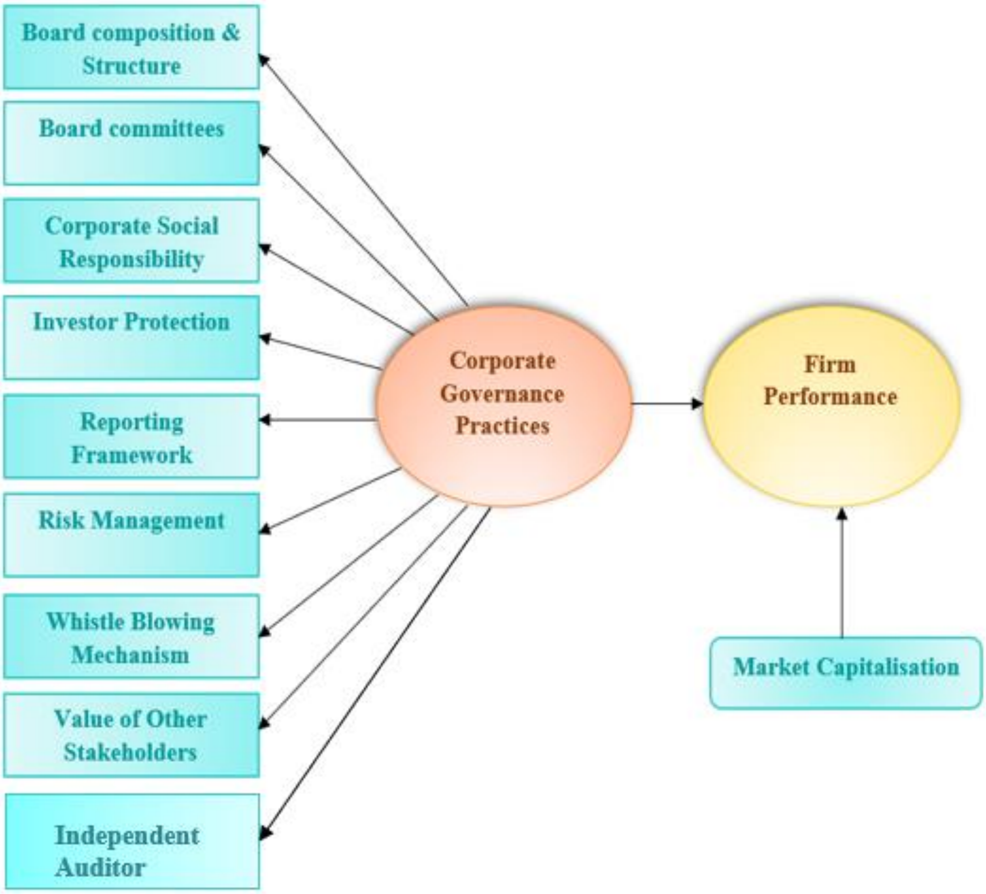

Figure 1.2. Conceptual Model

1.10.1. Board of Director's Composition and Structure

Sec.2 (3) of the Companies Act defines a director as "Any director includes any person occupying the position of director, by whatever name called". He is the person in charge of the organization's affairs, including its direction, conduct, management, and supervision. Directors are chosen by shareholders to handle the operations of the firm and are the shareholders' representatives. A group of directors constitute the "Board of Directors." They serve as the corporation's top administrative body. They have a lot of authority to run the business. Because the Board of Directors is entrusted with the overall direction and management of the company's affairs, they must comply with the provisions of the Companies Act as well as the general and specific duties imposed by the Articles of Association. In a competitive environment, the existence of a company is dependent on the efficiency of the Board of Directors, and thus the performance of the Board of Directors can be a deciding factor of corporate governance. In the words of the Cadbury committee, “The structure, role, and responsibilities of the board of directors are the most important aspect of corporate governance”. According to Principle VI of the OECD principles “The corporate governance framework should ensure the strategic guidance of a company, the effective monitoring of management by the board and the board’s accountability to the company and shareholders. According to the Birla committee, the three constituents of corporate governance are shareholders, the board of directors, and the management”.

1.10.2. Board committees

Board committees are the sub-committees of the board of directors of a company. It is an essential component of corporate governance. “In companies considered too large for all the members of the Board to participate in decisions affecting the organization as a whole, a committee is given the power to make decisions or take actions”. Sharma, J. P. (2013). When there are too complex issues that require serious discussions by the entire board, the board committees are set up. It focuses on areas of governance and oversight and is formed to facilitate effective decision-making and manage risks and ensure compliance with all legal and regulatory requirements.

There are four board committees as per the Companies Act, 2013. They are;

a) Audit Committee

b) Nomination and Remuneration Committee

c) Stakeholders' Relationship Committee

d) Corporate Social Responsibility Committee

a) Audit Committee

The role of the audit committee is important for effective corporate governance in the company and to offer effective oversight of the annual auditing process, the board relies on their audit committee. As per the Companies Act, 2013, the board of every listed company and certain other public companies is required to constitute an audit committee with a minimum of three directors, the majority of them being independent directors. When the majority of the audit committee members are independent and objective, they may perform their best quality work. The members of the audit committee should have the ability to read and understand financial statements and the committee should have at least one individual with financial expertise. The audit committee provides recommendations for the appointment and remuneration of auditors, approval of related party transactions, and scrutinizing other financial mechanisms of the company. In the financial reporting process, senior managers and independent auditors have distinct roles and managers are responsible to prepare the financial statements and establish internal controls over the financial reporting. The independent auditor has the responsibility to examine and express an opinion regarding the fairness of the financial statements, the financial position of the company, operational results, and cash flows.

b) Nomination and Remuneration Committee

The Board of Directors of every listed company shall constitute a Nomination and Remuneration Committee in the company. The committee shall be consisting of three or more non-executive directors, out of which not less than one-half shall be independent directors. The chairman of the committee shall also be an independent director. The committee shall identify the persons who are qualified to become directors and guide the Board in their appointment and removal along with carrying out their performance evaluation.

c) Stakeholders Relationship Committee

As per the Companies Act 2013, every listed company having more than one thousand shareholders, debenture holders, deposit holders, and any security holders at any time during a financial year shall constitute a stakeholders relationship committee. This committee aims to resolve the grievances of the security holders of the company related to the transfer/transmission of shares, non-receipt of the annual report and declared dividends, issue of new or duplicate certificates, etc. This committee should consist of at least three directors out of which at least one is an independent director and a listed company having outstanding supervisory voting rights (SR) equity shares, at least two-thirds of the committee shall comprise independent directors. The Chairperson of the committee shall be a non-executive director and the committee shall meet at least once a year.

d) Corporate Social Responsibility Committee

Under section 135 of the Companies Act 2013, certain companies having a net worth of five hundred crores or more, a turnover of one thousand crores, or a net profit of five crores or more during a financial year shall constitute a CSR Committee. This committee is responsible for devising, recommending, and monitoring the CSR Committee initiatives.

1.10.3. Statutory/ Independent auditor

A statutory auditor is an impartial specialist chosen to check and confirm a company's financial records and statements to make sure they are accurate, compliant with accounting standards, and adhere to legal requirements. The statutory auditor is essential to improving accountability and transparency in company governance. They offer an unbiased and objective evaluation of a company's internal controls, risk management procedures, and financial stability. The statutory auditor's audit contributes to building stakeholders' confidence in the accuracy and integrity of the company's financial reporting, including that of shareholders, creditors, and regulators. According to the Companies Act, 2013 in India, every company is required to appoint a statutory auditor who must be a practicing-chartered accountant, providing further credibility to the audit process (Section 139, Companies Act, 2013). By assuring transparency, accountability, and an accurate depiction of a company's financial status, the statutory auditor's job is essential in sustaining the principles of good corporate governance.

1.10.4. Corporate Social Responsibility

Corporate Social Responsibilities (CSR) is the responsibility of an enterprise to take initiative and contribute towards the economic, environmental, and social welfare of the general community. The provisions relating to the CSR policy came into effect in April 2014, under Section 135 and Schedule VII of the Companies Act 2013. As per the Act, every company, private limited or public limited, which either has a net worth of five hundred crores or a turnover of one thousand crores or a net profit of five crores needs to spend at least 2 percent of its average net profit for the immediately preceding the three financial years on CSR activities. Any activity directly or indirectly connected with the business carried out by the company cannot be treated as CSR activities and it includes activities mentioned in Schedule VII of the Act. While calculating CSR expenditure the activities only in India can be considered as CSR activities and no contribution to any political party is a CSR activity. There shall be three or more directors in a CSR committee and out of which at least one director shall be independent.

1.10.5. Investor Protection

Effective corporate governance is determined by strong investor protection. It is necessary to get a reasonable return as and when they invest hard-earned money in corporate securities. Investors obtain certain rights and powers when financing a firm. And these rights and powers are protected through certain regulations and laws. There are many provisions in the Companies Act, the Securities (Regulations) Act, and the SEBI Act to protect the interests of investors. Irrespective of the classes of investors Companies Act 2013 aims to protect them with several new provisions. Investor protection is important for the overall economic growth of the nation.

1.10.6. Reporting framework

The outsiders of a company use its annual reports and financial statements to understand what is happening inside. It is in this way the company communicates with outsiders and so the annual report and financial statements should be complete, comprehensive, clear, and transparent. Outsiders should get relevant and reliable information timely. Then only they can make investment decisions. Proper disclosure of the state of affairs of the company helps to get more investment. As per the Companies Act 2013, the financial statements of a company include the Balance sheet, the profit, and loss/ income, and expenditure accounts, the cash flow statement, and a statement of changes of equity. Information regarding Accounting treatment and policies, disclosures such as contingent liability and capital commitments, reports on related party transactions, etc. to be provided.

1.10.7. Risk Management

Risk is an element that cannot be avoided in any business. A company should have proper measures to face the risks happening in the business. The risk assessment plans shall be framed and implemented by the board. It is necessary to constitute a Risk Management Committee in the company and the board shall define its roles and responsibilities.

1.10.8. Whistleblowing Mechanism

Whistleblowing is a mechanism to seek the attention of the top management when any wrongdoing occurs within an organization. The person who reports this misconduct is called a “whistleblower”. He may be an employee, former employee, or member of an organization, a government agency, etc.

1.10.9. Value for Other Stakeholders

It is important to understand that a company cannot exist by itself and doesn’t operate in a vacuum. The help and cooperation of all constituents of the society are very important for its proper functioning. So, it should consider all the stakeholders fairly. A corporate exists not only for the benefit of the shareholders but also to consider the interests of other stakeholders such as employees, customers, institutional investors, etc.

1.11. Research Methodology

The notion of a "research onion," an arrangement created by Saunders, Thornhill, and Lewis in 2016, has been used by the researcher to outline the numerous stages that comprise the creation of the process of research. This model offers a methodical and multi-layered framework for comprehending the many procedures involved in the research process.

The research onion serves as both an illustrative model and a systematic approach for depicting the essential stages involved in crafting a research strategy. It was introduced by Saunders et al. (2007) to outline a structured progression for devising an effective research methodology. This framework is valuable due to its adaptability, making it suitable for virtually any research methodology and applicable across diverse contexts, as noted by Bryman in 2012. (Bryman, 2012). Particularly, each of the layers of the research onion offers more thorough phases of the process of research and an efficient evolution of developing research methodology.

According to Saunders et al. (2012), the concept of the research onion can be likened to peeling back layers, where one systematically progresses from the outermost layer to the innermost. When observed from the exterior, each layer of the onion represents a progressively detailed stage in the research process, as initially outlined by Saunders et al. in 2007. The significance of this metaphor lies in the importance of following a sequential and structured approach, where the right steps are taken in a consecutive manner to attain a specific research goal. In essence, the term "research onion" encapsulates this systematic and step-by-step approach to research.

1.12. Research Onion

Similar to peeling an onion's layers away, the research onion structure encourages moving from the outermost to the innermost layer. Let's examine each of the layers of the study "onion," which are divided into five key stages. They are as follows:

- Research Philosophy
- Research Approach
- Research Strategies
- Methodological Choice
- Time Horizon
- Research Design

1.12.1. Research Philosophy

A research philosophy consists of a collection of principles and beliefs that pertain to the fundamental nature of the reality under scrutiny. In the realm of research, it is imperative to delineate the worldviews and perspectives that guide one's inquiry. Understanding the chosen research philosophy plays a pivotal role in elucidating the underpinning assumptions of the research process and ascertaining its alignment with the selected methodology.

To quote Bryman (2012), "A research philosophy pertains to the set of convictions about the nature of the reality being investigated." Additionally, as emphasized by Flick (2011), "The assumptions stemming from a research philosophy furnish the rationale for the approach taken in conducting the research." Therefore, comprehending the adopted research philosophy not only serves to elucidate the presumptions underlying the research process but also facilitates an appreciation of how it harmonizes with the chosen methodology.

There are mainly four types of research philosophies used. They are;

- Positivism
- Critical realism
- Interpretivism and,
- Pragmatism

Observable, quantifiable data are studied by positivism using scientific methods to discover general laws and unchanging truths. Critical realism recognizes the complexity of social processes and seeks to delve deeper than the level of surface observations to find underlying causes and mechanisms. Interpretivism emphasizes the individualized and meaning-rich aspect of social phenomena and aims to comprehend society from the viewpoint of those who are a part of it. The goal of pragmatism is to employ a variety of theories and methodologies to work cooperatively with stakeholders to find solutions to real-world problems.

Positivism is the belief that knowledge of the facts can only be attained by observation. It has measurement, which is reliable. In positivist investigations, the researcher's ability to gather and analyze data is objectively constrained. In a nutshell, when doing the research, the researcher dissociates herself from her own personal values and is seen as an objective analyst. In these situations, the research findings are frequently obvious and quantitative. Positivism explains the independently existing world. (1998, Newman).

The researcher has used *positivism* in this study as the research philosophy.

1.12.2. Research Approach

There are three main methods used to produce information in the field of social science research. They are;

- ***Deductive Approach:*** People are often involved with scientific investigation in this method, regardless of the phenomena being studied. The researcher uses the deductive method, which involves reading current theories of the relevant phenomena they are examining and studying what others have done. They put to the test any hypotheses derived from those theories.

- ***Inductive Approach***: This strategy involves switching from a specific to a generic concept Bryman (2011).
- ***Abductive Approach:*** Abductive reasoning, initially articulated by the American philosopher C.S. Peirce (Haig, 2005), acknowledges and embraces the researcher's prior experience and practical wisdom, known as "phronesis." This approach recognizes the indispensable and intrinsic role of the researcher in the intricate interplay between the researcher, the subject of study, and theory (Thomas, 2010). In this study, the scholar has adopted a ***deductive approach***.

1.12.3. Research strategy: It is the method the researcher plans to use to conduct the study. In this study, an ***experimental research*** strategy is used.

1.12.4. Methodological choice: Mono, multi, and mixed approaches are among of the options included in the research paper (Saunders et al., 2007). There are generally a number of methodological options available, including:

- Mono quantitative
- Mono qualitative
- Multi quantities
- Multi qualitative
- Mixed method

In this study, the researcher has used the ***Mono Quantitative*** method.

1.12.5. Time horizon: The concept of time horizon in research, as explained by Saunders et al. (2007), pertains to the specific timeframe during which data collection occurs and the frequency of data gathering. Within the research onion framework, there are two distinct types of time horizons, as outlined by Bryman (2012): cross-sectional and longitudinal.

A cross-sectional time horizon is employed when dealing with an already established context, requiring data collection at a single point in time. This approach is chosen when the research focuses on the examination of a particular phenomenon at a specific moment. In contrast, a longitudinal time horizon for data collection involves the repetitive gathering of data over an extended period. This method is applied when a crucial aspect of the research involves the exploration of changes and developments over time, as highlighted by Goddard and Melville (2004). This research is based on a ***longitudinal time horizon.***

1.12.6. Research Design: A research design summarizes the key elements of a study and acts as an organized structure or framework for conducting research. In essence, it is comparable to a succinct summary of the key components of the study project. According to David Luck and Ronald Rubin (2001), the specifics of the project at hand and the researcher's preferences might affect the substance of a research design.

Basically, there are three types of research designs namely,

a. Exploratory research design

b. Descriptive research design, and

c. Explanatory research design.

When a researcher has little to no knowledge about the phenomenon being studied, they will utilize the first research design, which is a basic one. In this case, the researcher will use a session of brainstorming, focus group interviews, or a review of the literature type of design to produce a solid grasp of the research topic. A more exploratory research design can result in more creative ideas despite the low validity and dependability of this particular research methodology (David Luck & Ronald Rubin, 2001).

According to David Luck and Ronald Rubin (2001), a descriptive study design recounts the phenomena without drawing any conclusions about the relationship between the various variables. This design demonstrates that there is some relationship between the variables by providing an appropriate description of the variables pertinent to the choice being made. According to David Luck and Ronald Rubin (2001), the goal of experimental design is to show how different factors are related to one another.

In this study, the researcher has used a *descriptive research design.*

Following is the research onion for this study.

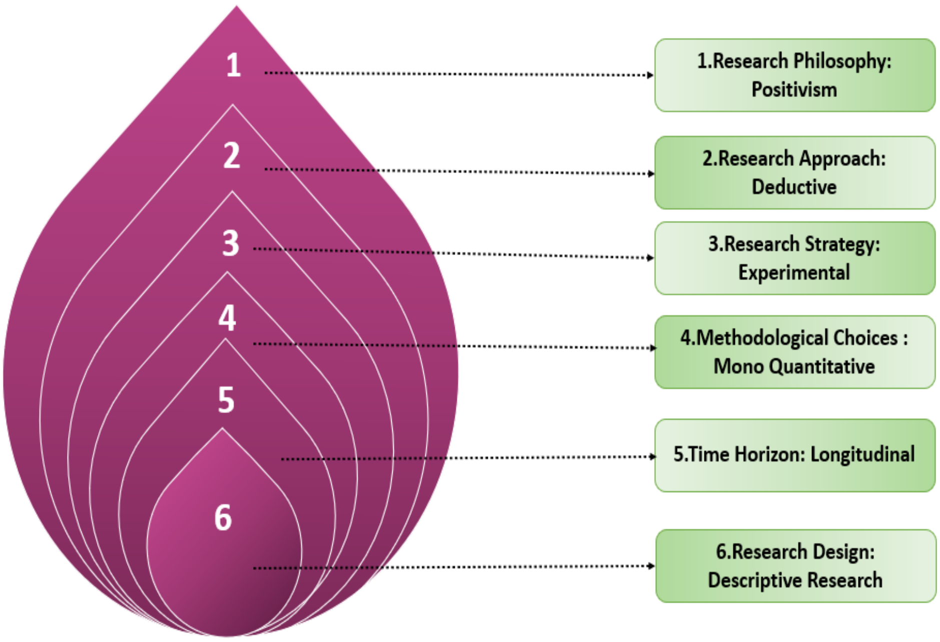

Figure 1.3. Layers of Saunder's Research Onion for this study

1.13. Sources of Data

The study uses secondary data to fulfill its objectives. Secondary data covers the annual report and other published data.

Secondary data has been collected from the following published sources;

- CMIE Prowess
- Official websites of companies
- Annual reports of companies
- Corporate governance reports
- Published Books
- Websites of SEBI

- Websites of NSE and BSE
- Thesis and Journals etc.

1.14. Census and Sampling Methods

Census and sampling are two methods of data collection. Census is a method where the investigator collects data with regard to the problem under study or investigation from every item of the population or universe. When the size of the population is small or there are widely diverse items in the population this method is used. Also, when there is a need for an intensive examination of different items with a high degree of reliability and accuracy census method is preferable. The sampling method is used for collecting data where the researcher collects data about a sample that is taken from a group of items called population. When the research is from a large area, the sampling method is better.

1.15. Selection of companies

There are 45 listed companies in Kerala therefore the scholar has used the census method for selecting companies for the study. These companies are classified on the basis of market capitalization as large-cap companies, medium-cap companies, and small-cap companies. Market capitalization is an effective way of evaluating the value of companies. Market capitalization above ₹.20000 crores come under the large-cap category, from ₹. 5000 crores to ₹.20000 crores medium-cap companies, and below ₹.5000 crores are small-cap companies.

Among the 45 listed companies, there is only one large-cap company, Muthoot Finance Ltd and 4 companies are medium-cap companies. The rest of the 40 companies are small-cap companies. The list is given in the appendix.

1.16. Research Instrument

One of the biggest tasks faced by the scholar in this research is the construction of a research instrument for measuring corporate governance as there were no standard comprehensive index covering all aspect of corporate governance in the public domain. Hence the scholar has constructed a Corporate Governance Index with 145 variables (CGI). It is employed to rate how well each company's corporate governance practices are followed. The complains of corporate governance of the listed firms has been measured on the basis of this corporate governance index. The details of the methodology of the construction of the index are given below.

1.17. Methodology for Index Construction and Variables Used

In order to construct the corporate governance index, the researcher found the regulatory requirements mainly from the Indian Companies Act, 2013, and SEBI Rule 49 of the Listing Agreements of Listed Companie (LODR). Necessary requirements as per the regulators in India like SEBI, Stock Exchanges in India, and Ministry of corporate affairs are also incorporated in the study.

There are 145 regulatory requirements as per the above acts and rules. Among the 145 variables, 95 are mandatory corporate governance practices and 50 of them are non-mandatory corporate governance practices. Higher importance is given to voluntary or non-mandatory variables by considering that mandatory requirements would have been done anyway. Using a weighted average method of scoring, corporate governance practices are given certain weights in order to find out the corporate governance score and to know the level of corporate governance compliance. For compliance with mandatory corporate governance practices a score of ‘1’ is given and for compliance with non-mandatory it is ‘2’ and if not complied the score is ‘0’. Hence the total score is 195 consisting of 95 scores for mandatory (95X1=95) requirements and 100 for non-mandatory requirements (50X2=100).

The corporate governance score of each company is calculated using the following formula:

CG score= Actual score/Total score*100

145 variables are grouped into 9 main elements for the construction of CGI and to check whether the companies have complied with them. They are;

Table 1.1 Elements of corporate governance and other details for the construction of Corporate Governance Index

S No.	Main elements	Number of Mandatory variables	Number of non Mandatory variables	Weights for mandatory	Weights for non-mandatory	Total score
1	Board structure and composition	24	14	1	2	52
2	Board committee	25	5	1	2	35
3	Statutory auditor	3	6	1	2	15
4	CSR	4	1	1	2	6
5	Investor protection	10	10	1	2	30
6	Reporting framework	19	5	1	2	29
7	Risk Management	7	0	1	2	7
8	Whistle Blowing Mechanism	3	1	1	2	5
9	Value for other stakeholders	0	8	1	2	16
	Total CG Index	**95**	**50**	**1**	**2**	**195**

Source: Created by the researcher

1.18. Measurement of Market Valuation

The market capitalization of companies is considered a firm valuation for this study. It is computed from the yearly average market value of share for different years from NSE. Symbolically;

Market Value = Number of shares outstanding Average market price per share*

1.19. Tools for Data Analysis

Statistical tools used for data analysis in this study are: Mostly mean and standard deviation are used to analyze the corporate governance performance of selected companies. Statistical significance of the mean variations is tested with ANOVA. The Post hoc test also used. Correlation and regression are also used to study the relation between corporate governance index and market capitalization of companies.

1.19.1. One-way ANOVA

The One-way Analysis of Variance (ANOVA) is used to compare variations between three or more groups. In order to understand variations in corporate governance practices of companies according to their market capitalization (large cap, medium cap, small cap) researcher applied one-way ANOVA.

1.19.2. The Post hoc test

The post hoc test of multiple comparisons is used to know which groups significantly differ from one another.

1.19.3. Correlation

Correlation describes the strength of an association between two variables. In this study, the researcher used correlation to know how the corporate governance practices such as Board Composition and Structure, Board Committees, Investor Protection, Reporting Framework, Statutory/ Independent Auditors, Risk Management, Corporate Social Responsibility, Whistle-blowing Mechanism, and Value for Other Stakeholders associated with the firm performance.

1.19.4. Regression

The regression model shows whether changes observed in the dependent variable are associated with the changes in one or more of the explanatory variables. Here the dependent variable is firm performance and the independent variables are the corporate governance practices (Board Composition and Structure, Board Committees, Investor Protection, Reporting Framework, Statutory/ Independent Auditors, Risk Management, Corporate Social Responsibility, Whistle-blowing Mechanism, and Value for Other Stakeholders). Simple linear regression was used to study the effect of overall corporate governance practices and firm performance and multiple regression was applied to understand the effect of corporate governance practices element-wise on firm performance.

1.20. Limitations of the study

1. A well-known corporate governance measurement index is not available so far, the researcher constructed a corporate governance index for this study. So, the limitations of the corporate governance index uphold the interpretation of the study.

2. Corporate governance performance can be measured by following a quantitative or qualitative approach, or both. In this study, the scholar has followed a quantitative approach. Hence all limitations of this approach are applicable to this study also.

3. Unlisted companies do not form part of the study and therefore the context of the study does not carry the interpretations of the entire companies of Kerala.

4. The data has been taken from annual reports however the same has not been authenticated by surveys and questionnaires along with interviews.

5. The study has taken a period of five years and therefore changes in a longer period have not been included in the interpretations of the study.

1.21. Chaptalization

- Chapter 1: Introduction, statement of the problem, objectives, and research methodology
- Chapter 2: literature review
- Chapter 3: Theoretical Overview of corporate governance
- Chapter 4: Data analysis
- Chapter 5: Summary Findings, Conclusion.
- Chapter 6: Recommendations and Scope for Further Research

This thesis has been structured around a clear set of objectives, with all chapters contributing in a particular way to attaining those objectives.

In the first chapter, a general review of corporate governance is given, along with a problem statement that is highlighted, the importance of the study is emphasized, the goals of the study are described, and the research methodology is explained.

In the second chapter, an in-depth analysis of the existing literature is covered. It is broken down into five main sections: corporate governance concepts, quality of corporate governance, legal framework for corporate governance, and the effect of corporate governance on firm performance.

The third chapter will present an overview of the theory of corporate governance to give readers a basic understanding of the topic. It focuses on the theories of corporate governance in India and around the world. For the analysis that follows, this chapter acts as a theoretical framework.

The fourth chapter, which is devoted to analysis, assesses corporate governance performance overall and then dissects it into component-wise evaluations. The study also looks into how corporate governance and firm performance relate to one another, helping to clarify how these two important factors interact.

The fifth chapter should conclude with a summary of findings, conclusions based on this research.

In the sixth chapter, the recommendations and implications of the study and the scope for further research are included. With the help of this organized method, it is able to fully address the study's goals and offer insightful contributions to the area.

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CHAPTER 2
REVIEW OF LITERATURE

The concept of corporate governance has gained significant attention in recent years, particularly in the wake of numerous corporate scandals that have rocked the business world. Corporate governance is an essential component of corporate operations that has drawn a lot of attention from academics, practitioners, and regulators throughout the years. Due to the crucial role, it plays in ensuring the sustainable growth and success of organizations, corporate governance has recently gained relevance. Various researchers from across the world have conducted a great deal of research on this topic. As a result, many researchers and scholars have focused their attention on studying various aspects of corporate governance, including its impact on firm performance, the role of boards of directors, the effectiveness of regulatory frameworks, and the relationship between corporate governance and social responsibility, among others. This study also covers some reviews of the literature on different studies in the same area. This study covers five heads; quality of corporate governance, corporate governance concepts, the legal framework of corporate governance, corporate governance and firm performance, and corporate governance practices. A review of studies in these five heads is briefly explained here.

2.1. Concepts of Corporate Governance

Salahuddin Yousuf and Md. Ariful Islam (2015) studied "The Concept of Corporate Governance and Its Evolution in Asia" which provides a detailed analysis of the concept of corporate governance and its evolution in the Asian region. The abstract clearly highlights the importance of corporate governance in contributing to corporations and the global economy, particularly in light of Asia's role as a key contributor to the global economy. The study's goal is to summarize the evolution of corporate governance in Asia so that it can be used by fresh researchers and policymakers. The article highlights the significance of corporate governance in resolving conflicts among stakeholders and its role in enhancing shareholder value and economic growth. It presents key achievements in Asian corporate governance and the implementation of OECD principles. Additionally, the article shares success stories of improved corporate governance with support from the International Finance Corporation (IFC). Overall, the study offers valuable insights for researchers and policymakers interested in corporate governance in Asia.

Manuel Alfonso Garzón Castrillon (2021) offers an insightful and comprehensive exploration of the diverse concepts underpinning corporate governance. Through a rigorous literature review and the application of the Method Ordination approach, the article lays a strong foundation for understanding the essence of corporate governance. Delving into key theories such as the Agency Theory, Shareholder Theory, Stakeholder Theory, and more, the author highlights the multifaceted nature of governance practices. By elucidating the distinction between governance and administration, the study emphasizes that the objective of corporate governance theories is not merely to study how managers govern but to comprehend the underlying mechanisms and principles that drive effective governance within organizations. This article is a valuable resource for researchers, practitioners, and anyone seeking a deeper understanding of corporate governance's critical role in modern business practices.

Randall K. Morck and Lloyd Steier (2005) presents a fascinating exploration of corporate governance's historical development worldwide. The book highlights how pivotal events, ideas, and family influence have shaped governance structures in different countries. It emphasizes the role of legal systems and the impact of institutional changes, cautioning against over-optimistic top-down reforms in developing nations. The authors underscore the interconnectedness between financial development, professional management, and family control in corporate governance. Through historical case studies, the book offers valuable insights into the complex and evolving nature of governance systems, making it an essential read for those interested in understanding the diverse facets of corporate governance on a global scale.

Minh Le Toan and Walker Gorden (2008) studied the corporate governance of listed companies in Vietnam. The study provides a background to corporate governance. The study confined that listed companies need to improve their corporate governance to ensure market transparency, investor protection, and effective management in order to ensure better development of the securities market. The study points out the effects of good governance and weak governance. It also suggests that in order to promote effective corporate governance it is necessary to set up a high-level committee that consists of relevant institutions.

Charantimath N A (2003) attempted to suggest a code of corporate governance for India in his study, "Corporate Governance in India: A Study of Indian corporate sector in the Context of economic liberalization and Globalization." This study examines the concept of voluntary versus rule-based corporate governance in the changed economic contexts, liberalization, and globalization. Also, the study analyses the role and expectations of stakeholders in the corporate sector. The researcher examined the level of corporate governance compliance in the corporate sector of India. The study has highlighted the fact that corporate misgovernance undermines the stakeholder's confidence level to an extent.

AC Fernando (2012) in his book, Corporate Governance- Principles, Policies, and Practices, noted that corporate governance is typically perceived by academic literature as dealing with "Problems that result from the separation of ownership and control". He is also of the opinion that many factors like the internal structure and composition of the Board of Directors, management control, independent audit committee creation, and rules for disclosure of information to shareholders and creditors, etc., are focused on corporate governance.

Shleifer Andrei and Vishney W Robert's (1997) extensively examine the significance of legal protection for investors and ownership concentration within corporate governance systems worldwide. The authors define corporate governance as the mechanism through which providers of finance to various corporations seek to secure a return on their investments. The study delves into the intricacies of agency problems, referring specifically to the challenges faced by financiers in safeguarding their funds from being expropriated or squandered on unproductive ventures.

Abdullah Haslinda and Valentine Benedict (2009) in their article made a review of literature on the range of theories in corporate governance. The fundamental theories in corporate governance started with the agency theory and then stewardship theory, stakeholder theory, resource dependence theory transaction cost theory, etc. have evolved. They suggest that rather than theorizing corporate governance based on a single theory it is better to describe an effective and good governance practice with a combination of various theories.

2.2. Quality of Corporate Governance

JP Singh (2007) in his study "Improving the Quality of Corporate Governance in India" opined that the boards must be energized, professionalized, and renewed to have the right balance of expertise, experience, knowledge, wisdom, and dynamism. He has gone through the areas such as board, employees, audit, and disclosure in order to suggest ways for improving the quality of corporate governance in India. The study looks into the discussions that should be made by the board of a successful company. He concludes that audits should shift attention from fault-finding to assuring employees of a balance between risks and responsibilities. He also suggests that more than quantity disclosure should be focused on the quality of data. In order to have an improvement in the quality of corporate governance in India self- driven, self-assessed, and self-regulated regulatory mechanisms are necessary.

N. Arinze. et.al. (2013) examines the quality factors of the successful corporate governance of an organization. They opine that corporate governance becomes more fashionable nowadays as its high standard helps organizations to perform better and its ability to attract investment capital. Different factors have been discussed in the study that influences the corporate governance quality. The study points out that if a board exists in an organization, it does not mean that it functions, functioning goes beyond setting. Many factors including working board, transparency, whistleblowing, power concentration, formal periodic evaluation of the

CEO and directors, etc., have been discussed. The study concludes that adopting corporate governance principles in organizations helps in better performance. It safeguards the organization from corruption, mismanagement, and other fraudulent activities and improves transparency in economic life, attracting more investment.

H. Andrea & S. Jordan (2014) focused the corporate governance in emerging economies through their study "which does more to determine the quality of corporate governance in emerging economies, firm or countries". They followed the definition by Shleifer and Vishney (2014), which considered corporate governance as measures that fuel growth by providing investors an assurance of return on their investment. They opined that corporate governance has high-quality controls for different individuals in a firm such as firm managers, shareholders, board members, and stakeholders through regulations and firm policies along with protecting investors. Firms convey the implementation of corporate governance mechanisms through ratings to the investors. The study uses data from three different third-party organizations; CLSA, Risk metrics, and FTSE. Analysis of the study shows that during the last decade, firms in emerging economies themselves distinguish their home country in corporate governance ratings. The study concludes that firm-level variables play an important role in the corporate governance ratings in these countries.

Lazarides Themistokles (2011) addresses through his study the issues raised by the author of the paper "The Effectiveness of corporate governance in Greece". This paper points out that in countries like Greece, it is necessary to have new principles and laws which cover the inefficiency of law 3016/2002 and should focus on the real issues there exist in the corporate governance area. He opined that corporate governance lies at the heart of the problems and their solutions. He states that institutions are the fundamental part of corporate governance mechanisms, and their efficiency and effectiveness are based on many factors which should be essential for preparing the legal and regulatory initiatives regarding corporate governance. The study points out that financial performance is an important force in structuring the business and legal environment. The study concludes that small countries like Greece in the European Union have to be adjusted to their national legal frameworks and this isomorphism of legislation makes many new problems even if it has its own merits.

Dr. Anurag Pahuja (2011) addresses the complex issue of defining and measuring good corporate governance. Despite the widespread consensus on the importance of good governance for the success of business organizations, a clear and universally agreed-upon definition has yet to be established. The paper contributes by consolidating various factors that influence corporate governance quality, culminating in the creation of a novel metric termed the Corporate Governance Quality Index (CGQI). This index offers a comprehensive approach to assessing corporate governance quality, drawing from established governance provisions such as SEBI's Clause 49, best practices identified in both Indian and international studies, and methodologies employed by credit rating agencies like CRISIL, CARE, and ICRA. The study's significance lies in its proposal of a precise metric that not only evaluates governance quality but also predicts firm value within the context of the Indian business landscape. Ultimately, the paper underscores the critical role of corporate governance in fostering ethical business conduct, transparency, and responsible engagement among a company's management, board, shareholders, and stakeholders.

Cohen, O. (2020) presents a Corporate Governance index (CGI) tailored to firms with concentrated ownership and applies it to Israeli public companies between 2007 and 2014. The index assesses board independence, board qualifications, and control-cash flow wedge across 31 components. Notably, this study overcomes limitations of prior research by utilizing mandatory disclosed data, excluding corporate social responsibility components, and emphasizing board qualifications. The findings reveal an enhancement in corporate governance quality attributed to both legal reforms and voluntary measures adopted by firms. The paper offers valuable insights into the relationship between corporate governance quality and firm performance, suggesting potential causal links that could be explored further. Additionally, it highlights the interplay between firm-level and country-level corporate governance, encouraging future investigation. The comprehensive index and rigorous methodology contribute significantly to the understanding of corporate governance dynamics in firms with concentrated ownership, providing a strong foundation for future research in this domain.

2.3. The legal framework of corporate governance

Lalita S. Som (2006) in "Corporate governance codes in India" discusses that the Indian corporate governance regime has some endemic features like ownership concentration, protection for minority shareholders, disregard for disclosures norms and transparency, influence and prevalence of insiders and principal promoters' negligence in enforcing rights of regulatory authorities, etc. The study highlights the diverged areas of Indian corporate governance practices from that of international best practices. It also concludes that due to path dependency, the best efforts for adopting and implementing the best international corporate governance practices have remained inadequate in some way.

Vaish Vinay and Mehta Hitendar (2015) studied the corporate governance framework in India which gives a detailed picture of the regulatory framework of Indian corporate governance. It lists out the enactments/regulations/guidelines/listing agreement. The study confirms that the fundamental concern of corporate governance is to ensure the conditions whereby an organization's directors and managers act in the interests of the organization and its stakeholders and to ensure the means by which managers are held accountable to capital providers for the use of assets.

Yogendra (2018) studies the legal framework of India and the corporate governance components. The study reviews the legal provisions of the corporate governance system prevailing in India. This study discusses the issues and difficulties related to this. Pre- liberalization, and post-liberalization periods are also considered for studying the corporate governance in India. The study concludes that it is necessary to change certain regulations in India in order to guarantee successful corporate governance.

Michelberger Knut (2017) defines corporate governance in his study conducted in German-listed companies as “the regulatory framework for the management and supervision of companies”. He opined that the framework of corporate governance is largely determined by legislators and owners, but the Board of Directors has the main designers of the same. This study has the purpose of developing recommendations concerning supervisory board structures and procedures. This is the main concern of the German corporate governance code in order to best serve shareholders as well as the other stakeholders of the company. The empirical research methods and research design is defined after a thorough analysis of agency theory and other studies in the area of corporate governance. After major changes have been made to the legislation this is the first study which is conducted on the impact of corporate governance of German listed companies. The study concludes that the elements of the corporate governance system are irrelevant to shareholders and other stakeholders and also to their interests. Finally, the qualitative as well as quantitative analysis shows that the maximum fulfilment of corporate governance standards doesn’t make any changes to firm performance in terms of revenue growth, profitability, and in terms of shareholder return.

Rao, Sadhalaxmi. (2005). elaborates on the legal provisions of corporate governance in India in her study “legal framework and corporate governance: an analysis of Indian corporate governance system”. The study points out that in order to protect the investors from expropriation by the managers and large shareholders there should be a good governance structure. The study goes through analyzing the different components of governance structure to know the effect on firm value. Both internal as well as external control mechanisms are studied. The study tries to suggest changes in provisions for the better performance of Indian firms in the globalized environment. The study concludes by noticing the urgent necessity of amending certain regulations to govern Indian companies.

Ahali Aron, Emmanuel, and Serebour Otuo (2013) attempt to evaluate the legal and regulatory framework of corporate governance of Ghana in their study “Prospects and challenges of corporate governance”. By highlighting the prevailing issues in Ghana, the study points out that Ghana faces the major challenge of the absence of active devices for the effective enforcement of corporate governance laws and regulations.

Gupta Pankaj and Shallu Singh (2014) discuss the existing corporate governance in India and the legal framework at present. For implementing an effective corporate governance system in India, they have attempted to identify the major issues and challenges. They opined that India lacks such professionals and entrepreneurial managerial personnel who can work as per their independence as professional directors on the boards. Still, empirical exploration is missing in the corporate governance area even if many research studies have been undertaken and many institutions like ICSSR and the Ministry of Corporate Affairs are promoting the same. The study concludes that shareholders can influence the political system of the country and so this dominant power is considered to be the major challenge to the corporate governance in India.

Hashi. I (2003) 's study aims to highlight the progress made as well as the shortcomings of the existing legal framework by comparing the legal framework for corporate governance in selected transition economies and identifying the differences between the systems of corporate governance in various transition countries. And this paper also considers the different sections such as shareholder's rights, and equitable treatment of all shareholders. This study found out that in order to devise and improve the legal framework of the transition countries and to ensure the equal treatment of all types of shareholders, they have made an attempt as well. The study concludes that all transition economies have made significant progress in developing a corporate governance framework and are moving towards adopting the OECD principles on a voluntary or statutory basis.

2.4. Corporate Governance and Firm performance

Haldar Arunima and Rao Nageswara (2014) say governance is a field of study, which has gained importance in developing standards that can detect or prevent corporate failure. The objective of this study is to examine the relationship between corporate governance and firm performance taking into account the endogeneity between governance and firm characteristics. The study empirically examines the impact of corporate governance on the performance of Indian industries by using market performance and measures.

Yasir Bin Tariq (2007) attempted to find out empirical evidence through his study “Quality of corporate governance and financial performance” for the impact of corporate governance on a firm’s financial performance and he randomly selected 50 non-financial firms to measure the quality of corporate governance practices there. For the purpose of determining the quality of corporate governance practices a corporate governance index has been developed which consisted of 30 parameters. The scores attained for these corporate governance index for each firm have been compared with the financial performance indicators such as ROA, ROE price to book ratio, etc. in order to find out the relationship among them. And he found out that their corporate governance index scores are positively associated with the financial performance indicators.

Saibaba M D (2011), in his study “Corporate governance and financial performance: An empirical study of selected Indian companies” covers individual attributes of corporate governance mechanisms and financial performance apart from corporate governance index-based study. This study examines the relationship between the corporate governance index and firm values/performance of companies and whether the relationship between corporate governance index and firm value is linear or not and reveals there is a positive and statistically significant relationship among them over a period of five years. The study has an objective to assess the impact of board structures comprising of board size, board independence, and CEO duality on firm values as measured by Tobin’s Q. This study explains the valuation of the effect of corporate governance and suggests that investors use these indices while making investment decisions.

Krishnaprasanna (2003) in her study ‘Corporate Governance in India: an assessment of implementing effectiveness based on selected corporate units” depicts that corporate governance means steering a corporate to profits and prosperity without seriously eroding the confidence of the vitally interested but dissimilar groups such as shareholders, creditors, bankers, financial institutions, trusts, and government agencies.” This study focused to ascertain empirical evidence relating to the governance practices of Indian companies and also to find out the feedback and response from Indian companies to the Birla committee recommendations. The study made an attempt to ascertain the implementation of Clause-49 of the listing agreement and the governance practices of the Indian companies. The research concludes that there is a significant relationship between business performance and the governance practices of companies having high corporate governance rate and also establish the fact that they enjoy better overall organizational effectiveness.

Mahdi Salehi (2009) empirical study, "Corporate Governance and Audit Independence: Empirical Evidence of Iranian Bankers," presents compelling evidence on the challenges faced by audit practices in Iran and their impact on audit independence. The research reveals a significant difference in perceptions between auditors and bankers, raising concerns about potential conflicts of interest. The study concludes that establishing robust corporate governance mechanisms can serve as a viable solution to improve audit independence. By enhancing transparency and accountability in financial reporting and auditing processes, stakeholders can instill greater confidence in external auditors, thereby strengthening the overall integrity of the financial system in Iran and beyond.

Arun Neeraj (2005) reviewed international literature on corporate governance and firm performance in their study “corporate governance and Performance of Indian Firms: The Effect of board size and Ownership”. The study made an investigation of the relationship between corporate governance and performance taking into account the endogeneity in the relationship. There are two issues pointed out in relation to ownership; issues relate to the concentration or dispersion in the equity ownership, or the presence of block equity holders and issues relates to shares held by the board, CEO, and top management. Both accounting-based and market-based parameters are used in the study to measure performance. The governance parameters include board size, director’s shareholding, institutional and foreign shareholding, and public shareholding. Tobin’s q is taken as a dependent variable where a simultaneous equation regression model is developed. A panel of 340 listed Indian firms from 24 industry groups were taken to study. The result of the study of the Indian corporate sector shows that a higher proportion of foreign shareholding is associated with an increase in the market value of the firm. But Indian institutional shareholders association is not statistically significant. Board size and firm value show a weak positive association. No endogeneity is found in the variables as the director's shareholding has a non-linear negative relationship with firm value and public shareholding has a linear negative association.

Andrews Owusu (2012) investigates the relationship between corporate governance and the firm performance of listed companies in Ghana prompted by the Ghanaian code introduced in 2003. The aim of this study is to measure the degree of compliance with the said code during the whole pre- and post-2003 introduction of the code. It also evaluates the relationship between the perceptions of the directors on the adoption of these codes and how far the benefit gets to their company and its performance. Also, he tried to examine critically whether the research on governance-performance relationship findings is affected by the use of multiple governance data. And the director's responses support the evidence that after the introduction of the Ghanaian code, the standard of corporate governance has improved much. The analysis of the annual report data suggests that the Ghanaian corporate governance index and profitability across Ghanaian listed firms have a positive relationship.

Heinrich. A, Pleines H (2006) studies the corporate governance performance of post-socialist companies in Russia with examples from the oil industry along with discussing the strategies to improve it. This study defines corporate governance as the way a company behaves toward its owners. This article focuses on the corporate governance performance factors, and it summarizes these factors into four. These are pressure from majority shareholders, pressure from outside minority shareholders, pressure resulting from internationalization or globalization, and pressure from the state in the form of legal regulation. They have selected three different countries which are common in several things and the oil sector was considered why because it is the most internationalized sector and also attracted many of the foreign and domestic outside investors. By constructing the Heinrich index model to compare the corporate governance of these companies. It has also found that there is a positive correlation between majority shareholders and corporate governance performance.

Nyaki V Judith (2013) studied the corporate governance regulation in Tanzania and its impact on foreign investment. By focusing on the corporate governance laws and regulations in the country, the study aims to identify the gap there exists and to revise it for the purpose of cope up with the existing market competition regionally as well as internationally. In order to point out the gaps and weaknesses analysis of the study goes through the Tanzanian Companies law, Securities law, and other laws. The study also suggests the Tanzanian stock markets many corrective measures that facilitate developments. It is necessary that the policymakers and regulators of the country to take an effort in promoting good corporate governance and for establishing guidelines for corporate governance.

Bhagat Sanjay and Bolton Brian (2008) have enquired about measuring corporate governance and the relationship between corporate governance and firm performance. The main contribution to the literature is the consistent estimation of the relationship between corporate governance and performance, by considering the inter-relationship among corporate governance, corporate performance, corporate capital structure, and corporate ownership structure. In this study, they have considered seven measures of governance rather than a single measure. They finally found that even though the GIM and BCF good governance is positively correlated to future operating performance, policymakers and corporate boards in poorly performing firms should be cautious in their emphasis on the components of the said indices since this might exacerbate the problems of entrenched management.

Farruk Shahzad et.al (2015) examine the effect of corporate governance on firm performance in the cement industry of Pakistan. The study has an objective to observe the impact of corporate governance on a firm’s cost-effectiveness (profitability). Firm performance is considered to be the dependent variable. Independent variables used are Board size, CEO duality, and board composition. 12

joint stock companies listed in Karachi were collected by non-probability sampling. Panel data, multiple regression, and estimation based on OLS regression were used for analysis purposes. Descriptive statistics used are mean, median, mode, standard deviation, skewness, kurtosis, range, etc. The study found that there is a positive relationship between firm performance and board size and compensation, however, board size has significant, and compensation has insignificant impact on ROA. There is a negative relation between ROA and CEO duality and has a significant impact on ROA.

Vo, D. H., & Nguyen, T. M. (2014) depicts agency theory as the base of his study titled “The Impact of corporate governance on firm performance: an empirical study in Vietnam”. It examines the role of directors in firm performance. Board size, CEO duality, CEO’s ownership, board’s ownership, and board independence are the independent variables used. The study used sales, asset turnover, and industry effect as control variables. The study used required data from audited financial reports and annual reports for the years 2008 to 2012. In order to regress the relationship between corporate governance and firm performance OLS regression has been used. The finding of the study shows that there are multiple effects of corporate governance on firm performance. The results are there is a positive relation between CEO duality and financial performance, there is a structural change existing between managerial ownership and firm performance, opposite impact in the case of board independence and firm performance. But it fails to provide empirical evidence that supports the statistical significance in the case of board size and firm performance.

Nazar, M. C. A., & Rahim, R. A. (2015) examines the impact of corporate board size on firm performance in companies listed on the Colombo stock exchange in Sri Lanka. He opined that size is one of the most studied variables in the corporate governance literature. This study collected data from the Colombo stock exchange websites and annual reports of a sample of 109 firms. The study used a cross-sectional OLS regression model in order to test the relationship between board size and firm performance. ROA and ROE are used to measure the dependent variable of firm performance. Board size is the independent variable. There are different control variables used in the study like Board Independence, CEO duality, Leverage, firm size, etc. To obtain the sample characteristics descriptive statistics have been carried out. The study found that board size is significantly negatively associated with ROA and not significantly negatively related to ROE. Then the effect of control variables Board independence, CEO duality, and leverage are negatively associated with ROA and ROE. There is a significantly positive link between the firm size and dividend yield with the measures of ROA and ROE.

Guest, P. M. (2009) examines the relationship between Board size and firm performance for UK firms. To examine the impact of Board size on firm performance, a large sample of 2746 UK-listed firms for the years 1981-2002 has been selected. Key dependent variables used are the firm performance with measures like ROA, Tobin's Q, and annual share return. Board size is the major independent variable used. The result shows that there is a strong negative impact on firm performance. The study concludes that over all the evidence of the study reveals that poor communication and decision-making undermine the effectiveness of large boards**.**

Rashid, A. (2018) studied the board independence effect on firm performance for 135 listed firms on the Dhaka stock exchange during the year 2006-2011. This study attempted to control the potential endogeneity problem by using accounting and marketing performance measures. The result of the study shows that board size has a significant positive influence on both board independence and firm performance. And the study also found that board independence and firm performance are not influencing positively each other.

Hutchinson, M., & Gul, F. A. (2004) challenges the traditional assumption of a direct positive association between corporate governance and firm performance. Instead, the authors propose a novel perspective, suggesting a negative link between growth and firm performance as the primary relationship. The study further investigates the potential moderating effect of corporate governance variables on this negative relationship. Through comprehensive research, the results offer support for this proposition, emphasizing the significance of evaluating the role of corporate governance in the context of the firm's external environment, particularly in terms of growth opportunities. By presenting these findings, the paper contributes to a more nuanced understanding of the intricate dynamics between corporate controls, growth, and firm performance.

2.5. Corporate Governance Practices

Saad, N. M. (2010) conducted her study in Malaysian firms. This study investigates the compliance level of listed companies with the implementation of the corporate governance code of best practices and the association with the capital structure of the firm. Multiple regression analysis is used for analyzing the different aspects of the Board of Directors. These include dual leadership, board size, and board meeting. Results of the study reveal that most of the companies comply with the code and there is a significant relationship to the capital structure of the firm. This study uses debt equity, debt ratio, and interest coverage in measuring the capital structure of the firm which are considered to be the dependent variables. There are many components in the corporate governance system this study focuses on the main element, the Board of Directors. The areas covered are Board composition, board size, board meeting, and dual leadership and they are the explanatory variables. This study found that after the implementation of the code, there is an immense improvement in compliance with corporate governance practices.

Shrivastav, Shikha & Kalsie, and Anjala (2017) investigate corporate governance disclosure practices followed by Indian companies based on clause 49 of the Listing Agreement (LODR) by SEBI. The objective of the study is to assess the disclosure practices followed by NSE Nifty companies with regard to the Board of Directors, Board meetings, Annual General meetings, board committees, and mandatory and non-mandatory disclosures. etc. It also attempts to analyze the impact of the corporate governance disclosure index on the firm performance. A corporate governance disclosure index (CGDI) has been constructed for assessing the disclosure of compliance level. CGDI consists of 52 parameters, and they are categorized into different dimensions. Firm performance is the dependent variable, and it has been measured by different market-based and accounting-based measures.

Tobin's Q, market to book value added, market value added, return on asset, return on capital employed and return on equity are the measures used. The study analyzed the data with econometrics tools. Descriptive statistics, correlation analysis, and regression analysis of cross-sectional and pooled and panel data is performed are used in the study. The study found that corporate governance reduces agency costs, and the year-wise OLS regression analysis shows a positive relationship between CGDI and firm performance measures. The paper concludes that there is a higher performance of companies having higher disclosure practices and there is still scope for better corporate governance mechanisms even if the firms are more willing to disclose information.

Rajyalakshmi and Laila (2014) discuss the importance of corporate governance disclosure in enhancing firm value in their study titled "comparative study of Corporate governance disclosure practices adopted by listed companies in Manufacturing and software sectors". This study focuses on the large variations in the quality of corporate governance disclosure practices even though the disclosures are made mandatory by companies in different countries. The study has the objective to create a corporate governance disclosure score and also making a comparative study of the corporate disclosure practices followed by manufacturing and software companies. For this, annual reports and recommendations of different committees such as the CII Code of corporate governance, Birla committee recommendations, etc., have been adopted. The corporate governance index score has been developed and the board of directors and CEO duality are taken as important constituents. A corporate governance disclosure index CGDI was calculated by using a formula created by Bhuiyan and Biswas (2007). The result shows that the software sector is scoring better in the disclosure being it is a more advanced and modern sector. The study concludes that the need for improvement in the corporate governance mechanism is necessary to avoid corporate scams like Satyam even though it has followed corporate governance disclosure as per clause 49 of the listing agreement of SEBI, Sarbanes Oxley Act, etc.

V N Suresh opined that corporate governance is a distinctive brand and benchmark in the profile of corporate excellence. The study also discusses the importance of corporate governance in an organization. Like every study on corporate governance, this also discusses the collapses of high-profile companies worldwide. The study notices that whether the business is publicly, privately, or state-owned, the basic principles are relevant. The state of corporate governance in India has also been analyzed in detail. The study aims to understand the corporate governance practices in listed companies and also to identify the factors to improve corporate governance. The result of the study is that corporate governance standards should be improved more as it is still far away from international best practices. It is a major deficiency that the markets not giving much importance to the rules on very fundamental aspects like independent directors and audit committees and the study reveals that India is very poor in corporate governance climate in the international benchmark.

Mulili, B. M., & Wong, P. (2011) provides a historical examination of corporate governance and its evolution in the context of public universities in Kenya. The study delves into the impact of agency theory and stewardship theory on corporate governance practices. Notably, it highlights how developing countries, including Kenya, have embraced the principles of good corporate governance since the 1980s. Given the inherent differences between developing and developed countries, the paper emphasizes the necessity for developing nations to devise their own corporate governance models, considering unique cultural, political, and technological conditions. Amidst this exploration, the paper addresses the challenges faced by developing countries in their pursuit of adopting the corporate governance ideals. Furthermore, the authors identify knowledge gaps in the realm of corporate governance, which can serve as valuable foundations for future research endeavors.

Nelson, J. (2005) investigates the relationship between firm performance, CEO characteristics, and changes in corporate governance practices over the period from 1980 to 1995, using an unbalanced panel of 1721 firms. The study presents key insights into the evolution of corporate governance practices over time, highlighting that by 1995, a significant number of firms had adopted various governance provisions, such as charter amendments and poison pills, which could potentially harm shareholders' interests. Interestingly, many firms had implemented multiple and even redundant governance measures. The study reveals that shareholders were more likely to support governance changes that increased the power of boards in better-performing firms, while poorly performing firms tended to initiate governance changes, like poison pills, without seeking shareholder approval. Surprisingly, the study finds no significant relationship between CEO age, tenure, or compensation and the occurrence of governance changes. These findings shed light on the complexities and implications of corporate governance practices during the studied period, offering valuable insights for investors, board members, and policymakers.

Kota, H. B., & Tomar, S. (2010) in their study, "Corporate governance practices in Indian firms," delve into the crucial topic of corporate governance in the aftermath of recent financial scandals and amidst the global financial crisis. Focusing on 106 mid-sized firms in India from 2005 to 2007, the researchers investigate the impact of corporate governance practices on firm performance. Their findings reveal a significant relationship between CEO duality and firm performance, highlighting the importance of this aspect in governance structures. Additionally, they discover that having a small board is associated with enhanced firm value, indicating the effectiveness of such a board size. However, a notable and concerning observation is that non-executive independent directors in the Indian context seem to be falling short in fulfilling their crucial monitoring role. This study sheds light on the complexities of corporate governance in Indian firms and underscores the need for careful evaluation and improvement of governance practices to safeguard firm performance and stakeholder interests. The research contributes valuable insights to the ongoing discourse on corporate governance and its impact on firm outcomes.

Neelam, M., Batani, C. D., & Rao, R. (2014) aimed to achieve two important objectives concerning corporate governance practices in CNX Nifty 50 companies in India. Firstly, they examined the existing corporate governance practices within these companies. Secondly, they compared these practices with the revised Clause 49 introduced by SEBI, which has been a significant catalyst in improving disclosure standards among Indian companies. The research methodology involved the analysis of annual reports from 2010-11 and 2011-12, and the sample comprised 48 common companies present in both years. The study found that the majority of the sample companies adhered to the mandatory provisions of the revised Clause 49 and disclosed the required information accordingly. Notably, a few companies went beyond the prescribed requirements, exemplified by Bajaj Auto, Infosys, and Dr. Reddy, which demonstrated higher disclosure levels and voluntary compliance with corporate governance guidelines, including sustainability initiatives and corporate social responsibility. The study also highlights the potential for further research by exploring corporate governance practices in companies outside the CNX Nifty index. Overall, this research contributes valuable insights into the current state of corporate governance practices in Indian companies and underscores the importance of continuous improvement in governance standards to enhance transparency and accountability in the corporate sector.

2.6. Conclusion

This study covered a lot of ground in this literature analysis, stressing the special context of Kerala's listed companies within the vast field of corporate governance studies. However, when focus on Kerala's corporate governance dynamics, it becomes clear that there is a compelling and unexplored research vacuum, despite the fact that the collection of existing literature provides insightful information about corporate governance practices around the world. This review has shown that earlier studies, such as those on corporate governance in Vietnam by Minh Le Toan and Walker Gorden, and on governance in the context of India by Charantimath N. A., have been crucial in illuminating various aspects of corporate governance. These studies, nevertheless, are frequently dispersed, concentrating on particular aspects of governance or being adapted to other contexts. As a result, there is a significant gap in the literature: there isn't enough thorough study that looks at all the aspects of corporate governance within the particular context of Kerala's listed firms.

Additionally, Kerala faces a big challenge because there is no globally recognized method for assessing the degree of corporate governance compliance there. It is difficult to compare assessments between companies and across borders because they either use general criteria or lack standards.

This study focuses on the difficult task of offering a comprehensive evaluation of corporate governance practices in Kerala's listed companies in response to these research gaps. To provide a thorough understanding, intend to examine every aspect of corporate governance, both individually and jointly. In addition, the creation of the Corporate Governance Index (CGI), which is in line with international norms, is a ground-breaking contribution that promises to solve the lack of standardized assessment tools. This index will not only close a significant vacuum in the evaluation of corporate governance compliance, but it will also provide information about Kerala's overall governance environment.

In essence, this literature analysis highlights the critical need for further study that fills in the knowledge gaps in corporate governance in Kerala's listed companies. This study aims to significantly advance the subject of corporate governance by conducting a thorough examination and introducing the CGI as well as by offering policymakers, investors, and business professionals in Kerala with practical knowledge. In the end, this effort aims to improve the region's governance practices' level of accountability, openness, and general quality while encouraging sustainable and moral corporate activity.

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CHAPTER 3

THEORETICAL OVERVIEW OF CORPORATE GOVERNANCE

"Like all fads, corporate governance has its zealots."

-Conrad Black

3.1. Introduction

Corporate governance is a crucial component of contemporary business management and has a significant impact on the performance of listed companies (Cadbury, 1992; Shleifer & Vishny, 1997). Listed companies are subject to various governance practices, regulations, and guidelines, which promote transparency, accountability, and ethical behavior (Aguilera & Cuervo-Cazurra, 2009). These practices include the allocation of rights and responsibilities among stakeholders, such as shareholders, management, and the board of directors (Jensen & Meckling, 1976). The relationship between corporate governance practices and firm performance has been extensively studied in the fields of corporate finance and management (Adams & Ferreira, 2009; Yermack, 2017).

Corporate governance is a decisive area of study in the business and management world since it significantly impacts how organizations behave and operate. It has attracted a great deal of scholarly interest and research due to the increased understanding of its importance in guaranteeing corporate entities' accountability, transparency, and integrity. Corporate governance is defined as "the system of rules, practices, and processes by which a company is directed and controlled" (OECD, 2015). It encompasses a wide range of mechanisms, structures, and practices that shape a company's decision-making processes and behavior. These mechanisms include the composition and role of boards of directors, the quality of financial reporting and disclosure, the protection of shareholders' rights, and the alignment of executive incentives with long-term shareholder value (Tricker, 2015).

After the collapse of big firms around the world especially in the US and UK in the early 21st century, investors lost their confidence in firms. Numerous corporate scandals and failures that have had substantial economic and social implications, such as the Enron and WorldCom scandals in the early 2000s, have brought to light the significance of corporate governance. Policymakers, regulators, and academics are now examining corporate governance processes critically and looking for ways to make them better as a result of these occurrences. Serious thought about an internationally accepted system of corporate control has commenced after the collapse of large firms like Enron, Maxwell, Poly Peck, Lehman Brothers, AIG Insurance, Xerox, Arthur Anderson, Barings Bank, Parmalat, etc. Thus, the concept of “Corporate Governance” has emerged.

The broad term “corporate governance” describes a set of rules, regulations, systematic actions, processes, customs, policies, laws, and institutions through which an organization is governed and controlled. It strengthens and upholds the connections with different stakeholders and brings them together to accomplish the organization's overall success. They provide guidelines as to how the company can be directed or controlled such that it can fulfill its goals and objectives in a manner that adds to the value of the company and is also beneficial for all stakeholders in the long term (Zala, S. D. 2016). By assuring accountability and responsibility, corporate governance is essential to reducing the principal-agent problem and integrating every aspect of the organization. Corporate governance is a crucial benchmark for this since competitive businesses require a striking environment to secure a solid place in the effective financial market. Corporate governance is concerned with the process by which corporate entities, particularly limited liability companies are governed with the exercise of power over the direction of the enterprise, the supervision of executive actions, the acceptance of a duty to be accountable, and regulation of the country where it operates (Thaker, 2005). Corporate governance helps to choose the strategic moves for growth and achieving the overall success of the organization. Good corporate governance meets the requirements of the stakeholders fairly and gets adequate attention also ensures long-term profitability. For an individual company as well as for the economy as a whole, good corporate governance is essential. Strong investor protection is important for the financial development of a nation. Investor protection and market liquidity can be increased by good corporate governance. “Corporate governance mechanism assures investors that they will receive adequate returns on their investments” (Vishney, 1997).

3.2. Concept and Definition of Corporate Governance

Although the term "corporate governance" is considered to be new, the notion itself is not; it has existed for as long as there have been corporations, large-scale trade, the need to manage finances, and commercial activity. Over the past 20 years, numerous large corporations have failed due to poor governance, primarily as a result of massive scandals, leaving the investment community in disbelief. Many factors contributed to such collapses. Executive directors lost their sense of business ethics, which led them to believe that money is the only motivation. They tried to disguise the true losses that occurred in the company by using dishonest methods, like falsifying books of accounts, to portray bigger earnings. By approving false financial statements, other directors in the company supported the executive directors' misconduct. This led to more unfair practices being committed. These kinds of scandals and breakdowns, which have occurred in various parts of the world, increased the significance of the idea of corporate governance. Big corporates like Enron, World Com, Tyco, Maxwell publishing group, etc., have collapsed and it was a major factor in thinking about a governance system that is acceptable internationally and the concept of corporate governance has emerged. There are many different ways that corporate governance has been defined, and none of them are precise. Despite the fact that there are numerous definitions, the intention was to prevent corporate misgovernance and advance corporate governance. From a theoretical standpoint, it is clear that corporate governance deals with the problems caused by the division of ownership and control. Viewed from this perspective, corporate governance focuses on some structures and mechanisms that would ensure proper internal structure and the rules of the board of directors; the creation of independent committees; the rules for disclosure of information to shareholders and creditors; transparency of operations and an impeccable process of decision making and the control of management (Fernando. A C, 2018).

Different committees and persons came up with various definitions for corporate governance. A commonly cited definition of corporate governance is from the Cadbury Committee. This committee defined corporate governance as "the system by which companies are directed and controlled. It is a simple and concise definition that goes to the heart of the matter. It talks about a system, direction, and control of businesses."

-Cadbury Committee (1992)

According to the Organization of Economic Co-operation and Development (OECD), "the corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders, and stakeholders, and spells out the rules and procedures for making decisions on corporate affairs" (OECD, April 1999). *In the words of J.Wolfensohn, Former President, the World Bank "Corporate governance is about promoting corporate fairness, transparency, and accountability."*

Shleifer, Vishny (1997) defined "Corporate Governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment."

"Corporate Governance is the sum of processes by which investors attempt to minimize the transaction and agency cost of doing business with a firm."

-Oliver Hart (1995)

When maximizing the shareholder value and wealth, corporate governance is necessary to satisfy the other stakeholders of the company. It is very much needed in creating a corporate culture of consciousness, transparency, and openness. It refers to a combination of laws, rules, regulations, procedures, and voluntary practices to enable companies to maximize shareholders' long-term value (Fernando. A.C et.al, 2018)**.**

3.3. Stakeholders

Stakeholders are those who have an interest in the company and are considered the principal players in the company's inception, sustainability, growth, and development. Stakeholders can be any person or entity and can either affect or be affected by the affairs of the company. Stakeholders are of two types: internal stakeholders and external stakeholders.

The concept of stakeholders in corporate governance is important because it recognizes that the organization's interests go beyond those of its shareholders and that other stakeholders actually have a stake in the organization's actions and choices.

Stakeholders are "any group or individual who can affect or is affected by the achievement of an organization's objectives" (Freeman, 1984). This broad definition of stakeholders includes not only those who have a financial stake in the organization but also those who may be affected by its actions, such as the environment or society at large. In the academic literature on corporate governance, the stakeholder theory has attracted a lot of attention, with experts arguing in favor of stakeholders' participation in decision-making. Stakeholder theory, for example, according to Fassin (2012) "calls for a re-evaluation of the role of the corporation in society and a re-orientation of corporate governance towards a more inclusive and collaborative approach." The idea of stakeholders in corporate governance is crucial because it acknowledges that the organization's interests extend beyond those of its shareholders and that other stakeholders have a genuine stake in the actions and decisions of the organization. They may be inside and outside the organization. They are Internal stakeholders those within the organization whose interest comes through a direct relationship, especially through employment, ownership, and investment. The main internal stakeholders are employees, managers, owners, and external stakeholders who are outsiders of the company and are not directly working with the company but are affected by the affairs of the business. These parties are interested in the business's prosperity and can have a big impact on how well it performs overall through their actions and decisions.

On the other hand, external stakeholders are people or organizations that are not directly affiliated with the company but nevertheless have a stake in the decisions and actions taken by that organization. External stakeholders include suppliers, creditors, customers, shareholders, government, and society. Although they might not have as much of a direct influence on the company's operations as internal stakeholders, these stakeholders' interests can still be very important. A picture of the internal and external stakeholders of a corporate organization is given in the introduction chapter.

3.4. Theories of corporate governance

There are numerous theories that identify what makes an organization successful. The various theories of corporate governance include agency theory, stewardship theory, stakeholder theory, resource dependence theory, transaction cost theory, and sociology theory. Applying these theories makes for more efficient corporate governance.

3.4.1. Agency theory

Agency theory defines the relationship between the principal who is the shareholder and the agent who are the directors or managers of the company. This relationship is known as the ‘agency relationship’. It can be best understood from the statement by Adam Smith, who identified the agency problem “The directors of companies, being managers of other people’s money, cannot be expected to watch over it with the same vigilance with which they watch over their own” (Adam, 1776). The theory states that the principal engages or employs agents to carry out tasks on the principal's behalf. In order to run the firm, the principal sets the goals and assigns tasks to the agents. He anticipates the agents performing for him will do so in the finest manner possible and will act in the principal's best interests. However, the agent frequently acts against the principal's expectations and in their own best interests. This conflict between the agent's and principal's interests creates an agency dilemma and adds to the expense of doing business.

Agency theory is a theory of the firm that discusses the managerial incentive problems arising out of the separation of ownership and decision-making and defines the relationship between managers and shareholders as a contract between agents and principals (Teh, Chor Tick, 2009).

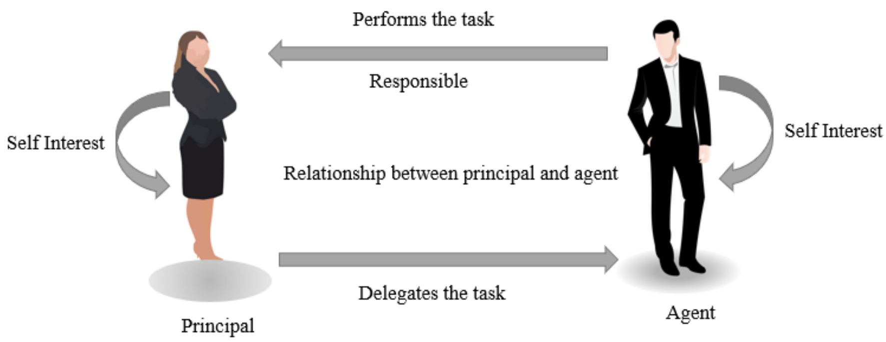

Figure 3.1: Agency Relationship

Agency relationships are formed when the principals (shareholders) delegate authority to the agents (managers) and the welfare of the former is affected by the choices of the latter(arrow,1985). Agency theory is more shareholder oriented.

Jenson and Meckling (1976) argued that agency costs are an unavoidable result of the relationship between investors and managers and that contractual relations are the essence of the firm, not only with the employees but also with suppliers, customers, creditors, and so on. Agency costs are incurred when attempts are made to reduce the agent's opportunistic behavior (Teh, Chor Tick, 2009).

Jenson and Meckling (1976) define agency costs as the sum of:

- The costs of creating and structuring contracts between the principals and agents.
- The monitoring expenditure by the principal.
- The bonding expenditure by the agent
- The residual loss

The core of corporate governance is to put in place the mechanisms that can align the objectives of both principal and agent and also to reduce agency costs. The agency theory also specifies such mechanisms that reduce agency loss.

3.4.2. Stakeholder theory

This theory focuses on the stakeholders and how the activities of the company affect them. It incorporates the management's accountability towards the stakeholders. A broad range of stakeholders including suppliers, employees, creditors, government, and business partners are there with whom the management maintains the relationship. So, the managers should consider the interest of each stakeholder in the governance process. This theory focuses that the managerial decisions and the interests of the stakeholders going together, meaning no set of interests is to be dominated by others. Both internal, as well as external stakeholders, fall under this theory.

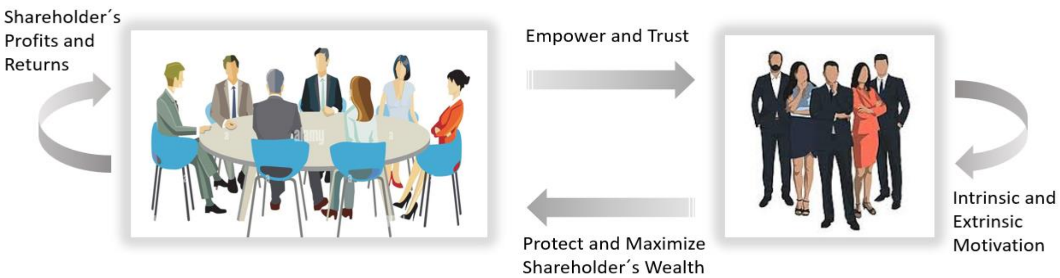

Figure 3.2: stakeholder theory

3.4.3. Resource dependency theory

The need for environmental linkages between the firm and outside resources is the basic proposition of this theory and it focuses on the director's role in connecting the firm with outside resources needed to survive. So, the Board of Directors is considered to be an important mechanism for absorbing critical elements of environmental uncertainty into the firm. This environmental linkage helps to reduce the transaction costs associated with environmental interdependency. The need for and importance of resources, shortage, and the extent to which the resources are concentrated in the environment are different factors that lead to the development of exchange relationships between organizations. This organizational relationship helps to access the needed resources which have been distributed unevenly.

Appointing directors that have influence and access to the Government and key policymakers is a survival strategy of the organizations as the resources are controlled by the Government directly and indirectly. The knowledge of these directors in their professions and communities helps the firms to acquire useful resources and so the firm can enhance its legitimacy in society and achieve its organizational goals. Likewise, directors can bring resources such as specialized skills and expertise through this resource-dependence role.

3.4.4. Transaction cost theory

This theory is more related to the agency theory of corporate governance. The principle states that corporations could reduce costs without assigning duties to externals and by doing them within the organizations. The approach to this theory is interdisciplinary as it combines laws, organizations, and economics. (Williamson 1981) popularized this theory and it is viewed as an alternative variant of the agency theory. A transaction cost occurs "when a good or service is transferred across a technologically separable interface (Williamson and Masten 1995). It views governance as a sum total of both internal and external relationships instead of a contractual relationship only with the shareholders (Kaur, R. 2018). This theory says that managers function in a confined rationality. It explains that the managers concentrate on their own wealth maximization rather than on the shareholders.

3.4.5. Sociological Theory

This theory is focused on board composition and structure and its implications for power and wealth distribution in society. A privileged class concentrated the directorships in their hands and this problem was viewed as a major challenge to economic development. This theory focuses to promote fairness and equity through a necessary mechanism such as board composition, financial reporting disclosure, and auditing.

3.4.6. Stewardship theory

A steward is a person who takes the responsibility of keeping and caring for others' properties. They protect and maximize the wealth of shareholders. They have no ownership of the properties. As per this theory, people will be motivated to work for others and to do the assigned work with the responsibilities with which they have been entrusted. Rather than being individualistic, they work with a collective mind and they are pro-organizational.

It gives them more satisfaction when they work toward the attainment of organizational, group, or societal goals. This theory aligns with the motives of both the corporate management and owners and so it helps to reduce the possible conflicts between them.

3.5. Models of corporate governance

Models may also be used to demonstrate corporate governance. The corporate governance models used in various nations vary depending on a number of criteria. Two key factors, according to Bob Tricker, are accountable for the fundamental variations in corporate governance across the globe. Context and culture are them.

The basic underlying models of corporate governance around the world are broadly classified into five. They are:

3.5.1. Anglo-American Model of Corporate Governance

The United States, United Kingdom, Australia, Canada, New Zealand, and other commonwealth nations like India adopt this type of corporate governance. Based on characteristics, such as the division of ownership and management, this is also known as the Anglo-American Model, Shareholder Model, and American Model. This kind of approach was developed for the more individualistic corporate societies in Great Britain and the US. There are principally three participants in this concept. Directors, managers, and owners make up this group. The controlling parties in this arrangement are the board of directors and the shareholders. The shareholder-oriented model is one where the rights of shareholders are acknowledged and given importance. The Board of Directors, who have the fiduciary obligation to oversee the management and the duty to protect the interests of the owners, are subject to their power to elect and appoint. These directors are in charge of selecting and supervising the company's managers. There is a clear division between ownership and control because shareholders are the company's owners and elect the Board of Directors, who in turn are responsible to the shareholders. In this Anglo-American paradigm, both executive and non-executive directors serve on the same board, which includes all of the directors. The unitary board model is another name for this model.

The following are the underlying presumptions and key characteristics of the Anglo-Saxon model:

1. Institutional and individual shareholders hold equal ownership interests in the company.

2. The majority of investors are outsiders who are not connected to the company. Banks, mutual funds, and portfolio investors make up these institutional investors. If they do not like how the companies are performing, they will sell their shares and leave.

3. Directors are infrequently free from management.

4. This model's major participants' rights and obligations are outlined by a comprehensive legal framework.

5. There is a definite division between ownership and management.

6. Shareholders and businesses can communicate easily both inside and outside of the annual general meeting.

7. Pretend there is a free market.

8. Equity financing is the typical method of raising capital.

3.5.2. German Model of Corporate Governance

As corporate governance is carried out by two boards, this model is known as the two-tier board model. And sometimes this is called as Continental European Approach, and followed by countries such as Germany, Italy, Holland, and to an extent France. This model is based on the stakeholder theory of corporate governance. In the two boards, the first management board consists of executives of the firm, and the second supervisory board consists of labour and shareholder representatives. The condition of this model is that there should not be common members on both boards. In this model, shareholders elect 50% of the members of the supervisory board, and the other 50% of the members are appointed by labour unions.

The key players in this model are the German Banks and corporate shareholders.

3.5.3. Japanese model

This is the business network model which is centered on a main Bank and a financial or industrial network which is called ‘Keiretsu’. To support and promote ‘Keiretsu’, a legal public as well as the industrial policy is designed. Unlike in countries like the US, where anti-monopoly legislation prohibits one bank from providing various sources and these services are provided by different institutions such as investment bank equity issues, commercial bank loans, and proxy voting, and other services are provided by specialized consulting firms (Dalbir,2017). Japanese banks are provided with different services related to bonds, equity issues, settlement of accounts, and related consulting services.

There are four key variables in this model:

1. Main Bank (a major inside shareholder)
2. Affiliated company or ‘Keiretsu’ (a major inside shareholder)

3. Management

4. Government

Even though equity financing is important for Japanese corporations, insiders and their affiliates are the major shareholders in most Japanese corporations. Non-affiliated shareholders have very little impact on Japanese governance.

3.5.4. Indian model

Due to the diversity of Indian enterprises, the corporate governance model in use today is a hybrid of the Anglo-Saxon and German models. On the one hand, there are many private businesses in India that adhere to the Anglo-Saxon model of corporate governance, which places an emphasis on shareholder value and market discipline. The Anglo-Saxon model is distinguished by a heavy emphasis on shareholder rights, board responsibility, and performance indicators that are determined by the market. However, India also has a sizable number of public sector businesses that adhere to the German corporate governance model, which places an emphasis on stakeholder value and co-determination. A major emphasis on employee representation, social responsibility, and long-term investment defines the German model. The Indian corporate governance framework aims to achieve a balance between the interests of numerous stakeholders, including shareholders, employees, consumers, suppliers, and the community, in order to connect these two distinct models. The Companies Act of 2013, the Securities and Exchange Board of India (SEBI) recommendations, and the National Voluntary Recommendations on Social, Environmental, and Economic Responsibilities of Business are a few examples of required legislation and voluntary guidelines that combine to achieve this goal.

Three committees have been established by the Indian government and businesses to examine the nation's corporate governance practices and recommend improvements based on internationally acknowledged "best practices." The Securities and Exchange Board of India (SEBI) established the Kumar Mangalam Birla group as the first group in 1999 to make recommendations for actions to be taken to enhance corporate governance practices in India. The Naresh Chandra Committee, which was established in 2003 by the Ministry of Corporate Affairs to examine corporate governance practices in India and suggest improvements, was the second committee. And the third one is again by SEBI, the Narayana Murthy committee. These committees' approaches and recommendations are just similar to Cadbury Committee in England and Sarbanes-Oxley Act in America. The corporate governance practices in India have been greatly influenced by these committees, which have also contributed to numerous reforms in the Indian business sector. Numerous of their recommendations were adopted by the Companies Act of 2013 and the SEBI regulations, which have improved India's company management's transparency, accountability, and fairness. The latest in this in India is the Uday Kotak committee report of 2017.

3.6. Evolution of corporate governance

Corporate governance is crucial because it is a fair and open system that manages oversees all business operations. Good corporate governance can lead to long-term shareholder value as well as societal benefits. Numerous issues rose to prominence as a result of their prevalence, which led to the requirement for an international system of corporate governance. Corporate governance traditionally focused on the problem of the separation of ownership and management. The quality of corporate governance is very important in the present world and more emphasis is given to it nowadays. The word "governance" is derived from the Latin word "Gubernare" which means to rule or steer. The pioneering work of Berle and Means (1932) provides the foundation of corporate governance. In their study, they observed that modern corporate could have established a separate system of control from management as they have grown to very large sizes. Corporate governance focused on the problem of the separation of ownership and management. The quality of corporate governance is very important in the present world and more emphasis is given to it nowadays. The perception of corporate governance was very narrow in the past. Milton Friedman defined corporate governance as "to conduct business purely in accordance with shareholders' desires". From this definition, it can be understood that the perception of corporate governance was very narrow. But now the situation has changed to the very broad view to include the entire society under the purview of corporate governance. It is widely accepted that there is a large number of stakeholders in a business and has to consider their expectations and interests.

The 20th century has seen the growth of serious management thoughts and thus the growing role of the market in the world. During this time important theories and practices have developed for the management of finance, marketing, and operations. During this time the role of directors is also started to consider. In this management era, everything was reflected in management such as the growth of many management theories, management consultants, management gurus, and teaching on management, etc. but in the 21st century, the focus has changed from management to corporate governance.

Even though the phrase corporate governance was not used until 1980, it has had wide and quick acceptance in the world. Corporate governance emerged in the late 1980s and during this period much research in this area also began to develop. In 1992, the research journal “Corporate Governance- An International Review” was founded. It is noticed that the theory of the concept of corporate governance is relatively new, the practice was there in the past days which is as old as trade. The governance issue arises when a principal appoints agents to get his work done. The agency issues arising in such a principle-agent relationship have become a central challenge in the running and regulating of modern enterprises.

Corporate failures and the systemic crisis over the centuries are the main drivers in the evolution of corporate governance and the South Sea Bubble financial crisis in the 1700s is the first among these. In England, it has led to the legislation of new business laws and practices which targeted the financial mismanagement that was identified as the reasons for corporate failure, and this also created the foundation for the changes after the stock market crash occurred in the US in 1929. The 1970s secondary banking crisis in the UK was triggered by the expansion of smaller banks and their increased reliance on short-term wholesale funding.

US crisis: The savings and loan crisis in the US in the 1980s was caused by a combination of factors, including rising interest rates, lack of proper regulation, and poor lending practices by savings and loan associations (S&Ls). The East Asian Economic Crisis in the mid-1990s was triggered by a combination of factors, including over investment in property and infrastructure, high levels of debt, and currency fluctuations. As the crisis unfolded, many East Asian countries saw their currencies depreciate sharply, which made it difficult to service their dollar-denominated debt. This led to a wave of bankruptcies and defaults, and the crisis had a significant impact on the global economy.

Following is an explanation of how corporate governance has changed:

3.6.1. Developments in the US

The evolution of corporate governance in the US has been marked by a series of piecemeal reforms and responses to crises and scandals, rather than a coherent and stable model. However, these changes have helped to strengthen corporate governance practices and promote greater transparency and accountability in the corporate world. The start of the 20th century has seen that some wealthy entrepreneurs such as Morgan, Rockefeller, Ford, Carnegie, and Dupont controlled large US corporations. They are holding the ownership of the majority of the stock in companies like Standard Oil and US Steel and exercised their rights to run these companies. The stock market crash of 1929 is one of the milestones of corporate governance in the US. It occurred in October 1929, and it was a major American stock market crash which is also known as “Black Thursday”, “Wall Street Crash” or “Great Crash”. The consequences of the crash were huge that affected the American economy in general. This crash triggered the Great Depression which influenced corporate governance in the 1900s.

The transition from entrepreneurial capitalism to managerial capitalism in the US was driven by a number of factors, including the growth of large corporations and the need for professional management. This transition resulted in a separation of ownership and control, where effective control of corporations was no longer exercised by the legal owners of equity, but by professional managers who were hired to run the company. As a result of the stock market crash, the Congress passed Securities Act of 1933 and the Securities Exchange Act of 1934 that has been considered as the cornerstones of US Security laws. From this Securities Act of 1934, the Securities Exchange Commission, an independent federal agency was created. In the 1970s, institutional investments increased, primarily through private and public pension funds and once again the institutional investors, who act as fiduciaries on behalf of individuals got the responsibility of ownership. So, in encouraging corporate governance in the US, these institutional investors played a significant role. Before the 1980s, corporate governance in the US was very different from today. As said, the executives of the company themselves held major portions of the stocks and options and mostly they were more focused on traditional performance measures like sales or earnings growth. The Board of Directors was not particularly active, and shareholders were relatively passive (G.H, 2003).

The Security Exchange Commission was the first regulatory body that was introduced after the stock market crash of 1929 with the aim to protect investors by maintaining fairness and safety of security markets. As enforced by the committee, it was a statutory requirement that public and other regulated companies shall submit quarterly and annual reports, as well as other periodic reports. To know the previous year's operations and how the company performed in the past a narrative account called "Management Discussion & Analysis" also be provided by the company executives. It facilitated capital formation, and it was also primarily concerned with key participants in the securities industry. The commission ensured mandatory reporting of internal controls and investors are provided with important market information. After that, in 1938, an Act called the "Maloney Act", came which extended the Security Exchange Commission's regulatory jurisdiction to the Over the Counter (OTC) market as the regulatory authority of banks and non-banks that deals non-exempt securities.

The Watergate scandal, which involved US President Richard Nixon's administration from 1972 to 1974, was a significant political scandal in the US. This inspired the development of contemporary concepts for corporate governance. It was established because the legislative and regulatory bodies were unable to stop those large firms from making unethical and illegal political contributions and bringing in public officials. The Foreign Corrupt Practices Act was passed by Congress in 1977 in response to the necessity to stop illicit practices. This law's purpose was to maintain and evaluate an establishment's internal control system.

Prior to 1980, corporate governance was comparatively inactive. Corporate governance saw significant developments in the 1980s and 1990s. 1980 saw a significant wave of mergers, acquisitions, and restructuring operations. The most significant corporate failure in the US was the collapse of the Savings and Loan industry. Following these occurrences, a commission known as the "Tradeway Commission" was established in 1985. It was established in order to comprehend the primary reason for financial report misrepresentation. It also attempted to make suggestions for how to lower such occurrences.

The commission released a report in 1987 that emphasized the importance of an appropriate control environment, independent audit committees, and a purposeful internal audit function. Public reports on the efficiency of internal control were required. To help companies increase their internal controls, the sponsoring organizations are asked to develop an extensive set of thorough control criteria. The Committee of Sponsoring Organisations (COSO) then developed as a result of what happened. The COSO of the Tradeway Commission has issued internal control integrated framework " to help business and either and it is assessed and enhance their internal control systems ". As already mentioned, institutional investors in the US played a significant role in encouraging good corporate governance, the successful one among them was the California Public Employee Retirement System (CalPERS). The 1980s saw a huge wave of hostile takeovers that threatened the hegemony of US managers.

The most dramatic corporate scandals in the US occurred in the year 2001. Companies like Enron, World Com, Tyco, and others have collapsed due to misgovernance. After these incidents, in 2002, the Sarbanes Oxley Act came into existence. It imposes significant new disclosure and corporate governance requirements for public companies.

3.6.2. Development of corporate governance in the UK

The thoughts of modern corporate governance in the UK started when the BCCI scandal occurred in England. The requirement of corporate governance was increased by the collapse of the British merchant bank Barings Bank. Additionally, when businesses like Maxwell and Polly Peck failed in the late 1980s and early 1990s, the first innovations in the UK also got underway. These involved creative accounting, spectacular business failures, the apparent ease with which unscrupulous directors could expropriate other stakeholder's funds, the limited role of auditors, the claimed weak link between executive remuneration and company performance, the roles played by the market for control and institutional investors in generating excessive short-term perspectives to the detriment of economic performance (Kevin.et.al, 2005). The concerns to improve the standards of corporate governance led to the formation of various committees across the globe. The first committee on corporate governance in the UK has been formed in 1991 named the Cadbury Committee.

A comprehensive code of corporate governance has been developed in the UK as a result of a series of public reports published over the past several years on corporate governance, starting with the Cadbury report in 1992 and continuing with the Greenbury committee report in 1995, Hampel (1998), Turnbull (1999), Higgs (2003), and Smith (2003). A significant portion of this code relates to directors' compensation. These committees offer a variety of corporate governance standards following an analysis of the corporate governance problems now plaguing the corporate sector. This was helpful for the corporate management to improve their corporate governance standards. Studying the subject matter of the corporate codes and reports produced by various committees highlight the key practical issues over the last decade (Fernando. A C, 2018).

3.7. Global Level Initiatives on corporate governance: Committees on Corporate Governance

3.7.1. Cadbury Committee report

England started to think about adequate remedial measures to prevent the unethical and unlawful practices of corporate governance and to protect the investors. As a result, in May 1991, a committee on corporate governance was set up by the Financial Reporting Council, the London Stock Exchange, and the Accounting Profession under the chairmanship of Sir. Adrian Cadbury. The report was titled "Financial Aspects of corporate governance". This is the first committee on corporate governance to report on the financial aspects of corporate governance. The financial scandals in the 1980s in the UK listed companies especially the top communication companies like Maxwell and the death of Robert Maxwell led down the investor's confidence in the quality of financial reporting were the immediate reasons behind the appointment of the committee on corporate governance. Report on the "Financial Aspects of corporate governance" was issued by the committee in 1992 and a "Code of best practices", covering three areas such as the Board of Directors, auditing, and shareholders were produced subsequently. By drafting the code of practices, the committee was of the motive to direct the companies in the UK to mitigate and avoid financial loss. Accountability of the Board of Directors to shareholders and to society is investigated by the committee. "The Cadbury committee's terms of reference were limited to reviewing those aspects of corporate governance specifically related to financial reporting and accountability and as a result, the main thrust of its recommendations was directed towards the issue of control and accountability" (Kevin.et.al, 2005). For improving accountability, the committee relied on factors like improved information to shareholders, continued self-regulation, more independent directors in the company, and strengthening auditor independence. Sir Adrian Cadbury believed that corporate governance practices should not restrict the growth of companies when they are followed by mandatorily. The Cadbury committee recommendations were adopted generally at least by the larger public companies, and it was successful in that way. The committee proposed 19 recommendations on aspects of the Board of Directors and reporting of material aspects of the company and the committee recommended that all listed companies should produce a formal statement in their annual report regarding the implementation of the code and those who are not adhering to the code should be provided with the reason for non-compliance. Its recommendations are focused on the functioning of boards on reporting and control and also on the role of auditors.

3.7.2. Paul Ruthman Committee

This committee has been formed to deal with the controversial point of the Cadbury Committee. It watered down the proposal on the ground of practicality and also restricted the reporting requirement to internal financial controls only as against "the effectiveness of company's system of internal control" as explained in the Cadbury report's Code of practices.

3.7.3. Greenbury committee

Greenbury committee was formed in January 1995 by the Confederation of British Industry and chaired by Sir Richard Greenbury. It was established in response to the increasing concern at the level of salaries and bonuses being paid to senior executives. It was formed to determine the director's remuneration and to prepare a code of practice to be followed by the public limited companies in the UK. It was the responsibility of the responsible committee, made up of non-executive directors, to determine the level of compensation packages of the executive directors and ensure full disclosure of each executive's pay package and that shareholders be required to approve them. The code of best practices by this committee was divided into four sections such as remuneration committee, remuneration policy, disclosure and, services contracts, and compensation.

3.7.4. Hampel Committee,1995

Hampel's committee was set up in November 1995 under the chairmanship of Ronald Hampel, who was the chairman of ICI plc to review and revise the recommendations of the Cadbury Committee and Greenbury Committee. It also suggested combining the recommendations of all three committees and to generate a single code which is in the form of a Combined Code. The final report of the committee came in 1998 and it aimed to promote high standards on corporate governance along with protecting investors and enhancing the standing of companies listed on the London stock exchange. The Hampel report is considered as one of the final reports that give importance to principles of good governance over explicit rules.

3.7.5. The combined code,1998

The Combined Code is also known as the UK corporate governance code which is a part of UK company law aimed at listed companies on the London stock exchange with a set of good corporate governance principles. It's a code of best practice in the field of corporate governance, which is derived from the Hampel committee's Final Report, Cadbury Report, and Greenbury Report. This Report concerns matters like the role of Non-Executive Directors, director's remuneration, general issues of audit, accountability, and relations with shareholders. The directors have the responsibility to conduct a review of the effectiveness of the internal control system including all areas such as financial, operational and compliance, and risk management and they should report all these to the shareholders. All listed companies in the UK mandatorily complied with the code. They should disclose whether they have complied or not complied with the code and if there is any departure from it, they should give an explanation. This code has been revised and issued its new versions in 2003 and 2006.

3.7.6. The Turnbull Committee,1999

"Internal Control: Guidance for Directors on the Combined Code" is also known as the Turnbull Report by the Turnbull committee was set up in 1999 by the Institute of Chartered Accountants in England and Wales (ICAEW). This committee is chaired by Nigel Turnbull of Rank Group plc. The report guides about implementing the requirements of the Combined Code and informed the directors about their obligations with the code in keeping good internal control in companies and to ensure the quality of financial reporting through good audits and checks and prevent fraud before it becomes a problem. It recommended the board consider the need for carrying out internal audits annually and to ensure that there are proper procedures for evaluating and managing key risks.

3.7.7. The Blue-Ribbon Committee,1999

The Blue-Ribbon Committee was set up by the Securities and Exchange Commission, the US in 1998 under the chairmanship of Levitt and it published the Report in February 1999 on improving the effectiveness of corporate audit committees. The role and independence of the audit committee, the financial knowledge of members in the committee, minimum size are the recommendations of the committee. NYSE, the American Stock Exchange (Amex), Nasdaq, and the American Institute of Certified Public Accountants (AICPA) adopted these recommendations and also declared them mandatory for the companies. But for foreign issuers, these recommendations are not mandatory.

3.7.8. World Bank on Corporate Governance

World Bank was one of the earliest international organizations to study corporate governance issues and provided guidelines. Its report on corporate governance looks into the complexity of the concept of corporate governance. It focuses on the very basic principles of corporate governance such as transparency, accountability, fairness, and responsibility.

3.7.9. OECD Principles

The Organization for Economic Cooperation and Development (OECD)was a non-governmental organization that worked on corporate governance for companies. It focused on principles and practices that should govern corporate' s in attaining their goals. It released the first set of corporate governance principles in 1999 and a revised version was issued in 2004. To help OECD and non-OECD governments in creating legal and regulatory frameworks for corporate governance in their countries the ministers of OECD member countries develop and endorse the OECD principles. The OECD principles are:

1. Ensuring the basis of an effective corporate governance framework
2. The rights of shareholders and key ownership functions
3. The equitable treatment of shareholders
4. The role of stakeholders in corporate governance
5. Disclosure and transparency
6. The responsibilities of the board

Focusing on public companies, the principles guide in improving the legal, institutional and regulatory framework especially for policymakers, regulators, and market participants. Stock exchanges, investors, corporations, and other parties are also provided with practical suggestions for developing good corporate governance.

3.7.10. McKinsey Survey on Corporate Governance

McKinsey, the international management consultant organization surveyed to find out the relationship between corporate governance and market valuation of the company. To study this they have selected 188 companies as samples from 6 emerging markets (India, Malaysia, Mexico, South Korea, Taiwan, and Turkey). The result of the study showed a positive correlation between good corporate governance and the market valuation of the company. McKinsey found that companies with good corporate governance practices have high price-to-book values which show investors are willing to pay a premium for the shares of a company with good corporate governance. Investors are ready to pay a premium of 28% for shares of companies that demonstrate good corporate governance.

3.7.11. Sarbanes-Oxley Act, 2002

Sarbanes- Oxley Act was passed by the US Congress on 30 July 2002. It is also known as the SOX Act of 2002 and the Corporate Responsibility Act of 2002. It aimed to protect investors from fraudulent financial reporting by corporations. SOX Act came when corporate America faced many financial scandals in the early 2000s including publicly traded and big companies such as Enron, Tyco International Plc, and World Com. As a result of these scandals, investors lost faith in the accuracy of corporate financial statements. Thus, the Act was created to safeguard investors by enhancing company disclosures with greater veracity and correctness.

3.7.12. The King's Committee on Corporate Governance

The King Report is the corporate governance framework for the companies listed on the Johannesburg stock exchange, South Africa. As demanded by the Institute of Directors, retired Judge South African Supreme Court Mervin King chaired a committee on corporate governance and came out with four reports, first in 1994(King I), second in 2002 (King II), third in 2009 (King III) and fourth in 2017 (King IV). This code is non-legislative and is based on principles and practices which have been cited as "the most effective summary of the best international practices in corporate governance". Leadership, sustainability, and good corporate citizenship are the key elements of this code.

i. King I

The first corporate governance code for South Africa, King I Report on corporate governance was published in 1994. The main recommendations of the report include corporate governance guidelines for boards and directors of listed companies, banks, and certain state-owned enterprises. Financial, as well as regulatory aspects, are included in this standard of conduct, and an integrated approach that involves all stakeholders is advocated and applied to all companies listed on the Johannesburg stock exchange.

ii. King II

In March 2002, the King Report was released which moves beyond the largely financial focus of the King Report I,1999. The code integrates with issues like risk management, internal audit integrated 'sustainable growth' reporting, accounting and auditing, and compliance and enforcement. It also introduced a triple-bottom-line concept of reporting. The three integrated elements are economic, social, and environmental elements. New sections on the role of corporate boards in sustainability and risk management are also added in this report. King II applies to the organizations as said in the King II also to departments of state or national, provincial or local government administration. The key principles are as follows:

- Directors and their responsibility
- Risk management
- Internal audit
- Integrated sustainability reporting
- Accounting and auditing

iii. King III

The introduction of the new Companies Act of 2008 and changes in international governance trends in South Africa were the reasons behind South Africa having another report on corporate governance and this report is King III Report by the King Committee on corporate governance. Where the King II report was wrong to suggest sustainability as a separate chapter, the King Report III, 2009 integrated the report with strategy and sustainability and recommended the organization produce an integrated report in place of an annual financial report according to the global reporting initiatives Sustainability Reporting Guidelines. King III applies to all entities including private, public, and non-profit.

iv. King IV

The fourth edition of the King Report, King IV Report was published on 1st November 2016. It sets out the philosophy, principles, practices, and outcomes. It was published by the Institute of Directors in South Africa NPC(IoDSA). It is more accessible to all types of entities across sectors. The principles of King IV are easier to interpret and implement. It incorporated new principles in its report such as IT governance, business rescue, etc.

3.8. Corporate Governance in India

In India, the idea of good governance has a very long and illustrious history. There were good governance ideas that seemed to be quite relevant to the needs of modern businesses. Before and after liberalization, the history of corporate governance in India can be researched.

3.8.1. Corporate governance before liberalization

India was a poor economy, and it was the poorest nation in the world, with a low per capita income, at the time of independence. But India's corporate sector was well developed and active in stock markets and the banking sector. There were laws that regulates the companies, and other securities institutions. The manufacturing sector was also functioning well and accounted for almost a fifth of the country's national product. The corporate practices were British-derived. "At that time, India had a sizable corporate sector that accounted for at least 10% of the country's GDP; four well-functioning stock markets, an active manufacturing sector and a fairly developed banking system, a substantial body of laws relating to the conduct of companies, stock markets, banks, trusts, and securities; and well-developed equity culture among the urban population" (Nidhi, 2015) .

The corporate growth in India was marked by the "managing agency system" in which every major corporate group had a closely held company or partnership. It functioned like a holding company. In 1951, the Industries (Development and Regulation) Act and in the year 1956, Industrial Policy Resolution were put in place and these marked the turn towards the Nehruvian socialistic experiments in India. As per the Industries (Development and Regulation) Act, 1951, all existing as well as proposed industrial units needed to be obtained licenses from the central government. Industrial Policy Resolution,1956 also restricted private investments. It set forth that the Indian economy would be dominated by the public sector and the government would specify the industries for which the state would be exclusively responsible. "The first barrier to investment came with the Industries (Development and Regulation) Act, 1951, which required all existing and proposed industrial units to obtain licenses from the Central Government." (Baharul.Md). The Act was dismantled in 1991. In 1956, the Securities Contracts (Regulation) Act was passed which regulates stock exchanges and transactions of securities. In the same year,1956, the Companies Act was introduced, the enactment of which actually helped to encourage and strengthen the rights of shareholders.

3.8.2. Post liberalization

Due to the collapse of many large firms and the financial crisis in the country, the Indian government in 1991 initiated major economic reforms. And, as a result, a new industrial policy was adopted. This policy changed the Indian scenario as the Industries (Development and Regulation) Act, of 1951, was dismantled and the office of the controller of capital issue was abolished. This helped the firms to access the capital markets more easily. The doors of financing for Indian firms opened when the markets spacing through the 1990s liberalization, privatization, and globalization. The need for better corporate governance increased and the demand for corporate governance reforms. So, the corporate governance reforms and major initiatives started from then in the mid-1990s (Nidhi, 2015). In 1992, the Securities and Exchange Board of India (SEBI) has constituted with the aim to protect the interests of investors in India. Both SEBI and the Government of India made many recommendations to improve the standards of corporate governance and to strengthen corporate governance a variety of measures have been adopted. Strengthening the shareholder’s rights including protection of the rights of minority investors, ensuring transparency in business operations and proper disclosure of information are a few among them. Confederation of Indian Industry (CII) had taken the initiative to establish a code of corporate governance and is considered to be the pioneer of corporate governance in India. Different committees on corporate governance came up with their corporate governance reports to encourage better corporate governance. India has amended its Companies Act and the new Companies Act,2013 has been came with new provisions for the betterment of corporate governance.

3.8.3. National-level initiatives

The growth of corporate governance in India is influenced by the developments of corporate governance in the UK and the Government. Regulators in India started to think and lay down with setting up of corporate governance rules in the country. Corporate scandals occurred in the country down the investor confidence level and so the corporate governance policies started to reform. In the mid-1990s India started its major corporate governance initiatives. The issue of corporate governance was studied by the CII, the Associated Chambers of Commerce, and the Securities and Exchange Board of India (SEBI). The major initiatives in India concerning corporate governance are:

- The working group on Companies Act 1996
- The CII efforts 1996
- The Kumar Mangalam Birla Committee 1999
- The Naresh Chandra Committee 2002
- The Narayana Moorthy Committee 2003
- The JJ Irani Committee 2005
- Uday Kotak Committee 2017

3.8.3.1. The working group on Companies Act 1996

To rewrite the Companies Act completely Government set up a working group in August 1996. It was necessary to the changing corporate sector in the modern business world, aspirations of investors, globalization, liberalization, etc. of the economy. In 1997, a working draft of the Companies Bill has been prepared and introduced in Rajya Sabha on 14th August 1997 which included many recommendations about financial and non-financial recommendations.

3.8.3.2. CII code

India's largest industry and business association, CII took a special initiative on corporate governance which set up a committee on corporate governance more than a year before the Asian crisis. It was set up to study the issues of corporate governance and in 1998 it came up with the first voluntary code, "Desirable Corporate Governance: A Code" 1998. As a result, CII has been inducing companies to disclose information regarding their boards, annual reports of companies contain a chapter on corporate governance.

3.8.3.3. The Kumar Mangalam Birla Committee 1999

In early 1999, SEBI set up a committee under the chairmanship of Kumar Mangalam Birla to promote and raise the standards of good corporate governance. The committee submitted its report on 25th January 2000. These recommendations were then incorporated into Clause 49 of the listing agreement of the stock exchange. This report pointed out that the shareholders, as well as stakeholders, are involved in the issue of corporate governance and so the recommendations have looked at corporate governance from their point of view. Therefore, the control and reporting functions of boards, the role of various committees of the board, the role of management, all assume special significance. It was a "National code on corporate governance" for listed companies and was primarily focused on shareholders and investors rather than overlooking the interest of other stakeholders. The committee provided both mandatory and non-mandatory recommendations.

3.8.3.4. Naresh Chandra Committee, 2002

The Department of Company Affairs under the Ministry of Corporate Affairs appointed a high-level committee on 21 August 2002 under Naresh Chandra and this committee is known as the Naresh Chandra committee. This committee was appointed to examine various corporate governance issues and recommend corporate governance reforms to be incorporated in the form of amendments to the Companies Act. In December 2002, the committee submitted its report. The main recommendations made by the committee were on the role of independent directors and the auditor-company relationship.

3.8.3.5. Narayana Murthy Committee, 2003

To review the existing provisions of clause 49 and suggest measures to improve corporate governance standards in line with the needs of a dynamic market SEBI has appointed a committee on corporate governance under the chairmanship of N R Narayana Murthy in late 2002. In February 2003 the committee released its report. To enhance transparency and integrity of the market, the committee aimed to review the performance of corporate governance and also to determine the role of companies in responding to price-sensitive information circulating in the market.

3.8.3.6. J J Irani Committee, 2005

Another committee on corporate governance was set up on 2nd December 2004 to comprehensively the Companies Act, 1956 in the light of changes taking place in the national and international scenario. Dr. Jamshad J Irani was the chairman of the committee. The committee submitted its report on 31st May 2005. Important issues of company law and corporate governance in India were covered by the committee. The government of India introduced the Companies Bill, 2008 in the Indian Parliament based on the recommendations of this committee.

3.8.3.7. Uday Kotak Committee, 2017

Under the chairmanship of Mr. Uday Kotak, SEBI constituted a committee in June 2017 comprising 25 members. There were bureaucrats, executives, lawyers, and academics in the committee, and they intended to study the problems of corporate governance and improving the governance practices of corporate India. The main objective of this committee was to improve corporate governance practices of corporate India, ensuring a higher degree of disclosure of related party transactions, improving the effectiveness of board evaluation practices, etc. The committee submitted its report on 5th October 2017.

3.9. The legal framework of corporate governance in India

Capital market frauds and corporate frauds that occurred in the past in India affected the confidence of the investors. Among these scams, the biggest one regarded as the 'Debacle of the Indian Financial System' is the Sathyam scam. The concerns about good corporate governance have increased in the country after this scam. During the last two decades, the government initiated several legal and regulatory measures to overcome this situation and also to regain the investor's confidence. So, to ensure fair corporate governance, the government of India has placed a statutory framework. Some of the key legal and regulatory measures are as follows:

1. The Indian Companies Act, 2013
2. The Securities Contracts (Regulation) Act 1956
3. The Securities and Exchange Board of India Act 1992
4. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
5. The National Depositories Act 1996
6. The Chartered Accountants Act 1949
7. The Company Secretaries Act 1980

3.9.1. The Indian Companies Act, 2013

The incorporation, administration, and operation of companies in India are governed by the comprehensive companies Act 2013. The Companies Act, 1956 was active for about fifty-five years and has been amended several times. As a replacement to the existing Company Act 1956, New Companies Act 2013 was passed by the Parliament and came into force on August 29, 2013. (Padhi.N., & Vagrecha, K. 2017). The act aims to strengthen India's corporate regulatory framework and promote strong corporate governance practices. By adding a number of new laws and regulations to strengthen corporate governance and increase the overall effectiveness and responsibility of firms, it has greatly expanded the meaning and scope of the preceding Companies Act 1956. They are grouped into eight:

1. Increased reporting standards
2. Higher auditing accountability
3. Risk Management
4. Emphasis on investor protection
5. Composition of the director board members and their responsibilities
6. Board committees
7. Inclusive Corporate Social Responsibility and
8. Compulsory whistle-blower mechanism

3.9.2. The Securities Contracts (Regulation) Act 1956

The Capital Issues (Control) Act 1947 was the first piece of legislation passed in India to control the capital market. After that, the Companies Act 1956 was passed with a view to regulating the formation, administration, and dissolution of companies. The Companies Act 1956 has provisions to ensure certain rights to its members, but the rights given to its members under this Act will not redress the grievances of individual investors and there is no protection under this Act, as far as getting back the capital invested and rate of return on investment. Apart from the Companies Act, the Securities Contracts (Regulation) Act 1956 was also passed with a view to prohibiting speculation and unfair trading in the stock market as a way out for investors' protection. SEBI has been established with the primary objective of protecting the investor's interest in securities, which is defined in the Securities Contracts [Regulation] Act, 1956 to include:

i. Shares, scrips, stocks, bonds, debenture stock, or other marketable securities of a like nature in or of any incorporated company or body corporate:

ii. Derivative;

iii. Units or any other instrument issued by any collective investment scheme to the investor in such schemes;

iv. Government Securities;

v. Such other instruments as may be declared by the Central Government to be securities;

vi. Rights or interest in securities. (Gurunathan, K. B. 2007).

3.9.3. The Securities and Exchange Board of India (SEBI) Act, 1992

The Securities and Exchange Board of India (SEBI) Act, 1992, a comprehensive piece of law, regulates and develops India's securities market. It was adopted in order to protect investors' interests and accelerate the growth of the securities market. The SEBI Act has undergone a number of amendments since it was established, but it continues to have a substantial impact on the Indian securities market. SEBI wasn't created overnight. It began as a non-statutory organization and gradually expanded into a powerful regulator by establishing a variety of rules and regulations in the market. It became a legally recognized organization in 1992. SEBI is working to protect investors' interests by closing numerous gaps in the prior legislation and it has replaced the roles played by the Controller of Capital Issues, an office attached to the Ministry of Company Affairs. Since its formation, the SEBI has initiated several measures to overcome the inherent weaknesses of the Indian capital markets. Now SEBI is the official agency implementing various provisions of Companies Act relating to the public issue of shares and capital market operations in India and increase the corporate value creation by ensuring better corporate governance (Fernando, Muraleedharan, & Satheesh, 2018).

3.9.4. SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Listing Obligations and Disclosure Requirements Regulations, 2015 (LODR) of the Securities and Exchange Board of India (‘SEBI’) which incorporates the latest changes made by SEBI in the erstwhile Clause 49 & Clause 55 of the

Equity Listing Agreement, has further bolstered the governance framework for the listed companies (Kumar, A. 2016).

The SEBI (LODR) Regulations, 2015 shall apply to the listed entity which has listed any of the following designated securities on recognized stock exchange:

1. Specified securities listed on main board or SME Exchange or Institutional Trading Platform (ITP)
2. Non-convertible Debt Securities (NDS), Non-Convertible Redeemable Preference Shares (NCRPS), Perpetual Debt Instrument, Perpetual Non-Cumulative Preference Shares
3. Indian Depository Receipts
4. Securitized Debt Instruments
5. Security receipts
6. Units issued by mutual funds.

Any other securities as may be specified by the SEBI. Provisions of the SEBI (LODR) Regulations, 2015 which become applicable to listed entities on the basis of market capitalization criteria shall continue to apply to such entities even if they fall below such thresholds (Taxman.2023)

3.9.5. The National Depositories Act 1996

The Depositories Act 1996 was introduced in India with the aim of facilitating the digitalization of securities and creating a more efficient and transparent capital market. This act enabled the establishment of two depositories, the National Securities Depository Limited (NSDL) and the Central Securities Depository Limited (CDSL), which provide electronic depository services for securities traded in the Indian capital market. Before the introduction of this act, securities were traded on physical certificates, which made the trading process slow, cumbersome, and prone to errors. The Depositories Act allowed for the dematerialization of securities, which means converting physical securities into electronic form, eliminating the need for paper-based settlement and making the process faster and more efficient. According to a report by the Reserve Bank of India (RBI) on the Indian financial sector, the introduction of the Depositories Act and the establishment of NSDL and CDSL have brought significant benefits to the Indian capital market. The report states that "The depository system has been a significant contributor to the growth of the Indian securities market, as it has enabled seamless trading and settlement of securities in electronic form." Furthermore, the introduction of dematerialization and electronic trading has increased transparency in the Indian capital market (Reserve Bank of India, 2018). According to a report by the Securities and Exchange Board of India (SEBI), "Dematerialization of securities and screen-based trading has brought in a higher level of transparency in the securities market."(SEBI, 2018)

3.9.6. The Chartered Accountants Act 1949

The Chartered Accountants Act, 1949 (Act No. 38 of 1949) is an Act of the Parliament of India enacted to regulate the profession of Chartered Accountancy in India. The Act provides for the incorporation of the Institute of Chartered Accountants of India (ICAI) and the regulation of the profession of Chartered Accountancy in India. The Act defines the qualifications required for enrolment and the manner in which the Institute may conduct its examinations and confer the qualifications of Chartered Accountant on those who pass the examinations. The Act also establishes a Council of the Institute, determines the terms and conditions of service of its members and employees, and provides for the control and superintendence of the Institute over its members and their practice.

3.9.7. The Company Secretaries Act 1980

The Companies Secretaries Act 1980 is an important piece of legislation in India that regulates the profession of Company Secretaries in the country. The Act sets out the qualifications, duties, and responsibilities of Company Secretaries, and establishes the Institute of Company Secretaries of India (ICSI) as a statutory body responsible for regulating and promoting the profession.

According to the Companies Secretaries Act 1980, a Company Secretary is "key managerial personnel" of a company and is responsible for ensuring compliance with various laws and regulations. The Act lays down the qualifications and eligibility criteria for becoming a Company Secretary and sets out the duties and responsibilities of the profession.

The Act also establishes the ICSI as a statutory body responsible for promoting, regulating, and developing the profession of Company Secretaries in India. The ICSI is responsible for setting the standards of professional conduct for Company Secretaries, conducting examinations, and maintaining a register of qualified Company Secretaries.

The Companies Secretaries Act 1980 has undergone several amendments over the years, with the most recent amendment being made in 2019. The amendment introduced several changes, including the requirement for companies to appoint a Company Secretary with a paid-up share capital of Rs. 10 crores or more, and the creation of a new category of Company Secretaries, known as "Associate Company Secretaries".

The evolution of corporate governance in India and around the world has been a fascinating and complex process. The concept of corporate governance has gained significant importance in recent times due to the increasing emphasis on transparency, accountability, and responsible behavior among corporations. With the passing of various laws and regulations intended to increase transparency, accountability, and justice in corporate operations, the study has demonstrated that India has made substantial advancements in corporate governance in recent years. Still, there is potential for improvement, especially in the area of enforcement, where the current legal system needs to be improved to guarantee that businesses follow best practices.

3.10. Summary

Good corporate governance is essential to ensure organizations are accountable, transparent, and run efficiently to protect the interests of stakeholders.

It involves creating rules, laws, and best practices to weigh the interests of various stakeholders, resolve conflicts of interest, and improve transparency, accountability, and moral conduct. To stay compliant, businesses must review and update policies, practices, and internal controls regularly to keep up with legal requirements and industry best practices. Additionally, minority shareholder rights must be protected, and sound corporate governance principles must be advanced through increased transparency, higher disclosure standards, equal treatment of all shareholders, and channels for minority shareholder participation and grievance.

An organization's long-term success and viability depend on its capacity to practice good corporate governance. Organizations can cultivate a culture of integrity and trust by encouraging ethical behavior and ensuring that their activities are consistent with the values and expectations of stakeholders. Organizations with effective governance practices may also detect, evaluate, and manage risks in a proactive manner, protecting the business from potential threats and boosting its resilience. Additionally, businesses can forge solid bonds with shareholders, staff members, customers, and the general public by fostering stakeholder trust through openness, accountability, and responsible decision-making. These bonds are essential for sustaining support and collaboration. Moreover, sound corporate governance contributes to economic growth and stability by attracting investment, encouraging innovation, and mitigating the risk of financial crises. By prioritizing and implementing effective governance practices, companies can strengthen their competitiveness, adapt to dynamic market conditions, and consistently deliver sustainable performance in the marketplace, thereby ensuring their long-term success and sustainability. In the Indian context, good corporate governance is of utmost importance for achieving long-term success and sustainability for organizations. With a rapidly growing economy and a large number of stakeholders, effective governance practices play a critical role in maintaining trust and confidence in the corporate sector. By promoting ethical conduct, organizations can ensure transparency, accountability, and fairness in their operations, which is essential in a diverse and complex business environment. Managing risks through robust governance mechanisms helps organizations navigate regulatory challenges and economic uncertainties, contributing to their resilience. Building stakeholder trust is particularly crucial in India, where there is a strong emphasis on the protection of minority shareholder rights and ensuring equal treatment of all stakeholders. By prioritizing and implementing effective governance practices, Indian companies can enhance their competitiveness in the global market, attract foreign investment, and contribute to the country's economic growth and stability. Additionally, in recent years, regulatory reforms and initiatives have been introduced in India to strengthen corporate governance, making it even more imperative for companies to comply with best practices and guidelines. Overall, good corporate governance in the Indian context serves as a foundation for sustainable business growth, stakeholder engagement, and maintaining the integrity of the corporate sector.

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CHAPTER 4

CORPORATE GOVERNANCE AND ITS IMPACT ON THE PERFORMANCE OF THE LISTED COMPANIES IN KERALA

4.1. Introduction

The term corporate governance entails the management decisions making that would create an impact on the corporate's overall performance. Furthermore, corporate governance may form the decisions either with the aid of the company's Board of Directors or the shareholders. In both cases, decisions taken can add to the performance of an organization. The impact of corporate governance and firm performance is to be understood by analyzing the relationship between the corporate governance practices of the firm and operating performance. This chapter analyses various factors relevant to corporate governance and the corporate performance of selected listed companies in Kerala.

In general, Corporate Governance is an umbrella term used to integrate the performance of the different elements of corporate governance such as Board Structure and Process, Board Committees, Corporate Social Responsibility, Investor Protection, Reporting Framework, Statutory Auditors, Risk Management, Whistle-blowing Mechanism, and Value for other Stakeholders. The compliance level of these practices determines the performance of the firms. For this purpose, after discussion with experts in the field, the scholar has developed a comprehensive Corporate Governance Index consisting of different sub-variables that are coming under the main corporate governance elements. (Details are discussed in the research methodology part) This instrument has been applied by the scholar to measure the corporate governance performance of 45 listed companies in Kerala. Listed companies in Kerala are categorized as large-cap, medium-cap, and small-cap companies based on their market capitalization and it also looks into whether there is any significant difference between the corporate governance practices in these categories.

4.2.Overall corporate governance performance of listed companies in Kerala

As stated elsewhere, using a corporate governance index prepared by the researcher, corporate governance scores are assigned and the performance for the five years of the listed companies in Kerala has been computed. Year-wise, market capitalization-wise and company-wise performance are also discussed in this chapter.

Table 4.01 indicates the overall corporate governance performance and the percentage of growth among the listed companies in Kerala for the past five years (2013-14 to 2017-18).

Table 4.01 Distribution of scores of overall corporate governance performance of listed companies in Kerala for the period 2013- '14 to 2017-'18.

Category	13-14	14-15	15-16	16-17	17-18	Total	Agg. Mean	%compliance	%Increase over the base year
Large cap	123	142	147	163	169	744	149	76	37
Medium cap	135	152	160	164	166	776	155	79	23
Small cap	112	129	136	142	145	665	133	68	29
Agg. Mean	**114**	**132**	**139**	**144**	**147**	**677**	**135**	**69**	**29**

Source: Calculated from the annual reports

Table 4.01 reflects the overall corporate governance performance among the three categorized companies, i.e., large-cap, medium-cap, and small-cap companies. It is observed that the aggregate mean score of the overall corporate governance performance for the five years is 135 as against the maximum score of 195 as per the index prepared. So, it indicates a compliance level of 69% in this respect. 29% growth has also registered in the compliance level for the study period. The above data relating to the overall corporate governance performance of listed companies in Kerala have been tabulated on the basis of market capitalization, company, and year.

Market capitalization-wise mean compliance is maximum for medium-cap companies followed by large-cap companies and lowest for small-sized companies. Respective mean scores are 155 (79% compliance), 149 (76% compliance), and 133 (68% compliance) for medium cap large-cap and small-cap companies. Regarding the growth of compliance during the period, it is seen that the highest growth is achieved for large-cap companies (37% compliance) followed by small-cap companies (29% compliance) and medium cap companies (23% compliance).

Further, to analyze the variance and to find out the statistical significance mean difference, the ANOVA test is used, the result of which is presented in Table 4.02

Table 4.02 Distribution of One-Way ANOVA output of overall corporate governance performance among the listed companies in Kerala

Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Between subject	1307.000	2	653.500	42.066	.000
Within-subject	124.282	8	15.535		

Source: Calculated by the scholar

It is clear from the analysis that a significant difference exists in the overall corporate governance performance of listed companies in Kerala based on market capitalization as the p-value is less than 0.05 level of significance. For identifying which category is different from others, the researcher has conducted a Post hoc analysis and the results are presented in Table 4.03

Table 4.03 shows the result of Tukey's post-hoc test that analyses pairwise differences among the categorized group of listed companies in Kerala

		Mean Difference (I-J)	**Std. Error**	**Sig.**[b]
Large-cap	Medium cap	6.400	3.217	.118
Large -cap	Small cap	15.810*	2.844	.005
Medium cap	Small cap	22.210*	.455	.000

Source: calculated by the researcher

Above Table.4.03. evaluates pairwise differences among the categorized group of companies. The test reveals that there is a significant pairwise difference between the overall corporate governance scores of medium-cap companies and small-cap companies with a p value less than 0.05, at a 5% significance level. Moreover, the comparison of large-cap companies with small cap also shows a significant difference as the p-value is less than 5% level of significance.

Company-wise analysis: The above data relating to the overall corporate governance performance of listed companies in Kerala has been tabulated market capitalization-wise and company-wise and presented below.

***Large -cap Company*:** From Table. 4.04 it is noticed Muthoot Finance Ltd. is the only large-cap company under study, which shows a mean score of 149 (76.4% compliance) as against the computed maximum score of 195. A 37.39% growth in the compliance level for the five-year period under study.

Table 4.04. Distribution of the overall corporate governance performance of listed large-cap companies in Kerala for the period 2013- '14 to 2017-'18.

Name of company	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Mean	% Compliance	% Increase
Muthoot Finance Ltd	123	142	147	163	169	744	149	76.4	37.39

Source: computed from the annual reports

***Medium Cap Companies*:** The data relating to overall corporate governance compliance in mid-cap cap companies are presented in Table 1.05 below.

Table 4.05. Distribution of the overall corporate governance performance of listed medium-cap companies in Kerala for the period 2013- '14 to 2017-'18.

Name of company	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. Mean	% compliance	% Increase
V-Guard Industries Ltd	123	152	156	161	161	753	150.6	77.2	30.89
Federal Bank Ltd	157	164	175	175	175	846	169.2	86.7	11.46
Manappuram Finance Ltd	118	140	154	162	170	744	148.8	76.3	44.07
Apollo Tyers Ltd	139	153	155	157	157	761	152.2	78.1	12.95
Agg. Mean	134.25	152.25	160	163.75	165.75	776	155.2	80	23.46

Source: computed from the annual reports

Table 4.05 shows that the highest performance is for Federal Bank Ltd., which shows a mean score of 169 (87% compliance) followed by, Apollo Tyres Ltd., 152 (78% compliance), V-Guard Industries Ltd., 151 (77% compliance), and Manappuram Finance Ltd is 149 (76% compliance). Looking at the growth rate of mid-cap companies, the highest growth rate shown owed by Manappuram Finance Ltd., which is 44%, followed by V-Guard Industries Ltd (31%), Apollo Tyres Ltd (13%) and Federal Bank Ltd (11%). Company wise mean difference in the compliance scores among mid cap companies are further analyzed by ANOVA and the result is presented in table 1.06 below.

Company wise Analysis

Table 4.06 Distribution of one-way ANOVA output of the company wise analysis of the medium cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1335.600	3	445.200	2.232	.124
Within Groups	3191.600	16	199.475		
Total	4527.200	19			

Source: Computed by the researcher

From the above Table 4.06, it can be identified that there exists no significant difference in the overall corporate governance performance of the medium cap companies in Kerala as the p-value is 0.124 which is greater than 0.05 level of significance.

Table 4.07 Table showing One-Way ANOVA result of the year wise analysis of the performance of overall corporate governance among the medium cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2620.200	4	655.050	5.152	.008
Within Groups	1907.000	15	127.133		
Total	4527.200	19			

Source: calculated by the researcher

The result presented in Table 4.07 denotes that there is a significant difference between the performance of overall corporate governance of the listed medium cap companies in Kerala based on different years, as the p value is less than 0.05 significance level.

Further, in order to understand the pairwise difference in the mean scores of years Tukey's Post -Hoc test is conducted and the result in the Table 1.08. It compares, each year individually and identifies if there is significant difference between different years based on the performance of overall corporate governance of the listed mid cap companies in Kerala.

Table 4.08 shows the result of Tukey's Post-Hoc test that analyses pairwise differences between different years based on overall corporate governance performance of listed companies in Kerala

(I) year	(J) year	Mean Difference (I-J)	Sig.
2013-14	2014-15	-18.000	.212
	2015-16	-25.750*	**.038**
	2016-17	-29.500*	**.016**
	2017-18	-31.500*	**.010**
2014-15	2013-14	18.000	.212
	2015-16	-7.750	.864
	2016-17	-11.500	.612
	2017-18	-13.500	.466
2015-16	2013-14	25.750*	**.038**
	2014-15	7.750	.864
	2016-17	-3.750	.989
	2017-18	-5.750	.948
2016-17	2013-14	29.500*	**.016**
	2014-15	11.500	.612
	2015-16	3.750	.989
	2017-18	-2.000	.999
2017-18	2013-14	31.500*	.010
	2014-15	13.500	.466
	2015-16	5.750	.948
	2016-17	2.000	.999

Source: calculated by the researcher

From above Table 4.08, it can be concluded that there exists a significant pairwise difference in the mean scores of 2013-14 with 2015-16, 2016-17 and, 2017-

18 as the P-value is less than 0.05 level of significance. Further analyzing the pairwise comparison of the year 2013-14 with 2014-15 explains that there doesn’t exist any significant difference. Moreover, there doesn’t exist a significant pairwise difference between the mean scores of 2014-15 with other years 2013-14, 2015-16, 2016-17 ana d 2017-18 as their P-Values are higher than 0.05 level of significance.

Table 4.08 further reveals significant pairwise difference between the mean score of the year 2015-16 with 2013-14 with a p-value 0.038, which is less than the significance level. The pairwise comparison of the year 2015-16 with other years, 2014-15 (p value 0.864), 2016-17 (0.989), and 2017-18 (0.948) explains that there is no significant difference between the mean scores of these years. The test also reveals the significant pairwise difference between the years 2013-14 and 2016-17. It can be noted that there is a significant difference in the pairwise comparison of the year 2013-14 (0.16) as it is greater than the p- value at 5% level of significance. Also, it is evident from the result that there is no significant pairwise difference exist with the other years. The test also reveals significant pairwise difference between the score of 2017-18 with 2013-14 (.010) were the p-value is 0.010 which is less than 0.05 significance level. Further stating that the comparison of 2017-18 with other years 2014-15, 2015-16 and 2017-18 have no significant differences as their p-values are more than 0.05 level of significance.

Small cap companies: The scores relating to the overall corporate governance compliance of listed small cap companies are presented in table 1.09.

Table 4.09 Distribution of the overall corporate governance performance of listed small-cap companies in Kerala for the period 2013- '14 to 2017-'18

Name of company	13-14	14-15	15-16	16-17	17-18	Total	Agg.Mean	%compliance	% Increase
Harrisons Malayalam Ltd	122	126	139	141	141	669	134	68.61	15.57
Haileyburia Tea Estates Ltd	87	130	132	132	146	627	125	64.30	67.81
Kings Infra Ventures Ltd	115	127	129	135	137	643	129	65.94	19.13
Uniroyal Marine Export Ltd	118	128	128	136	141	651	130	66.76	19.49
Prima Agro Ltd	78	102	127	133	133	573	114	58.76	70.51
Prima Industries Ltd	89	92	118	120	120	539	108	55.28	34.83
Kerala Solvent Extractions Ltd	97	110	112	116	126	561	112	57.53	29.89
Patspin India Ltd	111	119	121	129	129	609	129	62.46	16.21
Kitex Garments Ltd	134	147	149	149	151	730	146	74.87	12.68
GTN Textiles Ltd	137	157	163	163	163	783	157	80.30	18.97
FACT	78	90	100	121	136	525	105	53.84	74.35
Kerala Ayurveda Ltd	117	128	129	133	137	644	129	66.05	17.09
Travancore Chemical Manufacturing Company Ltd	118	130	130	133	133	644	129	66.05	12.71
Nitta Gelatin Ltd	130	157	163	163	163	776	155	79.58	25.38
Cochin Minerals and Rutiles Ltd	126	137	150	158	162	733	147	75.17	28.57
PTL Enterprises Ltd	124	142	148	148	148	710	142	72.82	19.35
Eastern Treads Ltd	114	133	133	144	146	670	134	68.71	28.07
Rubfila International Ltd	134	143	148	148	148	721	144	73.94	10.44
Artech Power and Trading Ltd	107	134	136	142	148	667	133	68.41	38.31

Victory Paper and Boards (India) Ltd	75	85	97	102	105	464	93	47.5	40
BPL Ltd	105	129	144	146	146	670	134	68.71	39.04
Southern Inspat Ltd	117	136	142	148	150	693	139	71.07	28.20
Cochin Shipyard Ltd	137	140	142	163	163	745	149	76.41	18.97
Dhanlaxmi Bank Ltd	131	144	146	148	155	724	144,8	74.25	18.32
South Indian Bank Ltd	144	153	157	161	163	778	155,6	79.79	13.19
Stel Holdings Ltd	106	137	141	143	143	670	134	68.71	34.90
Vertex Securities Ltd	94	132	144	157	157	684	137	70.15	67.02
Muthoot Capital Services Ltd	120	137	142	148	155	702	140	72	29.16
Inditrade Capital Ltd	141	154	154	160	160	769	154	78.87	13.47
Geojit Financial Services Ltd	112	144	156	158	170	740	148	75.89	51.78
Cella Space Ltd	109	124	126	130	131	620	124	63.58	20.18
Accel Transmatic Ltd	105	113	123	128	128	597	119	61.23	21.90
Wonderla Holidays Ltd	132	147	148	150	150	727	145	74.56	13.63
AVT Natural Products Ltd	103	117	131	131	141	623	125	63.89	36.89
Tecil Chemicals and Hydro Power Ltd	105	141	143	151	157	697	139	71.48	49.52
Gujarat Inject (Kerala) Ltd	102	122	137	147	150	658	132	67.48	47.05
Aspinwall and Company Ltd	109	138	144	148	154	693	139	71.07	41.28
SDF Industries Ltd	111	127	129	129	132	628	126	64.41	18.91
Western India Plywood Ltd	106	127	130	141	141	645	129	66.15	33.01
Western India cottons Ltd	88	108	124	138	138	596	119	61.12	56.81

Source: Calculated from the annual reports

Table 4.09 shows that when analyzing the small cap companies individually, highest mean score is showed by GTN Textiles Ltd and South Indian Bank Ltd., which secured a mean compliance score of 157 each with growth rates 19% and 13% respectively. Nitta Gelatin India Ltd and Inditrade Capital Ltd have mean compliance of 155 (79% compliance) and 154 (79% compliance) respectively. During the five years Nitta Gelatin India Ltd had 25% increase in their compliance rate and 13% in the case of Inditrade Capital Ltd. The lowest mean compliance performance by Victory Paper and Boards (India) Ltd which is 93 as against the maximum score of 195 as per the index prepared. The compliance level is 48% and growth rate is 40% for the period of analysis.

Table 4.10 Distribution of One-Way ANOVA output of the company-wise analysis of the performance of overall corporate governance in the listed small cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7116.800	39	182.482	13.337	.000
Within Groups	2189.200	160	13.683		
Total	9306.000	199			

Source: Calculated by the researcher

From the above Table 4.10, it is able to read out that there exists a significant difference among the different small cap companies in the overall corporate governance performance as the significant value is lower than 0.05 level of significance.

Table 4.11 Distribution of One-Way ANOVA output of the year-wise analysis of the performance of overall corporate governance in the listed small cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	26939.510	4	6734.878	27.581	.000
Within Groups	47616.470	195	244.187		
Total	74555.980	199			

Source: Calculated by the scholar

From the above Table 4.11, it is able to read out that there exists a significant difference among the different years in the overall corporate governance performance as the significant value is lower than 0.05 level of significance. Therefore, in order to understand the difference, a further analysis can be done by conducting post-Hoc test and the result is presented below.

Table 4.12 shows the results of Tukey's Post-Hoc test that analyses pairwise differences between different years based on overall corporate governance performance of listed small companies in Kerala

(I) year	(J) year	Mean Difference (I-J)	Sig.
2013-14	2014-15	-17.47500*	.000
	2015-16	-24.17500*	.000
	2016-17	-29.67179*	.000
	2017-18	-32.55610*	.000
2014-15	2013-14	17.47500*	.000
	2015-16	-6.70000	.312
	2016-17	-12.19679*	.006
	2017-18	-15.08110*	.000
2015-16	2013-14	24.17500*	.000
	2014-15	6.70000	.312
	2016-17	-5.49679	.523
	2017-18	-8.38110	.116
2016-17	2013-14	29.67179*	.000
	2014-15	12.19679*	.006
	2015-16	5.49679	.523
	2017-18	-2.88430	.923
2017-18	2013-14	32.55610*	.000
	2014-15	15.08110*	.000
	2015-16	8.38110	.116
	2016-17	2.88430	.923

Source: calculated by the researcher

Table 4.12 showing there exist significant pairwise difference between 2013-14 and all other years as their p-values are below 5% level of significance. But in the case of 2014-15 there is no significant pairwise difference exists with 2015-16 as the p-value is 0.312 which is higher than the 5% level of significance. When comparing

2015-16 with other years it is evident from the above Table that there exists a significant difference between 2015-16 and 2013-14. The p-value in this case is lower than 0.05 level of significance. It is understood from further analysis that there is no significant difference with other years as their p- values for the years 2014-15, 2015-16, 2016-17 and 2017-18 are .312, .523and .116 respectively. Next comparison is with 2016-17 and other years. In this case the significant pairwise difference is existed between 2016-17 and 2013-14 (p value 0.001) and 2014-15 (p value 0.006) as both values are lesser than 5% level of significance. The last comparison here is 2017-18 with other four years. 2017-18 has a significant pairwise difference with 2013-14 and 2014-15. In both the case the p values are lower than the significance level.

On the basis of the above analysis, it can be concluded that the overall corporate governance compliance level of listed companies in Kerala is 69 percent. Highest compliance is for mid cap companies (79%) followed by Large -cap companies (76%) and lowest for small cap companies (68%). Regarding the growth of compliance to current year from base year highest achievement for Large -cap companies (37%) followed by small cap companies (29%) and mid cap companies (23%) Company wise in mid cap companies' highest compliance is for Federal Bank Limited (87%) and Apollo Tyres (87%). However, the compliance growth in this segment is highest for Manappuram Finance (44%) followed by V Guard industries (31%). Among the small cap companies, highest compliance is for GNT textiles Limited and South Indian Bank (80%). It is lowest for victory Papers & Board (India) LTD. (47%). Regarding the growth of compliance in small cap category highest growth is achieved Prima Agro LTD. (70%) followed by Vertex Securities LTD (67%).

4.3.Corporate Governance compliance level- Component wise analysis

After the overall analysis, the scholar has attempted to analyze the component wise performance of the corporate governance, and the results are presented below.

4.3.1. Board structure and composition

The Board of Directors is considered to be the top administrative body of the corporation. For meeting the requisite standards of corporate governance, the Board of Directors should be responsible and accountable to all its stakeholders. They are the agents of the shareholders who carry out the governance for the benefit of the shareholders who are called the "principals". The Board of Directors has to deal with all external as well as internal issues of the company and also ensure that the company complies with the requirements and ethical standards and that adequate information, audit, and control system exists in the company. Here in this study, the researcher attempts to understand the performance of board structure and process alongside the percentage of growth with the compliance of corporate governance standards.

Table 4.13. Distribution of Scores of Board structure and composition performance of listed companies in Kerala for the period 2013-14 to 2017-18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	AGG. Mean	% Compliance	% Increase
Large-cap	44	44	44	45	45	222	44	84.61	2.27
Medium cap	35	41	43	44	44	206	41	78.84	26
Small cap	36	39	41	42	43	201	40	76.92	20
Agg. mean	36	39	41	42	43	202	40	76.92	19

Source: calculated by the researcher from the annual reports

Table 4.13 presents the performance of the Board structure and process for the period 2013-'14 to 2017-'18 in different categories of companies. It can be noted that the aggregate mean score regarding the performance is 40 as against a maximum score of 52 as per the index prepared for the period of five years. In this regard, it explains the 76.92% level of compliance.

Market capitalization-wise, the aggregate mean score is highest for large-cap companies and lowest for small-cap companies. In the case of large-cap companies, the Board structure and composition mean score is 44 against the maximum score of 52 indicating 85% compliance. It is followed by mid-cap companies; whose mean score is 41 out of 52 (79%). In the case of small-cap companies, the score is 40 out of 52 (77%). But there is a very small increase in the board performance and composition of large-cap companies of 2.27% as compared to the other two categories which are 26% and 20%, respectively.

The mean difference of the Board Structure and Composition scores based on the market capitalization of the companies is tested by using One-way ANOVA and the result is presented in Table 4.14.

Table 4.14 shows the result of One -way ANOVA on the performance of Board structure and composition of listed companies in Kerala

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Between subject	46.433	2	23.217	7.242	.016
Within-subject	25.646	8	3.206		

Source: calculated by the researcher

It can be observed from Table.4.14 that there is a significant difference between board structure and process performance as the p-value is 0.016 indicating a statistically significant difference at 0.05 level. Hence the researcher has conducted a Post hoc analysis to identify which categories differ and the results are presented in Table 4.15.

Table 4.15. Shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the categorized group of listed companies in Kerala

		Mean Difference (I-J)	Std. Error	Sig.[b]
Large -cap	Medium cap	3.200	1.540	.106
Large -cap	Small cap	4.100*	1.089	.020
Medium cap	Small cap	.900	.539	.170

Source: calculated by the researcher

Table.4.15 assess pairwise differences among the categorized group of companies. Tests revealed a significant pairwise difference between the score of large-cap companies and small-cap companies with p value less than 0.05, at a 5% significance level. Moreover, the comparison of large-cap with medium-cap and small-cap has no significant difference as the p-value is more than 0.05.

Company-wise analysis: The above data relating to Board structure and Composition performance of listed companies in Kerala has been tabulated company-wise and market-capitalization-wise and presented below.

Large -cap Company:

Table 4.16 Distribution of the Board structure and Composition of listed Large -cap companies in Kerala for the period 2013- '14 to 2017-'18.

Name of company	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Mean	% Compliance	% Increase
Muthoot Finance Ltd	44	44	44	45	45	222	44.4	85.38	2.27

Source: *Calculated by the researcher from the annual reports*

Company-wise analysis shows that the large-cap company, Muthoot Finance Ltd has a mean score of 44 as against a maximum score of 52 and it is 85% compliance with regard to Board performance. In five years, it registers a growth rate of only 2%.

Mid cap companies: In the case of medium cap companies from the Table 2.05 it is evident that Federal Bank Ltd has the highest mean score of 48 (92% compliance) out of 52 with 41% growth in five years 2013-14 to 2017-18 in this category. It is followed by V-Guard Industries Ltd, 46 (88% compliance), Manappuram Finance Ltd 36 (69% compliance) and Apollo Tyres Ltd 34 (65% compliance). Among these companies' highest growth rate is registered in five years is Manappuram Finance Ltd and it is followed by Federal Bank Ltd 40%, Apollo Tyres Ltd 16% and last V-Guard Industries Ltd at 11%.

Table 4.17. Distribution of the Board Structure and composition of listed medium cap companies in Kerala for the period 2013- '14 to 2017-'18.

Name of company	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. Mean	% Compliance	% Increase
V-Guard Industries Ltd	43	46	46	48	48	231	46.2	88.84	11.62
Federal Bank Ltd	37	49	52	52	52	242	48.4	93.07	40.54
Manappuram Finance Ltd	28	36	38	38	40	180	36	69.23	42.85
Apollo Tyres Ltd	31	34	34	36	36	171	34.2	65.76	16.12
Agg. Mean	35	41	43	44	44	206	41	79.23	26.62

Source: calculated by the researcher from the annual reports

Further the mean difference analysis of the compliance scores of board structure and composition for the mid cap companies is presented in table 2.06.

Table 4.18 shows the result of One -way ANOVA on the company-wise performance of Board composition and structure of listed medium cap companies in Kerala

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	870.150	3	290.050	21.133	.000
Within Groups	219.600	16	13.725		
Total	1089.750	19			

Source: Computed by the researcher from the annual reports

From the above Table 4.18, it can be identified that there is a significant difference in the board performance of different categories of companies based on the score of board structure, as the p-value is less than 0.05. Hence a Post hoc analysis is further conducted to identify which group is different from others and the result is presented in Table 4.19.

Table 4.19. shows the result of Tukey's post-hoc test that analyses pairwise differences among the listed medium-cap companies in Kerala

(I) Company	(J) Company	Mean Difference (I-J)	Sig.
V-Guard Industries Ltd	Federal Bank Ltd	-2.200	.785
	Manappuram Finance Ltd	12.000*	**.001**
	Apollo Tyres Ltd	12.000*	**.001**
Federal Bank Ltd	V-Guard Industries Ltd	2.200	.785
	Manappuram Finance Ltd	14.200*	**.000**
	Apollo Tyres Ltd	14.200*	**.000**
Manappuram Finance Ltd	V-Guard Industries Ltd	-12.000*	**.001**
	Federal Bank Ltd	-14.200*	**.000**
	Apollo Tyres Ltd	.000	1.000
Apollo Tyres Ltd	V-Guard Industries Ltd	-12.000*	**.001**
	Federal Bank Ltd	-14.200*	**.000**
	Manappuram Finance Ltd	.000	1.000

Source: calculated by the researcher

Above Table 4.19 describes the pairwise comparison of V-Guard Industries Ltd with Manappuram Finance Ltd and Apollo Tyres Ltd, it explains that there is significant pairwise difference with each company as their P-Value are 0.001 each, which is lower than 0.05 level of significance. When we compare V-Guard Industries Ltd with Federal Bank Ltd, it shows no pairwise difference between the companies as the p-value is .785 which is higher than 0.05 level of significance.

In the case of analysis of Federal Bank Ltd with other companies, it is evident from the table that there is no pairwise difference exists with V-Guard Industries Ltd because the significant value is .785 and also higher than the 5% level of significance. On the other hand, other two companies, Manappuram Finance Ltd, and Apollo Tyers Ltd have significant pairwise difference in the relationship as their p-values are below 0.05.

Pairwise comparison of Manappuram Finance ltd explains that as the p values of V-Guard Industries Ltd (**.001**) and Federal bank Ltd are lesser than 0.05, there is significant pairwise difference exist with these companies. But there is no significant difference can be seen in the relationship with Apollo Tyers Ltd (p-value 1.000). Pairwise comparison of Apollo Tyers ltd explains that as the p-values of V-Guard industries Ltd (**.001**) and Federal bank Ltd are lesser than 0.05 there is significant pairwise difference exist with these companies. But there is no significant difference can be seen in the relationship with Manappuram finance Ltd (p-value 1.000).

Table 4.20 shows the result of One -way ANOVA on the year wise performance of Board composition and structure of listed medium cap companies in Kerala

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	225.700	4	56.425	1.020	.428
Within Groups	829.500	15	55.300		
Total	1055.200	19			

Source: calculated by the researcher

It is observed from the above Table 4.20 that there is no significant difference exists between different years based on the performance of board structure of the listed medium cap companies in Kerala as the P- value in this case is 0.428 which is higher than the level of significance 5%. Hence, there is no need of further analysis.

Small cap companies: Company-wise analysis of small-cap companies shows that the highest means score is obtained by Gujarat Inject (Kerala) Ltd (49 out of 52), 94% compliance in this respect. It is followed by Aspinwall and Company Ltd, SDF Ltd, and Cochin Minerals and Rutiles Ltd with a mean score of 47 as against 52 as per index and each having 90% compliance. Companies like Kings Infra Ventures Ltd, Nitta Gelatine India Ltd and Geogit Financial services Ltd are scored mean of 46 (88% compliance) with growth rates 20%, 12% and 28% respectively. The lowest mean compliance is achieved by the Travancore Chemical Manufacturing Company Ltd which is 23 out of 52 (44% compliance) with a growth rate 9%. Both FACT Ltd and Prima Industries Ltd also have lowest mean scores of 25 and 28 respectively. Growth rates showing that during the five years the performance of FACT Ltd has increased as 167%. Further details can be seen from the table.

Table 4.21 Distribution of the Board structure and composition of listed small cap companies in Kerala for the period 2013- '14 to 2017-'18

Name of the company	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Mean	%Compliance	% Increase
Harrisons Malayalam Ltd	33	33	35	37	37	175	35	67.31	12.12
Haileyburia Tea Estates Ltd	27	41	43	43	47	201	40,2	77.30	74.07
Kings Infra Ventures Ltd	40	47	47	48	48	230	46	88.46	20
Uniroyal Marine Export Ltd	40	45	45	45	45	220	44	71.59	12.5
Prima Agro Ltd	28	30	33	38	38	167	33.4	64.23	35.71
Prima Industries Ltd	26	26	29	30	30	141	28.2	54.23	15.38
Kerala Solvent Extractions Ltd	29	30	32	36	44	171	34.2	65.76	51.72
Patspin India Ltd	39	41	43	43	43	209	41.8	80.38	10.25
Kitex Garments Ltd	43	45	45	45	45	223	44.6	85.76	4.65
GTN Textiles Limited	43	46	46	46	46	227	45.4	87.31	6.97
FACT	15	19	21	32	40	127	25.4	48.84	166.66
Kerala Ayurveda Ltd	39	41	41	41	45	207	41.4	79.61	15.38
Travancore Chemical Manufacturing Company Ltd	22	23	24	24	24	117	23.4	45	9.09
Nita Gelatine Ltd	43	46	46	48	48	231	46.2	88.84	11.62
Cochin Minerals and Rutiles Ltd	45	45	47	49	49	235	47	90.38	8.88
PTL Enterprises Ltd	40	43	43	43	43	212	42,4	81.53	7.5
Eastern Treads Ltd	31	35	35	39	41	181	36.2	69.61	32.25
Rubfila International Ltd	43	43	43	43	43	215	43	82.69	0
Artech Power and Trading Ltd	37	47	47	47	47	225	45	86.53	27.02

Victory Paper and Boards (India) Ltd	22	24	34	36	36	152	30.4	58.46	63.63
BPL Ltd	37	45	45	45	45	217	43.4	82.69	21.62
Southern Inspat Ltd	37	45	45	45	45	217	43.4	82.69	21.62
Cochin Shipyard Ltd	38	42	43	45	45	213	42.6	81.92	18.42
Dhanlaxmi Bank Ltd	42	43	43	43	47	218	43.6	83.84	11.90
South Indian Bank Ltd	40	41	41	43	43	208	41.6	80	7.5
Stel Holdings Ltd	35	38	40	40	40	193	38,6	74.23	14.28
Vertex Securities Ltd	35	45	45	47	47	219	43,8	84.23	34.28
Muthoot Capital Services Ltd	33	35	39	39	39	185	37	71.15	18.18
Inditrade Capital Ltd	42	42	42	45	45	216	43.2	83.07	7.14
Geojit Financial Services Ltd	39	45	48	48	50	230	46	88.46	28.20
Cella Space Ltd	40	40	40	40	40	200	40	76.92	0
Accel Transmatic Ltd	32	34	36	37	37	176	35.2	67.69	15.62
Wonderla Holidays Ltd	38	40	43	43	43	207	41.4	79.61	13.15
AVT Natural Products Ltd	35	38	41	41	45	200	40	76.92	28.57
Tecil Chemicals and Hydro Power Ltd	37	41	43	43	47	211	42.2	81.15	27.02
Gujarat Inject (Kerala) Ltd	42	50	50	52	52	246	49.2	45.76	23.80
Aspinwall and Company Ltd	42	45	50	50	50	237	47.4	91.15	19.04
SDF Industries Ltd	45	47	47	47	47	233	46.6	89.61	4.44
Western India Plywood Ltd	30	35	35	37	39	176	35.2	67.69	30
Western India cottons Ltd	32	38	38	42	42	192	38.4	73.84	31.25

Source: computed by the researcher from the annual report

Further analysis of the mean difference in the scores for board composition and performance to test the statistical significance of the difference of the scores between the companies and between years among the small-cap companies ANOVA is carried out and the result is given below.

Table 4.22. Distribution of One-Way ANOVA output of the company-wise analysis of the performance of Board structure and composition of the listed small-cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7116.800	39	182.482	13.337	.000
Within Groups	2189.200	160	13.683		
Total	9306.000	199			

Source: computed by the researcher from the annual reports

It is observed from above Table 4.22 that a significant difference exists between different companies based on the board performance and composition of the listed small-cap companies in Kerala. P value, in this case, is lesser than the level of significance of 5%. Hence, in order to understand the pairwise difference in the mean score of years post hoc analysis can be done.

Table 4.23. Distribution of One-Way ANOVA output of the year wise analysis of the performance of Board structure and composition of the listed small cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1275.169	4	318.792	7.741	.000
Within Groups	8030.831	195	41.184		
Total	9306.000	199			

Source: calculated by the researcher

It is observed from above Table 2.11 that a significant difference exists between different years based on the board performance and composition of the listed small-cap companies in Kerala. P value, in this case, is lesser than the level of significance of 5%. Hence, in order to understand the pairwise difference in the mean score of years post hoc analysis can be done.

Table 4.24. shows the result of Tukey's post-hoc test that analyses pairwise differences among the year-wise performance of listed small-cap companies in Kerala

(I) year	(J) year	Mean Difference (I-J)	Sig.
2013-14	2014-15	-3.575	.097
	2015-16	-4.925*	**.006**
	2016-17	-6.228*	**.000**
	2017-18	-7.246*	**.000**
2014-15	2013-14	3.575	.097
	2015-16	-1.350	.881
	2016-17	-2.653	.355
	2017-18	-3.671	.079
2015-16	2013-14	4.925*	**.006**
	2014-15	1.350	.881
	2016-17	-1.303	.896
	2017-18	-2.321	.482
2016-17	2013-14	6.228*	**.000**
	2014-15	2.653	.355
	2015-16	1.303	.896
	2017-18	-1.018	.954
2017-18	2013-14	7.246*	**.000**
	2014-15	3.671	.079
	2015-16	2.321	.482
	2016-17	1.018	.954

Source: computed by the researcher

Above Table 4.24. shows that there is significant pairwise difference exist between the years 2013-14 and 2014-15 as the p- value is 0.097. It is higher than the 0.05. But the result of the pairwise comparison showing that there is significant pairwise difference exist with other years 2015-16 as the p values are lower than 0.05. Likewise, while comparing with other years, the test reveals that there is no significant difference exist between 2014-15 with 2013-14 (p-value .097), 2015-16 (p-value .881), 2016-17(p-value .355) and 2017-18 (p-value .079). Because the p-values of these years are higher than the 0.05 level of significance. The analysis also reveals that 2015-16 is significantly different when compared with 2013-14. The p-value is .006 which is lower than the 5% level of significance. And there is no significant difference exists when comparing with 2014-15, 2016-17 and 2017-18.

Comparing 2016-17 year with other year's shows that there exist significant pairwise difference 2013-14 as p-value is lesser than the 5% level of significance. And on the other hand, all other years, 2014-15 (.355), 2015-16 (.896) and 2017-18 (.954) are not statistically different with their p- values respectively. Last, from the Table 2.13 it can be read that there is significant pairwise difference exist between 2017-18 and 2103-14 as their p- value is less than 0.05 and there is no significant pairwise difference existing with other years. 2014-15 (0.079), 2015-16 (0.482), and 2016- 17 (0.954) have p- values higher than 2017-18. And so, they are also higher than the 5% level of significance.

4.3.2. Board committees

In enabling a better and more focused understanding of the affairs of the Corporation, the board delegates particular matters to the committees of the board set up for the purpose. To assist and support the works and to perform some expertise work the board identify a small working group called the 'Board Committee'. Different committees formed in a company are the audit committee, corporate social responsibility committee, nomination and remuneration committee, stakeholder relationship committee, and risk management committee. Their role in overall good corporate governance has time and again been emphasized by Cadbury Committee in the UK and the Narayana Murthy Committee in India. The researcher in this study attempted to understand the performance of Board committees of the listed companies in Kerala and also the percentage of growth for the period 2013-14 to 2017-18. The relevant scores are tabulated and presented in Table 4.25

Table 4.25. Distribution of the performance of Board committees of listed companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	total	Agg.mean	% Compliance	% Increase
Large -cap	17	21	21	24	28	111	22	63	64
Medium cap	26	28	30	31	31	144	29	83	21
Small cap	22	25	26	27	28	128	26	74	27
Agg.mean	22	24	27	28	28	129	26	74	27

Source: Computed by the author from the annual reports of listed companies

From Table 4.25 it is evident that the aggregate mean score of board committees in the listed companies of Kerala is 26 against the maximum score of 35 as per the index. That pertains to a 74% compliance level by the companies. In this area performance of listed companies in Kerala is not satisfactory. Significant improvement is needed in the performance of board committees.

While comparing the three categories of the companies based on market capitalization, medium cap companies have the highest score i.e., 29 out of 35 representing 83% compliance, followed by small cap. Companies with 26 points out of 35 represent 63% compliance and Large -cap. companies with 22 points out of 35 representing 63% compliance. Regarding the growth of compliance during the period under study it is highest for Large -cap (64%), followed by small cap. (27%) and lowest for mid cap. (21%) companies for five years.

Further, to analyse the statistical significance of the variations in the mean difference with its significance, One-way ANOVA is done and the result is presented in Table 4.26.

Table 4.26. Result of One -way ANOVA on the performance of Board committees of the Listed companies in Kerala

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Between subject	107.278	2	53.639	29.737	.000
Within subject	14.430	8	1.804		

Source: calculated by the researcher

From the above Table 4.26 it can be identified that there is a significant difference in the board committee performance of different categories of companies based on the overall score of board committee, as the p value is less than 0.05.

Hence, a Post hoc analysis is conducted to identify which group is different from others and the result is presented in Table 4.27

Table 4.27. shows the result of Tukey's Post-Hoc test analyzing the pairwise differences among the categorized group of listed companies in Kerala

		Mean Difference (I-J)	Std. Error	Sig.[b]
Large -cap	Medium cap	-6.550*	1.079	.004
Large -cap	Small cap	-3.356*	.992	.028
Medium cap	Small cap	3.194*	.126	.000

Source: calculated by the researcher

The tests reveal the significant pairwise difference exists between the score of Large -cap companies, medium cap and small cap companies. It can be noted that there is a significant difference in the pairwise comparison of Large -cap companies with medium cap companies and medium cap companies with small cap companies as the p values as the less than 0.05.

Company wise analysis: The above data relating to the Board committee performance of listed companies in Kerala has been tabulated company wise and market capitalization-wise and presented below.

Large -cap companies: Company wise analysis of board committee performance indicates that the only one Large -cap company, Muthoot Finance Ltd has been scored with mean 22 out of 41 which is 54% compliance in this regard. Muthoot Finance Ltd has 65% growth rate during the five years.

Table 4.28. Distribution of Board committee performance of listed large companies in Kerala for the period 2013- '14 to 2017-'18.

Name of company	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. Mean	% Increase	Compliance %
Muthoot Finance Ltd	17	21	21	24	28	111	22.2	64.70	54.14

Source: computed by the author from the annual reports

Medium cap companies: In medium-cap companies, Federal Bank Ltd has the highest mean score of 34 out of 35 as per the index prepared (97% compliance) and has 13% growth in five years. Two other companies following Federal Bank Ltd are Manappuram Finance Ltd and Apollo Tyres Ltd. Both companies have a mean score of 28 which is 80% compliance with respect to this. V-Guard Industries Ltd is the only company in this category with a score of 25, which is the lowest among them (71% compliance). It shows that they maintained the same mean score in the five years.

Table 4.29 Distribution of the Board committee performance of listed mid-companies in Kerala for the period 2013- '14 to 2017-'18

Name of company	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. Mean	% compliance	% Increase
V-Guard Industries Ltd	25	25	25	25	25	125	25	71	0
Federal Bank Ltd	31	33	35	35	35	169	34	97	12.90
Manappuram Finance Ltd	19	27	29	33	33	141	28	80	73.68
Apollo Tyres Ltd	26	27	29	29	29	140	28	80	11.53
Agg. Mean	25	28	30	31	31	144	29	78	21

Source: computed by author from the annual reports

Further the statistical significance of the mean difference is examined by ANOVA and the result is presented below.

Table 4.30. Distribution of One -Way ANOVA output of Board committee performance among the listed medium companies in Kerala

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	573.400	3	191.133	21.004	.000
Within Groups	145.600	16	9.100		
Total	719.000	19			

Source: calculated by the researcher

Form the above Table.4.30, it can be identified that there exists significant difference in board committee performance of the listed mid cap companies in Kerala as the P -Value is less than 0.05 level of significance. So, in order to identify the pairwise difference it is necessary to go for a further post hoc analysis and result is given in Table 4.31.

Table 4.31 showing the result of Tukey's Post-Hoc test that analyses pairwise differences among the listed medium cap companies in Kerala

(I) Company	(J) Company	Mean Difference (I-J)	Sig.
V-Guard Industries Ltd	Federal Bank Ltd	-8.800*	**.001**
	Manappuram Finance Ltd	-3.200	.367
	Apollo	6.000*	**.029**
Federal Bank Ltd	V-Guard Industries Ltd	8.800*	**.001**
	Manappuram Finance Ltd	5.600*	**.043**
	Apollo Tyres Ltd	14.800*	**.000**
Manappuram Finance Ltd	V-Guard Industries Ltd	3.200	.367
	Federal Bank Ltd	-5.600*	**.043**
	Apollo Tyres Ltd	9.200*	**.001**
Apollo Tyres Ltd	V-Guard Industries Ltd	-6.000*	**.029**
	Federal Bank Ltd	-14.800*	**.000**
	Manappuram Finance Ltd	-9.200*	**.001**

Source: calculated by the researcher

From the Table 4.31 it is evident that further analysing the pairwise comparison V-Guard Ltd with Federal Bank Ltd (.001) Apollo Tyres Ltd (.029) and it reveals the significant values of both the companies are lower than 5% level of significance. It means that these companies are significantly differed with V-Guard Industries Ltd. But there is no significant pairwise difference exist in the relationship between V-Guard Industries Ltd and Manappuram Finance ltd as the p-value is .367, which is higher than the 5% level of significance.

When analyzing the pairwise relationship of Federal Bank Ltd with other companies, there exist a significant pairwise difference. All the other companies, V-Guard Industries Ltd, Malappuram Ltd and Apollo Tires Ltd have a p-value which is lower than the 5% level of significance. Hence, it is clear from the analysis that there is significant pairwise difference exist between Federal Bank Ltd Bank and the other companies.

From the Table 4.31. it can be read out that comparing Malappuram Finance Ltd with V-Guard Industries Ltd reveals that there is no significant pairwise difference exist between them as discussed above. Also, it is evident that the significant values of Federal Bank Ltd is .043, and Apollo Tyres Ltd is .001 and it is concluded that there is significant pairwise difference.

Further analysis reveals that there exist a significant pairwise difference between Apollo Tyres Ltd and other three companies, V-Guard Industries Ltd, Federal Bank Ltd Bank and Manappuram Ltd as their p-values are lower than 5% level of significance.

Year wise mean difference analysis: Form the below Table 4.32, it can be identified that there exists no significant difference in the board committee performance of the listed companies in Kerala as the P -Value is 0.862 which is greater than 0.05 level of significance as the P- Value is greater than 0.05 level of significance, there is no need for any post hoc analyses in this regard.

Table 4.32 Distribution of one- way ANOVA output of year wise analysis of the medium cap listed companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	56.000	4	14.000	.317	.862
Within Groups	663.000	15	44.200		
Total	719.000	19			

Source: calculated by the researcher

Small cap companies: While analyzing 40 other companies in the small cap category, four companies showing mean scores above 30. Among them Tecil Chemicals and Hydro Power Ltd has the highest mean 34 out of maximum score 41 (83% compliance). They have growth rate 105% in five years 2013-14 to 2017-18. Other companies are Tecil Chemicals and Hydro Power Ltd Indi trade Capital Ltd 31 (76% compliance), South Indian Bank Ltd 30 (73% compliance) and Western India Plywood Ltd 30 (73% compliance) and their growth rates during the five years are 0%, 11% and 43% respectively. The lowest mean score is 13 by FACT Ltd (31% compliance) out of 41 as per index. But it has the highest growth rate among the small cap companies during the five years from 2013-14 to 2017-18. Further details of small cap companies can be seen from the table 4.33 given below.

Table 4.33. Distribution of the Board committee performance of listed small cap companies in Kerala for the period 2013- '14 to 2017-'18

Name of company	2013-14	2014-15	2015-16	2016-17	2017-18	Total	AGG. Mean	% Compliance	% Increase
Harrisons Malayalam Ltd	21	21	21	21	23	107	21.4	52.19	9.52
Haileyburia Tea Estates Ltd	17	21	21	21	23	103	20.6	50.24	35.29
Kings Infra Ventures Ltd	19	19	19	25	25	107	21.4	52.19	31,57
Uniroyal Marine Export Ltd	27	27	27	27	27	135	27	65.85	0
Prima Agro Ltd	18	19	25	25	25	112	22.4	54.63	38.88
Prima Industries Ltd	20	20	26	27	29	122	24.4	59.51	45
Kerala Solvent Extractions Ltd	21	21	21	21	21	105	21	51.21	0
Patspin India Ltd	25	25	25	25	25	125	25	60.97	0
Kitex Garments Ltd Rutile's	25	25	25	25	25	125	25	60.97	0
GTN Textiles Limited	27	27	27	27	27	135	27	65.85	0
FACT	6	7	11	20	21	65	13	31.71	250
Kerala Ayurveda Ltd	27	27	27	27	27	135	27	65.85	0
Travancore Chemical Manufacturing Company Ltd	27	27	27	27	27	135	27	65.85	0
Nitta Gelatin India Ltd	27	27	27	27	27	135	27	65.85	0
Cochin Minerals and Rutiles Ltd	17	19	25	27	29	117	23.4	57.07	70.58
PTL Enterprises Ltd	27	27	27	27	27	135	27	65.85	0
Eastern Treads Ltd	27	27	27	27	27	135	27	65.85	0
Rubfila International Ltd	27	27	27	27	27	135	27	65.85	0
Artech Power and Trading Ltd	19	27	27	27	27	127	25.4	61.95	42.10
Victory Paper and Boards (India) Ltd	21	27	29	31	31	139	27.8	67.80	47.61
BPL Ltd	16	27	34	36	36	149	29.8	72.68	125
Southern Inspat Ltd	21	27	29	29	29	135	27	65.85	38.09

Cochin Shipyard Ltd	25	25	25	27	27	129	25.8	62.92	8
Dhanlaxmi Bank Ltd	24	24	26	26	26	126	25.2	61.46	8.33
South Indian Bank Ltd	28	29	31	31	31	150	30	73.17	10,71
Stel Holdings Ltd	21	27	27	27	27	129	25.8	62.92	28.57
Vertex Securities Ltd	17	25	29	29	29	129	25.8	62.92	70.58
Muthoot Capital Services Ltd	21	29	31	31	33	145	29	70.73	57.14
Inditrade Capital Ltd	31	31	31	31	31	155	31	75.61	0
Geojit Financial Services Ltd	19	30	30	30	30	139	27.8	67.80	57.89
Cella Space Ltd	24	25	25	25	25	124	24.8	60.48	4.16
Accel Transmatic Ltd	21	21	27	27	27	123	24.6	60	28.57
Wonderla Holidays Ltd	27	27	27	27	27	135	27	65.85	0
AVT Natural Products Ltd	20	20	25	25	25	115	23	56.09	25
Tecil Chemicals and Hydro Power Ltd	21	31	31	43	43	169	33.8	82.44	104.76
Gujarat Inject (Kerala) Ltd	12	16	25	27	27	107	21.4	52.19	125
Aspinwall and Company Ltd	19	25	25	25	25	119	23.8	58.04	31.57
SDF Industries Ltd	19	25	25	25	25	119	23.8	58.04	31.57
Western India Plywood Ltd	23	31	31	33	33	151	30.2	73.65	43.47
Western India cottons Ltd	16	20	31	31	31	129	25.8	93.75	93.75

Source: computed by the author from the annual reports

Table 4.34 Distribution of One-Way ANOVA output of the company wise analysis of the performance of Board committees of the listed small cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7116.800	39	182.482	13.337	.000
Within Groups	2189.200	160	13.683		
Total	9306.000	199			

Source: calculated by the researcher

From above Table 4.34, it is clear that there exists a significant difference between the mean scores of the board committee performance of the different companies as the significant value is lower than 5% level of significance.

Table 4.35 Distribution of One-Way ANOVA output of the year wise analysis of the performance of board committees the listed small cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	966.526	4	241.632	12.697	.000
Within Groups	3710.869	195	19.030		
Total	4677.395	199			

Source: calculated by the researcher

From Table 4.35, it is clear that there exists a significant difference between the mean scores of the board committee performance of the different years. It is evident from the table as the significant value is lower than 5% level of significance.

In order to identify the pairwise difference, let us look each year individually with others and identify if there is significant difference between different years based on the performance of board committees of the listed small cap companies in Kerala.

Table 4.36 shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the years of the listed small cap companies in Kerala

(I) Year	(J) year	Mean Difference (I-J)	Sig.
2013-14	2014-15	**-2.800***	**.036**
	2015-16	**-4.650***	**.000**
	2016-17	**-5.558***	**.000**
	2017-18	**-6.006***	**.000**
2014-15	2013-14	2.800*	**.036**
	2015-16	-1.850	.323
	2016-17	-2.758*	**.043**
	2017-18	-3.206*	**.010**
2015-16	2013-14	4.650*	**.000**
	2014-15	1.850	.323
	2016-17	-.908	.887
	2017-18	-1.356	.629
2016-17	2013-14	5.558*	**.000**
	2014-15	2.758*	**.043**
	2015-16	.908	.887
	2017-18	-.448	.991
2017-18	2013-14	6.006*	**.000**
	2014-15	3.206*	**.010**
	2015-16	1.356	.629
	2016-17	.448	.991

Source: calculated by the researcher

From the Table 4.36, it is clear that there exist significant pairwise difference of the mean scores of 2013-14 when compared with other years, 2014-15, 2015-16, 2016-17 and 2017-18. The significant values in these years lower than the 5% level of significance and so they are considered as there is existence of pairwise differences.

When comparing 2014-15 with other year's mean scores, it is evident from the table that there is a significant pairwise difference between the mean scores of 2014-15 and 2013-14 (0.36), 2016-17 (0.043), 2017-18 (0.001). But it can be also understood from the table that there exist no significant pairwise relationship between 2014-15 and 2015-16 (0.0323).

4.3.3. Corporate Social Responsibility (CSR)

Corporate social responsibility (CSR) is a broad concept and self-regulating business model. It forms part of the stakeholder theory of corporate governance. It helps a company to be socially accountable to itself, to its stakeholders as well as the public. Today, corporate organizations have started to take care of the overall development of the economy and environment including all the stakeholders and other special interest groups. The performance of corporate social responsibility for the period 2013-14 to 2017-18 is analyzed in the below table.

Table 4.37. Distribution of the corporate social responsibility performance of listed companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	total	Agg. mean	% Compliance	% increase
Large -cap	3.5	5	5	5	5	24	5	83.33	43
Medium cap	3.5	5	5	5	5	24	5	83.33	43
Small cap	0.75	1	2	2	2	8	2	33.33	207
Agg.mean	0.9	2	2	3	3	10	2	33.33	168

Source: computed by the author from the annual reports

From Table 4.37, it can be observed that the aggregate mean scores for CSR of all the three categories of listed companies for all five years taken together is 2 as against a maximum score 6 as per the index prepared indicating approximately 33% compliance in this respect. The CSR score is highest for the Large -cap and medium cap companies and lowest for small cap companies. In the case of Large -cap and medium cap companies, the CSR score is 6 as against the maximum score of 6 indicating 83% compliance. In the case of small cap companies, the score is 2 out of 6, a compliance level of 33%. To examine the statistical significance of the mean difference the researcher carried out One-way ANOVA and the result is presented in Table 4.2.

Table 4.38. Result of One-way ANOVA on performance of Corporate Social Responsibility of the listed companies in Kerala

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Between subject	30.105	2	15.053	10.247	.006
Within subject	11.752	8	1.469		

Source: calculated by the researcher

It can be seen from Table 4.38 that there is a significant difference between different categories of companies based on the overall score of CSR, with a p value less than 0.05, level of significance. In order to identify which group of companies is different from other group Tukey's Post Hoc test has conducted and the result is presented below.

Table 4.39. showing result of Tukey's Post-Hoc test that analyzing pairwise differences among the categorized group of listed companies in Kerala

		Mean Difference (I-J)	Std. Error	Sig.[b]
Large -cap	Medium cap	.100	.900	.917
Large -cap	Small cap	3.054*	.963	.034
Medium cap	Small cap	2.954*	.160	.000

Source: calculated by the researcher

The test revealed a significant pairwise difference between the score of Large -cap companies with small cap companies and medium cap companies with small cap companies, with p value less than 0.05, at 5% significance level. Moreover, the comparison of Large -cap with small cap has a significant difference as the p value indicates less than 0.05, level of significance.

Company wise

The above data relating to Corporate Social Responsibility performance of listed companies in Kerala has been tabulated as market capitalization wise and company wise and presented below.

Large -cap companies: Table 4.40 given below showing company wise analysis of corporate social responsibility reveals that the Large -capital company, Muthoot

Finance Ltd has aggregate mean score 5. It registers 80% mean compliance and also 100% growth rate in the 5 years 2013-14 to 2017-18.

Table 4.40. Distribution of the Corporate Social Responsibility performance of listed Large -cap companies in Kerala for the period 2013- '14 to 2017-'18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	total	Agg.mean	% Compliance	%Increase
Muthoot Finance Ltd	0	6	6	6	6	24	4.8	80	100

Source: computed by the author from the annual reports

Mid cap companies: From the table 4.41 it is noticed that in the case of medium cap companies Apollo Tyres Ltd has the highest mean score of 5.8 (96.66% compliance) followed by Manappuram Finance Ltd with 5.2 (86.66% compliance) and V-Guard Industries Ltd with 4(67% compliance). The lowest mean score is 3.8 by Federal Bank Ltd (63.33% compliance).

Table 4.41. Distribution of the Corporate Social Responsibility performance of listed medium cap companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% compliance	% increase
V-Guard Industries Ltd	4	4	4	4	4	20	4	66.66	0
Federal Bank Ltd	3	4	4	4	4	19	3.8	63.33	33.33
Manappuram Finance Ltd	2	6	6	6	6	26	5.2	86.66	200
Apollo Tyres Ltd	5	6	6	6	6	29	5.8	96.66	20
Agg. Mean	4	5	5	5	5	24	4.7	78	43

Source: computed by the author from the annual reports

Table 4.42 Distribution of one- way ANOVA output of the company wise analysis of the medium cap listed companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	13.800	3	4.600	5.111	.011
Within Groups	14.400	16	.900		
Total	28.200	19			

Source: calculated by the researcher

The Table 4.42 presented above shows that one way the company wise analysis of the listed mid cap companies in Kerala. It is identified from the tables that there is a significant pairwise difference in the different companies of this category as the p-value is 0.011 which is lesser than the 5% level of significance. So, a further post-hoc analysis is necessary to understand the pairwise difference.

Table 4.43 shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the listed medium cap companies in Kerala

(I) Company	(J) Company	Mean Difference (I-J)	Sig.
V-Guard Industries Ltd	Federal Bank Ltd	.200	.987
	Manappuram Finance Ltd	-1.200	.229
	Apollo Tyres Ltd	-1.800*	.038
Federal Bank Ltd	V-Guard Industries Ltd	-.200	.987
	Manappuram Finance Ltd	-1.400	.132
	Apollo Tyres Ltd	-2.000*	.020
Manappuram Finance Ltd	V-Guard Industries Ltd	1.200	.229
	Federal Bank Ltd	1.400	.132
	Apollo	-.600	.752
Apollo Tyres Ltd	V-Guard Industries Ltd	1.800*	.038
	Federal Bank Ltd	2.000*	.020
	Manappuram Finance Ltd	.600	.752

Source: calculated by the researcher

Above Table 4.43, the post hoc analysis result is presented, and seen that there is a pairwise difference in the mid-cap companies. When analyzing V-Guard Industries Ltd with the other three medium cap companies it can be identified that there is a significant pairwise difference exists with V-Guard Industries Ltd and Apollo Tyres Ltd as the p-value is 0.038. it is less than the significant 5% level. The p-values of other two companies, Federal Bank ltd and Malappuram Finance Ltd are 0.987 and 0.229 respectively which is higher than the 5% level of significance.

Table 4.44 Distribution of one- way ANOVA output of the year wise analysis of corporate social responsibility performance in the medium cap listed companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.200	4	1.800	1.286	.319
Within Groups	21.000	15	1.400		
Total	28.200	19			

Source: calculated by the researcher

The above Table 4.44 shows there is no significant pairwise difference exist between different years of performance in the case of Corporate Social Responsibility of the medium cap listed companies in Kerala. The significant value is 0.319 which is higher than the 5% level of significance and so it is confirmed that there exists no significant difference. And so further analysis is not necessary.

Small cap companies: Below given Table 4.45 while analyzing 40 other companies in the small cap category. Among them Kitex Garments Ltd and Muthoot Capital Services Ltd have the highest mean 6 out of maximum score 6 (100% compliance). Other companies following Kitex Garments Ltd and Muthoot Capital Services is Dhanlaxmi Bank Ltd with 4.8 (80% compliance), and the growth rate during the five years is 100%. Further details of small cap companies can be seen from the table below.

Table 4.45 Distribution of the corporate social responsibility performance of listed small cap companies in Kerala for the period 2013- '14 to 2017-'18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Compliance	%Increase
Harrisons Malayalam Ltd	3	3	3	3	3	15	3	50	0
Haileyburia Tea Estates Ltd	0	0	0	0	0	0	0	0	0
Kings Infra Ventures Ltd	0	0	0	0	0	0	0	0	0
Uniroyal Marine Export Ltd	0	0	0	0	0	0	0	0	0
Prima Agro Ltd	0	0	4	4	4	12	2.4	40	100
Prima Industries Ltd	0	0	3	3	3	9	1.8	30	100
Kerala Solvent Extractions Ltd	0	3	3	3	3	12	2.4	40	100
Patspin India Ltd	0	0	0	4	4	8	1.6	26.66	100
Kitex Garments Ltd	6	6	6	6	6	30	6	100	0
GTN Textiles Limited	0	0	6	6	6	18	3.6	60	100
FACT	0	2	2	3	4	11	2.2	36.66	100
Kerala Ayurveda Ltd	0	0	0	0	0	0	0	0	0
Travancore Chemical Manufacturing Company Ltd	0	0	0	0	0	0	0	0	0
Nitta Gelatin India Ltd	0	0	6	6	6	18	3.6	36.66	100
Cochin Minerals and Rutiles Ltd	0	3	3	3	3	12	2.4	40	100
PTL Enterprises Ltd	4	4	4	4	4	20	4	66.66	0
Eastern Treads Ltd	0	0	0	0	3	3	0.6	10	100
Rubfila International Ltd	4	4	4	4	4	20	4	66.66	0
Artech Power and Trading Ltd	0	0	0	0	0	0	0	0	0
Victory Paper and Boards (India) Ltd	0	0	0	0	0	0	0	0	0

BPL Ltd	0	0	3	3	3	9	1.8	30	100
Southern Inspat Ltd	0	0	0	0	0	0	0	0	0
Cochin Shipyard Ltd	4	4	4	4	4	20	4	0	0
Dhanlaxmi Bank Ltd	0	6	6	6	6	24	4.8	100	100
South Indian Bank Ltd	3	4	4	4	4	19	3.8	63.33	33.33
Stel Holdings Ltd	0	0	0	0	0	0	0	0	0
Vertex Securities Ltd	0	0	0	0	0	0	0	0	0
Muthoot Capital Services Ltd	6	6	6	6	6	30	6	100	0
Inditrade Capital Ltd	0	2	2	3	3	10	2	33.33	100
Geojit Financial Services Ltd	0	3	3	3	3	12	2.4	40	100
Cella Space Ltd	0	3	3	3	3	12	2.4	40	100
Accel Transmatic Ltd		0	0	0	0	0	0	0	0
Wonderla Holidays Ltd	0	4	4	4	4	16	3.2	53.33	100
AVT Natural Products Ltd	0	0	3	3	3	9	1.8	30	100
Tecil Chemicals and Hydro Power Ltd	0	0	0	0	0	0	0	0	0
Gujarat Inject (Kerala) Ltd	0	0	0	0	0	0	0	0	0
Aspinwall and Company Ltd	0	0	0	0	0	0	0	0	0
SDF Industries Ltd	0	0	0	0	0	0	0	0	0
Western India Plywood Ltd	0	0	0	0	0	0	0	0	0
Western India cottons Ltd	0	0	0	0	0	0	0	0	0

Source: computed by author from the annual reports of companies

Table 4.46. Distribution of One -Way ANOVA output of corporate social responsibility performance among the listed small cap companies in Kerala

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	667.955	39	17.127	11.853	.000
Within Groups	231.200	160	1.445		
Total	899.155	199			

Source: calculated by the researcher

Above Table 4.46, explains that there exists a significant pairwise difference between the mean scores of the corporate social responsibility performance in the small cap companies. It is evident from the table as the significant value is lower than 5% level of significance.

Table 4.47. Distribution of One-Way ANOVA output of the year wise analysis of the performance of corporate social responsibility performance in the listed small cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	67.823	4	16.956	3.945	.004
Within Groups	838.172	195	4.298		
Total	905.995	199			

Source: calculated by the researcher

The above Table 4.47 shows there is a significant pairwise difference between different years of performance in the case of Corporate Social Responsibility of the small cap listed companies in Kerala. The significant value is 0.004 which is lower than the 5% level of significance and so it is evident that there exists significant difference. So that it can be go for further analysis for understanding the pairwise differences.

Table 4.48 shows the result of Tukey's Post-Hoc test that analyses pairwise differences among different years of performance in listed small cap companies in Kerala

(I) year	(J) year	Mean Difference (I-J)	Sig.
2013-14	2014-15	-.675	.592
	2015-16	**-1.300***	**.044**
	2016-17	**-1.506***	**.013**
	2017-18	**-1.494***	**.012**
2014-15	2013-14	.675	.592
	2015-16	-.625	.661
	2016-17	-.831	.387
	2017-18	-.819	.390
2015-16	2013-14	1.300*	**.044**
	2014-15	.625	.661
	2016-17	-.206	.992
	2017-18	-.194	.993
2016-17	2013-14	1.506*	**.013**
	2014-15	.831	.387
	2015-16	.206	.992
	2017-18	.013	1.000
2017-18	2013-14	1.494*	**.012**
	2014-15	.819	.390
	2015-16	.194	.993
	2016-17	-.013	1.000

Source: calculated by the researcher

In order to identify the pairwise difference, let us look each year individually with others and identify if there is significant difference between different years based on the performance of corporate social responsibility of the listed small cap listed companies in Kerala. From the Table it is clear that there exist significant pairwise difference of the mean scores of 2013-14 when compared with other years, 2015-16, 2016-17 and 2017-18. The significant values in these years are 0.044

(2015-16), 0.013 (2016-17), 0.012 (2017-18). These are lower than the 5% level of significance and so they are considered as there is existence of pairwise differences.

When comparing 2014-15 with mean scores of other years, it is evident from the table that there is no significant pairwise difference exists between the mean scores of 2014-15 and 2013-14 (0.592), 2015-16 (0.661), 2016-17 (0.387), 2017-18 (0.390). It is also evident from the Table that there is a significant pairwise difference of the mean scores of 2015-16 when compared with 2013-14. The significant value is 0.044 and it is lower than the 5% significance level.

In 2017-18 also has a significant pairwise difference with 2013-14 and the p-value is 0.012 which is lower than the 5% significance level. And it is clear that there is significant difference in the mean scores of 2017-18 and 2013-14.

4.3.4. Investor protection

Investors are those who invest their hard-earned money in the equity capital of the company with the expectation of getting a fair return. They have the right to vote in every matter in the company and are entitled to get a dividend. These investors need protection from losses, expropriation, and malpractices and to have all their rights. Corporate governance to a large extent helps outside investors to protect themselves from inside investors. The researcher attempts to analyze the Performance of Investor protection and its growth rate among different categories of listed companies in Kerala for the period of five years from 2013-’14 to 2017-’18

Table 4.49 presents the Distribution of the mean score of the Performance of Investor protection for the period 2013-14 to 2017-18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Compliance	% Increase
Large -cap	20	20	20	24	26	110	22	73.33	30
Medium cap	17	19	20.75	21	22	80	16	53.33	29
Small cap	15	17	17.55	18	19	87	17.4	58	27
Agg.mean	15	17	17.88	18	19	87	17.4	58	27

Source: Computed by the author from the annual reports

From the Table 4.49, it is observed that the aggregate mean score in the case of investor protection for the five years (2013-14 to 2017-18) is 17.4 as against a maximum score 30 as per the index prepared. This indicates 58% compliance in this regard. Also, the table showing that during the five years under study, 27% growth is there in the compliance level.

Market capitalization wise: Analysis reveals that the highest mean score is 22 out of the maximum score 30 by the Large -cap companies. This shows there is 73.33% compliance with regard to investor protection. It is followed by small cap companies with a mean score 17.4 out of a maximum score 30 (58% compliance) and medium cap companies with mean score 16 out of 30 (53.33%).

The mean difference of the investor protection score based on market capitalization of the companies is further tested using One-way ANOVA and the result is presented in Table 4.50

Table 4.50, Result of One-way ANOVA on performance of Investor protection of the Listed companies in Kerala

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Between subject	52.706	2	26.353	21.929	.001
Within subject	9.614	8	1.202		

Source: calculated by the researcher

From the above Table 4.50, it can be identified that there is a significant difference between different categories of companies based on the overall score of investor protection. In order to examine the group wise difference in the mean score for investor protection the scholar has attempted Tukey's Post- Hoc test and result is presented below in table 4.51.

Table 4.51. showing result of Tukey's Post-Hoc test that analyzing pairwise differences among the categorized group of listed companies in Kerala

		Mean Difference (I-J)	Std. Error	Sig.[b]
Large -cap	Medium cap	1.950	.772	.065
Large -cap	Small cap	4.575*	.853	.006
Medium cap	Small cap	2.625*	.344	.002

Source: calculated by the researcher

The test reveals significant pairwise difference between the score of Large -cap companies with small cap companies and medium cap companies with small cap companies with p value less than 0.05, at 5% significance level. Further stating that the comparison of Large -cap with medium cap has no significant difference as the p value is more than 0.05.

Company wise: The above data relating to Investor Protection performance of listed companies in Kerala has been tabulated as market capitalization wise and company wise and presented below.

Large -cap companies: Below Table 4.52 presents result of company wise analysis in the Large -cap companies Muthoot Finance Ltd has scored an aggregate mean of

22 out of a maximum score 30 as per the index. This indicates 73% compliance with regard to investor protection.

Table 4.52 Distribution of the investor protection performance of listed Large - cap companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	total	Agg. mean	% Compliance	% Increase
Muthoot Finance Ltd	20	20	20	24	26	110	22	73.33	30

Source: computed by author from the annual reports

Medium cap companies:

Table 4.53 Distribution of the performance of Investor protection of listed medium cap companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Compliance	% Increase
V-Guard Industries Ltd	21	23	23	24	24	115	23	76.66	14.28
Federal Bank Ltd	17	19	21	21	21	99	19.8	63.33	23.52
Manappuram Finance Ltd	14	14	20	20	26	94	18.8	62.66	85.71
Apollo Tyres Ltd	17	19	19	19	19	93	18.6	62	11.76
Aggregate of mid cap companies	17.25	18.75	20.75	21	23	80	16.04	53.47	30.43

Source: Computed by the author from the annual reports

From the above Table 4.53 it can be seen that among the four companies in the medium cap category V-Guard Industries Ltd has the highest mean score in investor protection compliance. It scored 23 out of 30 maximum score (77% compliance). It registers with 14% growth during the five years (2013-14 to 2017-18). Just behind V-Guard Industries Ltd, Federal Bank Ltd has aggregate mean score 19 (63% compliance) with 24% growth rate during the 5 years. With aggregate mean score 19, both Manappuram Finance Ltd and Apollo Tyres Ltd attained 62% of compliance. The highest growth rate in the 5 years is 86% by Manappuram Finance

Ltd. Apollo Tyres Ltd has 12% growth in the 5 years and it is the lowest among the mid cap companies.

Table 4.54 Distribution of one- way ANOVA output of the performance of Investor Protection of the company wise analysis of the medium cap listed companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	62.150	3	20.717	2.699	.080
Within Groups	122.800	16	7.675		
Total	184.950	19			

Source: calculated by the researcher

The Table 4.54 reporting that there is no significant difference exist between different categories of listed midcap companies in Kerala. The P- value is 0.080 and is higher than the 5% significance level.

Table 4.55 showing Distribution of one- way ANOVA output of the year wise analysis of the medium cap listed companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	67.700	4	16.925	2.165	.123
Within Groups	117.250	15	7.817		
Total	184.950	19			

Source: calculated by the researcher

Above Table 4.55 represent that there is no significance difference in the year wise comparison of the mean scores of different medium cap listed companies. Because it is evident from the table that the p-value is 0.123 which is higher than the 5% level of significance.

Small cap companies: Company wise analysis on investor protection in the small cap companies reveals that Southern Inspat Ltd scored the highest mean 23(77% compliance) with 19% growth during 5 years. Two other companies, GTN Textiles Ltd and Nitta Gelatin India Ltd following this company with means score 22(73% compliance). Both the company's growth rate during 5 years is 10 percentage. The lowest mean score is 10 by Prima Agro Ltd (33% compliance) And 11 by prima industries Ltd (37% compliance) the growth 57% and 22% respectively.

Table 4.56 Distribution of the performance of Investor protection of listed small cap companies in Kerala for the period 2013-'14 to 2017-'18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	total	Agg. mean	% Compliance	% Increase
Harrisons Malayalam Ltd	17	17	17	17	17	85	17	56.66	0
Haileyburia Tea Estates Ltd	15	22	22	22	24	105	21	70	60
Kings Infra Ventures Ltd	19	21	21	21	22	104	20.8	69.33	15.78
Uniroyal Marine Export Ltd	19	20	20	17	18	94	18.8	62.66	-5.26
Prima Agro Ltd	7	11	11	11	11	51	10.2	34	57.14
Prima Industries Ltd	9	11	11	11	11	53	10.6	43.33	22.22
Kerala Solvent Extractions Ltd	13	13	13	13	13	65	13	43.33	0
Patspin India Ltd	9	13	13	13	13	61	12.2	40.56	44.44
Kitex Garments Ltd	17	21	21	21	21	101	20.2	67.33	23,52
GTN Textiles Limited	20	22	22	22	22	108	21.6	72	10
FACT	19	19	19	19	19	95	19	63.33	0
Kerala Ayurveda Ltd	17	17	17	19	19	89	17.8	59.33	11.76
Travancore Chemical Manufacturing Company Ltd	18	22	21	21	21	103	20.6	68.66	16.66
Nitta Gelatin India Ltd	20	22	22	22	22	108	21.6	72	10
Cochin Minerals and Rutiles Ltd	11	11	13	17	17	69	13.8	46	54.54
PTL Enterprises Ltd	13	13	17	17	17	77	15.4	51.33	30.76
Eastern Treads Ltd	17	17	17	21	21	93	18.6	62	23.52
Rubfila International Ltd	17	17	17	17	17	85	17	56.66	0
Artech Power and Trading Ltd	19	21	21	21	23	105	21	70	21.05
Victory Paper and Boards (India) Ltd	10	12	12	14	14	62	12.4	41.33	40

BPL Ltd	10	12	14	14	18	68	13.6	45.33	80
Southern Inspat Ltd	21	23	23	25	25	117	23.4	78	19.04
Cochin Shipyard Ltd	17	17	17	17	21	89	17.8	59.33	23.52
Dhanlaxmi Bank Ltd	13	13	17	17	17	77	15.4	51.33	30.76
South Indian Bank Ltd	21	21	21	23	23	109	21.8	72.66	9.52
Stel Holdings Ltd	9	16	16	16	16	73	14.6	48.66	77.77
Vertex Securities Ltd	9	19	19	19	19	85	17	56.66	111.11
Muthoot Capital Services Ltd	14	16	16	18	18	82	16.4	54.66	28.57
Inditrade Capital Ltd	21	21	21	21	21	105	21	70	0
Geojit Financial Services Ltd	17	17	19	21	21	95	19	63.33	23.52
Cella Space Ltd	13	18	18	18	19	86	17.2	57.33	46.15
Accel Transmatic Ltd	13	15	15	19	19	81	16.2	54	46.15
Wonderla Holidays Ltd	21	21	21	21	21	105	21	70	0
AVT Natural Products Ltd	16	18	19	19	21	93	18.6	62	31.25
Tecil Chemicals and Hydro Power Ltd	11	15	15	19	19	79	15.8	52.66	72.72
Gujarat Inject (Kerala) Ltd	17	19	19	23	23	101	20.2	67.33	35.29
Aspinwall and Company Ltd	14	16	18	18	20	86	17.2	57.33	42.85
SDF Industries Ltd	11	11	11	11	13	57	11.4	38	18.18
Western India Plywood Ltd	19	21	21	23	23	107	21.4	71.33	21.05
Western India cottons Ltd	11	13	15	19	19	77	15.4	51.33	72.72

Source: calculated by the researcher from the annual reports

Table 4.57. Distribution of One-Way ANOVA output of company wise analysis of the performance of Investor Protection of the listed small cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2322.475	39	59.551	14.213	.000
Within Groups	670.400	160	4.190		
Total	2992.875	199			

Source: calculated by the researcher

From the above Table 4.57 it is clear that there exists a significant pairwise difference in the performance of Investor Protection processes in the small cap companies in Kerala as the p value is less than 0.05.

Table 4.58. Distribution of One-Way ANOVA output of the year wise analysis of the performance of Investor Protection in listed small cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	354.437	4	88.609	6.549	.000
Within Groups	2638.438	195	13.530		
Total	2992.875	199			

Source: calculated by the researcher

From the Table 4.58 it is clear that the P-value is lesser than 0.05 level of significance and so it is also understandable that there is significant difference in the performance of investor protection processes in the small cap companies in Kerala.

Table 4.59 shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the listed small cap companies in Kerala

(I) year	(J) year	Mean Difference (I-J)	Sig.
2013-14	2014-15	-2.000	.111
	2015-16	-2.450*	.027
	2016-17	-3.310*	.001
	2017-18	**-3.851***	**.000**
2014-15	2013-14	2.000	.111
	2015-16	-.450	.982
	2016-17	-1.310	.510
	2017-18	-1.851	.161
2015-16	2013-14	**2.450***	**.027**
	2014-15	.450	.982
	2016-17	-.860	.837
	2017-18	-1.401	.428
2016-17	2013-14	**3.310***	**.001**
	2014-15	1.310	.510
	2015-16	.860	.837
	2017-18	-.541	.965
2017-18	2013-14	**3.851***	**.000**
	2014-15	1.851	.161
	2015-16	1.401	.428
	2016-17	.541	.965

Source: calculated by the researcher

From the Table 4.59 it is clear that there is no significant pairwise difference exist between 2013-14 and other years except 2014-15 as the significant value is 0.111. It is higher than the 5% level of significance. And the year 2013-14 has significant pairwise difference with 2015-16 (0.027), 2016-17 (0.001) and 2017-18 (0.001) as the significant values are lower than the 5% level of significance.

4.3.5. Risk Management

Risk is a part of any business. Different types of business have different types of risks according to their nature. The Rapid changes in the business world, other various types of risks emerged such as compliance risks, legal risk, country risk, operational risk, market risk, exchange rate risk etc. A business can be destroyed by some of these risks and also some others can cause serious damages that is costly and time consuming to repair. Risk is defined in ISO 31000 as the effect of uncertainty on objectives (whether positive or negative) followed by coordinated and economical application of resources to minimize, monitor and control the probability and impact of unfortunate events or to maximize the realization of opportunities.

Managing risk is very important and it begins with risk identification, analyzing the risk factors, assessment of the risk and mitigation of the risk, and this is called risk management. It is a process by which companies identify, monitor and manage potential risks. Corporate governance and risk management are interconnected as researches shows. Companies having good corporate governance may also have a good risk management policy. Companies are appointing a committee to handle these risks which is the risk management committee. It has the overall responsibility to monitor risk and approving risk policies of the company.

The researcher attempts to figure out the performance of risk management and also its percentage increase for the period 2013-14 to 2017-18 and the result is presented in table 4.60

Table 4.60. Distribution of the performance of risk management of listed companies in Kerala for the period 2013- '14 to 2017-'18.

Category	**2013-**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**Total**	**Agg. mean**	**% Compliance**	**% Increase**
Large -cap	0	7	7	7	7	28	5.6	80	100
Med. cap	5.25	7	7	7	7	33	6.6	94.28	33.33
Small cap	0.73	2.5	3.03	3.36	3.36	13	2.6	37.14	365.52
Agg.mean	1.11	3	3.46	3.77	3.77	15.13	3	42.8	240

Source: computed by the author from the annual reports

Above Table 4.60 demonstrates the performance of risk management in the three different categories of listed companies in Kerala. It is viewed from the table that the aggregate mean score of risk management for period under study is 3 out of 7 which the maximum score as per the prepared index is. It is 42.8% compliance.

Market capitalization wise: The performance of risk management is highest for medium cap companies and lowest for small cap companies. In the case of medium cap companies, the highest risk management score is 6 as against the maximum score of 7 indicating 86% compliance. It is followed by Large -cap companies with a risk management score are 5 out of 7 (71%). In the case of small cap companies, the score is 3 out of 7 (43%).

To analyze the mean difference of the risk management based on market capitalization of the companies One-way ANOVA is used and the result is presented in Table 4.61:

Table 4.61, Result of One-way ANOVA on risk management performance of Risk Management of the listed companies in Kerala

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Between subject	44.175	2	22.088	13.015	.003
Within subject	13.577	8	1.697		

Source: calculated by the researcher

Table 4.61 illustrates that there exists a significant difference between the different categories of companies based on the risk management performance scores and it is evident as the p value is 0.003 which is less than 0.05 level. To compare the pair wise differences Tukey's Post Hoc test is conducted and the result is given below in table 4.62.

Table 4.62. showing result of Tukey's Post-Hoc test that analyzing the pairwise differences among the categorized group of listed companies in Kerala

		Mean Difference (I-J)	Std. Error	Sig.[b]
Large -cap	Medium cap	-1.050	1.050	.374
Large -cap	Small cap	3.000*	.946	.034
Medium cap	Small cap	4.050*	.198	.000

Source: calculated by the researcher

The test depicts that the significant pairwise difference between the score of Large -cap companies with small and medium cap companies with small cap companies as the p value is less than 0.05, at 5% significance level. Further analyzing the pairwise comparison of the Large -cap companies with medium cap companies explains there is no significant difference.

Company wise analysis: Above data relating to risk management aspect is analyzed company wise and market capitalization wise and presented below.

Large -cap companies:

Individual analysis of companies shows that the Large -cap company, Muthoot Finance Ltd has a mean score 5.6 (80% compliance) out of a maximum score 7 as per the index. This company has 100% increase in five years in the risk management compliance.

Table 4.63. Distribution of the Risk Management performance of listed Large -cap companies in Kerala for the period 2013- '14 to 2017-'18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Compliance	% Increase
Muthoot Finance Ltd	0	7	7	7	7	28	5.6	80	100

Source: Computed by the author from the annual reports

Medium cap companies

In medium cap companies, Federal Bank Ltd Malappuram Finance Ltd, and Apollo Tyres Ltd have the same mean scores 7 (100%) and they maintain the same mean scores every year and there is 0% increase. V-Guard Industries Ltd has a mean score 6 out of 7 as per the index (86% compliance) with 100% growth rate.

Table 4.64. Distribution of the performance of Risk Management in listed medium cap companies in Kerala for the period 2013- '14 to 2017-'18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Compliance	% Increase
V-Guard Industries Ltd	0	7	7	7	7	28	6	86	100
Federal Bank Ltd	7	7	7	7	7	35	7	100	0
Manappuram Finance Ltd	7	7	7	7	7	35	7	100	0
Apollo Tyres Ltd	7	7	7	7	7	35	7	100	0

Source: computed by author from the annual reports

Table 4.65. Distribution of one- way ANOVA output of the company wise analysis of Risk Management the medium cap listed companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.350	3	2.450	1.000	.418
Within Groups	39.200	16	2.450		
Total	46.550	19			

Source: calculated by the researcher

Above Table 4.65 represents that there is no significant categorical difference exists between different companies in the midcap category. Here the significant value is 0.418 and it is higher than 5% level of significance.

Table 4.66. Distribution of One-Way ANOVA output of year wise analysis of the performance of Risk management in listed medium cap companies in Kerala

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.800	4	2.450	1.000	.438
Within Groups	36.750	15	2.450		
Total	46.550	19			

Source: calculated by the researcher

From the table 4.66, it is clear that there is no significant difference between different years based on the performance of risk management of the listed mid cap companies in Kerala.

Small cap companies:

The small cap companies' analysis presented in Table 6.08 reveals the highest mean score 7 out of 7 is scored by different companies, GTN Textiles Ltd, Dhanlaxmi Bank Ltd, South Indian Bank Ltd and Muthoot capital services Ltd. Although they have the same score, there is no growth during the five years for these companies. Many of these small cap companies are not yet followed the compliances regarding risk management.

Table 4.67. Distribution of the Risk Management performance of listed small cap companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg.mean	% Compliance	%Increase
Harrisons Malayalam Ltd	0	7	7	7	7	28	5,6	80	100
Haileyburia Tea Estates Ltd	0	0	0	0	0	0	0	0	0
Kings Infra Ventures Ltd	0	1	1	1	1	4	0,8	11.42	100
Uniroyal Marine Export Ltd	0	0	0	0	0	0	0	0	100
Prima Agro Ltd	0	0	7	7	7	21	4,2	60	100
Prima Industries Ltd	0	0	7	7	7	21	4,2	60	100
Kerala Solvent Extractions Ltd	0	0	0	0	0	0	0	0	100
Patspin India Ltd	0	0	0	0	0	0	0	0	100
Kitex Garments Ltd	1	1	1	1	1	5	1	14.28	0
GTN Textiles Limited	7	7	7	7	7	35	7	100	0
FACT	0	0	0	0	0	0	0	0	0
Kerala Ayurveda Ltd	0	0	0	0	0	0	0	0	0
Travancore Chemical Manufacturing Company Ltd	0	0	0	0	0	0	0	0	0
Nitta Gelatin India Ltd	0	7	7	7	7	28	5,6	80	100
Cochin Minerals and Rutiles Ltd	0	7	7	7	7	28	5,6	80	100
PTL Enterprises Ltd	0	7	7	7	7	28	5,6	8	100
Eastern Treads Ltd	0	7	7	7	7	28	5,6	8	100
Rubfila International Ltd	0	7	7	7	7	28	5,6	8	100
Artech Power and Trading Ltd	0	0	0	0	0	0	0	0	100
Victory Paper and Boards (India) Ltd	0	0	0	0	0	0	0	0	100

BPL Ltd	0	0	0	0	0	0	0	0	100
Southern Inspat Ltd	0	0	0	0	0	0	0	0	100
Cochin Shipyard Ltd	0	0	0	7	7	14	2,8	40	100
Dhanlaxmi Bank Ltd	7	7	7	7	7	35	7	100	0
South Indian Bank Ltd	7	7	7	7	7	35	7	100	0
Stel Holdings Ltd	0	7	7	7	7	28	5,6	80	100
Vertex Securities Ltd	0	0	0	7	7	14	2,8	40	100
Muthoot Capital Services Ltd	7	7	7	7	7	35	7	100	0
Inditrade Capital Ltd	0	7	7	7	7	28	5,6	80	100
Geojit Financial Services Ltd	0	0	7	7	7	21	4,2	60	100
Cella Space Ltd	0	0	0	0	0	0	0	0	0
Accel Transmatic Ltd	0	0	0	0	0	0	0	0	0
Wonderla Holidays Ltd	0	7	7	7	7	28	5,6	80	100
AVT Natural Products Ltd	0	0	0	0	0	0	0	0	0
Tecil Chemicals and Hydro Power Ltd	0	7	7	7	7	28	5,6	80	100
Gujarat Inject (Kerala) Ltd	0	0	0	0	0	0	0	0	0
Aspinwall and Company Ltd	0	0	0	0	0	0	0	0	0
SDF Industries Ltd	0	0	0	0	0	0	0	0	0
Western India Plywood Ltd	0	0	0	0	0	0	0	0	0
Western India cottons Ltd	0	0	0	0	0	0	0	0	0

Source: Computed by the author from the annual reports

Table 4.68. Distribution of one- way ANOVA output of the company wise analysis of the small cap listed companies in Kerala.

	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	1547.200	39	39.672	9.242	.000
Within Groups	686.800	160	4.293		
Total	2234.000	199			

Source: calculated by the researcher

Above Table 4.68. explains that there is significant categorical difference exists between different companies in the small cap category. Here the significant value is 0.418 and it is higher than 5% level of significance.

Table 4.69. Distribution of one- way ANOVA output of the year wise analysis of the small cap listed companies in Kerala.

	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	196.870	4	49.217	4.711	.001
Within Groups	2037.130	195	10.447		
Total	2234.000	199			

Source: calculated by the researcher

From The table 4.69, it is clear that there is significant difference between different years based on the performance of risk management of the listed small cap companies in Kerala exists as the p-value is less than the level of significance. In order to identify the pairwise difference, let us look each year individually with others and identify if there is significant difference between different years based on the performance of risk management of the listed mid cap companies in Kerala.

Table 4.70. shows the result of Tukey's Post-Hoc test that analyses pairwise differences between different years based on performance Risk Management in small cap companies in Kerala

(I) year	(J) year	Mean Difference (I-J)	Sig.
2013-14	2014-15	-1.775	.105
	2015-16	-2.300*	.015
	2016-17	-2.737*	.002
	2017-18	-2.568*	.004
2014-15	2013-14	1.775	.105
	2015-16	-.525	.950
	2016-17	-.962	.678
	2017-18	-.793	.805
2015-16	2013-14	2.300*	.015
	2014-15	.525	.950
	2016-17	-.437	.975
	2017-18	-.268	.996
2016-17	2013-14	2.737*	.002
	2014-15	.962	.678
	2015-16	.437	.975
	2017-18	.169	.999
2017-18	2013-14	2.568*	.004
	2014-15	.793	.805
	2015-16	.268	.996
	2016-17	-.169	.999

Source: calculated by the researcher

From the Table 4.70, it is clear that there exist significant pairwise difference of the mean scores of 2013-14 when compared with other years, 2015-16, 2016-17 and 2017-18. The significant values in these years are 0.015 (2015-16), 0.002 (2016-17), 0.004 (2017-18). These are lower than the 5% level of significance and so they are considered as there is existence of pairwise differences. but in 2014-15 the p-value is 0.105 which is greater than the 5% level of significance. And so there is no significant pairwise difference between the years 2013-14 and 2014-15.

4.3.6. Reporting framework

One of the hallmark principles of good corporate governance is transparency and disclosure of corporate affairs to all stakeholders. Existence of good financial reporting system provides essential financial information to its stake holders at appropriate time so as to enable them to take appropriate decisions. The means of communication between the company and outsiders is the annual report. It is the comprehensive report on a company's activity throughout the preceding year where both financial and non-financial reporting is made. The main components of financial reporting are financial statements, the notes to financial statements, quarterly and annual reports in case of listed companies, prospectus and management discussion and analysis reports. On the other hand, the non-financial reporting contains the information on company's performance and other than financial matters. The importance of quality reporting has time and again emphasized by different committees of corporate governance. In the words of Cadbury committee" if long term relationships are to be developed it is important that the companies should communicates its strategies to the major stakeholders and they should understand them. OECD principle V dealing with "Disclosure and Transparent" says that " the corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situations, performance ,ownership and governance of the company" While discussing the corporate governance philosophy, the N R Narayana Murthy Committee observed that it is essential that the business must be conducted ethically and be governed in a fair and transparent manner protecting the interest of all stakeholders.

In this context the researcher analyses the data related to the performance of reporting framework and its percentage of growth in different categories of listed companies in Kerala for the period, 2013-14 to 2017-18.

Table 4.71. Distribution of Performance of Reporting framework of listed companies in Kerala for the period 2013-14 to 2017-18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Compliance	% Increase
Large -cap	25	25	25	27	27	129	26	89.65	8
Medium cap	22	23	25	25	25	119	24	82.75	14
Small cap	20	22	23	23	23	112	22	75.86	15
Agg.mean	21	23	23	23	23	113	23	79.31	14

Source: Computed by author from the annual reports

Above Table 4.71, analyses that for the period of five years, the aggregate mean score of reporting framework is 23 as against a maximum score for 29 as per the index prepared. This explains 79% of the compliance level in this respect and 14% growth registers during the five years 2013-14 to 2017-18. Market capitalization wise the aggregate mean score is highest for Large -cap companies and lowest for small cap companies. Large -cap companies have the highest mean score which is 26 (90% compliance) out of a maximum score 29 as per the index. Also, these companies register 8% growth during the five years. The mean score of medium cap companies is 24 (83% compliance) and for small cap companies it is 22(765.86% compliance) out of maximum score 29. During the five years both companies have a growth rate of 14% and 15% respectively.

For analyzing the mean difference and significance of the aforesaid table values, ANOVA test is used and the result is presented in table 4.72.

Table 4.72. Showing the Result of One-way ANOVA on performance of Reporting Framework of the listed companies in Kerala

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Between subject	29.662	2	14.831	38.011	.000
Within subject	3.121	8	.390		

Source: calculated by the researcher

The result presented Table 4.72 denotes that there is a significant difference between different categories of companies based on the reporting framework. Hence in order to understand the pair wise difference in the mean scores Tukey's Post- Hoc test is conducted and the result is presented below in Table 4.73.

Table 4.73. showing results of Tukey's Post-Hoc test analysis of pairwise differences among the categorized group of listed companies in Kerala

		Mean Difference (I-J)	Std. Error	Sig.[b]
Large -cap	Medium cap	1.950*	.490	.016
Large -cap	Small cap	3.434*	.438	.001
Medium cap	Small cap	1.484*	.191	.001

Source: calculated by the researcher

Table 4.73, shows the test result that reveals significant pairwise difference between the score of Large -cap companies with small and medium cap companies, medium cap with small cap companies has a p value less than 0.05, at 5% significance level. Further analyzing the pairwise comparison of the Large -cap companies with medium cap companies explains there is no significant difference as the p value is more than 0.05.

Company wise analysis: The above data relating to Reporting Framework performance of listed companies in Kerala has been tabulated as market capitalization wise and company wise and presented below.

Large -cap companies:

Table 4.74. Distribution of the Reporting Framework performance of listed Large -cap companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Comp.	% Increase
Muthoot Finance Ltd	25	25	25	27	27	129	26	90	8

Source: Secondary data

Company wise analysis showing the aggregate mean score of the Large -cap company, Muthoot Finance Ltd, is 26 as against the maximum score 29 as per the index (90% compliance). During the five years from 2013-14 to 2017-18 there is 8% increase in their performance.

Mid cap companies: From the Table 4.75, it can be seen that V-Guard Industries Ltd is the only one company having the highest aggregate mean score 26 (90% compliance) and highest growth rate 23% in the medium cap category. Federal Bank Ltd and Apollo Tyres Ltd have the same aggregate mean score 23 (79% compliance) each as against the maximum score 29. Both of these companies have lowest growth during the five years, 9% and 5% respectively.

Data relating to the compliance of financial reporting of mid cap companies in Kerala is given below table.4.75.

Table 4.75. Distribution of the reporting framework performance of listed medium cap companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Comp.	% Increase
V-Guard Industries Ltd	22	25	27	27	27	128	26	90	23
Federal Bank Ltd	22	22	24	24	24	116	23	79	9
Manappuram Finance Ltd	21	23	25	25	25	119	24	83	19
Apollo Tyres Ltd	22	23	23	23	23	114	23	79	5

Source: Computed by author from the annual report

Table 4.76. Distribution of one- way ANOVA output of the company wise analysis of the medium cap listed companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	22.950	3	7.650	3.255	.049
Within Groups	37.600	16	2.350		
Total	60.550	19			

Source: calculated by the researcher

From the table 4.76, it is visible that the significant value is 0.049 which is lower than the 5% level of significance. So, it can be readable that there exists a significant difference in the reporting framework of different medium cap companies in Kerala.

Table 4.77 shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the categorized group of listed medium cap companies in Kerala

(I) Company	(J) Company	Mean Difference (I-J)	Sig.
V-Guard Industries Ltd	Federal Bank Ltd	2.400	.102
	Manappuram Finance Ltd	1.800	.285
	Apollo Tyres Ltd	2.800*	.047
Federal Bank Ltd	V-Guard Industries Ltd	-2.400	.102
	Manappuram Finance Ltd	-.600	.925
	Apollo Tyres Ltd	.400	.976
Manappuram Finance Ltd	V-Guard Industries Ltd	-1.800	.285
	Federal Bank Ltd	.600	.925
	Apollo Tyres Ltd	1.000	.734
Apollo Tyres Ltd	V-Guard Industries Ltd	-2.800*	.047
	Federal Bank Ltd	-.400	.976
	Manappuram Finance Ltd	-1.000	.734

Source: calculated by the researcher

From the above Table.4.77, it is seen that V-Guard Industries Ltd and Apollo Tyres Ltd have a significant pairwise difference in the mean scores because the significant value this case 0.047 and it is higher than the 5% significance level. In the case of other two companies, federal bank ltd (0.012) and Manappuram Finance Ltd (0.285) reveals that there does not exist a significant pairwise difference between the companies. It is also clear that federal bank has no significant pairwise difference with Manappuram Finance Ltd (0.925), Apollo Tyres ltd (0.976) as their significant values are higher than the 5% level of significance. The analysis of Manappuram Finance Ltd reveals that it has no significant pairwise difference with v-guard (0.285), federal (0.925), and apollo (0.734). In the case of Apollo Tyres ltd it has a significant pairwise difference with v-guard only (0.047) and as the significant values are higher than the 5% level of significance, federal (0.976) and Manappuram Finance Ltd (0.734) have no significant pairwise difference.

Table 4.78. Distribution of one- way ANOVA output of the year wise analysis of the medium cap listed companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	28.800	4	7.200	3.402	.036
Within Groups	31.750	15	2.117		
Total	60.550	19			

Source: calculated by the researcher

From the table 4.78, it is noticed that the significant value is 0.036 which is lower than the 5% level of significance. So, it can be readable that there exists a significant difference in the reporting framework of different medium cap companies in Kerala. Hence, in order to understand the pair wise difference Tukey's Post- Hoc test is conducted and the result is presented below in Table 4.79

Table 4.79. shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the categorized group of listed medium cap companies in Kerala

(I) year	(J) year	Mean Difference (I-J)	Sig.
	2014-15	-1.500	.603
	2015-16	-3.000	.069
	2016-17	-3.000	.069
2013-14	2017-18	-3.000	.069
2014-15	2013-14	1.500	.603
	2015-16	-1.500	.603
	2016-17	-1.500	.603
	2017-18	-1.500	.603
2015-16	2013-14	3.000	.069
	2014-15	1.500	.603
	2016-17	.000	1.000
	2017-18	.000	1.000
2016-17	2013-14	3.000	.069
	2014-15	1.500	.603
	2015-16	.000	1.000
	2017-18	.000	1.000
2017-18	2013-14	3.000	.069
	2014-15	1.500	.603
	2015-16	.000	1.000
	2016-17	.000	1.000

Source: calculated by the researcher

From the Table 4.79., it is able to analyze each year individually in order to identify the pairwise difference. It is readable from the table that 2013 has no significant pairwise difference exists with 2014-15 (0.603), 2015-16 (0.069), 2016-17 (0.069) and 2017-18 (. 0.069). In the case of analyzing 2014-2015, there is also no significant difference with 2013-14, 2014-15, 2015-16 2016-17 and 2017-18 as the significant value for all these years are 0.603 which is higher than the 5% significance level. 2015-16, 2016-17, 2017-18 also doesn't possess any significant difference with all other years as their significant values are higher than the significance level.

Small cap companies: The financial reporting compliance of the small cap companies during the period under study is computed and presented in Table 4.80.

Table 4.80. Distribution of the Reporting Framework of listed small cap companies in Kerala for the period 2013- '14 to 2017-'18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg.mean	% Comp.	%Increase
Harrisons Malayalam Ltd	20	21	23	23	23	110	22	75.86	15
Haileyburia Tea Estates Ltd	15	22	22	22	24	105	21	72.41	60
Kings Infra Ventures Ltd	22	23	23	23	23	114	22.8	78.62	4.54
Uniroyal Marine Export Ltd	21	21	21	23	23	109	21.8	75.17	9.52
Prima Agro Ltd	16	23	23	24	24	110	22	75.86	50
Prima Industries Ltd	19	20	20	20	20	99	19.8	68.27	5.26
Kerala Solvent Extractions Ltd	17	19	19	19	19	93	18.6	64.13	11.76
Patspin India Ltd	19	19	19	19	19	95	19	65.51	0
Kitex Garments Ltd	22	25	25	25	25	122	24.4	84.13	13.63
GTN Textiles Limited	21	25	25	25	25	121	24.2	83.44	19.04
FACT	20	21	23	23	23	110	22	75.86	15
Kerala Ayurveda Ltd	21	21	21	21	21	105	21	72.41	0
Travancore Chemical Manufacturing Company Ltd	20	20	20	23	23	106	21.2	73.10	15
Nitta Gelatin India Ltd	21	25	25	25	25	121	24.2	83.44	19.04
Cochin Minerals and Rutiles Ltd	27	27	27	27	27	135	27	93.10	0
PTL Enterprises Ltd	21	22	22	22	22	109	21.8	75.17	4.76
Eastern Treads Ltd	23	23	23	23	23	115	23	79.31	0
Rubfila International Ltd	20	22	22	22	22	108	21.6	74.48	10
Artech Power and Trading Ltd	13	18	18	22	22	93	18.6	64.13	69.23
Victory Paper and Boards (India) Ltd	19	19	19	19	19	95	19	65.51	0

BPL Ltd	27	27	27	27	27	135	27	93.10	0
Southern Inspat Ltd	18	21	21	23	23	106	21.2	73.10	27.77
Cochin Shipyard Ltd	25	25	25	25	25	125	25	86.20	0
Dhanlaxmi Bank Ltd	21	23	23	23	23	113	22.6	77.93	9.52
South Indian Bank Ltd	19	23	23	23	23	111	22.2	76.55	21.05
Stel Holdings Ltd	22	24	24	24	24	118	23.6	81.31	9.09
Vertex Securities Ltd	19	25	25	27	27	123	24.6	84.82	42.10
Muthoot Capital Services Ltd	21	23	23	23	24	114	22.8	78.62	14.28
Inditrade Capital Ltd	23	23	23	23	23	115	23	79.31	0
Geojit Financial Services Ltd	20	23	23	23	23	112	22.4	77.24	15
Cella Space Ltd	20	22	22	22	22	108	21.6	78.62	10
Accel Transmatic Ltd	22	23	23	23	23	114	22.8	78.62	4.54
Wonderla Holidays Ltd	22	22	22	22	22	110	22	75.86	0
AVT Natural Products Ltd	21	23	23	23	23	113	22.6	77.93	9.52
Tecil Chemicals and Hydro Power Ltd	19	25	25	25	25	119	23.8	82.06	31.57
Gujarat Inject (Kerala) Ltd	23	23	25	25	25	121	24.2	83.44	8.69
Aspinwall and Company Ltd	20	23	23	25	25	116	23.2	80	25
SDF Industries Ltd	21	22	22	23	23	111	22.2	76.55	9.52
Western India Plywood Ltd	15	19	24	24	24	106	21.2	73.10	60
Western India cottons Ltd	17	21	22	24	24	108	21.6	74.48	41.17

Source: computed by author from the annual reports

Analyzing the Table 4.80. showing the financial reporting performance of small cap companies reveals that Cochin Minerals and BPL Ltd have the same aggregate mean score 27 out of a maximum score 29 as per the prepared index. It shows 93% compliance with regard to the reporting framework practices. Both companies maintained the same mean scores during the five years and so there is no growth registers during these periods. Following them another two companies are there, Cochin Shipyard Ltd and Vertex Securities Ltd with same mean scores 25 (86% compliance) each. And, of course, there are another four companies with lowest mean scores 19. They are Kerala Solvent Extractions Ltd, Pat spin India Ltd, Artech Power Ltd, and Victory Paper and Boards (India) Ltd with growth rates 14%, 19%, 69% and 0% respectively and compliance rate 66%.

Table 4.81. Distribution of one- way ANOVA output of the company wise analysis of the medium cap listed companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	624.795	39	16.020	5.266	.000
Within Groups	486.800	160	3.043		
Total	1111.595	199			

Source: calculated by the researcher

From the Table 4.81. it is evident that the significant value is lower than the 5% level of significance. So, it can be readable that there exists a significant difference in the reporting framework of different medium cap companies in Kerala.

Table 4.82. Distribution of one- way ANOVA output of the year wise analysis of the medium cap listed companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	232.829	4	58.207	11.854	.000
Within Groups	957.526	195	4.910		
Total	1190.355	199			

Source: calculated by the researcher

From the Table 4.82. it is visible that the significant value is 0.049 which is lower than the 5% level of significance. So, it can be readable that there exists a significant difference in the reporting framework of different medium cap companies in Kerala.

Table 4.83. shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the categorized group of listed medium cap companies in Kerala

(I) year	(J) year	Mean Difference (I-J)	Sig.
2013-14	2014-15	-2.100*	.000
	2015-16	-2.400*	.000
	2016-17	-2.854*	.000
	2017-18	-2.968*	.000
2014-15	2013-14	2.100*	.000
	2015-16	-.300	.974
	2016-17	-.754	.556
	2017-18	-.868	.398
2015-16	2013-14	2.400*	.000
	2014-15	.300	.974
	2016-17	-.454	.893
	2017-18	-.568	.777
2016-17	2013-14	2.854*	.000
	2014-15	.754	.556
	2015-16	.454	.893
	2017-18	-.114	.999
2017-18	2013-14	2.968*	.000
	2014-15	.868	.398
	2015-16	.568	.777
	2016-17	.114	.999

Source: calculated by the researcher

Above Table 4.83. showing the that there is significant difference existing between 2013-14 and all other years as the p-value is below the 5% significance level. There is significant pairwise difference exist between 2014-15 and 2013-14. And there is no significant difference exist between other three years 2015-16 (0.974), 2016-17 (0.556), 2017-18 (0.398). There is significant pairwise difference exist between 2015-16 and 2013-14, 2016-17 and 2013-14, 2017-18 and 2013-14. No other years have significant difference between other years.

4.3.7. Whistle blowing mechanism

Whistle- blowing is a method used when there are some wrongdoings occurring within an organization. It is officially defined as "making a disclosure that is in the public body, usually the police or a regulatory commission that their employer is partaking in unlawful practices". In other words, it is raising a concern about a malpractice within an organization or through an independent structure associated with it. There are six elements in contained in whistle blowing such as 1) The whistle blower, 2) The disclosure subject, 3) The act of disclosing the wrong doing, 4) The target organization, 5) A recipient to whom the disclosure will be made and 6) An outcome. Corporate governance is incomplete without whistle blowing. It creates confidence in the stakeholders and it is also seen as an early warning signal in the imminent threat to organizations on its existence. Many developed countries have enacted proactive law in ensuring and encouraging whistle blowing mechanism through the enactment of laws. UN convention against corruption initiated an important measure in arresting the menace of arresting corruption and laying the foundation in developing a whistle blowing mechanism in the world. According to Article 33 of the UN Convention against corruption, "each state party shall consider in incorporating in to its domestic legal system appropriate measures to provide protection against any unjustified treatment for any person who reports in good faith and on reasonable grounds to the competent authorities, any facts concerning offenses established in accordance with this convention". In India Companies Act,2013 mandates certain companies have to establish whistle-blowing mechanism to report any unethical behaviour or other concerns to the management. Also, a whistle blower protection act is also passed to protect the person disclosed the wrong doing.

The researcher evaluates the performance of whistle blowing mechanism for the period 2013-14 to 2017-18. Data relating to this aspect have been collected from the annual reports of the selected companies for five years and presented below in table 4.84.

Table 4.84. Distribution of mean score of the Performance of Whistle blowing mechanism of Kerala for the period 2013-14 to 2017-18

Category	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**Total**	**Agg. mean**	**% Comp.**	**% Increase**
Large -cap	0	5	5	5	5	20	4	80	100
Medium cap	5	5	5	5	5	23	5	100	0
Small cap	2.27	3.97	4.4	4.57	4.57	19.8	3.96	79.2	101.32
Agg.mean	2.42	4.04	4.42	4.57	4.57	20.04	4.01	80.2	88.84

Source: Computed by author from the annual reports

From the Table 4.84, it can be observed that the aggregate mean scores of all the three categories of listed companies for the period of five years taken together is 4.01 as against a maximum score 5 as per the index prepared. This explains 80.2% of the compliance level in this respect. And it registers 88.84% growth during the five years 2013-14 to 2017-18.

Market capitalization wise the whistle blowing mechanism highest for medium cap companies and lowest for both large and small cap companies. In the case of medium cap companies, the average mean score is 5 as against the maximum score of 5 indicating 100% compliance. It is followed by Large -cap companies, who’s corporate governance score is 4 out of 5 i.e., 80%. In the case of small cap companies, the score is 4 out of 5 indicating 80% compliance level.

The researcher attempts to analyze the mean difference of the Whistle blowing mechanism based on market capitalization of the companies using One-way ANOVA test and the result is presented in Table 4.85.

Table 4.85. Result of One-way ANOVA on performance of Whistleblowing mechanism of the Listed companies in Kerala

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Between subject	.913	2	.457	.357	.711
Within subject	10.243	8	1.280		

Source: calculated by the researcher

It can be observed from the table above that there is no significant difference between different cap category based on Overall Score of Whistle blowing mechanism with a p value is more than 0.05 level.

Company wise analysis:

Large -cap companies: In the case of Muthoot Finance Ltd, the Large -cap company, it has an aggregate mean score 4 (80% compliance) out of a maximum score 5 as per the prepared index. During the five years 100% growth can be seen with regard to whistle blowing mechanism.

Table 4.86. Distribution of the performance of whistle blowing mechanism of listed Large -cap companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Comp.	% Increase
Muthoot Finance Ltd	0	5	5	5	5	20	4	80	100

Source: Computed by author from the annual reports

Mid cap companies: In the case of medium cap companies every company has maintained their mean scores the same level in the five years under study. Among them the highest one is 5 (100%) out of a maximum score 5 by majority of the companies, Federal Bank Ltd, Manappuram Finance Ltd and Apollo Tyres Ltd. And with a mean score 3 (60% compliance) V-Guard Industries Ltd following them. During the five years they are maintaining the maximum score.

Table 4.87. Distribution of the whistle blowing mechanism performance of listed medium cap companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Comp.	% Increase
V-Guard Industries Ltd	3	3	3	3	3	15	3	60	0
Federal Bank Ltd	5	5	5	5	5	25	5	100	0
Manappuram Finance Ltd	5	5	5	5	5	25	5	100	0
Apollo Tyres Ltd	5	5	5	5	5	25	5	100	0

Source: calculated by the researcher

There is no difference among mean score of companies.

Table 4.88. shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the categorized group of listed medium cap companies in Kerala

	N	Mean	Std. Deviation
2013-14	4	4.50	1.000
2014-15	4	4.50	1.000
2015-16	4	4.50	1.000
2016-17	4	4.50	1.000
2017-18	4	4.50	1.000
Total	20	4.50	.889

Source: calculated by the researcher

Mean score for all the year same. So, there is no need of to test any difference in the mean score under study period.

Small cap companies: Analysis of small cap companies showing that majority of the companies are following the whistle blowing mechanism. Many of them are scored an aggregate mean score of 5 as against the maximum score 5 as per the index prepared and 100% growth rate is also there.

Table 4.89. Distribution of the performance of whistle blowing mechanism in listed small cap companies in Kerala for the period 2013- '14 to 2017-'18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg.mean	% Comp.	%Increase
Harrisons Malayalam Ltd	5	5	5	5	5	25	5	100	0
Haileyburia Tea Estates Ltd	0	3	3	3	3	12	2,4	48	100
Kings Infra Ventures Ltd	0	0	0	0	0	0	0	0	0
Uniroyal Marine Export Ltd	0	0	0	5	5	10	2	40	100
Prima Agro Ltd	0	0	5	5	5	15	3	60	100
Prima Industries Ltd	0	0	5	5	5	15	3	60	100
Kerala Solvent Extractions Ltd	0	5	5	5	5	20	4	80	100
Patspin India Ltd	2	2	2	2	2	10	2	40	0
Kitex Garments Ltd	5	5	5	5	5	25	5	100	0
GTN Textiles Limited	0	5	5	5	5	20	4	80	100
FACT	3	3	3	3	3	15	3	60	60
Kerala Ayurveda Ltd	0	5	5	5	5	20	4	80	100
Travancore Chemical Manufacturing Company Ltd	0	5	5	5	5	20	4	80	100
Nitta Gelatin India Ltd	0	5	5	5	5	20	4	80	100
Cochin Minerals and Rutiles Ltd	3	5	5	5	5	23	4,6	92	66,66
PTL Enterprises Ltd	0	5	5	5	5	20	4	80	100
Eastern Treads Ltd	0	5	5	5	5	20	4	80	100
Rubfila International Ltd	0	0	5	5	5	15	3	60	100
Artech Power and Trading Ltd	5	5	5	5	5	25	5	100	100
Victory Paper and Boards (India) Ltd	0	0	0	0	0	0	0	0	0

BPL Ltd	0	5	5	5	5	20	4	80	100
Southern Inspat Ltd	5	5	5	5	5	25	5	100	100
Cochin Shipyard Ltd	5	5	5	5	5	25	5	100	100
Dhanlaxmi Bank Ltd	5	5	5	5	5	25	5	100	100
South Indian Bank Ltd	5	5	5	5	5	25	5	100	100
Stel Holdings Ltd	0	5	5	5	5	20	4	80	100
Vertex Securities Ltd	0	3	5	5	5	18	3,6	72	100
Muthoot Capital Services Ltd	5	5	5	5	5	25	5	100	100
Inditrade Capital Ltd	5	5	5	5	5	25	5	100	100
Geojit Financial Services Ltd	5	5	5	5	5	25	5	100	100
Cella Space Ltd	3	3	3	5	5	19	3,8	64	66,66
Accel Transmatic Ltd	5	5	5	5	5	25	5	100	0
Wonderla Holidays Ltd	5	5	5	5	5	25	5	100	0
AVT Natural Products Ltd	0	5	5	5	5	20	4	80	100
Tecil Chemicals and Hydro Power Ltd	0	5	5	5	5	20	4	80	100
Gujarat Inject (Kerala) Ltd	5	5	5	5	5	25	5	100	0
Aspinwall and Company Ltd	5	5	5	5	5	25	5	100	0
SDF Industries Ltd	0	5	5	5	5	20	4	80	100
Western India Plywood Ltd	5	5	5	5	5	25	5	100	0
Western India cottons Ltd	5	5	5	5	5	25	5	100	0

Source: Computed by author from the annual reports

Table 4.90. Distribution of One-Way ANOVA output of the company wise analysis of the performance of whistle blowing mechanism in listed small cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	319.755	39	8.199	3.504	.000
Within Groups	374.400	160	2.340		
Total	694.155	199			

Source: calculated by the researcher

From the table 4.90. it is visible that the significant value is 0.000 which is lower than the 5% level of significance. So, it can be understood that there exists a significant difference in the performance of statutory auditors of different small cap companies in Kerala.

Table 4.91. Distribution of One-Way ANOVA output of the year wise analysis of the performance of whistle blowing mechanism in listed small cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	151.589	4	37.897	13.242	.000
Within Groups	558.091	195	2.862		
Total	709.680	199			

Source: calculated by the researcher

From the table 4.91. it is visible that the significant value is 0.000 which is lower than the 5% level of significance. So, it can be readable that there exists a significant difference in the reporting framework of different small cap companies in Kerala.

Table 4.92. shows the result of Tukey's Post-Hoc test that analyses pairwise differences between different years based on the performance of whistle blowing mechanism of listed companies in Kerala

(I) year	(J) year	Mean Difference (I-J)	Sig.
2013-14	2014-15	-1.700*	.000
	2015-16	-2.125*	.000
	2016-17	-2.289*	.000
	2017-18	-2.310*	.000
2014-15	2013-14	1.700*	.000
	2015-16	-.425	.794
	2016-17	-.589	.533
	2017-18	-.610	.484
2015-16	2013-14	2.125*	.000
	2014-15	.425	.794
	2016-17	-.164	.993
	2017-18	-.185	.988
2016-17	2013-14	2.289*	.000
	2014-15	.589	.533
	2015-16	.164	.993
	2017-18	-.021	1.000
2017-18	2013-14	2.310*	.000
	2014-15	.610	.484
	2015-16	.185	.988
	2016-17	.021	1.000

Source: calculated by the researcher

Above Table 4.92. presents the results of analysis about the pairwise difference between different years based on the performance of whistle blowing mechanism. It showing that 2013-14 has a significant pairwise difference with 2014-15, 2015-16, 2016-17 and 2017-18 as all have the P value less than 0.05 level of significance. There is significant difference between 2015-16 and 2013-14 as the significant value is lesser than 0.05 level. And also, it is evident that there is no significant difference exist between 2014-15, 2016-17 and 2017-18. There is significant difference can be seen between 2016-17 and 2013-14 as their significantly lower than 0.05 level and there is no such a significant difference exist between other three years. In the case of 2017-18 there is significant difference exist between 2013-14 and not with other three years.

4.3.8. Value for other stakeholders

As shareholders are considered as the owners of the company, they shall get the benefits from the organization. But it is important to understand that corporate exist not only for the benefits of shareholders but also to serve the interests of other stakeholders. Stakeholders are individuals or groups of individuals such as employees, customers, institutional investors, creditors and all. And they may have specific claims, interests or stake in the activities of a company. The shareholder's theory by Milton Friedman has been criticized as it considered the interests of the shareholders only and not all other parties those who are involved in the business. This also led to many corporate scandals and kinds of manipulations in accounts to maximize shareholder's value and all these also led to another viewpoint that the other parties also needed to get considerations in business. Such a kind of theory have been evolved by Edward Freeman in 1984, which is known as the "stakeholders' theory". The theory explained that corporate managers have a wider scope of coverage to include all groups, that the actions or activities of business can affect; hence not only the shareholder (Cordiero, 2015). It implies the responsibilities of managers in stakeholders' theory go beyond profit maximization; but they have to consider the interests of other parties who have stakes in the business activities (Kusi, 2018). When companies are constantly pursuing value creation, corporate governance uses stakeholder theory as an administrative framework. The core of Stakeholder theory is all the stakeholders have to be treated fairly and reasonably which is the only way it can play a vital role in contemporary corporate governance.

Below provided Table.4.93 showing the performance of value for other stakeholders and the growth rate in percentage of the listed companies in Kerala for the period 2013-14 to 2017-18.

Table 4.93. Distribution for the Performance of Value for other stakeholders of listed companies in Kerala for the period 2013-14 to 2017-18

Source: Computed by the author from annual reports

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Comp.	% Increase
Large-cap	10	10	10	12	12	54	11	67.5	20
Medium cap	8.5	9.5	10.5	12	12	52.5	11	65.6	41.2
Small cap	6.5	8.5	8.8	9.3	9.7	42.7	8.5	53.1	49.2
Agg. Mean	6.8	8.6	8.9	9.6	9.6	43.8	8.8	55	41.2

Table 4.93. presents the mean score of the performance of value for other stakeholders in the large-cap, medium-cap, and small-cap companies. It is clear that the aggregate mean score of the performance of value of other stakeholders in all categories of companies is 8.8 out of a maximum score of 16 as per the prepared index and the compliance level in this respect is 55%. Moreover, over the years the aggregate mean score has increased from a mean score of 6.8 to 9.6 restating 41.2 % growth in the performance.

Market capitalization wise: The mean score is highest for both large and medium-cap companies and lowest for small-cap companies. In the case of large and medium cap companies, the mean score is 11 as against the maximum score of 16 indicating 67.5% and 65.6% compliance each. In the case of small cap companies, the mean score is 8.5 out of 16 (49.2% compliance).

The mean difference of the value for other stakeholders score based on market capitalization of the companies is tested by using One-way ANOVA and the result is exhibited in Table 4.94.

Table 4.94, shows result of ANOVA on performance of Value for other stakeholders of the listed companies in Kerala

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Between subject	15.065	2	7.533	25.484	.000
Within subject	2.365	8	.296		

Source: calculated by the researcher

From the Table 4.94. it can be noticed that there is a significant difference between different cap categories based on overall score of Value for other stakeholders, as the p value is below 5% level of significance. Hence to understand the pair wise difference in this the scholar has done Tukey's Post-Hoc test and the result is presented in table 4.95.

Table 4.95. showing result of Tukey's Post-Hoc test that analyzing pairwise differences among the categorized group of listed companies in Kerala

		Mean Difference (I-J)	Std. Error	Sig.[b]
Large -cap	Medium cap	.300	.339	.426
Large -cap	Small cap	2.260*	.399	.005
Medium cap	Small cap	1.960*	.284	.002

Source: calculated by the researcher

From above Table 4.95., it can be concluded that there exists a significant pairwise difference between the mean scores of large-cap companies and medium cap companies with small cap companies as the p value is less than 0.05, at 5% significance level. Further analyzing the Large -cap companies with medium cap companies explains that there does not exist any significant difference.

Company wise analysis: Data relating to value for other stakeholders' aspects is analyzed company wise and market capitalization-wise and presented below.

Large -cap companies: Company wise analysis shows that the Large -cap company, Muthoot Finance Ltd has scored aggregate mean 11 out of the maximum score 16 as per the index prepared. This indicates that there is 67.5% compliance with regard to this.

Table 4.96. Distribution of performance of value of other stakeholders in listed Large -cap companies in Kerala for the period 2013- '14 to 2017-'18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Comp.	% Increase
Muthoot Finance Ltd	10	10	10	12	12	54	11	67.5	20

Source: computed by author from the annual report

Mid-cap companies: Among the four companies in the medium-cap category the highest aggregate mean score is 11.6 out of 16 with 73% compliance by two companies, Apollo Tyres Ltd. The growth rate of this company during the five years is 20%. Other companies, V-Guard Industries Ltd have aggregated a mean score of 10.4 (65% compliance) and Manappuram Finance Ltd (55% compliance) has aggregated a mean score of 8.8 out of a maximum score of 16 as per the index prepared. The growth rates during the five years of Manappuram Finance Ltd are 100%, which is the highest one among the medium cap companies, and of V-Guard Industries Ltd 50% which is the second highest rate. Details can be seen in Table 4.97. given below.

Table 4.97. Distribution of performance of value of other stakeholders in listed medium cap companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Comp.	% Increase
V-Guard Industries Ltd	8	10	10	12	12	52	10.4	65	50
Federal Bank Ltd	10	10	12	12	12	56	11.2	70	20
Manappuram Finance Ltd	6	6	8	12	12	44	8.8	55	100
Apollo Tyres Ltd	10	12	12	12	12	58	11.6	73	20

Source: Computed by the author from the annual reports

Table 4.98. Distribution of one- way ANOVA output of the company wise analysis of the medium cap listed companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	23.000	3	7.667	2.190	.129
Within Groups	56.000	16	3.500		
Total	79.000	19			

Source: calculated by the researcher

From Table 4.98. it is visible that the significant value is 0.129 which is higher than the 5% level of significance. So, it is obvious that there exists no significant difference in the performance of value of other stakeholders of different medium-cap companies in Kerala.

Table 4.99. Distribution of one- way ANOVA output of the year wise analysis of the medium cap listed companies in Kerala

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	38.000	4	9.500	3.476	.034
Within Groups	41.000	15	2.733		
Total	79.000	19			

Source: calculated by the researcher

Table 4.99. shows that the significant value is 0.034, which is lower than the 5% significance level. So, it is evident that there exists a significant difference in the value of other stakeholders of different medium-cap companies in Kerala.

Table 4.100 showing result of Tukey's Post-Hoc test that analyzing pairwise differences among the categorised group of listed medium cap companies in Kerala

		Mean Difference (I-J)	Std. Error	Sig.[b]
Large cap	Medium cap	.300	.339	.426
Large cap	Small cap	2.260*	.399	.005
Medium cap	Small cap	1.960*	.284	.002

Source: computed by researcher

The results from Table 4.100 indicate that there are significant pairwise differences in the mean scores among categorized groups of medium-cap companies in Kerala. Specifically, there is a statistically significant difference between large-cap and small-cap companies, as well as between medium-cap and small-cap companies, with p-values less than 0.05, signifying a meaningful distinction in their performance. However, when comparing large-cap and medium-cap companies, the analysis reveals no significant difference, with a p-value exceeding the 0.05 threshold. These findings suggest that while there are disparities in performance between large-cap and small-cap as well as medium-cap and small-cap companies, no such distinction exists between large-cap and medium-cap companies in the sample.

Small-cap companies: In the case of small-cap companies, Cochin Shipyard Ltd is the only company having the highest aggregate mean score of 14.8 against the maximum score of 16 as per the prepared index. It is evident this is 93% compliance with regard to the value for other stakeholders. Details can be seen in Table 4.101. given below,

Table 4.101. Distribution of performance of value for other stakeholders in listed small-cap companies in Kerala for the period 2013- '14 to 2017-'18.

Name of company	2013-14	2014-15	2015-16	2016-17	2017-18	total	mean	%increase	compliance
Harrisons Malayalam Ltd	8	10	10	10	10	48	9.6	25	60
Haileyburia Tea Estates Ltd	8	10	10	10	10	48	9.6	25	60
Kings Infra Ventures Ltd	10	10	10	10	10	50	10	0	62.5
Uniroyal Marine Export Ltd	6	8	8	8	10	40	8	66.67	50
Prima Agro Ltd	0	8	8	8	8	32	6.4	100	40
Prima Industries Ltd	6	6	8	8	8	36	7.2	33.33	45
Kerala Solvent Extractions Ltd	4	6	6	6	6	28	5.6	50	35
Patspin India Ltd	12	12	12	12	12	60	12	0	75
Kitex Garments Ltd	10	12	12	12	12	58	11.6	20	72.5
GTN Textiles Ltd	6	10	10	10	10	46	9.2	66.67	57
FACT	6	8	10	10	10	44	8.8	66.67	57
Kerala Ayurveda Ltd	8	10	10	10	10	48	9.6	25	60
Travancore Chemical Manufacturing Company Ltd	2	2	2	2	2	10	2	0	12.5
Nitta Gelatin Ltd	6	10	10	10	10	46	9.2	66.66	57.5
Cochin Minerals and Rutiles Ltd	12	12	14	14	14	66	13.2	16.66	82.5
PTL Enterprises Ltd	6	8	8	8	8	38	7.6	33.33	47.5
Eastern Treads Ltd	6	6	6	8	8	34	6.8	33.3	42.5
Rubfila International Ltd	8	8	8	8	8	40	8	0	50
Artech Power and Trading Ltd	6	8	8	10	12	44	8.8	100	55

Victory Paper and Boards (India) Ltd	0	0	0	0	0	0	0	0	0
BPL Ltd	8	12	12	14	14	60	12	75	75
Southern Inspat Ltd	4	4	6	6	8	28	5.6	100	35
Cochin Shipyard Ltd	14	14	14	16	16	74	14.8	14.28	92.5
Dhanlaxmi Bank Ltd	8	10	12	12	14	56	11.2	75	70
South Indian Bank Ltd	10	12	14	14	16	66	13.2	60	82.5
Stel Holdings Ltd	6	10	10	10	10	46	9.2	66.66	57
Vertex Securities Ltd	6	8	8	8	8	38	7.6	33.33	47.5
Muthoot Capital Services Ltd	4	6	6	8	10	34	6.8	150	42.5
Inditrade Capital Ltd	8	12	12	12	12	56	11.2	50	70
Geojit Financial Services Ltd	6	10	10	10	10	46	9.2	66.66	57
Cella Space Ltd	4	4	4	6	6	24	4.8	50	30
Accel Transmatic Ltd	6	8	8	8	8	38	7.6	33.33	48
Wonderla Holidays Ltd	8	10	10	10	10	48	9.6	25	60
AVT Natural Products Ltd	6	8	8	8	10	40	8	66.67	50
Tecil Chemicals and Hydro Power Ltd	8	8	8	8	10	42	8.4	25	52.5
Gujarat Inject (Kerala) Ltd	2	6	6	8	8	30	6	300	37.5
Aspinwall and Company Ltd	8	12	12	14	16	62	12.4	100	77.5
SDF Industries Ltd	6	8	8	8	8	38	7.6	33.33333	47.5
Western India Plywood Ltd	6	6	6	8	8	34	6.8	33.33333	42.5
Western India cottons Ltd	4	6	6	8	8	32	6.4	100	40

Table 4.102. Distribution of one-way ANOVA output of the company-wise analysis of the small-cap listed companies in Kerala

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1656.880	39	42.484	17.131	.000
Within Groups	396.800	160	2.480		
Total	2053.680	199			

Source: calculated by the researcher

Table 4.102. shows the significant value is less than the 5% significance level. So, it is evident that there exists a significant difference in the value of other stakeholders of different small-cap companies in Kerala. Hence, post hoc test is given in the below Table 4.102.

Table 4.103. shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the categorized group of listed small cap companies in Kerala

(I) year	(J) year	Mean Difference (I-J)	Sig.
2013-14	2014-15	-1.90000*	**.046**
	2015-16	-2.20000*	**.013**
	2016-17	-2.70000*	**.001**
	2017-18	-3.15000*	**.000**
2014-15	2013-14	1.90000*	**.046**
	2015-16	-.30000	.992
	2016-17	-.80000	.768
	2017-18	-1.25000	.359
2015-16	2013-14	2.20000*	**.013**
	2014-15	.30000	.992
	2016-17	-.50000	.949
	2017-18	-.95000	.634
2016-17	2013-14	2.70000*	**.001**
	2014-15	.80000	.768
	2015-16	.50000	.949
	2017-18	-.45000	.965
2017-18	2013-14	3.15000*	**.000**
	2014-15	1.25000	.359
	2015-16	.95000	.634
	2016-17	.45000	.965

Source: calculated by the researcher

Table 4. 103. presents the results of the analysis of the pairwise difference between different years based on the performance of value for other stakeholders. It showing that 2013-14 has a significant pairwise difference with 2014-15, 2015-16, 2016-17 and 2017-18 as all have the P value less than 0.05 level of significance. There is significant difference between 2015-16 and 2013-14 as the significant value is lesser than 0.05 level. And also, it is evident that there is no significant difference exist between 2014-15, 2016-17, and 2017-18. There is a significant difference can be seen between 2016-17 and 2013-14 as their significantly lower than 0.05 level and there is no such significant difference exist between other three years. In the case of 2017-18 there is significant difference exist between 2013-14 and not with other three years.

4.3.9. Statutory Auditors

Statutory auditors are experts chosen by a company's shareholders or members to independently review and provide a report on its financial accounts. Statutory auditors are an important segment of the entire corporate governance mechanism of the company (Garg,2001). In order to guarantee the correctness and dependability of financial information, these auditors are essential. They carefully examine financial records, internal controls, and accounting procedures using their experience in auditing and accounting to determine whether they are in accordance with applicable laws and accounting standards. Statutory financial auditors are professional accountants appointed to check the financial statements of the company and express their opinion on the working affairs of the business (Gupta, 2005). Their goal is to reassure interested parties that the financial statements of the company accurately reflect its financial situation. Statutory auditors contribute to accountability, openness, and trust in organizations’ financial reporting through their thorough auditing procedures.

Table 4.104. Distribution for the Performance of statutory auditors in the listed companies in Kerala for the period 2013-14 to 2017-18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Comp.	% Increase
Large -cap	7	9	9	13	13	51	10.2	68	86
Medium cap	11	13	13	13	14	64	13	87	27
Small cap	8.5	9.9	11	11	12	52.4	10.4	69	41
Agg. mean	8.7	10.07	10.6	11	11.8	52.2	10.4	69	36

Source: calculated by the researcher from the annual reports

Table 4.104. reflects the performance of statutory auditors among the three categorized companies, i.e., large-cap, medium-cap, and small-cap companies. It is observed that the aggregate mean score of the statutory auditors for the five years is 10.4 as against the maximum score of 15 as per the index prepared. So, it indicates a compliance level of 69% in this respect. 36% growth has also registered in the compliance level for the study period. The above data relating to the performance of statutory auditors of listed companies in Kerala have been tabulated on the basis of market capitalization, company, and year.

Market capitalization-wise mean compliance is maximum for medium-cap companies followed by small-cap companies and large-cap companies. Respective mean scores are 13 (87% compliance), 10.4 (69% compliance), and 10.2 (68% compliance) for medium cap large-cap and small-cap companies. Regarding the growth of compliance during the period, it is seen that the highest growth is achieved for large-cap companies (86) followed by small-cap companies (41%) and medium cap companies (27%).

Further, to analyze the variance and to find out the statistical significance mean difference, the ANOVA test is used, the result of which is presented in Table 4.105.

Table 4.105, showing result of ANOVA on performance of statutory auditors of the listed companies in Kerala

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Between subject	18.145	2	9.073	8.244	.011
Within subject	8.804	8	1.100		

Source: calculated by the researcher

It can be observed from Table.4.105 that there is a significant difference in the performance of statutory auditors of different companies as the p-value is 0.011 indicating a statistically significant difference at 0.05 level. Hence the researcher has conducted a Post hoc analysis to identify which categories differ and the results are presented in Table 4.106.

Table 4.106 shows result of Tukey's Post-Hoc test that analyzing pairwise differences among the categorized group of listed companies in Kerala statutory auditors.

		Mean Difference (I-J)	Std. Error	Sig.[b]
Large-cap	Medium cap	-2.400	.886	.054
Large -cap	Small cap	-.140	.708	.853
Medium cap	Small cap	2.260*	.185	.000

Source: calculated by the researcher

Table.4.106 assess pairwise differences among the categorized group of companies. Tests revealed a significant pairwise difference between the score of medium-cap companies and small-cap companies with p value less than 0.05. Moreover, the comparison of large-cap with medium-cap and small-cap has no significant difference as the p-value is more than 0.05.

Company-wise analysis: The above data relating to statutory auditors of listed companies in Kerala has been tabulated company-wise and market-capitalization-wise and presented below.

Large Cap Company: Company-wise analysis shows that the large-cap company, Muthoot Finance Ltd has a mean score of 10.2 as against a maximum score of 15 and it is 85% compliance with regard to Board performance. In five years, it registers a growth rate of only 2%.

Table 4.107. Distribution of the statutory auditors of listed large-cap companies in Kerala for the period 2013- '14 to 2017-'18.

Category	2013-14	2014-15	2015-16	2016-17	2017-18	total	mean	%compliance	%increase
Muthoot Finance Ltd	7	9	9	13	13	51	10.2	68	85.71

Source: *Computed by the author from the annual reports*

Mid-cap companies: In the case of medium-cap companies from Table 4.108. it is evident that Federal Bank Ltd has the highest mean score of 15 out of 15 (100% compliance) with consistent growth in five years 2013-14 to 2017-18 in this category. It is followed by Apollo Tyres Ltd with a mean score of 14.2 out of 15 (95% compliance), and Manappuram Finance Ltd with 11.4 (76% compliance). Among these companies' highest growth rates registered in five years are V-Guard Industries Ltd (57.14%) and which is followed by Apollo Tyres. Ltd at 36.4%, Manappuram Finance Ltd at 18.18%. In the case of the Federal Bank Ltd, the scores are the same.

Table 4.108. Distribution of scores of the Performance of Statutory Auditors in the medium cap companies in Kerala for the period 2013-14 to 2017-18

Category	2013-14	2014-15	2015-16	2016-17	2017-18	total	mean	% compliance	% increase
v-guard	7	9	11	11	11	49	9.8	65	57.14
Federal	15	15	15	15	15	75	15	100	0
Manappuram	11	11	11	11	13	57	11.4	76	18.18
Apollo	11	15	15	15	15	71	14.2	95	36.4

Source: Computed by the author from the annual reports

Further, the mean difference analysis of the compliance scores of Statutory Auditors for the mid-cap companies is presented in Table 4.109.

Table 4.109. Distribution of one-way ANOVA output of the company-wise analysis of the medium-cap companies in Kerala. Statutory audit

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	88.000	3	29.333	16.296	.000
Within Groups	28.800	16	1.800		
Total	116.800	19			

Source: calculated by the researcher

From Table 4.109., it is evident that there is a significant difference in the performance of the value of other stakeholders of different medium-cap companies in Kerala as the p-value is 0.000 which is lower than the 5% level of significance.

Table. 4.110. shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the categorized group of listed medium cap companies in Kerala

(I) Company	(J) Company	Mean Difference (I-J)	Sig.
V-Guard Industries Ltd	Federal Bank Ltd Bank Ltd	-5.20000*	.000
	Manappuram Finance Ltd	-1.60000	.273
	Apollo Tyres Ltd	-4.40000*	.000
Federal Bank Ltd	V-Guard Industries Ltd	5.20000*	.000
	Manappuram Finance Ltd	3.60000*	.003
	Apollo Tyres Ltd	.80000	.783
Manappuram Finance Ltd	V-Guard Industries Ltd	1.60000	.273
	Federal Bank Ltd	-3.60000*	.003
	Apollo Tyres Ltd	-2.80000*	.021
Apollo Tyres Ltd	V-Guard Industries Ltd	4.40000*	.000
	Federal Bank Ltd	-.80000	.783
	Manappuram Finance Ltd	2.80000*	.021

Source: calculated by the researcher

From Table 4.110., it is evident that further analyzing the pairwise comparison V-Guard Industries Ltd with Federal Bank Ltd and Apollo Tyres Ltd reveals that the significant values of both of these companies are statistically significant as these are lower than the 5% level. There is no significant difference that exists between V-Guard Industries Ltd and Manappuram Finance Ltd as their p-value is 0.273 which is higher than the 0.05 level. And the test reveals that there exists a significant pairwise difference between Federal Bank Ltd and V-guard Industries Ltd, Federal Bank Ltd, and Manappuram Finance Ltd (0.003). there is no significant difference exists between Federal Bank Ltd and Apollo Tyres Ltd as their p value is higher than the 5% significance level (0.783). analysis further reveals that Manappuram Finance Ltd and Apollo Tyres Ltd showing a significant pairwise difference as their p value is lower than 0.05 level (0.021).

Table 4.111. showing One-Way ANOVA result of the year-wise analysis of the performance of statutory auditors among the medium-cap companies in Kerala.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	14.800	4	3.700	.544	.706
Within Groups	102.000	15	6.800		
Total	116.800	19			

Source: Secondary data

The result presented in Table 4.111. reveals that there exists no significant difference between the performance of overall corporate governance of the listed medium cap companies in Kerala based on different years, as the p-value is higher than 0.05 significance level.

Small cap companies: The scores relating to the performance of statutory auditors of listed small cap companies are presented in Table 4.112.

Company-wise analysis of statutory auditors in the small-cap companies reveals that Federal Bank Ltd and Rubfila Ltd scored the highest mean 15(100% compliance). Two other companies, Nitta Gelatin India Ltd and Apollo Tyres Ltd., followed this company with mean score 14.6 and 14.2 respectively (97.33% compliance and 94.66% compliance respectively). Both the company's growth rate during 5 years is 15.4 and 36.36% respectively. The lowest mean score is 3.8 by Victory Paper and Board Ltd (25% compliance) And 7.4 by Kerala Ayurveda Ltd (49.33% compliance).

Table.4.112. Distribution of scores relating to the performance of statutory auditors of listed small cap companies

Category	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**total**	**mean**	**%compliance**	**%increase**
Harrisons Malayalam Ltd	13	13	13	13	13	65	13	86.667	0
Haileyburia Tea Estates Ltd	5	9	9	9	13	45	9	60	160
Kings Infra Ventures Ltd	5	9	9	11	11	45	9	60	120
Uniroyal Marine Export Ltd	5	7	7	13	13	45	9	60	160
Prima Agro Ltd	7	11	11	11	11	51	10.2	68	57.143
Prima Industries Ltd	9	9	9	9	9	45	9	60	0
Kerala Solvent Extractions Ltd	13	13	13	13	13	65	13	86.667	0
Patspin India Ltd	5	7	7	11	11	41	8.2	54.667	120
Kitex Garments Ltd	10	12	12	12	12	58	11.6	77.333	20
GTN Textiles Ltd	6	10	10	10	10	46	9.2	61.333	66.667
FACT	9	11	11	11	11	53	10.6	70.667	22.222
Kerala Ayurveda Ltd	5	7	7	9	9	37	7.4	49.333	80
Travancore Chemical Manufacturing Company Ltd	9	9	11	11	11	51	10.2	68	22.222
Nitta Gelatin Ltd	13	15	15	15	15	73	14.6	97.333	15.385
Cochin Minerals and Rutiles Ltd	11	11	13	13	13	61	12.2	81.333	18.182
PTL Enterprises Ltd	13	13	15	15	15	71	14.2	94.667	15.385
Eastern Treads Ltd	10	13	13	13	13	62	12.4	82.667	30
Rubfila International Ltd	15	15	15	15	15	75	15	100	0
Artech Power and Trading Ltd	8	8	10	10	12	48	9.6	64	50
Victory Paper and Boards (India) Ltd	3	3	3	5	5	19	3.8	25.333	66.667

BPL Ltd	7	7	7	7	7	35	7	46.667	0
Southern Inspat Ltd	9	9	9	9	11	47	9.4	62.667	22.222
Cochin Shipyard Ltd	13	13	13	13	13	65	13	86.667	0
Dhanlaxmi Bank Ltd	11	13	13	13	13	63	12.6	84	18.182
South Indian Bank Ltd	11	11	11	13	13	59	11.8	78.667	18.182
Stel Holdings Ltd	13	13	13	13	13	65	13	86.667	0
Vertex Securities Ltd	7	7	13	15	15	57	11.4	76	114.29
Muthoot Capital Services Ltd	9	11	11	11	13	55	11	73.333	44.444
Inditrade Capital Ltd	11	11	11	13	13	59	11.8	78.667	18.182
Geojit Financial Services Ltd	6	14	14	14	14	62	12.4	82.67	133.33
Cella Space Ltd	5	9	9	9	9	41	8.2	54.67	80
Accel Transmatic Ltd	6	7	9	9	9	40	8	53.33	50
Wonderla Holidays Ltd	11	11	11	13	13	59	11.8	78.67	18.18
AVT Natural Products Ltd	5	5	7	7	7	31	6.2	41.33	40
Tecil Chemicals and Hydro Power Ltd	9	9	9	11	11	49	9.8	65.33	22.22
Gujarat Inject (Kerala) Ltd	6	8	8	10	11	43	8.6	57.33	83.33
Aspinwall and Company Ltd	6	9	11	11	13	50	10	66.67	116.67
SDF Industries Ltd	9	9	9	9	11	47	9.4	62.67	22.22
Western India Plywood Ltd	8	8	8	11	13	48	9.6	64	62.5
Western India cottons Ltd	5	5	9	9	9	37	7.4	49.33	80

Source: calculated by the researcher from the annual reports

Table 4.113. Distribution of one-way ANOVA output of the company-wise analysis of the small-cap listed companies in Kerala

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1137.680	39	29.171	9.541	.000
Within Groups	489.200	160	3.058		
Total	1626.880	199			

Source: calculated by the researcher

It can be observed from Table.4.113., that there is a significant difference in the performance of statutory auditors of different small-cap companies as the p-value is less than 0.05. Hence the researcher has conducted a Post hoc analysis to identify which categories are different and the results are presented in Table 4.114.

Table 4.114. Distribution of one- way ANOVA output of the year wise analysis of small cap listed companies in Kerala statutory auditors.

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	241.830	4	60.457	8.512	.000
Within Groups	1385.050	195	7.103		
Total	1626.880	199			

Source: calculated by the researcher

Table 4.114. represents the year-wise performance of statutory auditors of listed midcap companies in Kerala. As the p-value is less than the 5% lit is unfolded that there is a significant difference in the mean scores of different years.

Table 4.115. shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the categorized group of listed small cap companies in Kerala

(I) year	(J) year	Mean Difference (I-J)	Sig.
2013-14	2014-15	-1.32500	.175
	2015-16	-1.92500*	.012
	2016-17	-2.70000*	.000
	2017-18	-3.12500*	.000
2014-15	2013-14	1.32500	.175
	2015-16	-.60000	.852
	2016-17	-1.37500	.147
	2017-18	-1.80000*	.024
2015-16	2013-14	1.92500*	.012
	2014-15	.60000	.852
	2016-17	-.77500	.691
	2017-18	-1.20000	.263
2016-17	2013-14	2.70000*	.000
	2014-15	1.37500	.147
	2015-16	.77500	.691
	2017-18	-.42500	.953
2017-18	2013-14	3.12500*	.000
	2014-15	1.80000*	.024
	2015-16	1.20000	.263
	2016-17	.42500	.953

Source: calculated by the researcher

From Table 4.115, it is readable that there exists a significant pairwise difference between the mean scores of 2013-14 with 2015-16 (0.012), 2016-17 (0.000), and 2017-18 (0.000). There is no significant difference between 2013-14 and 2014-15 as the p-value is 0.175. The analysis also reveals that there exists a significant difference between 2014-15 and 2017-18 (0.024), 2015-16 and 2013-14 (0.012), 2016-17 and 2013-14 (0.000) as their p values are less than 5% level of significance.

4.4. The interrelationship between corporate governance performance and market valuation of the company.

After the above analysis of the corporate governance performance, the scholar has attempted to find out the relation between the corporate governance performance score and the market valuation of the companies studied. As a first step to this, the scholar has calculated the market capitalization of the selected companies, and the details are given below.

4.4.1. Market capitalization

The evaluation of a company's value is an integral part of the management of every company, which allows determining the impact of business management decisions on the performance results, as well as the direction of the results and the decisions that need to be made to improve them. One of the most effective ways of evaluating the value of a company is the market capitalization. Market capitalization or "market cap" is the aggregate valuation of the company based on its current share price and the total number of outstanding shares. Only publicly owned companies are evaluated by this evaluation method. Investors need to have an accurate understanding of market capitalization. Then only they can choose the correct shares that can meet their risk and diversification criterion for investment. Market capitalization can be calculated by multiplying the number of outstanding shares by the current market value of one share.

Market capitalization = current share price * shares outstanding.

Based on this popular company evaluation method, the stocks are classified under three different types. They are large-cap companies, medium-cap companies, and small-cap companies. The researcher here attempts to analyze the companies' categorized under the groups with their market capitalization. Below Table 10.0 presents a brief description of the market capitalization of listed companies in Kerala and the percentage increase over the past five years, 2013-14 to 2017 18.

Table 4.116. showing the Market capitalization of listed companies in Kerala from 2013-14 to 2017-18 (in crores)

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Increase
Large cap	7307	6718	8184	6972	14874	44055	8811	104
Medium cap	3514	3656	4338	6233	9827	27567	5513	179
Small cap	248	356	423	407	543	1989	398	119
Agg.mean	**758**	**852**	**1006**	**1161**	**1855**	**5632**	**1126**	**145**

Source: calculated by the researcher

Given Table 4.116. reflects the market capitalization of different categories of listed companies in Kerala.

It is noticed from the table that the aggregate mean value of market capitalization is Rs. 1126 cr. In the year 2013-14, the aggregate mean value was Rs.758 cr. which has raised to Rs. 1855 cr. in 2017-18. This registers a growth of 145% in the market capitalization of listed companies during the five years. Large-cap companies have the highest aggregate mean score 8811cr (104% growth).

Medium-cap companies are following them with an aggregate mean of 5513 (179% growth). And the small cap companies have the lowest mean, 398 cr. with a growth rate 119% during the five years.

Further, to understand the difference and significance of the market capitalization scores presented in Table 4.117, ANOVA test is conducted and the following Table 10.1 explains the result of the same.

Table 4.117. shows the result of One -way ANOVA on overall Corporate Governance performance and market capitalization of the Listed companies in Kerala

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Between subject	180211105.986	2	90105552.993	26.559	.000
Within subject	27141444.225	8	3392680.528		

Source: calculated by the researcher

The above result indicates that the P value is 0.000 which is less than 0.05 level of significance. It means that there is a significant difference between different categories of listed companies based on market capitalization. In order to examine the pairwise difference in the market capitalization the scholar has attempted to conduct Tukey's Post Hoc test and the result is presented below.

Table 4.118. shows the result of Tukey's Post-Hoc test that analyses pairwise differences among the categorized group of listed companies in Kerala

		Mean Difference (I-J)	Std. Error	Sig.[b]
Large cap	Medium cap	3297.507*	714.270	.010
Large cap	Small cap	8424.310*	1500.751	.005
Medium cap	Small cap	5126.803*	1144.019	.011

Source: calculated by the researcher

The Table 4.118. exhibits pairwise differences among the large cap, medium cap and small cap companies. The result of the test configures the significant pairwise difference between the score of large cap, medium cap and small cap companies. It can be noted that there is a significant difference in the pairwise comparison of large cap companies with small cap companies, as the p value less than 0.05, at 5% significance level. In case of large cap with medium cap and small cap with medium cap companies, there is no significant difference in the pairwise comparison as the p value is more than 0.05, at 5% level of significance.

Company-wise analysis: The above data relating to the overall corporate governance performance of listed companies in Kerala has been tabulated market capitalization-wise and company-wise and presented below.

***Large -cap Company*:**

Table 4.119. showing Market capitalization of large cap companies in Kerala from 2013-14 to 2017-18 (in crores)

Category	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg. mean	% Increase
Muthoot Finance Ltd	7306.66	6717.67	8184.18	6972.37	14873.99	44054.88	8810.98	104

Source: calculated by the researcher

From Table 4.119. it can read that the large cap companies presenting the highest aggregate mean score of market capitalization. It is 8811 cr. During the five years this category of companies has registered a growth of 104%.

***Medium Cap Companies*:** The data relating to market capitalization in mid-cap cap companies are presented in Table 4.124. below.

Table 4.120. showing Market capitalization of medium cap companies in Kerala from 2013-14 to 2017-18 (in crores)

Name of company	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Mean	% compliance	% Increase
V-Guard Industries Ltd	99.09	194.94	186.97	7425.08	9458.51	11257.62	13852.51	16447.41	9445.4
Federal Bank Ltd	4110.62	4120.03	5642.49	3994.31	7761.95	7278.96	7996.65	8714.34	88.83
Manappuram Finance LTd	1816.79	1825.42	2700.27	2994.69	8208.52	7694.96	9090.23	10485.51	351.81
Apollo Tyres Ltd	8029.11	8482.73	8820.43	10516.48	13880.84	14067.08	15440.79	16814.52	72.88

Source: calculated by the researcher from the annual reports

In the case of medium-cap companies, the mean market capitalization is highest in Apollo Tyres Ltd., ₹ .15440.79 cr. with a growth rate of 72.88% in five years. It is followed by other medium cap companies namely, V-Guard Industries Ltd, Manappuram Finance Ltd and Federal Bank Ltd, with mean market capitalizations ₹ .13852.51 crores, ₹ 9090.23 crores and ₹ .7996.65crores with growth rates 9445.4, 351.81% and 88.83 % respectively.

Table 4.121. showing Market capitalization of small-cap companies in Kerala from 2013-14 to 2017-18 (in crores)

Name of company	2013-14	2014-15	2015-16	2016-17	2017-18	Total	Agg.mean	%Increase
Harrisons Malayalam Ltd	87.94	81.48	93.84	152.25	135.73	**551.26**	110.25	54.35
Haileyburia Tea Estates Ltd	2.05	1.95	2.09	4.22	8.50	**18.83**	3.76	313.53
Kings Infra Ventures Ltd	6.56	6.86	5.44	9.99	8.91	**37.78**	7.56	35.71
Uniroyal Marine Export Ltd	2.47	3.92	3.30	5.52	17.56	**32.79**	6.56	610.08
Prima Agro Ltd	20.55	11.76	8.68	7.85	17.37	**66.23**	13.25	-15.48
Prima Industries Ltd	70.4	227.52	177.28	266.88	839.36	**1581.44**	316.29	1092.27
Kerala Solvent Extractions Ltd	13.85	19.63	22.11	23.96	50.18	**129.74**	25.95	262.27
Patspin India Ltd	300.44	1789.75	1432.79	1432.45	1491.26	**6446.7**	1289.34	396.35
Kitex Garments Ltd	6.19	10.67	11.58	20.98	17.69	**67.119**	13.42	185.71
GTN Textiles Ltd	1329.73	1818.27	1365.32	2682.113	3303.30	**10498.74**	2099.75	148.42
FACT	34.72	25.17	41.16	57.21173	100.38	**258.6667**	51.73333867	189.0578
Kerala Ayurveda Ltd	23.24	23.38	27.19	14.61585	24.67	**113.1199**	22.62397696	6.140351
Travancore Chemical Manufacturing Company Ltd	879.48	739.95	667.31	684.5687	733.59	**3704.915**	740.9829184	-16.5875
Nitta Gelatin Ltd	133.07	82.48	60.44	53.20485	81.35	**410.5661**	82.11321	-38.8644
Cochin Minerals and Rutiles Ltd	170.76	224.37	900.83	323.3308	308.11	**1927.409**	385.481824	80.42636
PTL Enterprises Ltd	10.23	6.98	21.47	49.704	59.59	**147.9897**	29.597934	482.3875
Eastern Treads Ltd	70.87	164.87	142.83	216.5198	310.73	**905.8394**	181.1678816	338.4146
Rubfila International Ltd	8.90	6.91	23.62	31.60646	57.87	**128.9188**	25.78375118	550
Artech Power and Trading Ltd	3.95	3.95	3.95	3.96	71.55	**87.372**	17.4744	1708.874

Victory Paper and Boards (India) Ltd	67.94	67.22	148.85	127.83	360.52	**772.38**	154.4760249	430.5755
BPL Ltd	576.15	448.96	389.14	245.5725	336.8751058	**1996.69**	399.34	-41.53
Southern Inspat Ltd	2779.28	2761.81	3043.24	2133.488	3650.74	**14368.57**	2873.71	31.36
Cochin Shipyard Ltd	25.56	40.88	47.98	118.8528	183.26	**416.54**	83.31	616.97
Dhanlaxmi Bank Ltd	13.45	7.015058	8.73	10.8805	13.65	**53.73**	10.75	1.418448
South Indian Bank Ltd	116.44	107.7132	228.69	163.3907	305.86	**922.11**	184.42	162.6714
Stel Holdings Ltd	17.98	16.21	46.24	70.40817	82.20	**233.04**	46.61	357.1429
Vertex Securities Ltd	439.59	497.83	1164.64	709.0581	1210.31	**4021.42**	804.28	175.32
Muthoot Capital Services Ltd	24.27	23.91	15.81164	11.37386	12.41	**87.78**	17.56	-48.88
Inditrade Capital Ltd	4.82	10.36	10.04	5.56	3.71	**34.50292**	6.90	-23.11
Geojit Financial Services Ltd	0	1498.10	2162.83	2161.7	1925.81	**7748.44**	1549.69	28.55
Geojit Financial Services Ltd	200.25	318.27	402.79	421.07	571.82642	**1914.21**	382.84	185.55
Accel Transmatic Ltd	54.29	73.78	80.12	82.39	92.854	**383.45**	76.69	71.03
Wonderla Holidays Ltd	101.23	103.374	162.75	178.37	200.134	**745.861**	149.17	97.69
AVT Natural Products Ltd	150.26	157.88	166.98	169.63	172.635	**817.39**	163.48	14.89
Tecil Chemicals and Hydro Power Ltd	2.11	2.38	2.43	3.46	3.85	**14.25**	2.85	82.44
Gujarat Inject (Kerala) Ltd	4.12	4.32	4.43	5.76	5.83	**24.46**	4.89	41.91
Aspinwall and Company Ltd	14.35	16.35	18.57	18.78	19.68	**87.733**	17.55	37.07
SDF Industries Ltd	3.34	3.45	4.68	4.64	4.46	**20.58**	4.12	33.21
Western India Plywood Ltd	0	0	0	0	70.35	**70.35**	14.06	0
Western India cottons Ltd	1.32	1.44	2.96	3.64	3.44	**12.81**	2.56	159.22

Source: calculated by the researcher

In the small-cap category South Indian Bank Ltd, FACT, and Kitex Garments Ltd are the companies with the highest mean capitalization. Their market capitalization and percentage of growth during five years are; South Indian Bank Ltd ₹. 2873.71 crores (31.36% growth), FACT ₹. 2099.75 crores, (148.42% growth), and Kitex Garments Ltd ₹.1289.34 crores (396.36% growth). And among the 40 companies in the small-cap category, the companies that have the lowest market capitalization are Kings Infra Ventures Ltd, Uniroyal Marine Export Ltd, and Prima Agro Ltd. In these, Kings Infra Ventures Ltd has only ₹. 3.77 crores mean market capitalization with a growth rate of 313.53%. It is followed by Prima Agro Ltd with a market cap of ₹ 6.56 crores (610.08% growth) and Uniroyal Marine Export Ltd 7.56 crores (35.71% growth).

4.5. Pearson Correlation Analysis of corporate governance scores and market valuation.

In order to understand the relationship between market capitalization and corporate governance practices, an investigation was made by the scholar with the help of correlation analysis. It measures the degree to which these two variables (market capitalization and corporate governance practices) movements are associated. The market capitalization of all the companies is put together and the overall corporate governance score of different capitalization companies were considered to evaluate the relationship among the variables.

Table 4.122. Correlation between overall corporate governance performance and firm market capitalization of listed companies in Kerala

Group	Pearson Correlation	Sig. (2-tailed)
Total listed companies	.622	.013

Source: calculated by the researcher

Table. 4.122. illustrates the correlation statistics used to measure the linear association between corporate governance (independent variable) and firm market capitalization (dependent variable). According to the above table, there exists a correlation between corporate governance and firm performance as the P value is

0.013 which is less than 0.05 level of significance. The result also confirms a significant positive association between corporate governance and firm performance at a 5% level of significance, explaining that the corporate governance variables do influence the performance of different categories of companies.

4.6. Regression Analysis

Linear regression is carried out in this study to analyze the impact of overall corporate governance and component-wise on firm market capitalization and the result is given below.

Table. 4.123. shows the summary of regression results of the overall corporate governance performance of listed companies in Kerala based on market capitalization

Model	R^2	Adjusted R^2
Overall CG	.386	.339

Source: calculated by the researcher

Table 4.123. interprets the specification of corporate governance variables and it reveals the ability to predict the market capitalization, presenting an R^2 value of 0.386 which denotes that 38.6% of the observed variability in market capitalization can be explained by overall corporate governance variables.

Table 4.124. shows the result of regression ANOVA on the relationship between corporate governance variables and firm performance of listed companies in Kerala

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	99994100.143	1	99994100.143	8.181	.013
Residual	158896211.719	13	12222785.517		
Total	258890311.863	14			

Source: calculated by the researcher

Table 4.124 justifies the relationship between the overall corporate governance variable and the firm's market capitalization. The model is statistically significant since $F(1,13) = 8.181$, and the p-value is 0.013, less than a 5% level of significance.

Explaining that there exists a significant regression model relating overall corporate governance variable and firm market capitalization.

14.0. Component wise- After the overall analysis of the relation between market capitalization and overall corporate governance the scholar has attempted to examine the relation between market capitalization and component wise corporate governance scores and the result is presented below.

Table 4.125. Correlation between components of corporate governance and firm market capitalization of listed companies in Kerala

	Market capitalization	
	Pearson Correlation	**Sig. (2-tailed)**
Board structure and process	.608	.016
Board committees	.019	.947
CSR	.641	.010
Investor protection	.866	.000
Reporting framework	.811	.000
Risk management	.561	.030
Whistleblowing	.130	.645
Value of other stakeholders	.764	.001
Statutory auditors	.263	.344

Source: calculated by the researcher

Table. 4.125. showing the correlation between corporate governance's different components with the firm's market capitalization.

The correlation analysis provides valuable insights into the relationship between various factors and the market capitalization variable. Notably, the results indicate several significant correlations. Firstly, there is a moderately strong positive correlation (correlation coefficient = 0.608) between board structure and process and market capitalization. This implies that companies with well-organized and efficient board structures tend to have higher market capitalization. Put it in another way the investors consider strong and efficient board as important factor in the value maximization process. Secondly, the correlation coefficient of 0.641 suggests a moderately strong positive relationship between corporate social responsibility

(CSR) and market capitalization. This indicates that companies that prioritize and invest in corporate social responsibility activities tend to enjoy higher market capitalization. Moreover, the most influential factor appears to be investor protection, with a very strong positive correlation (correlation coefficient = 0.866) to market capitalization. Companies that prioritize safeguarding investors' interests and rights are more likely to have significantly higher market capitalization. Additionally, the reporting framework also displays a strong positive correlation (correlation coefficient = 0.811) with market capitalization, indicating that transparent and reliable reporting practices contribute to increased market capitalization. Furthermore, risk management shows a moderately strong positive correlation (correlation coefficient = 0.561) to market capitalization suggesting that companies with effective risk management strategies tend to have higher market capitalization. On the other hand, variables such as board committees (correlation coefficient = 0.019) and whistleblowing (correlation coefficient = 0.130) have weak correlations with market capitalization, indicating that they might have little influence on market capitalization. In summary, the correlation results underscore the importance of strong board structures, corporate social responsibility (CSR) practices, investor protection measures, transparent reporting frameworks, and effective risk management in driving higher market capitalization, while highlighting the need for further examination of the board committees and whistleblowing in this context.

4.7. Regression analysis between market valuation and different components of corporate governance

Table. 4.126. shows the summary of regression results of the component-wise corporate governance performance of listed companies in Kerala based on market capitalization

Independent variables	R^2	Adjusted R^2	F value	P value
Board structure and process	.369	.321	7.608	.016
Board committees	.000	-.077	.005	.947
CSR	.411	.366	9.067	.010
Investor protection	.750	.731	38.950	.000
Reporting framework	.658	.631	24.977	.000
Risk management	.314	.262	5.961	.030
Whistleblowing mechanism	.017	-.059	.223	.645
value of other stakeholders	.583	.551	18.216	.001
Statutory auditors	.069	.003	.965	.344

Source: calculated by the researcher

The results of the multiple linear regression analysis reveal valuable insights into the relationships between the independent variables and the dependent variable. Board structure and process demonstrate a statistically significant influence on the market capitalization of the firm, explaining 36.9% of its variance. Conversely, board committees do not seem to have any meaningful impact on market capitalization as indicated by an R-squared value of 0.000 and a non-significant F-value. Corporate Social Responsibility (CSR) emerges as a highly influential factor, accounting for 41.1% of the variance in the market capitalization. This finding is statistically significant, suggesting that organizations that emphasize CSR are likely to have a noticeable effect on the dependent variable.

The most influential variable appears to be investor protection, with an impressive R-squared value of 0.750, indicating it explains a substantial 75.0% of the variance in market capitalization. This relationship is highly statistically significant, implying that robust investor protection mechanisms greatly impact the dependent variable. Similarly, the reporting framework significantly affects the dependent variable, explaining 65.8% of its variance with a highly significant F-value. Organizations with strong reporting frameworks appear to be associated with notable effects on the firm market capitalization. Risk management also demonstrates some impact, explaining 31.4% of the variance in market capitalization with a statistically significant F-value. Although not as influential as other variables, it still plays a significant role. On the other hand, variables like whistleblowing mechanisms and statutory auditors do not appear to have a substantial impact on market capitalization, as their R-squared values are relatively low and non-significant F-values.

In conclusion, this multiple linear regression analysis highlights the varying degrees of influence that different independent variables have on the dependent variable. The findings underscore the importance of factors like CSR, investor protection, and reporting frameworks in shaping the outcome of the dependent variable, while other variables may have a more limited role in the overall model.

Table. 4.127. shows the Results of Regression for the Corporate Governance Variables on the market valuation of listed companies in Kerala

Independent Variable	B	Standard Error	t-value	Significant value
(Constant)	-30004.697	12689.679	-2.364	.034
Board structure and process	831.902	301.600	2.758	.016
(Constant)	4391.254	7737.132	.568	.580
Board committees	20.242	300.068	.067	.947
(Constant)	52.426	1835.679	.029	.978
CSR	1295.248	430.151	3.011	.010
(Constant)	-21166.017	4216.755	-5.020	.000
Investor protection	1315.181	210.733	6.241	.000
(Constant)	-40190.964	9048.555	-4.442	.001
Reporting framework	1878.709	375.913	4.998	.000
(Constant)	255.535	2127.527	.120	.906
Risk management	939.780	384.911	2.442	.030
(Constant)	3175.694	3840.621	.827	.423
Whistleblowing mechanism	416.955	883.509	.472	.645
(Constant)	-15531.080	4845.267	-3.205	.007
Value of other stakeholders	2054.812	481.444	4.268	.001
(Constant)	-1249.002	6364.370	-.196	.847
statutory auditors	557.313	567.415	.982	.344

Source: calculated by the researcher

The market valuation was regressed on predicting variables of corporate governance such as Board structure and process, Board committees, CSR, Investor protection, Reporting framework, Risk management, Whistleblowing mechanism, Value of other stakeholders, and Statutory auditors.

From Table no. 4.127, it is seen that coefficients represent the change in the dependent variable for a one-unit change in the corresponding independent variable while holding all other variables constant.

Several independent variables show statistically significant relationships with the dependent variable. For instance, Board structure and process, corporate social responsibility (CSR), Investor protection, Reporting framework, and Value of other stakeholders all have statistically significant coefficients, with P-values of .016, .010, .000, .000, and .001, respectively. These variables have positive coefficients, indicating that an increase in their values is associated with an increase in the dependent variable. On the other hand, Board committees, Whistleblowing mechanisms, and Statutory auditors do not appear to have statistically significant effects on the dependent variable, as their associated P-values are greater than the common significance level of .05.

Conclusion:

This chapter analyses the corporate governance performance of 45 listed companies in NSE/BSE-Kerala and also, they are classified based on market capitalization as large-cap, medium-cap and small-cap companies. In order to find corporate governance performance scores of the listed companies, a CGI-Corporate Governance Index with 145 corporate governance requirements which are grouped into 9 main categories. These variables are identified from the Indian companies Act, 2013 and other regulations especially from the LODR. Then they are classified as 95 mandatory requirements and 50 non-mandatory requirements. Because businesses would comply with the necessary standards anyway, the study placed more emphasis on the voluntary requirements. They gave each requirement a score, giving it a "1" for mandatory requirements, a "2" if it was followed, and a "0" if it wasn't. As a result, corporate governance received a total score of 195, with 100 points coming from voluntary standards and 95 from the mandatory ones. Then the data has been collected from the annual reports of the companies and they are analyzed. Based on the analysis of the data the following findings have been drawn:

1) Overall corporate governance performance

2) Component wise corporate governance

In both case year wise performance, market capitalization wise performance and company wise performance are found. The analysis of corporate governance performance in Kerala's listed companies over five years revealed varying compliance rates across different company sizes, with medium-cap companies leading at 79%, followed by large-cap companies at 76%, and small-cap companies at 68%. The overall compliance increased by 29%, with significant improvements in large-cap companies at 37%, followed by small-cap companies at 29%, and medium-cap companies at 23%. The study also highlighted positive trends in board structures and committees across large-cap, medium-cap, and small-cap firms, indicating sustained efforts to enhance governance. Additionally, analysis of corporate governance components showed a growing commitment to CSR and investor protection, with varying levels of compliance and improvement among different-sized companies. Risk management and transparent reporting practices also displayed positive trends. Whistleblowing mechanisms and statutory auditors had limited impacts on compliance, warranting further investigation. The study further identified significant fluctuations and overall growth in market capitalization, with large and medium-cap companies driving this expansion. The research concluded by highlighting the complex relationship between corporate governance components and market capitalization, emphasizing the crucial role of responsible governance practices, investor safeguards, and transparent reporting systems in shaping market valuation while recognizing areas with limited governance impact.

CHAPTER 5

SUMMARY, FINDINGS, CONCLUSIONS AND SUGGESTIONS

5.1. Introduction

Modern businesses comprised of complex entities dominate the global business environment. They stand out due to their magnitude, breadth, and worldwide impact, which has an effect on economic growth, economic segments, and entire societies. Due to the immense wealth and influence of these companies, as well as the agency issue linked to the basic framework of the corporate type of bu7siness since its foundation, corporate governance has grown ever more important. Corporate governance provides the structure and framework by which organizations operate, are scrutinized, and held responsible. This guarantees that firms act ethically, truthfully, and with concern for the good of all stakeholders. By fusing management initiatives with shareholders' long-term objectives, effective corporate governance methods reduce agency problems, promote moral decision-making, and increase stakeholder trust. By upholding strong corporate governance, modern firms can encourage sustainable growth, uphold the public's trust, and have a favourable effect on the socioeconomic environment.

5.2. Corporate Governance System

A system of corporate governance is a formalized set of guidelines, procedures, and rules that govern how a business is run and governed. The board of directors' functions and composition are outlined, ensuring effective administration of the company's operations and its strategic direction. The framework also talks about shareholder engagement and rights in order to promote transparency and equity. It blends moral principles with a code of conduct to promote honesty and accountable conduct among directors, managers, and employees. Internal control and systems for risk management are incorporated as well to identify and handle any threats and guarantee adherence to rules and regulations.

The framework stipulates that CEO compensation must be in keeping with the interests of shareholders and business success. An assessment of the board's performance as well as evaluations of participation by stakeholders, transparency, and openness are additional key elements. A thorough corporate governance framework is used to create the procedures and guidelines required to improve ethical behaviour, accountability, and transparency inside firms, ultimately contributing in their long-term survival.

5.3. Scope of the study

This study examines the corporate governance practices and outcomes of listed firms in Kerala and assesses how well those companies adhered to the corporate governance guidelines. Additionally, it investigates the relationship between listed businesses' market values and the efficacy of corporate governance.

5.4. Data collection

This study covers 45 listed companies in Kerala (both BSE and NSE). For this, the researcher collected data from the published annual reports of the companies.

5.5. Statement of the problem

Using transparency and numerical extrapolation together has long been criticized in the business world. Large-scale corporate scams that occurred all throughout the world, but particularly in the United States and the United Kingdom, given rise to the concept of corporate governance. Following liberalization in 1992, India's trade became more widely recognized on the international stage, and the market quickly expanded and established itself in the newly opened area of the global platform. The Sathyam controversy, however, made corporate governance in the country more important. It has frequently been used as an example of impromptu openness to address corporate governance in substantial detail. Currently, India is looking for better visualization to create the art of good corporate governance in fair business. The present situation's inadequacy has been assessed by numerous organizations, including SEBI committees, which is how the corporate governance legislation was created. Academics, investors, and professionals, however, continued to fault Indian corporate governance.

Because it emphasizes the efficiency and openness of the business, which aids in the success of businesses, the significance of excellent corporate governance is growing nowadays. In this study, the factors influencing corporate governance procedures will be identified, and the outcomes of Kerala's listed companies will be examined.

As part of its goal of understanding how corporate governance influences firm performance, the study also examines how effectively these companies follow established corporate governance guidelines.

5.6. Research questions

This study aims to provide answers regarding the compliance level of corporate governance practices of listed companies in Kerala. Additionally, it examines how Kerala's corporate governance practices have improved over the years. The study also ties to answer the question of whether any relation exists between the quality of governance and market valuation of listed companies in Kerala

5.7. Objectives of the study

Based on the research questions the following objectives are set for the study:

7. To analyze the compliance levels of corporate governance practices of listed companies in Kerala.

8. To study the variations in the compliance levels of corporate governance based on market capitalization.

9. To examine the growth of market valuation of listed companies in Kerala.

10. To study the variations in the market valuation of listed companies in Kerala.

11. To study the relationship between the compliance level of corporate governance and the market valuation of the listed companies.

12. To suggest recommendations based on the findings of the study.

5.8. Hypothesis of the study

Based on the objectives outlined, it can propose the following hypotheses for the research:

H_0: The overall corporate governance compliance performance does not significantly differ among large-cap, medium-cap, and small-cap companies in Kerala.

H_0: There is no significant difference in the level of compliance with board structure and process performance among different categories of companies based on market capitalization.

H_0: There is no significant difference in CSR compliance among the three categories of listed companies based on market capitalization (large cap, medium cap, and small cap).

H_0: There is no significant difference in the compliance levels of investor protection among large-cap, mid-cap, and small-cap companies based on market capitalization.

H_0: There is no significant difference in the compliance levels of risk management among large-cap, mid-cap, and small-cap companies based on market capitalization.

H_0: There is no significant difference in the compliance levels of reporting framework whistle blowing mechanism among large-cap, mid-cap, and small-cap companies based on market capitalization.H0:

H_0: There is no significant difference in the compliance levels of whistle blowing mechanism among large-cap, mid-cap, and small-cap companies based on market capitalization.

H_0: There is no significant difference in the compliance levels of value of other stakeholders among large-cap, mid-cap, and small-cap companies based on market capitalization.

H_0: There is no significant difference in the compliance levels of statutory auditors among large-cap, mid-cap, and small-cap companies based on market capitalization.

H_0: The growth rates of market valuation for listed companies are equal.

H_0: There is no significant difference in the mean market capitalization among the three categories (Large cap, medium cap, small cap) based on market capitalization in each year.

H_0: There is no significant relation between corporate governance and firm market valuation.

5.9. Research Methodology

To achieve a goal, it is necessary to take the appropriate steps one after the other. This is what the term "research onion" meant. To describe the different stages of developing a research process the researcher has used the concept of research onion developed by Saunders, Lewis & Thornhill (2016).

5.9.1. Research Onion

The research onion framework has taken the approach to go from the outer layer to the inner layer of the research onion.

a) Research Philosophy

b) Research Approach

c) Research Strategies

d) Research Choice

e) Research Time Horizon

Research Philosophy: The phrase "research philosophy" refers to the set of beliefs, principles, and presumptions that guide a researcher's approach to carrying out a study. It offers a structure for understanding the concept of knowledge, the role of a researcher, and the techniques and methodologies used throughout the research process. Research philosophy has an impact on the overall format, methods, and conclusions of studies. Positivism, which demonstrates empirical observation and quantifiable data, interpretivism, which highlights subjective comprehending and qualitative methodologies, and pragmatism, which seeks practical solutions by combining a variety of methods, are the three research philosophies that are most frequently contested. Researchers may adhere to only one philosophy or employ a mixed-methods strategy depending on their study topics, field, and personal perspective. Research philosophy is the collective term for the fundamental principles and tenets that serve as a road map for scholars as they pursue knowledge. The main four research philosophies that are widely applied are positivism, critical realism, interpretivism, and pragmatism. The principles of positivism are based on the observation of evidence and the implementation of scientific methods to the identification of universal principles and causal correlations. Critical realism aims to look at the underlying structures and mechanisms that affect social phenomena while accepting the existence of external realities and the limits of human comprehension. Interpretivism places a strong emphasis on individual experiences and meanings and typically uses qualitative methods to capture illuminating and context-dependent data. Pragmatism advocates a pragmatic approach by emphasizing the use of methods that are most effective for addressing research topics and real-world problems. Researchers may select one philosophy or mix many, depending on the objectives of their studies, the context of their discipline, and their own preferences. Since positivism is believed to be objective, quantitative, and value-free, the researcher employed it as the basis for this study.

Research Approach: A research methodology is an organized method to doing research which ends up resulting in new knowledge or truth. It outlines the overarching structure, guiding ideas, and techniques that researchers employ when investigating a particular topic or react to research requests. The type of the research issue, which involves the available resources, and the researcher's preferences are just a few of the factors that affect the decision of which research approach to choose.

In this study, the scholar has adopted a *deductive approach.*

Research strategy: It is how the researcher intends to carry out the research work. An experimental research strategy is adopted in this study.

Research’s Methodological choice: The choices outlined in the research onion include mono methods, multi methods, and mixed methods (Saunders. et. al.,2007).

In this study, the researcher has used the ***Mono Quantitative*** method.

Time horizon: The time horizon is the time frame within which the data collection is to be completed and at what interval it is done (Saunders et.al.2007). This research is based on a ***longitudinal time horizon.***

Research Design: It is a framework for doing research or a model for undertaking research. In this study researcher has used ***Descriptive Research*** design.

5.9.2. Source of data: Census/Sampling

There are 45 listed companies in Kerala. Hence the scholar used the census approach and all 45 companies are studied. These companies are categorized as large-cap, medium-cap, and small-cap firms based on their market capitalization. Market capitalization is a useful tool for assessing a company's worth. Market capitalizations exceeding ₹. 20,000 crores fall into the large-cap category, between ₹. 5,000 and ₹. 20,000 crores fall into the medium-cap category, and below ₹. 5,000 crores fall into the small-cap category.

Only Muthoot Finance Ltd., one of the 45 listed companies on large cap category, and four other companies fall within the medium-cap category. Small-cap enterprises make up the remaining 40 businesses.

5.9.3. Methodology for Index Construction and Variables Used

The Indian Companies Act, 2013, and SEBI Rule 49 of the Listing Agreements (LODR) of Listed Companies were the key sources the researcher used to find the regulatory requirements for constructing the corporate governance index. The study also takes into account the necessary conditions set forth by Indian regulators like SEBI, Indian stock exchanges, and the Ministry of Corporate Affairs. The aforementioned acts and regulations have 145 regulatory requirements. There are 145 variables, of which 50 are optional and 95 are mandatory corporate governance practices that must be followed. Given that mandatory requirements would have been met regardless, more weight is placed on optional or non-mandatory variables. Corporate governance practices are assigned specific weights using a weighted average scoring technique in order to determine the score for corporate governance and the degree of compliance with corporate governance. For compliance with mandatory corporate governance practices a score of ‘1’ is given and for compliance with non-mandatory it is ‘2’ and if not complied the score is ‘0’. Hence the total score is 195 consisting of 95 scores for mandatory (95X1=95) requirements and 100 for non-mandatory requirements (50X2=100). The corporate governance score of each company is calculated is calculated using the following formula:

CG score= actual score/total score*100

145 variables are grouped into 9 main elements for the construction of CGI and to check whether the companies have complied with them. They are;

Board structure and composition

Board committee

CSR

Investor protection

Reporting framework

Risk Management

Whistle Blowing Mechanism

Value to other stakeholders

Statutory auditor

For the purposes of this study, firm valuation is based on market capitalizations of the companies.

5.9.4. Measurement of Market Valuation

The market capitalization of companies is considered a firm valuation for this study. It is computed from the yearly average market value of shares for different years from NSE. Symbolically

Market Value = Number of shares outstanding* Average market price per share

5.9.5. Tools for Data Analysis

The statistical significance of the mean variations is tested with ANOVA. The Post hoc test. Correlation and regression are also used to study the relationship between the corporate governance index and the market capitalization of companies.

5.10 Chapterization

- Chapter 1: Introduction, statement of the problem, objectives, and research methodology
- Chapter 2: literature review
- Chapter 3: Theoretical Overview of corporate governance
- Chapter 4: Data analysis
- Chapter 5: Summary, Findings, Conclusion, and Suggestions
- Chapter 6: Recommendations and Scope for Further Research

5.11. Limitations of the study

1. A well-known corporate governance measurement index is not available so far, the researcher constructed a corporate governance index for this study. So, the limitations of the corporate governance index uphold the interpretation of the study.

2. Corporate governance performance can be measured by following a quantitative or qualitative approach, or both. In this study, the scholar has followed a quantitative approach. Hence all limitations of this approach are applicable to this study also.

3. Unlisted companies do not form part of the study and therefore the context of the study does not carry the interpretations of the entire companies of Kerala.

4. The data has been taken from annual reports however the same has not been authenticated by surveys and questionnaires along with interviews.

5. The study has taken a period of five years and therefore changes in a longer period have not been included in the interpretations of the study.

5.12. Literature Review

With early perspectives reaching back to ancient times, when conversations were mostly informal and concentrated on merchant partnerships and joint-stock firms, the study of corporate governance has historically been rather limited. However, the development of the modern corporation in the late 19th and early twentieth centuries highlighted the want for more outlined governance standards. Legal matters, such as the director's fiduciary obligation to protect shareholders' interests, were prioritized at the time. As the middle of the twentieth century drew near, the dominant model of corporate governance promoted maximizing shareholder wealth as the primary objective of the business. This frame of view significantly affected governance procedures at the time. The research on the topic of corporate governance has grown to include a larger viewpoint that weighs the interests of numerous stakeholders, ethical conduct, sustainability, and the long-term evolution of values. This is because the corporate world has become more complex. In order to protect the interests of the company, its stakeholders, and society at large, corporate governance studies increasingly place a strong emphasis on transparency, accountability, ethical management, and sustainable business practices.

This literature review covers five heads; corporate governance concepts, quality of corporate governance, the legal framework of corporate governance, corporate governance and firm performance, and corporate governance practices. A review of available studies in these five heads is briefly explained here.

The literature review begins with a quick summary of a number of studies and ideas concerning corporate governance. It covers research on corporate governance in Vietnam done by Minh Le Toan and Walker Gorden, emphasizing the need for better governance to safeguard investors and promote market openness. In the backdrop of economic liberalization and globalization, Charantimath N. A.'s paper recommends a code of corporate governance for India, contrasting voluntary vs rule-based governance. In his paper, Rao Mohan V examines corporate governance in India, analyzing its effect on financial performance and the reforms made by the Companies Act of 2013. Corporate governance is defined by Govind C. Venugopal, who also explains how it might be improved globally. The focus of AC Fernando's book is corporate governance, which addresses issues brought on by the division of ownership and control. Narayana Swami defines corporate governance as the system directing and controlling corporate entities. Shleifer Andrei and Vishney W Robert examine corporate governance, emphasizing ownership concentration and investor legal protection. SP Muthukumar analyzes the effects of bad corporate governance in Tamil Nadu enterprises. Assessing many theories of corporate governance, Abdullah Haslinda and Valentine Benedict recommend a strategy based on practical applications as opposed to a single theory.

The second section, which is focused on the effectiveness of corporate governance, offers a succinct summary of the most important conclusions and insights from a number of research on corporate governance. The focus JP Singh places on professionalized boards, auditing, and data quality is highlighted. Additionally, it emphasizes how important corporate governance is for deterring corruption and promoting openness. Study by Sahu and Nayak also shows a connection between governance, development, and confidence in investors in economies that are emerging. The discussion of Lazarides Themistokles' research on corporate governance in Greece focuses on the connection among governance and financial success as well as the development of minor EU countries' specific legislative and regulatory frameworks. The paragraph outlines how this research collectively advance knowledge of the varied aspects and critical importance of good corporate governance in different situations. The legal framework for corporate governance is covered in a variety of situations in the literature reviews. They call attention to matters involving India's need for legislative improvements and ownership concentration and transparency standards. It emphasizes the fundamental objective of coordinating director activities with organizational interests. While some studies look at how ownership, rules, and performance interact, others challenge the direct connection between governance and company performance. Discussions cover Ghana's enforcement challenges India's governance concerns, and the impact of governance on firm value in India. Comparative investigations among transitioning economies show advancements and constraints in bringing legal systems into compliance with universal norms. These evaluations collectively shed light on the legal aspects of corporate governance, which affect performance, trust, and confidence among stakeholders.

The link between the corporate governance and firm performance is discussed in the next section using evidence from various research. The impact of governance policies on financial performance, profitability, market value, and effectiveness of organizations is covered empirically. Studies show that financial metrics like return on assets, return on equity, and stock performance are positively correlated with corporate governance indexes. Discussions include a range of industries, market laws, and global locations, illuminating the intricate relationship between governance systems and corporate outcomes. The study emphasizes the importance of good governance in promoting openness, investor confidence, and organizational performance.

This section reviews different studies that examine corporate governance practices and how they affect businesses. The studies cover a wide range of subjects, including capital structure associations, disclosure procedures, levels of compliance with governance norms, and the connection between governance and business performance. The research includes a wide range of geographic areas, including, among others, India, Malaysia, South Africa, and Nigeria. Aspects including board membership, leadership framework, disclosures indices, and cultural impacts are examined in the study.

The findings highlight the positive impact of good corporate governance on financial performance, stakeholder confidence, and transparency.

The papers also emphasize the necessity of enhancing organizational performance and accountability by constantly improving corporate governance procedures.

In conclusion, the literature assessment has revealed a clear research gap in the area of corporate governance, with a particular emphasis on Kerala's listed companies. While previous research has shed light on a variety of corporate governance issues on a worldwide scale, there is still a critical gap when it comes to thoroughly analyzing every facet of governance in the context of Kerala. This gap is made worse in the region by the lack of an internationally recognized tool for assessing corporate governance compliance. With the development of a Corporate Governance Index (CGI) that complies with worldwide norms, our study intends to perform a comprehensive evaluation of Kerala's corporate governance procedures in order to rectify these weaknesses. By doing this, we hope to increase not only our understanding of corporate governance but also the insights that stakeholders in Kerala may use to make better decisions. This will ultimately promote accountability, transparency, and better governance practices throughout the area.

5.13. Theoretical Overview of Corporate Governance

A thorough and well-organized examination of the importance and tenets of corporate governance in contemporary business management is provided in the third chapter, "Theoretical Overview of Corporate Governance," which is currently being given. It underlines how important corporate governance is in determining how listed firms function and highlights how it affects openness, accountability, and ethical behaviour. Corporate governance is well described in the chapter as a complex set of guidelines and practices that steer a company's direction and management while incorporating factors like board diversity and the caliber of financial reporting. The chapter underlines the practical ramifications of ineffective governance and emphasizes the necessity for good methods to avert such catastrophes by citing notable instances like Enron, Lehman Brothers, etc. It highlights the critical role that corporate governance plays in maximizing wealth, satisfying stakeholders, and long-term profitability. It also highlights the importance of corporate governance in promoting investor confidence and growth in the market.

The history and changing notions of corporate governance are further explored in this chapter. This chapter goes into further detail about the origins and changing meanings of corporate governance. It emphasizes how, despite the nomenclature being modern, the underlying ideas have always been crucial to trade, financial management, and moral behaviour. By detailing the heartbreaking failures of multiple large firms brought on by poor governance—often brought on by unethical behaviour and a lack of accountability—the book deftly illustrates the contemporary importance of corporate governance. The chapter powerfully emphasizes the vital need for strong governance systems to prevent such catastrophic failures by vividly recalling infamous incidents like Enron and WorldCom. In a fluid transition, the discussion explores the theoretical foundations of corporate governance, revealing the core dynamics of ownership-control and the mechanisms that provide the necessary internal equilibrium. The inclusion of many definitions from reliable sources, such as the Committee, the OECD, J. Wolfensohn, and Oliver Hart, not only provides depth but also encourages a thorough knowledge of the concept's essence. Notably, the chapter skillfully frames corporate governance as a complex force, one that not only protects shareholder interests but also integrates with the demands of all stakeholders, promoting a corporate ethos characterized by transparency and responsibility. Notably, the chapter skillfully frames corporate governance as a complex force, one that not only protects shareholder interests but also integrates with the demands of all stakeholders, promoting a corporate ethos characterized by transparency and responsibility. The essential idea that stakeholders play a role in corporate governance is also thoroughly and insightfully explored in this chapter. The discussion reveals a deep grasp of internal and external stakeholders' responsibilities and influence within a company by defining the difference between the two. Notably, the chapter deftly highlights the fact that stakeholders go beyond shareholders and include people and organizations having vested interests in the complete range of the operations of a company, from its genesis to its development and sustainability. The inclusion of Freeman's comprehensive definition deepens this viewpoint by highlighting the fact that stakeholders go beyond those who stand to profit financially from an organization's actions. This perspective is deepened by the inclusion of Freeman's inclusive definition, which emphasizes that stakeholders go beyond those who stand to profit financially from an organization's actions. The section effectively emphasizes the complex web of ties that drive an organization's choices and behaviours by listing important external stakeholders, such as suppliers, creditors, consumers, shareholders, the government, and society. Additionally, it is a useful clarification on the stakeholder concept, illuminating its multifarious relevance and highlighting its key role in establishing ethical business conduct and corporate governance.

This chapter provides a thorough examination of agency theory in the setting of corporate governance, illuminating the complex interactions between agents and principals inside firms. The theory emphasizes potential conflicts of interest between owners (principals) and directors/managers (agents), based on Adam Smith's astute observation that managers might not watch after others' resources with the same attention as their own. It skillfully captures the basic concept of agency theory, which holds that although leaders assign duties to agents, conflicts happen because of the agents' self-interested pursuits. The foundation of Jenson and Meckling's viewpoint is provided by the consequent agency costs, which include contract structuring, oversight, bonding, and residual loss. It outlines how the principal-agent objectives are aligned to minimize conflict of interest and improve decision-making in agency theory, which has its roots in shareholder orientation. It makes it clear that agency costs consist of a number of different elements, such as contract development costs, monitoring costs, bonding efforts, and residual losses. Designing tools to close the gap between the agent and the principal while lowering agency expenses is the core tenet of corporate governance. The section offers a clear path for coordinating the goals of all stakeholders and reducing inefficiencies inside the corporate structure by highlighting the procedures that the agency theory recommends for minimizing agency losses.

This chapter also discusses some important ideas of corporate governance, bringing light on different perspectives that influence the complex web of management practices. The stakeholder theory, in particular, stands out because it fosters a holistic approach by acknowledging the diverse interests of stakeholders, from employees to partners in business. The approach highlights the crucial function of management in developing harmonious relationships and maintaining equitable governance by focusing accountability and balance. Resource dependency theory offers a useful lens through which to evaluate the synergistic connection that exists among a company and its external environment. This theory persuasively illustrates the crucial part that the Company's Board of Directors plays in filling in resource shortfalls, illuminating how their relationships and areas of competence strategically aid resource acquisition. In close alignment with agency theory, the transaction cost theory presents an interdisciplinary viewpoint that integrates legal, organizational, and economical factors. Its emphasis on cutting costs by improving internal processes reveals a justification that is consistent with the idea of promoting organizational effectiveness. The sociological theory also explores the complex effects of board composition on the allocation of societal power and income. This idea supports the wider societal effects of corporate governance by highlighting the significance of equitable economic growth and fair distribution. Our understanding of the interconnected implications of corporate governance theories for effective management and ethical business practices is enriched by this section's examination of stakeholder dynamics, the resource dependency, costs associated with transactions, and sociological influences. A thorough investigation of the many corporate governance models used around the world that provides a detailed knowledge of how cultural and contextual factors affect governance practices. A key component in the Anglo-American Model of Governance for Companies, which is characterized by the separation of ownership from management, is the importance placed on rights of shareholders and governance frameworks. It emphasizes the critical roles of shareholders and directors, working to establish a distinct line among ownership and control and fostering open dialogue among all parties. Stakeholder-oriented and using separate management and supervisory boards, the German Model, often known as a two-tier board model, adopts this philosophy. The necessity of making well-balanced decisions is highlighted by this approach, which places a strong emphasis on representation from labor unions and shareholder representatives.

The Japanese model places a strong emphasis on cooperation with a main bank and linked businesses and is centered around corporate networks, particularly the "Keiretsu." It illustrates how insiders, significant shareholders, management, and governmental policy interact. The Indian model, which aims to find a balance between value to shareholders and stakeholder interests, emerges as a combination of the Anglo-Saxon and German models. It combines social responsibility with market discipline, relying on both ideologies to develop a distinctive framework that encourages openness, accountability, and justice. India's dedication to constant development of corporate governance procedures is highlighted by the incorporation of bodies and laws, such as the SEBI recommendations and the Companies Act of 2013.

This chapter provides a thorough overview of the development of corporate governance in the United States while methodically tracing its history. It starts with the fundamental writings of Berle and Means and moves throughout the 20th and 21st century, noting crucial events like the 1929 stock market crash and the accompanying regulatory reforms that formed the foundation for contemporary governance procedures. The shift from entrepreneurial to managerial capitalism is described, considering the emergence of institutional investors as well as their transformational influence on governance dynamics. Important turning points like the Watergate incident and the Tradeway Commission highlight the importance of acting against unethical behavior. The devastating corporate scandals of the first decade of the 2000s, which led to the passage of the Sarbanes-Oxley Act to strengthen openness and accountability, serve as the section's fitting climax.

In this section, the evolution of corporate governance in United Kingdom is skillfully explored. Its roots and progress are traced against the backdrop of important financial scandals and disasters. The story emphasizes the factors, such as the BCCI crisis, the loss of Barings Bank, and the unfortunate events like Maxwell and Polly Peck, that made it urgently necessary to improve governance systems. As a result of these occurrences, flaws in executive compensation, audits, and accountability were exposed. These concerns encompassed everything from creative accounting to dishonest directors misusing investor cash. The tale skillfully conveys the atmosphere that led to the formation of other committees with the goal of raising corporate governance norms, in the Cadbury Committee serving as the ground-breaking project in 1991. The following development of an extensive corporate governance code in the UK, influenced by recommendations of committees like Greenbury, Turnbull, Higgs, and Smith, is carefully described. It is noteworthy that this rule places a lot of focus on directors' compensation, which reflects the all-encompassing strategy used to address today's most critical corporate governance issues. The article expertly explores the real-world ramifications of these rules and reports, illuminating the significant efforts undertaken to improve corporate governance procedures within the UK's business sector.

This extensive overview examines a wide range of international projects and committees committed to improve corporate governance standards in various jurisdictions. It gives a thorough explanation of how each committee was established, what they were meant to accomplish, and how it affected the development of corporate governance norms. The review begins with the Cadbury Committee and explores the background that led to its formation as well as its ground-breaking suggestions for enhancing financial aspects of corporate governance. The work of succeeding committees, including the Paul Ruthman Committee, Greenbury Committee, Hampel Committee, and the creation of the Combined Code, are exhaustively recounted. These committees focused on remuneration practices, director roles, and the general accountability of firms.

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This analytical examination of the growth of corporate governance in this country provides a thorough picture of both its development prior to and following liberalization. The review's historical background highlights how India's corporate sector demonstrated robust development and involvement in stock markets and banking despite the nation's economic difficulties. The transition from a tightly held "managing agency system" to the post-liberalization era is graphically described, emphasizing the crucial economic reforms that opened doors for Indian enterprises in the capital markets and gave rise to the necessity for greater corporate governance.

The analysis effectively covers important national-level efforts that had a significant impact on India's corporate governance development. The importance of the Companies Act of 1956 and its impact on shareholder rights, as well as the subsequent repeal of the industries (Development and Regulation) Act in 1991, which marked a turning point for economic changes, are well-presented. It skillfully highlights the cooperative efforts of regulators and industry bodies by outlining the establishment of the Securities and Exchange Board of India (SEBI) and its role in leading corporate governance reforms.

The in-depth analysis of different committees, including the J. J. Irani Committee, the Kumar Mangalam Birla Committee, the Naresh Chandra Committee, the Narayana Murthy Committee, and the Uday Kotak Committee, successfully highlights their unique contributions to influencing corporate governance norms. The research skillfully highlights how voluntary codes evolved into proposals being included into regulatory frameworks, demonstrating the dedication to advancing transparency, accountability, and the interests of stakeholders. The study also takes into account how these committees have affected legislation, such as how the Companies Act of 2013 has strengthened corporate governance rules.

In their proactive efforts to start corporate governance conversations and promote best practices, industry organizations like the Confederation of Indian Industry (CII) play an important role. This thorough analysis of India's corporate governance laws provides important new information regarding the nation's initiatives to improve accountability, transparency, and investor protection in the corporate world. The analysis examines the most important legal actions that have been taken to combat corporate frauds, regain investor confidence, and advance good governance standards.

The discussion of the Indian Companies Act, 2013, a multifaceted approach to corporate governance that includes reporting standards, auditing accountability, risk management, investor protection, board composition, committees, corporate social responsibility, and a whistle-blower mechanism, demonstrates the depth of India's commitment to establishing a strong corporate governance framework. The analysis successfully demonstrates the importance of the Securities Contracts (Regulation) Act, 1956 in combating speculation and unfair trading and defending investor interests. The formation and development of the Securities and Exchange Board of India (SEBI) Act, 1992, effectively illustrate SEBI's transformation from a non-statutory entity to a potent regulatory agency in charge of developing corporate governance procedures and safeguarding market integrity. The 2015 SEBI (Listing Obligations and Disclosure Requirements) Regulations are well-written, highlighting their part in enhancing listed businesses' governance and promoting transparency and accountability. Additionally, the National Depositories Act of 1996's inclusion and its function in dematerializing securities for improved efficiency and transparency are in line with India's aim to updating its capital market infrastructure. The mention of the Company Secretaries Act of 1980 and the Chartered Accountants Act of 1949 emphasizes the significance of these professions in guaranteeing compliance, moral behavior, and good corporate governance.

The assessment demonstrates how India's legislative and regulatory system has changed over time in response to market pressures and wider trends to promote corporate governance environments that are compliant with global best practices. The discussion is made more credible and in-depth by the use of quotations from pertinent reports and Acts. This exhaustive research provides a full examination of India's changing corporate governance environment, emphasizing its historical development and the crucial function of governmental laws and regulations.

The talk deftly moves through significant pieces of legislation, including the Securities Contracts (Regulation) Act of 1956, which protects investor rights, and the Indian Companies Act of 2013, which covers a range of governance aspects. In addition to strengthening governance for listed businesses, later legislation like the SEBI (Listing Obligations and Disclosure Requirements) legislation of 2015 graphically illustrate how the Securities and Exchange Board of India (SEBI) evolved into a strong regulatory authority. The National Depositories Act of 1996 and other Acts that have been incorporated show how committed India is in updating its market infrastructure. The article highlights the crucial functions that these professionals serve by skillfully capturing the core of the Company Secretaries Act of 1980 and the Chartered Accountants Act of 1949. This thorough analysis provides a convincing picture of India's ongoing efforts to improve transparency in business, accountability, and confidence among investors by way of a well-built legislative framework.

This expertly written essay highlights the crucial need of excellent corporate governance as the basis for responsible, open, and effective organizational functioning. By defining its intricate parts—rules, laws, and best practices that balance stakeholder interests, resolve disputes, and uphold moral integrity—it expertly captures the very essence of governance. It shows a keen knowledge of the changing environment when the changing nature of compliance is articulated, necessitating ongoing policy evaluations and modifications. The focus on protecting the interests of minority shareholders and promoting the values of fairness and transparency demonstrates a thorough understanding of governance complexities. The story also skillfully emphasizes the overall benefits of good governance, from building trust through moral behavior to boosting resilience through proactive risk management. The investigation of the Indian setting is particularly impressive since it emphasizes the crucial function of governance in an economy that is expanding quickly and has a wide range of stakeholder groups. The inclusion of regulatory reforms highlights the author's complex understanding and provides another level of significance. This overview of corporate governance serves as an insightful and thorough guide by capturing its multiple importance and covering sustainability, stakeholder involvement, economic growth, and integrity.

5.14. Major Findings

Based on the analysis of the data the following findings have been drawn:

1. Overall corporate governance performance

2. Component wise corporate governance

In both case the findings of year wise performance, market capitalization wise performance and company wise performance of the listed companies are presented.

5.14.1 Overall Corporate Governance Performance:

The study assessed the overall corporate governance performance of listed companies in Kerala over a five-year period (2013-14 to 2017-18). A corporate governance index, developed by the researcher, was utilized to assign scores to each company based on their governance practices. The aggregate mean score for the five-year period was 135 out of a maximum possible score of 195 according to the index. This signifies a compliance level of 69%. It's noteworthy that a growth of 29% in compliance was observed over the study duration, indicating a positive trend towards better corporate governance practices. These findings underscore the commitment of listed companies in Kerala to enhancing their corporate governance standards, albeit with room for further improvement.

Year wise Performance:

- The corporate governance performance of the listed companies in Kerala was evaluated on a year-to-year basis for the period spanning 2013-14 to 2017-18. The data illustrates that the scores for corporate governance performance increased consistently over the years.

- In 2013-14, the average score was 114, which saw a gradual rise to 147 in 2017-18. This upward trajectory signifies an ascending dedication to better governance practices among the companies during the study period. The findings suggest that the efforts undertaken to enhance corporate governance were successful, resulting in tangible improvements year after year.

Market Capitalization wise Performance:

- The evaluation of corporate governance performance was further examined based on market capitalization categories - large-cap, medium-cap, and small-cap companies. Among these categories, medium-cap companies demonstrated the highest mean compliance score, with an average of 155, representing a compliance level of 79%.

- Large-cap companies followed closely with a mean score of 149, corresponding to a compliance rate of 76%. On the other hand, small-cap companies displayed a mean score of 133, indicating a compliance rate of 68%.

- Analyzing the growth in compliance levels over the study period, it was observed that large-cap companies exhibited the highest growth rate of 37%, followed by small-cap companies with 29%, and medium-cap companies with 23%. The incremental improvements year by year and the varying compliance levels based on market capitalization categories indicate a positive commitment towards enhancing corporate governance practices in the region.

Company wise Performance:

- The analysis of corporate governance performance among listed companies in Kerala, categorized as large-cap, medium-cap, and small-cap, provides valuable insights into their adherence to governance practices over the period from 2013-14 to 2017-18.

- Among the large-cap companies, the highest aggregate mean score was achieved by Muthoot Finance Ltd, with a value of 149, reflecting a substantial compliance rate of 76.4%. This company exhibited consistent growth in compliance over the five-year period, registering an impressive 37.39% increase from the base year.

- The medium-cap companies displayed commendable corporate governance performance, with several entities consistently maintaining high compliance levels. V-Guard Ltd, Federal Bank Ltd, Malappuram Finance Ltd, and Apollo Tires Ltd all showcased aggregate mean scores above 148, signifying compliance rates ranging from 76.3% to 78.1%. It is noteworthy that Malappuram Finance Ltd demonstrated remarkable growth, with a substantial 44.07% increase in compliance, indicating a proactive approach to governance enhancements.

- The analysis of small-cap companies revealed varying levels of compliance with corporate governance standards. The highest aggregate mean score was observed for GTN Textiles Ltd, reaching 157, translating to a commendable 80.3% compliance rate.

- Several small-cap companies demonstrated noteworthy growth in compliance, exemplified by companies like Prima Argo Ltd, and FACT, registering growth rates of 70.51%, and 74.35% respectively. But there are some small cap companies with lowest growth in the compliance like GTN Textiles Ltd (18.97%), Travancore Chemical Manufacturing could (12.71%), South Indian Bank Ltd (13.19%), Indi trade Capital (13.47%), Wonderland Holidays (13.63%), and Harrisons Malayalam Ltd (15.57%). These findings suggest that while small-cap companies exhibit diversity in compliance levels, many are actively making strides towards stronger governance practices.

5.14.2. Corporate Governance Component wise analysis

5.14.2.1. Board structure and composition

A positive trend in board structure and composition performance of listed companies in Kerala can be seen during the period under study.

Year wise performance

- Over the years, scores across all categories demonstrated consistent improvement, suggesting heightened attention to enhancing board structures for better governance. The aggregate mean score for board performance, spanning large cap, medium cap, and small cap companies, progressively rose from 36 out of 52 in 2013-14 to 43 in 2017-18, indicating overall advancement. This pattern of incremental enhancement underscores sustained efforts to elevate board effectiveness. Moreover, compliance percentages increased over time across categories, reflecting greater alignment with regulatory and best practice standards for board composition.

Market Capitalization wise Performance:

- Large cap companies consistently scored the highest among all three categories, both in terms of absolute scores and compliance percentages. This indicates that larger companies generally had more robust and compliant board structures.

- Medium cap companies exhibited a substantial increase in their mean score from 35 out of 52 in 2013-14 to 44 in 2017-18. This indicates a significant improvement in their board performance over the period. Similar to medium cap companies, small cap companies also showed improvement in their board performance. Their mean score increased from 36 to 43 over the five-year period.

- Small and medium cap companies exhibited higher percentage increases in their aggregate mean scores compared to large cap companies. This could indicate that smaller and medium-sized companies were more focused on improving their board performance.

Company wise performance

- In large cap, Muthoot Finance Ltd maintained a relatively stable board size of 44 to 45 members during the five-year period. The company showed strong compliance with board structure regulations, averaging at 85.38%. The board size increased by 2.27% over the years, reflecting gradual expansion.

- Medium-cap companies like V-Guard Industries Ltd, Federal Bank Ltd, Malappuram Finance Ltd, and Apollo Tires Ltd demonstrated consistent to increasing board sizes. Their compliance rates ranged from 69.23% to 93.07%, indicating a commitment to governance standards. Board sizes generally grew by 16.12% to 42.85%.

- Small-cap companies displayed diverse patterns. Some, like Haileyburian Tea Estates Ltd, Uniroyal Marine Export Ltd, and Kerala Solvent Extractions

Ltd, maintained steady board sizes and compliance rates, while others like FACT, Victory Paper and Boards (India) Ltd, and South Indian Bank Ltd, showed substantial growth in both aspects. Variability in compliance and board sizes marked the landscape.

- The analysis of board structures and compliance in Kerala's listed companies from 2013-14 to 2017-18 underscores the evolving governance landscape and the varying strategies adopted by companies of different sizes in meeting regulatory requirements.

5.14.2.2. Board committees

Year wise

- Over the five-year period, there was a consistent year-on-year increase in the performance scores for all categories (Large-cap, Medium-cap, and Small-cap). The overall year-wise performance increase for all companies combined was 27%, indicating a positive trend in committee compliance over the five-year period.
- In the Large-cap category, there was a steady increase in performance from 17 in 2013-14 to 28 in 2017-18. This represents a 64% increase in performance over the five-year period.
- Medium-cap companies also demonstrated year-on-year improvement, with performance scores increasing from 26 in 2013-14 to 31 in 2017-18, resulting in a 21% increase in performance.
- Small-cap companies showed a similar trend, with performance scores rising from 22 in 2013-14 to 28 in 2017-18, reflecting a 27% increase in performance.
- In summary, the findings suggest that while the aggregate mean performance of listed companies in Kerala was reasonably good, there was a positive trend of improvement in committee compliance over the five-year period

across all categories. This indicates that companies in Kerala were becoming more diligent in adhering to committee compliance standards during this time frame.

Market capitalization wise

- Large-cap companies exhibited a consistent improvement in committee performance, with a substantial increase from 17 in 2013-14 to 28 in 2017-18. The average committee count for large-cap companies over the period was 22. Compliance with committee requirements was observed to be 63% on average, indicating a substantial effort to adhere to governance standards. Notably, there was a significant 64% increase in committee performance from the start to the end of the period.

- Medium-cap companies maintained a relatively stable committee count, with variations from 26 to 31 committees over the five years. The average committee count for medium-cap companies was 29. These companies displayed a strong commitment to governance, with an average compliance rate of 83%. The committee performance increased by 21% over the period, reflecting a consistent dedication to governance practices.

- Small-cap companies showed steady growth in committee performance, increasing from 22 committees in 2013-14 to 28 in 2017-18. The average committee count for small-cap companies was 26. Compliance with committee requirements averaged at 74%, showcasing a noteworthy effort towards governance compliance. There was a substantial 27% increase in committee performance over the five-year span.

Company wise

- Large-cap company, Muthoot Finance Ltd, displayed a consistent and substantial improvement in committee performance over the five-year span. With the committee count growing from 17 to 28, translating to an average of 22.2 committees per year, the company's remarkable 64.70% increase in committee performance reflects its dedicated commitment to strengthening governance practices.

- Medium-cap companies like V-Guard Industries Ltd, Federal Bank Ltd, Malappuram Finance Ltd, and Apollo Tires Ltd, have a steady level of committee performance was maintained, while Manappuram Finance Ltd notably escalated its committee count by 73.68%.

- Within the small-cap category, a diverse spectrum emerged, with companies showing steady or remarkable increases in committee performance. Notably, FACT demonstrated a remarkable 167% increase in committee count and performance. The lowest mean compliance is achieved by the Travancore Chemical Manufacturing Company Ltd which is 23 out of 52 (44% compliance) with a growth rate 9%. There is 0% increase in companies like companies like Cella Space Ltd. The analysis highlights varying approaches among different market capitalization categories towards reinforcing governance frameworks and practices.

5.14.2.3. Corporate Social Responsibility

The aggregate mean CSR score for all listed companies in Kerala across the five years is 2 out of a maximum score of 6, indicating an approximate 33% compliance rate, where companies have achieved a moderate level of CSR compliance.

This suggests that, on average, the listed companies in Kerala demonstrated a moderate level of commitment to corporate social responsibility during this period. This further supports the observation that while large and medium cap companies excel in CSR performance, small cap companies struggle to reach the same level.

Year wise performance Performance

- In the initial year (2013-14), the Large Cap companies did not report any CSR activities, but over the subsequent years (2014-15 to 2017-18), they consistently reported a CSR score of 6, indicating full compliance with CSR practices.

- Medium Cap companies also exhibited a high level of CSR performance, maintaining a CSR score of 5 across all five years.

- Small Cap companies, on the other hand, began with a relatively low CSR score of 0.75 in 2013-14. However, they showed significant improvement over the years, reaching a score of 2 in 2017-18.

Market capitalization wise Performance

- Large cap companies have consistently demonstrated a higher level of CSR performance. Over the five-year period, they maintained a CSR score of 5 out of 6, achieving an impressive 83% compliance. This indicates a strong commitment to incorporating socially responsible practices into their operations and contributing positively to society.

- Similar to large cap companies, medium cap companies also displayed a commendable CSR performance. With a consistent score of 5 out of 6, they exhibited an 83% compliance rate. This suggests that medium cap companies have also recognized the importance of CSR and have actively worked towards fulfilling their social responsibilities.

- Small cap companies, although lagging behind their larger counterparts, still managed to attain a CSR score of 2 out of 6. This corresponds to a compliance level of 33%. While this score is lower than that of large and medium cap companies, it indicates that small cap companies are making efforts, albeit to a lesser extent, to incorporate CSR practices into their operations.

- While all categories of companies, including large cap, medium cap, and small cap, have demonstrated some level of commitment to CSR, there is still considerable room for improvement. The encouraging trends of improvement, particularly in the case of medium and small cap companies, suggest that awareness and emphasis on CSR are gradually gaining traction.

Company wise Performance

The analysis underscores the varying degrees of commitment to CSR among companies of different categories and sizes.

- Large cap companies, on average, displayed strong CSR performance, with Muthoot Finance Ltd leading the pack in compliance percentage. The company achieved 80% mean compliance, signifying a substantial engagement in socially responsible activities. It has achieved a remarkable 100% growth rate in CSR performance over the five-year period.
- Medium cap companies demonstrated relatively high compliance rates, with Apollo Tyres Ltd standing out with a nearly perfect CSR score.
- Small cap companies showcased a mix of high performers, such as Kitex Garments Ltd and Muthoot Capital Services Ltd, and others with room for improvement.
- Across the board, the analysis reveals the importance of CSR growth, with some companies showing remarkable increases in compliance over the five-year period. Notably, while some companies maintained consistent CSR performance, others displayed fluctuating or stagnant trends.

5.14.2.4. Investor Protection Performance

- The aggregate mean score for investor protection over the five years is calculated at 17.4 out of a maximum possible score of 30. This result signifies an approximate 58% compliance with investor protection standards. This suggests that, on average, companies have addressed slightly more than half of the aspects related to investor protection, leaving room for improvement in this domain.

Year wise Performance:

- Throughout the five-year period under consideration, there has been a 27% growth in compliance with investor protection standards. This upward trend indicates an increasing awareness among companies about the importance of safeguarding investor interests.

Market Capitalization-wise Performance

- Large cap companies emerged as leaders in investor protection, achieving a mean score of 22 out of 30. This robust performance corresponds to a 73.33% compliance rate, indicating a significant commitment to securing investor rights. Moreover, this category showcased a consistent increase in their mean scores over the five-year span, signaling continuous improvements in investor protection practices.

- Medium cap companies displayed a mean score of 16 out of 30, representing a 53.33% compliance rate. While their performance is slightly lower than that of small cap companies, the consistent upward trajectory of their mean scores indicates their ongoing efforts to strengthen investor protection measures.

- Small cap companies achieved a mean score of 17.4 out of 30, signifying a 58% compliance rate. This demonstrates their dedication to maintaining investor protection standards, albeit to a lesser extent than large cap companies. The upward trend in their mean scores suggests a steady enhancement of investor protection practices over the five-year period.

- Large cap companies have exhibited the highest level of compliance, with a strong commitment to investor protection. Small cap and medium cap companies have also shown dedication to this aspect, although at slightly lower levels. Overall, the findings underscore the importance of maintaining investor trust and enhancing protection mechanisms to foster a conducive investment environment.

Company wise Performance

- Among the large cap companies, Muthoot Finance Ltd stood out with an impressive aggregate mean score of 22 out of 30, indicating a strong 73.33% compliance in investor protection. The company's consistent growth of 30% over the five years reflects its proactive approach and commitment to ensuring investor security.

- In the medium cap category, V-Guard Industries Ltd led the way with a mean score of 23 out of 30 (77% compliance), demonstrating a robust dedication to investor protection. This commitment translated into a growth rate of 14.28% in compliance over the five-year period. Federal Bank Ltd achieved an aggregate mean of 19 (63% compliance) with a growth rate of 23.52%. Notably, Manappuram Finance Ltd exhibited impressive growth, with an 85.71% increase in compliance, and Apollo Tyres Ltd displayed steady performance.

- Among small cap companies, Southern Inspat Ltd emerged as a standout performer with a mean score of 23 (77% compliance) and a growth rate of 19.04% in investor protection. GTN Textiles Ltd and Nitta Gelatin India Ltd also demonstrated strong compliance levels at 73%, both experiencing a 10% growth rate. Noteworthy improvements were seen in companies like Haileyburia Tea Estates Ltd, Kings Infra Ventures Ltd, Prima Agro Ltd, and Prima Industries Ltd, which all displayed substantial growth in compliance.

- The analysis of investor protection performance among different company categories highlighted varying levels of commitment and growth. Large cap companies generally exhibited higher compliance, with Muthoot Finance Ltd leading the way. Medium cap companies showed significant growth, largely driven by V-Guard Industries Ltd and Manappuram Finance Ltd. Small cap companies displayed positive compliance growth, with Southern Inspat Ltd, GTN Textiles Ltd, and Nitta Gelatin India Ltd showcasing notable performances. Overall, the findings emphasize the need for continuous efforts to enhance investor protection measures and maintain investor trust.

5.14.2.5. Risk management

Year wise Performance

- The aggregate mean score for risk management over the five-year period is calculated at 3 out of a maximum possible score of 7. This indicates a 42.8% compliance with risk management standards. It is evident that there is room for improvement in terms of overall risk management practices among these companies.
- Over the five-year period, there has been a substantial growth of 240% in risk management compliance, signifying increasing efforts by companies to enhance their risk management practices and strategies.

Market Capitalization-wise Performance:

- Large Cap Companies: Large cap companies followed with a risk management score of 5 out of 7 (71% compliance). While slightly lower than medium cap companies, large caps also displayed a commendable level of dedication to risk management practices, which contributed to their solid compliance percentage.
- Medium Cap Companies: Among the three categories, medium cap companies demonstrated the highest level of risk management performance. They achieved a mean score of 6 out of 7, indicating an impressive 86% compliance with risk management standards. This suggests a strong commitment to effectively managing risks, thereby safeguarding their operations and stakeholders.
- Small Cap Companies: Small cap companies achieved a risk management score of 3 out of 7 (43% compliance). Although their compliance rate is comparatively lower, it still signifies their awareness of the importance of

risk management. The upward trend in their mean scores over the five-year span indicates their ongoing efforts to enhance risk management practices.

- The market capitalization-wise analysis underscores the varying levels of commitment to risk management among large, medium, and small cap companies in Kerala. There is significance of effective risk management practices in maintaining operational stability and ensuring stakeholder confidence. Companies' continuous efforts to enhance their risk management frameworks reflect their commitment to long-term sustainability and resilience in the face of potential challenges.

Company wise Performance:

- Among the large cap companies, Muthoot Finance Ltd stands out with a mean score of 5.6 (80% compliance) in risk management performance. This company has shown remarkable progress over the five-year period, achieving a 100% increase in risk management compliance. This signifies the company's strong commitment to enhancing its risk management practices and ensuring its resilience against potential challenges.

- In the medium cap category, Federal Bank Ltd, Manappuram Finance Ltd, and Apollo Tyres Ltd have consistently maintained a mean score of 7 (100% compliance) in risk management over the five years, without any increase. These companies have demonstrated a consistent dedication to maintaining robust risk management practices. V-Guard Industries Ltd achieved a mean score of 6 out of 7 (86% compliance) with a noteworthy growth rate of 100%. This indicates their continuous efforts to improve risk management strategies and compliance.

- Among the small cap companies, several stand out with a mean score of 7 out of 7 in risk management compliance, including GTN Textiles Ltd, Dhanlaxmi Bank Ltd, South Indian Bank Ltd, and Muthoot Capital Services Ltd. However, these companies have not shown any growth in risk management compliance over the five years. Notably, some small cap companies have yet to fully adopt risk management practices, resulting in varied levels of compliance.

- The analysis of risk management performance in large, medium, and small cap companies showcases a mix of compliance levels and growth rates. While large cap companies like Muthoot Finance Ltd have made substantial progress, certain medium cap companies have maintained consistent compliance without growth. In the small cap segment, companies like GTN Textiles Ltd and Dhanalaxmi Bank Ltd have achieved high compliance but with no further growth. The findings underline the varying degrees of commitment to risk management practices and highlight the potential for improvement in enhancing resilience and safeguarding business operations.

5.14.2.6. Reporting Framework

Year wise Performance

- The aggregate mean score for reporting framework over the five years is calculated as 23 out of a maximum possible score of 29. This translates to a commendable 79% compliance with reporting standards. This indicates that companies, on average, have been diligent in ensuring transparent and comprehensive reporting practices.

- Over the five-year span, there has been a 14% growth in compliance with reporting framework standards. This upward trend signifies a progressive improvement in companies' commitment to enhancing their reporting practices, promoting transparency and accountability.

Market Capitalization-wise Performance

▪ Large cap companies showcased the highest aggregate mean score of 26 out of 29 (90% compliance) in reporting framework performance. Their consistent growth of 8% during the five years indicates ongoing efforts to refine and strengthen their reporting practices, thus upholding high levels of transparency.

- Medium cap companies achieved an aggregate mean score of 24 (83% compliance) in reporting framework performance. These companies also demonstrated a growth rate of 14% over the five-year period, highlighting their commitment to enhancing reporting practices.

- Small cap companies achieved an aggregate mean score of 22 (75.86% compliance) in reporting framework performance. Their substantial growth rate of 15% over the five years demonstrates their dedication to improving reporting standards and ensuring transparency in their operations.

- The analysis of reporting framework performance offers insights into the commitment and growth of listed companies in Kerala over a five-year period. The findings emphasize the importance of robust reporting frameworks in building trust and accountability within the corporate sector.

Company wise Performance

- Muthoot Finance Ltd exhibited strong compliance in the reporting framework, with an impressive aggregate mean score of 26 out of 29 (90%). Over the five years, the company achieved an 8% increase in its reporting framework performance.

- V-Guard Industries Ltd led the medium cap category with a high aggregate mean score of 26 out of 29 (90%) and the highest growth rate of 23%. Federal Bank Ltd and Apollo Tyres Ltd achieved aggregate mean scores of 23 (79%), but with lower growth rates of 9% and 5%, respectively.

- Cochin Minerals and BPL Ltd excelled with an outstanding aggregate mean score of 27 out of 29 (93%) and consistent performance. Cochin Shipyard Ltd and Vertex Securities Ltd shared a solid aggregate mean score of 25 (86%). Some companies with lower mean scores, like Kerala Solvent Extractions Ltd and Artech Power Ltd, displayed varied growth rates, suggesting room for improvement.

- The analysis showcases diverse compliance levels and growth rates in reporting framework practices across different company categories in Kerala. Some companies demonstrated strong commitment to transparent financial reporting, while others displayed potential for enhancement. This underscores the significance of robust reporting frameworks in maintaining transparency and bolstering investor trust.

5.14.2.7. Whistle blowing mechanism

- Over the five-year period, the aggregate mean scores for all listed companies across different categories in Kerala stood at 4.01 out of a possible maximum score of 5. This cumulative score indicates an 80.2% compliance level in adhering to and effectively implementing the whistleblowing mechanism. Notably, this performance represents a growth of 88.84% from 2013-14 to 2017-18.

Year-Wise Performance

- The aggregate mean score for all years is calculated as 4. This indicates that, on average, the whistleblowing mechanism in Kerala received a score of 4 over the five-year period.

- The percentage of compliance is quite high, averaging at 80% over the five years. This suggests that a significant proportion of organizations in Kerala, particularly large-cap companies, are effectively implementing whistleblowing mechanisms and adhering to compliance standards.

- The percentage of compliance is quite high, averaging at 80% over the five years. This suggests that a significant proportion of organizations in Kerala, particularly large-cap companies, are effectively implementing whistleblowing mechanisms and adhering to compliance standards.

- Medium cap companies showcased perfect compliance across all five years, with a consistent score of 5. This demonstrates their unwavering dedication to maintaining a robust whistleblowing mechanism and achieving a 100% compliance rate throughout the period.

- Small cap companies started with a mean score of 2.27 in 2013-14, and then steadily improved over the years to reach 4.57 in 2017-18. This remarkable growth resulted in an aggregate mean score of 3.96, signifying a compliance rate of 79.2%. Their notable 101.32% growth underscores their proactive efforts to enhance their whistleblowing mechanisms.

Market Capitalization Performance

- Medium cap companies stood out with a consistent mean score of 5 across the five years, attaining a perfect compliance rate of 100%. Their steadfast commitment reflects a robust corporate governance framework that encourages accountability and transparency.
- Large cap companies displayed consistent growth in compliance, with scores advancing from 0 to 5. Their aggregate mean score of 4 indicates an 80% compliance rate, showcasing their responsiveness to improving corporate governance practices.
- Small cap companies demonstrated remarkable improvement, increasing their aggregate mean score from 2.27 to 4.57 over the five-year period. Their performance at a 79.2% compliance level underscores their commitment to enhancing their whistleblowing mechanisms.
- The analysis of whistleblowing mechanism performance over the five-year period in Kerala highlights commendable progress in corporate governance practices. While medium cap companies maintained a perfect compliance rate, both large and small cap companies demonstrated substantial growth in enhancing their systems. The consistent improvement reflects a collective commitment to fostering transparency and ethical behaviour within businesses. This upward trajectory underscores the importance of effective

whistleblowing mechanisms in promoting accountability and responsible conduct in the corporate landscape.

Company wise Performance

- Muthoot Finance Ltd, a prominent large cap company, achieved an impressive aggregate mean score of 4, indicating 80% compliance with the whistleblowing mechanism. This underscores the company's commitment to transparency and accountability. Over the five years, Muthoot Finance Ltd exhibited remarkable growth, boosting their mechanism's performance by 100%.

- Medium cap companies demonstrated steadfast performance, maintaining their mean scores at a consistent 5. This unwavering commitment translated to a perfect compliance rate of 100%. Key players such as Federal Bank Ltd, Manappuram Finance Ltd, and Apollo Tyres Ltd showcased unyielding dedication to their whistleblowing mechanisms, resulting in an aggregate mean score of 5.

- Within the small cap category, a majority of companies exhibited strong adherence to the whistleblowing mechanism, with an aggregate mean score of 5, representing 100% compliance. Companies like Harrisons Malayalam Ltd, Uniroyal Marine Export Ltd, and Prima Agro Ltd maintained consistent perfect scores, highlighting their ethical reporting practices. Several companies also achieved remarkable growth rates, doubling their compliance levels over the five years.

5.14.2.8. Value for the stakeholders

- An examination of the performance of value for other stakeholders in listed companies in Kerala over the five-year period provides valuable insights into their commitment to stakeholders' interests and the evolution of their value delivery.

Year-wise Performance

- In 2013-14, the aggregate mean score was 16 out of a maximum of 31, indicating an initial compliance rate of 51.61%. Over the subsequent years, there was a consistent growth in the aggregate mean score: 2014-15 (19), 2015-16 (20), 2016-17 (21), and 2017-18 (22). This gradual increase translates to a 40% growth in the performance of value for other stakeholders over the five-year period.

Market Capitalization-wise Performance

- Large cap companies recorded an aggregate mean score of 21 out of 31, indicating a 68% compliance rate in delivering value for other stakeholders. This signifies a substantial effort on the part of large cap companies to align their practices with stakeholder expectations.

- Medium cap companies showcased the highest commitment to value for other stakeholders, with an aggregate mean score of 23 out of 31. This reflects a commendable 74% compliance rate. This demonstrates that medium cap companies are actively prioritizing stakeholder interests and value delivery.

- Small cap companies achieved an aggregate mean score of 19 out of 31, reflecting a 61% compliance rate. While slightly behind medium and large cap companies, small cap companies still made significant strides in delivering value to stakeholders.

- The performance of value for other stakeholders in listed companies in Kerala reflects the evolving commitment to stakeholders' interests over a five-year period. This upward trend in value delivery underscores the importance of stakeholder-centric practices and ethical corporate behaviour.

Company wise Performance

- Muthoot Finance Ltd, a large cap company, demonstrated an aggregate mean score of 21 out of 31, indicating a 68% compliance level in delivering value to other stakeholders. This signifies a commendable effort to address stakeholder interests.
- Among the medium cap companies, Federal Bank Ltd and Apollo Tyres Ltd displayed the highest aggregate mean score of 26 out of 31, signifying an impressive 85% compliance rate. Both companies showcased growth rates of 8% and 29% respectively over the five-year period.
- V-Guard Industries Ltd and Manappuram Finance Ltd achieved aggregate mean scores of 20 out of 31 (65% compliance). V-Guard Industries Ltd displayed the highest growth rate among medium cap companies (53%), while Manappuram Finance Ltd demonstrated a growth rate of 47%.
- Cochin Shipyard Ltd, among small cap companies, achieved the highest aggregate mean score of 28 out of 31, reflecting a substantial 90% compliance level in delivering value to other stakeholders.
- Overall, small cap companies showcased diverse levels of compliance, with aggregate mean scores ranging from 12.6 to 27.8, translating to compliance percentages between 40.64% and 89.67%.
- The analysis highlights how companies of varying sizes approach this aspect of corporate governance. The findings underscore the importance of stakeholder-centric practices and ethical behaviour in fostering long-term sustainability and responsible business conduct.

5.14.2.9. Statutory Auditors

- An evaluation of the performance of statutory auditors in listed companies in Kerala over a five-year period provides valuable insights into the effectiveness of audit practices and their alignment with governance standards.

Year wise Performance

- In the initial year, 2013-14, the aggregate mean score for statutory auditors was 8.7 out of a maximum of 15, indicating a compliance rate of 58%. Over the following years, there was a consistent upward trend in performance: 2014-15 (10.07), 2015-16 (10.6), 2016-17 (11), and 2017-18 (11.8). This upward trajectory highlights a 36% growth in compliance during the study period.

Market Capitalization-wise Performance

- Large cap companies scored a mean compliance rate of 10.2 out of 15, showcasing a 68% compliance rate. Although trailing behind medium and small cap companies, the large cap companies' consistent compliance efforts are noteworthy.

- Medium cap companies exhibited the highest mean compliance with a score of 13 out of 15, reflecting an impressive 87% compliance rate. This demonstrates a robust commitment to maintaining high audit standards and governance practices.

- Small cap companies achieved a mean compliance score of 10.4 out of 15, indicating a 69% compliance rate. While slightly lower than medium cap companies, small cap companies still showcased diligent efforts in adhering to statutory audit requirements.

- The variations in compliance across market capitalizations emphasize the diverse approaches companies adopt to uphold audit quality. This analysis highlights the critical role of statutory auditors in ensuring transparency, accountability, and ethical conduct within the corporate ecosystem.

Company wise

- Muthoot Finance Ltd, a large-cap company, demonstrated a mean score of 10.2 out of 15 in statutory auditors' performance analysis. This result translates to a compliance rate of 68% regarding audit quality and governance standards. Over five years, the company achieved an 85.71% growth rate in compliance. While consistently maintaining a high compliance level, Muthoot Finance's growth rate in compliance remained modest.

- Among medium-cap companies, Federal Bank Ltd exhibited exceptional performance with a perfect score of 15 out of 15, signifying 100% compliance. The bank consistently upheld this high compliance level over the five-year period, showcasing an unwavering dedication to audit quality and governance. Apollo Tyres Ltd and Manappuram Finance Ltd also displayed strong compliance with mean scores of 14.2 (94.67% compliance) and 11.4 (76% compliance) respectively. V-Guard Industries Ltd achieved the highest compliance growth rate at 57.14%, followed by Apollo Tyres Ltd at 36.36%.

- In the small-cap category, Federal Bank Ltd and Rubfila Ltd led with perfect mean scores of 15 (100% compliance). Nitta Gelatin India Ltd and Apollo Tyres Ltd closely followed with mean scores of 14.6 (97.33% compliance) and 14.2 (94.66% compliance) respectively. These companies demonstrated significant growth rates of 15.4% and 36.36% over five years. However, Victory Paper and Board Ltd scored lower with a mean of 3.8 (25% compliance), highlighting room for improvement. Kerala Ayurveda Ltd achieved a score of 7.4 (49.33% compliance).

- The company-wise analysis of statutory auditors' performance in Kerala's listed companies underscores varying compliance levels across market capitalizations. Federal Bank Ltd stood out in both medium and small-cap categories, consistently maintaining perfect compliance. High compliance scores were often correlated with higher growth rates, reinforcing the role of sound audit practices in nurturing sustainable business growth.

5.15. Market valuations based on market capitalization

Year wise performance

- Over this five-year period, the market capitalization of listed companies in Kerala exhibited notable fluctuations.
- Large-cap companies began with a market capitalization of ₹. 7307 crores in 2013-14, surged to ₹. 14874 crores in 2017-18, marking a remarkable 104% increase.
- Medium-cap companies also showed significant growth, increasing from ₹.3514 crores to ₹. 9827 crores during the same period, reflecting a substantial 179% increase.
- Small-cap companies, while displaying less pronounced growth, still increased their market capitalization from ₹. 248 crores to ₹. 543 crores, representing a 119% gain.
- The aggregate mean market capitalization for all companies in Kerala rose steadily, reaching ₹. 1855 crores by 2017-18, indicating a 145% increase. These findings suggest that Kerala's stock market experienced overall positive growth, with large and medium-cap companies as primary drivers of this expansion.

Market capitalization wise Performance

- The aggregate mean market capitalization, which represents the overall market performance, grew from Rs.758 crores in 2013-14 to 1,855 crores in 2017-18, reflecting an impressive 145% increase. This indicates a positive overall market sentiment and growth in Kerala's stock market during this period.

- Large-cap companies, demonstrated remarkable performance. Their market capitalization increased from 7,307 crores in 2013-14 to 14,874 crores in 2017-18, showing a substantial increase of 104%. This suggests that investors had more confidence in large-cap stocks during this period.

- Medium-cap companies, also exhibited healthy growth in market capitalization. It grew from 3,514 crores in 2013-14 to 9,827 crores in 2017-18, marking an impressive increase of 179%. Medium-cap stocks seemed to attract significant investor attention and investments.

- Small-cap companies, experienced steady but relatively modest growth in market capitalization. It increased from 248 crores in 2013-14 to 543 crores in 2017-18, indicating a 119% growth. While their growth was lower compared to large and medium caps, it's essential to note that small caps are generally riskier investments.

Company wise Performance

- The large-cap category is dominated by Muthoot Finance Ltd, with a substantial market capitalization that has grown impressively over the five-year period. In 2017-18, Muthoot Finance Ltd achieved the highest market capitalization among large-cap companies at a staggering 14,873.99 crores. The mean market capitalization for this category over the entire period is 8,810.98 crores, reflecting strong stability and growth. Notably, large-cap companies as a whole demonstrated a remarkable 104% increase in market capitalization during this period, indicating a healthy market performance.

- Medium-cap companies exhibit a diverse range of market capitalizations, with Apollo Tyres Ltd standing out with the highest mean market capitalization of 9,945.92 crores. This company also experienced significant growth, recording a growth rate of 72.88% over the five years. Federal Bank Ltd, Manappuram Finance Ltd, and V-Guard Industries Ltd also have respectable mean market capitalizations, reflecting their competitive positions in the market. Federal Bank Ltd and Manappuram Finance Ltd have growth rates of 88.83% and 351.81%, respectively, showcasing robust performance during this period.

- The small-cap category consists of a wide range of companies, each with varying market capitalizations. Notable performers include Patspin India Ltd, with the highest mean market capitalization of 1,289.34 crores, and a substantial growth rate of 396.35%. Prima Industries Ltd also stands out with a mean market capitalization of 316.28 crores and an astonishing growth rate of 1,092.27%.
- On the other hand, companies like Cochin Shipyard Ltd and Aspinwall and Company Ltd had relatively low mean market capitalizations and growth rates, with Cochin Shipyard Ltd posting a 616.9% growth rate, while Aspinwall and Company Ltd had a growth rate of 37.07%.
- Prima Industries Ltd recorded the highest growth rate of 1,092.27% among all companies.
- Nitta Gelatin Ltd had the lowest growth rate of -38.86%, indicating a decline in market capitalization over the period.

5.16. Correlation between overall corporate governance performance and firm market capitalization

- The study found a significant positive correlation (0.622, $p = 0.013$) between overall corporate governance performance and firm market capitalization of listed companies in Kerala. This suggests that companies with better governance tend to have higher market capitalization, emphasizing the link between effective governance, investor confidence, and financial performance.
- Regression analysis revealed that corporate governance performance scores are capable of predicting 38.6% of the variation observed in market capitalization.

5.17. Component wise: Correlation between components of corporate governance and firm market capitalization

The correlation analysis explored the relationship between market capitalization and various components of corporate governance in listed companies in Kerala. The key findings are as follows:

- **Board Structure and Process:** There exists a moderately strong positive correlation (0.608) between board structure and process and market capitalization. This suggests that companies with well-organized and efficient board structures tend to have higher market capitalization, as investors value the role of a strong board in maximizing company value.

- **Board Committees:** The correlation between board committees and market capitalization is weak (0.019), indicating a limited influence of board committees on market valuation. This suggests that while board committees are important for governance, they might not significantly impact a company's market capitalization.

- **Corporate Social Responsibility (CSR):** A moderately strong positive correlation (0.641) was found between CSR and market capitalization. This suggests that companies that prioritize CSR activities tend to enjoy higher market capitalization, as investors appreciate socially responsible practices.

- **Investor Protection:** The strongest correlation was observed between investor protection and market capitalization (0.866). Companies that prioritize protecting investors' interests and rights tend to have significantly higher market capitalization, as investor confidence plays a crucial role in determining company valuation.

- **Reporting Framework:** A strong positive correlation (0.811) was observed between the reporting framework and market capitalization. Companies with transparent and reliable reporting practices tend to have higher market capitalization, reflecting the importance of accurate information for investor trust and valuation.

- **Risk Management:** There is a moderately strong positive correlation (0.561) between risk management and market capitalization. This indicates that companies with effective risk management strategies tend to have higher market capitalization, as robust risk management inspires investor confidence.

- **Whistleblowing Mechanism:** The correlation between whistleblowing and market capitalization is weak (0.130), suggesting that whistleblowing mechanisms might have limited impact on market valuation. Further examination is needed to understand the precise relationship between whistleblowing and market capitalization.

- **Value of Other Stakeholders**: A strong positive correlation (0.764) was found between the value of other stakeholders and market capitalization. This implies that companies that prioritize the interests of various stakeholders tend to have higher market capitalization, as a holistic approach to governance is valued by investors.

- **Statutory Auditors**: The correlation between statutory auditors and market capitalization is relatively weak (0.263), indicating a limited influence of statutory auditors on market valuation. This suggests that while statutory auditors are essential for financial integrity, their impact on market capitalization might not be substantial.

In summary, the correlation research showed the importance of solid board structures, corporate social responsibility (CSR) practices, investor protection measures, open reporting frameworks, and efficient risk management in raising market capitalization. The results highlight how investor perception and company governance procedures interact to affect market valuation. It is advised to conduct more research to learn more about the precise effect of board committees and whistleblower programs on market capitalization.

5.18. Regression Analysis: Market Valuation and Component-wise Corporate Governance

The regression analysis offers a comprehensive perspective on the relationship between market valuation and various components of corporate governance in listed companies in Kerala. The key findings from the analysis are as follows:

- **Board Structure and Process:** The regression results indicate a statistically significant relationship between board structure and process and market capitalization. This variable accounts for 36.9% of the variance in market capitalization, emphasizing its influence on the firm's valuation.

- **Board Committees:** Board committees do not exhibit a meaningful impact on market capitalization, as evidenced by an R-squared value of 0.000 and a non-significant F-value. This suggests that the presence of board committees might not significantly contribute to changes in market valuation.

- **Corporate Social Responsibility (CSR):** CSR emerges as a highly significant factor, explaining 41.1% of the variance in market capitalization. Companies that prioritize CSR activities tend to have a substantial impact on market valuation, signifying the value of responsible business practices.

- **Investor Protection:** Investor protection stands out as the most influential variable, explaining an impressive 75.0% of the variance in market capitalization. Robust investor protection mechanisms significantly affect the market valuation of firms, highlighting the importance of safeguarding investor interests.

- **Reporting Framework:** The reporting framework also has a significant impact on market capitalization, explaining 65.8% of its variance. Transparent and reliable reporting practices contribute to higher market valuation, reflecting the significance of accurate information for investors.

- **Risk Management:** Risk management plays a notable role, explaining 31.4% of the variance in market capitalization. Although not as influential as other variables, effective risk management practices contribute to higher market valuation.

- **Whistleblowing Mechanism:** The results suggest that the whistleblowing mechanism has a limited impact on market capitalization, with an R-squared value of 0.017 and a non-significant F-value.

- **Value of Other Stakeholders**: The value of other stakeholders exhibits a significant influence, explaining 58.3% of the variance in market capitalization. Companies that prioritize the interests of various stakeholders tend to have a substantial impact on market valuation.

- **Statutory Auditors:** Statutory auditors do not appear to have a significant impact on market capitalization, with an R-squared value of 0.069 and a non-significant F-value.

In conclusion, the regression analysis shows the diverse levels of impact that various corporate governance factors have on market capitalization. The research highlights how crucial CSR, investor protection, reporting systems, and stakeholder value are in determining market worth. Other factors with relatively little impact on market capitalization include board committees, whistleblowing mechanisms, and mandatory auditors.

5.19. Result of Hypothesis

1. There is a significant difference in the overall corporate governance performance among the categorized groups (large-cap, medium-cap, and small-cap) of listed companies in Kerala. Hence, reject H_0.

2. There is a significant difference in the level of compliance with board structure and process performance among different categories of companies in Kerala. Hence reject H_0.

3. There is a significant difference in the performance of board committees among the listed small-cap companies in Kerala. Hence, Reject H_0.

4. There is a significant difference in the performance of CSR among the listed small-cap companies in Kerala. Hence, Reject H_0.

5. There is a significant difference in the performance of investor protection among the listed small-cap companies in Kerala. Hence, Reject H_0.

6. There is a significant difference in the performance of risk management among the listed small-cap companies in Kerala. Hence, Reject H_0.

7. There is a significant difference in the performance of reporting framework among the listed small-cap companies in Kerala. Hence, Reject H_0.

8. There is no significant difference in the performance of whistle blowing mechanism among the listed small-cap companies in Kerala. Hence, Accept H_0.

9. There is a significant difference in the performance of value of other stakeholders among the listed small-cap companies in Kerala. Hence, Reject H_0.

10. There is a significant difference in the performance of statutory auditors among the listed small-cap companies in Kerala. Hence, Reject H_0.

11. The growth rates of market valuation for listed companies are not equal. Hence, Reject H_0.

12. : There is significant difference in the mean market capitalization among the three categories (Large cap, medium cap, small cap) in each year. Hence, Reject H_0.

13. There is significant relation between corporate governance and firm market valuation. Hence, Reject H_0.

The large-cap, medium-cap, and small-cap category groups of listed firms in Kerala exhibit significantly different levels of overall corporate governance performance. The results show that market capitalization is a key factor in assessing the effectiveness of corporate governance. The rejection of the null hypothesis H_0 highlights how crucial it is to take a company's size into account because it has a big impact on how it conducts business. This knowledge can help investors, decision-makers, and corporate executives to better tailor governance initiatives to the unique requirements and difficulties faced by organizations based on their market capitalization.

According to the research, different types of Kerala enterprises exhibit significantly diverse levels of adherence to board structure and process performance. By rejecting H_0, this conclusion emphasizes how important market capitalization is in determining if boards are following their structure and procedures. Different market capitalization companies demonstrate distinctive governance practices, suggesting the need for tailored governance solutions matched to a company's size. Stakeholders can better understand governance within their particular categories with the help of this information.

According to this study, there are notable differences in how well the listed small-cap businesses in Kerala conduct their board committees. The rejection of H_0 implies that small-cap corporations' board committee competence varies, potentially having an impact on their governance outcomes. These findings can help small-cap companies identify governance structure weak points, such as a board committee's performance that has to be improved to meet best practices.

The study also reveals that the listed small-cap companies in Kerala perform significantly differently when it comes to corporate social responsibility (CSR). This result highlights how different small-cap enterprises approach executing CSR efforts with various degrees of commitment and efficiency. The research indicates that market capitalization influences CSR practices by rejecting H_0. With the help of this information, policymakers and corporate executives may create CSR plans specifically for small-cap firms.

This analysis demonstrates a significant variation in investor protection performance across Kerala's listed small-cap enterprises. By rejecting H_0, the study emphasizes how crucial it is to take market capitalization into account when talking about investor protection measures. Small-cap companies could need particular measures to improve investor protection procedures and foster shareholder confidence.

This study reveals notable variations in risk management performance across Kerala's listed small-cap enterprises. This conclusion implies that small-cap enterprises have different approaches to risk management, without specifically rejecting H_0. In order to make specific advice for small-cap companies and comprehend the mechanisms behind these discrepancies, more research may be required.

The analysis demonstrates there is a sizable performance gap among Kerala's listed small-cap enterprises with regard to of the reporting structure. This research suggests that small-cap enterprises may have drastically different reporting methods, which may have an influence on transparency and accountability. When creating reporting rules for small-cap enterprises, policymakers and regulatory bodies may need to take these variations into account.

According to the report, there are no appreciable differences in how well the listed small-cap firms in Kerala implement their whistle-blowing processes. Accepting H_0, this outcome indicates that the market capitalization is not significantly influencing the efficacy of whistleblowing procedures in small-cap enterprises. This result sheds light on the consistency of whistleblower practices among small-cap companies in Kerala.

According to the report, there is a big disparity in the performance of Kerala's listed small-cap enterprises when it comes to the value of other stakeholders. This result, which rejects H0, shows that small-cap enterprises show diverse degrees of care for stakeholders outside shareholders. This knowledge can help small-cap companies expand the value they provide by improving their stakeholder engagement procedures.

The study demonstrates a large variation in statutory auditor performance among Kerala's listed small-cap companies. This finding highlights the importance of taking market capitalization into account when evaluating the work of statutory auditors by rejecting H0. Small-cap companies may profit from special actions to improve the efficiency of their audit procedures, assuring compliance and transparency.

The results of the hypothesis testing showed that there are differences in the market valuation growth rates of listed corporations. This suggests that certain companies' market valuations increase more quickly than others, maybe as a result of elements like industry dynamics or financial performance.

Additionally, each year, the mean market capitalization of large-cap, medium-cap, and small-cap enterprises varies significantly. This research emphasizes the differences in market capitalization between different categories, offering insightful information to investors and decision-makers.

Last but not least, the study confirmed a strong correlation between corporate governance standards and firm market valuation, demonstrating how important governance is in determining a company's market value.

5.20. Conclusion

The results of this investigation on corporate governance procedures and their effects on the value of Kerala listed companies have major implications for understanding the complex relationship between governance and firm value. The goals and assumptions outlined at the beginning of this study have been evaluated, yielding notable findings that not only improve our understanding of the dynamics of corporate governance but also have application for investors, decision-makers, and business executives.

The primary finding is the rejection of the null hypothesis about the variations in overall corporate governance performance among various market capitalization categories of listed companies. This emphasizes how crucial it is to take a company's size into account when assessing its governance standards. This study shows that market capitalization has a significant impact on governance quality. Larger-cap organizations typically have more solid governance processes and structures, which are essential for winning over investors and ensuring sustained growth. Small-cap companies, on the other hand, can need more specialized governance strategies catered to their unique requirements and difficulties.

This study also examines how well board structures and governance processes are followed, and it finds that market capitalization has a big impact on both of these areas. The differences in compliance between businesses with different market capitalizations highlight the need for specialized governance plans that are in line with a company's size. By enabling stakeholders to make knowledgeable choices about governance within the categories they belong to, these findings eventually improve governance outcomes.

Insights from the study are also applied to specific governance aspects, including board committees, corporate social responsibility (CSR), investor protection, risk management, reporting frameworks, whistleblowing procedures, and stakeholder concerns. These factors work together to shape the governance environment as a whole and, as the study demonstrates, can change significantly depending on market capitalization. Small-cap businesses, for example, might require tailored interventions to improve investor protection policies, and reporting standards may range dramatically across them, hurting openness and accountability. Notably, the study suggests that small-cap enterprises' responses to risk differ significantly from one another, even though it didn't explicitly reject the null hypothesis about risk management.

This indicates the need for additional research to identify the variables causing these variations and offer specific advice for small-cap organizations, ultimately strengthening their risk management procedures. It is crucial that the study demonstrate that there is a meaningful connection between corporate governance standards and company market valuation. This conclusion emphasizes the fact that governance is a strategic requirement that directly affects a company's market value rather than merely a compliance exercise. According to this study's findings, good governance can result in greater market valuations, which suggests that shareholders' value and financial performance should be considered by investors and corporate executives.

In conclusion, this thesis offers an exhaustive investigation of corporate governance standards in listed businesses in Kerala, illuminating their effect on firm valuation. The intricate character of corporate governance is highlighted by the disproof of null hypotheses and the discovery of significant differences dependent on market size. This research provides stakeholders with the information they need to customize governance strategies to certain company sizes and presents a strong argument in favour of giving governance top priority as a factor in market success. The results of this study can be a useful reference point for developing governance measures that improve the overall performance and market value of Kerala's listed companies as they continue to change.

CHAPTER 6

RECOMMENDATIONS AND SCOPE FOR FURTHER RESEARCH

6.1. Introduction

The concluding chapter of this research work serves as a critical culmination of the study's findings and provides valuable insights for both academia and practical application. Recommendations have been meticulously developed based on the study's outcomes, offering concrete and actionable steps for enhancing the area of focus in the current context. These recommendations aim to address identified deficiencies and inefficiencies, thereby facilitating improvements in the relevant field. Furthermore, the implications of this study are multifaceted, offering contributions to stakeholders and interested parties within the area of investigation, fostering a deeper understanding of the subject matter. Lastly, the chapter elucidates the scope for future research in this specific domain, identifying unexplored avenues and potential research questions that can further advance knowledge and innovation in the field, ensuring its continued growth and development.

6.2. Recommendations

Based on the thorough results of the corporate governance study, a number of recommendations can be made to improve corporate governance practices in Indian listed companies. These recommendations will be beneficial to a variety of stakeholders, including regulators, investors, the government, policy makers, businesses, academics, institutions of research, society, and the general public:

Regulators and Government:

- Regulators may think about enacting stricter disclosure rules for businesses, requiring them to give thorough and transparent details about their board composition, executive salaries, and other pertinent issues.

- Regulators may impose regular, exhaustive audits of corporate governance procedures in order to spot flaws and guarantee that businesses are following best practices.
- Given the variation in compliance levels across small-cap companies, authorities should create particular recommendations catered to their requirements, assisting them in understanding and carrying out better governance processes.
- Review and revise governance rules on a regular basis to reflect new issues and conform to global best practices.
- • Create systems for strict supervision and sanctions for non-compliance to deter unethical behavior. And think about encouraging compliance by offering tax breaks to businesses that surpass particular corporate governance norms.
- Companies should be honored and rewarded for continuously practicing great corporate governance, as this promotes healthy competition and inspires other businesses to raise their game.

Investors

- Investors, both institutional and individual, have a big say in how companies act. They should participate at shareholder meetings, communicate with businesses directly, and cast votes in favor of proposals which promote good corporate governance.
- Investors ought to demand more openness and responsibility from the businesses they finance. They have the authority to demand that businesses reveal their governance procedures and how they relate to the interests of shareholders.

- Stress the significance of considering corporate governance standards when making investment decisions because these policies have a direct impact on the financial stability and health of businesses.
- Promote the adoption of open reporting and disclosure procedures by businesses to allow for well-informed investment decisions.

Listed Companies

- Businesses need to put more effort into diversifying the boards they have in regards to gender, ethnicity, expertise, and experience. Diverse boards can increase decision-making and bring new viewpoints to the table.
- Setting up effective whistleblower channels can encourage staff members and stakeholders to expose unethical activity without worrying about facing consequences, creating a more open workplace.
- To discourage short-termism, companies should tie CEO compensation to performance indicators that support the building of long-term shareholder value.
- Create independent, diverse boards with the necessary knowledge, making sure there is a balance between executive and non-executive directors.
- To improve supervision and accountability, board committees should play a stronger role, particularly those that deal with risk management, remuneration, and audit.
- Create and implement solid risk management frameworks to effectively identify and reduce potential hazards.
- Support initiatives related to corporate social responsibility (CSR) to improve society and the reputation of the business.
- Give investor protection first priority by providing open communication, defending their rights, and promptly responding to their concerns.

Academics and Research Institutions:

- Financial institutions and regulators can team up to develop educational materials for investors that will assist them recognize the value of good corporate governance when choosing an investment.
- Carry out additional study to examine the precise effects of board structures, committee performance, CSR practices, and investor protection on financial success.
- Develop and share best practices in corporate governance with the business community through scholarly publications, seminars, and workshops.

Policy Makers

- Work together with sector specialists to create thorough corporate governance principles that support sustainable growth and are compatible with the changing business environment.
- Reward businesses that consistently uphold good governance standards with incentives and recognition.

Society and General Public:

- Work together with sector specialists to create thorough corporate governance principles that support sustainable growth and are compatible with the changing business environment.
- Reward businesses that consistently uphold good governance standards with incentives and recognition.

Industry Associations:

- Work together to promote and uphold ethical corporate practices with regulatory agencies, the government, and other stakeholders.
- Arrange workshops and training sessions to inform businesses on the value of good corporate governance and how to put it into practice.

Corporate Governance Auditors:

- Strengthen the function of corporate governance auditors to offer unbiased evaluations of businesses' governance processes, thereby enhancing accountability and transparency.

The recommendations made by the corporate governance research are meant to improve corporate environments by making them more accountable, transparent, and investor-friendly. These suggestions can help Indian listed firms improve their governance procedures, build investor trust, attract money, and make a beneficial impact on societal well-being and sustainable economic progress.

6.3. Implications of the research

This extensive study on corporate governance has implications for many different kinds of stakeholders and subject areas. The recommendations that resulted from this comprehensive study on corporate governance have broad implications for numerous parties involved in the Indian business environment as well as for different industries.

For **Regulators and Government:** Stricter disclosure regulations and routine, in-depth examinations of corporate governance practices are proposed, and for regulators and the government, these measures can help increase accountability and transparency in listed corporations. Small-cap company-specific guidelines recognize the particular difficulties they face and emphasize the requirement for a more sophisticated regulatory strategy. A dedication to staying up to date with world best practices is shown by the regular evaluation and amendment of governance guidelines. Furthermore, the installation of stringent oversight and penalties for non-compliance, together with potential tax breaks for compliant businesses, can promote an environment of ethical behavior and strengthen adherence to governance principles.

Investors play a pivotal role in shaping corporate governance practices. By actively participating in shareholder meetings, engaging with companies directly, and voting in favor of governance-enhancing proposals, investors can exert their influence on companies' behavior. Demanding greater transparency and responsibility from the companies they invest in ensures that governance procedures align with the interests of shareholders. Furthermore, investors should consider corporate governance standards when making investment decisions, recognizing the direct impact of these policies on financial stability.

Listed Companies should follow the advice to diversify their boards in order to include a wider range of viewpoints and experience. Better judgment may result from this diversification. A more open and transparent work atmosphere is produced by establishing efficient whistleblower routes, which encourage reporting of unethical conduct. Executive and investor interests are aligned when CEO compensation is linked to performance metrics which promote long-term shareholder value. It can be easier to monitor and hold people accountable if the function of board committees is emphasized in risk management, compensation, and audit. The use of efficient risk-management frameworks can aid in locating and reducing potential risks. In addition, a company's reputation is improved by supporting corporate social responsibility (CSR) programs.

Academics and Research Institutions can make a difference by working with financial institutions and regulators to create educational materials for investors that highlight the significance of corporate governance in investing choices. Further study into the precise relationships between board structures, committee effectiveness, CSR policies, and investor protection and financial success can yield insightful results. Disseminating knowledge and fostering improved governance can both be accomplished through exchanging best practices through academic publications, seminars, and workshops.

Policymakers are urged to work with subject matter experts to create comprehensive corporate governance guidelines that support long-term expansion and accommodate shifting market conditions. Compliance can be encouraged by publicly acknowledging and rewarding companies who consistently observe ethical business practices.

Corporate Governance Auditors need to do a better job of evaluating governance practices objectively so that businesses can be held more accountable and transparent.

The recommendations from this study have broad implications, including policymaking, society, corporate practices, academic institutions, investor behavior, investor behavior, industry associations, and corporate practices. These suggestions can be adopted and put into practice by all Indian listed firms in order to promote a culture of responsibility, openness, and investor confidence. This environment can then stimulate growth in the economy and societal well-being.

6.4. Scope for further research

Further investigation of corporate governance procedures and compliance among listed businesses in Kerala could provide insightful information and help to continuously raise the bar for governance standards based on the conclusions and recommendations made. The following are some prospective research areas:

- **Long-Term Impact Analysis:** Conduct longitudinal research to determine how better corporate governance standards would affect a company's overall sustainability, shareholder value, and financial performance over time. To ascertain the long-term benefits, this may include monitoring businesses that have adopted governance enhancements over a considerable amount of time.
- **Causal Relationships:** Examine the connections between particular corporate governance methods and financial performance indicators. Examine whether certain governance techniques result in better financial performance and whether there are any differences between industries.
- **Behavioral Aspects:** Consider the behavioral facets of implementing corporate governance. Recognize the difficulties and obstacles businesses encounter when striving to implement stronger governance processes, and devise solutions to these issues.

- **Comparative Studies:** Compared to businesses in other Indian states or regions, Kerala listed companies have different corporate governance procedures. Determine the best practices from various areas and evaluate the applicability and impact in the Kerala environment.

- **Institutional Investors' Role:** Learn more about how institutional investors support corporate governance. Examine the ways in which various institutional investor types—such as mutual funds, pension funds, and activist investors—have an impact on governance procedures and whether their engagement varies according to the size or industry of the company.

- **The Influence of Cultural elements:** Research the effects of Kerala-specific cultural elements on corporate governance practices. Examine the impact of cultural norms, values, and traditions on governance choices and the possibility of utilizing these elements to improve compliance.

- **Stakeholder Engagement:** Investigate the contributions made to strengthening corporate governance by different stakeholders, including as employees, clients, suppliers, and local communities. Examine the relationship between stakeholder engagement programs and improved governance outcomes.

- **Technology and Governance:** Examine how technology, such as block chain and artificial intelligence, might help corporate governance frameworks improve transparency, accountability, and data security.

- **Small-Cap Company Challenges:** Analyze the difficulties small-cap companies have in putting good governance processes in place in more detail. Find specialized approaches and actions that can aid small-cap enterprises in overcoming these difficulties.

- **Global Benchmarks:** Compare Kerala's corporate governance practices to worldwide norms and benchmarks. Analyze the areas where Kerala practices are in line with current global trends and pinpoint those that still require improvement.

- **Legal and Regulatory Analysis:** Check the efficiency of Kerala's current legal and regulatory corporate governance systems. Determine any areas that need improvement or where compliance is not as high as it should be.

- **Employee Perspective:** Examine how employees are involved in establishing governance procedures, including their awareness, involvement, and influence. The promotion of moral conduct and responsibility may depend heavily on employee engagement.

- **Environmental, Social, and Governance (ESG) Integration:** Examine the ways Kerala businesses are incorporating ESG factors into their corporate governance processes and the possible effects on long-term viability and investor trust.

- Studying these topics could lead to a more thorough comprehension of the dynamics of corporate governance in the Kerala region and offer stakeholders useful information to improve governance practices and compliance.

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APPENDIX

Corporate Governance Practices	Mandatory-M (95)	**Y=1/N=0**	Non-mandatory (50)	**Y=2/N=0**
1.Board structure and process				
Size of the Board 1. BODs shall have the optimum combination of executive and non-executive directors where the chairperson of the BOD is NED, at least 1/3 be IDs and where the listed entity does not have a regular non-exe-chairperson at least half be IDs	M1			
Composition of the Board (w.e.f.1/04/2015) 2. At least 50% of the board of directors shall be non-executive directors	M2			
Diversity of the Board (*gender, nationality, educational qualification, and experience*) 3. At least one women director as director shall be on the board	M3			
4. Profile of board members: Disclosure of expertise and skills of directors			N1	
5. Date of appointment of directors disclosed in the annual report			N2	
6. Relationship with other directors			N3	
7. Shareholdings of the directors			N4	
8. Age of directors disclosed in the annual report			N5	
9. CEO duality			N6	
Number of Directorships 10. Maximum number of public	M4			

companies in which a person can be appointed as a director shall not exceed ten (Section 165 of CA, 2013) A person shall not be a director in more than eight listed entities with effect from April 1, 2019, and in not more than seven listed entities with effect from April 1, 2020 (Reg 17A of SEBI(LODR) Regulations 2015				
Powers of Board 11. Board of Directors shall abide by the responsibilities and powers as per the Companies Act 2013(sec.179)	M5			
12. Laid down with the requirements on appointment, removal, and resignation of directors as per the Companies Act 2013 (sec.152)	M6			
13. Duties of directors	M7			
Independent Directors *14.* Every listed public company, where the chairman is a non-executive director, shall have at least 1/3 of the total number of directors as independent directors and where the chairman is an executive ½ be independent directors	M8			
15. Definition of Independent Directors	M9			
16. Duties of Independent Directors	M10			
17. Declaration of Independent Directors	M11			
18. The company and independent directors shall abide with specified in	M12			

Schedule IV (sec 149(8)) of Companies Act 2013				
19. An independent director shall hold office for a term up to five consecutive years on the board (sec.149, 10)	M13			
20. Independent directors may be selected from a databank			N7	
21. The appointment of an independent director shall be approved by the company in general meeting	M14			
22. Separate meeting for independent directors	M15			
23. Minimum compensation to Ids	M16			
24. Training of Independent Directors			N8	
25. Non-executive director's compensation and disclosure	M17			
26. Appointment of Lead Independent Directors			N9	
27. Role and contribution of NEDs			N10	
28. Formal letter of appointment to NEDs			N11	
29. Tenure of directors (sec.152(6))	M18			
30. Mechanism for evaluating performance of NEDs			N12	
31. Resignation of Independent Directors			N13	
Board structure Total	**18*1=18**		**13*2=26**	
Board Procedure ***Meetings of Board*** 32. The board of directors shall meet at least four times a year, with a maximum time gap of 120 days between two meetings	M19			
33. Post meeting follow-up			N14	

system				
34. Scheduling and selection of agenda items for board meetings (refer to secretarial standards 1) Section 118 of Companies Act, 2013 a. Every company shall observe secretarial standards with respect to general and Board meetings specified by the Institute of Company Secretaries of India constituted under section 3 of the Company Secretaries Act, 1980, and approved as such by the Central Government	M20			
35. Review of compliances by the board	M21			
Quorum for Board meetings 36. The quorum for every meeting of the BODs of a company w.e.f. April 1, 2019 & of the top 2000 listed entities w.e.f. April 1, 2020 shall be 1/3 of its total strength or three directors whichever is higher and including at least 1 ID (sec.17(2A))	M22			
37. Participation of directors by video conferencing or by audio-visual means would also be counted towards quorum	M23			
38. Maintain a minute of the meeting (sec.175,2)	M24			
Board procedure Total	**6*1=6**		**1*2=2**	
2. Board committees **Audit Committee** 39. Constitution of the audit committee in the board	M25			
40. There shall be a minimum of 3 directors with independent	M26			

directors forming a majority (sec. 177,1,2)				
41. All members shall be financially literate and at least one member shall have accounting or related financial management expertise	M27			
42. The chairperson of the committee shall be an ID	M28			
43. Chairman of the committee shall be present at AGM to answer shareholder queries	M29			
44. The committee shall invite the finance director, head of the finance function, head of internal audit, and a representative of the statutory auditor and any other such executives, to be present at the meetings of the committee	M30			
45. Company secretary shall act as the secretary of the committee	M31			
Meeting of the Audit committee 46. The committee shall meet at least four times in a year and not more than 120 days shall elapse between two meetings (met 4 times as per LODR)	M32			
47. Quorum for the meeting shall either be two members or 1/3, whichever is higher with at least 2 independent directors	M33			
Role and Powers of Audit Committee 48. Every audit committee shall act in accordance with the terms of reference specified in writing by the board as per the Companies Act 2013, sec. 177(4)	M34			
49. Review of information by	M35			

audit committee				
50. Attendance of audit committee must meet the required quorum	M36			
Nomination / Remuneration and Stakeholder Relationship Committee (sec. 178) 51. Constitute a N&R committee in the company of 3 or more NEDs out of which not less than 2/3 be independent directors	M37			
52. N&R committee shall identify persons who are qualified to become directors	M38			
53. Formulate board policies for selecting the directors and fixing their remuneration level that is reasonable and attract directors and be disclosed in Board's report	M39			
54. The nomination committee shall lay down the evaluation criteria for the performance evaluation of the independent directors	M40			
55. Quorum: 2 or 1/3 whichever is higher at least one IDs	M41			
56. The roles and functions of the remuneration committee (part D, schedule II of LODR)	M42			
57. Attendance of the remuneration committee must meet the required quorum	M43			
58. Nomination & Remuneration schedule II during the year			N15	
Stakeholder Relationship committee 59. Constitution of the committee in the company and the chairperson shall be a NED	M44			

60. Chairperson shall be a non-executive director	M45			
61. At least three directors, with at least one being ID, shall be members of the Committee	M46			
62. Chairperson shall attend the general meetings of the committee	M47			
63. Quorum: 2 or 1/3 whichever is higher at least one Ids	M48			
64. Attendance of the stakeholder committee must meet the required quorum	M49			
3.Inclusive CSR: **CSR committee (sec.135 & Schedule VII of Companies Act) and CSR activities** 65. Constitution of a CSR committee	M50			
66. CSR committee shall consist of three or more directors with at least one ID and board shall disclose the composition in its report	M51			
67. Committee shall formulate and recommend to the board, a CSR policy which shall indicate the activities to be undertaken by the company as in Schedule VII	M52			
68. The company shall spend 2%of the average net profit of the company for CSR activities	M53			
69. Separate CSR foundation			N16	
Other committees 70. Constitution of IT committee			N17	
71. Corporate governance committee			N18	
72. Ethics or compliance committee			N19	
73. Management committee			N20	

Board committees total	**29*1=29**		**6*2=12**	
4.Investor Protection and Information for Shareholder/ shareholder's rights 74. Protection of investor's basic rights	M54			
75. Investor education and protection fund			N21	
76. Calling of extra ordinary GM (sec.100)	M55			
77. Establishment of serious fraud investigation office	M56			
78. Shareholder should have the right to participate in and to be sufficiently informed on decisions concerning fundamental corporate changes	M57			
79. Ensure opportunity to participate effectively and vote in general shareholder meetings and should be informed of the rules including voting procedures, that govern general shareholder meetings	M58			
80. Shareholder participation in key corporate governance decision such as the nomination and election of board members	M59			
81. Provision of mechanisms to address grievances of shareholders and enactment of investor protection measures against acceptance of deposits from public, misstatement in prospectus, fraudulently inducing person to invest money, non-payment of dividend etc.	M60			
82. Ownership rights by all	M61			

shareholders				
83. Rights of shareholders to have postal ballot for those who could not attend the AGMs	M62			
Information for Shareholder/ shareholder's rights 84. Letter to shareholders			N22	
85. Five years or more performance of shares disclosed in annual report			N23	
86. Share capital history disclosed in annual report			N24	
87. Market capitalization trend			N25	
88. Shareholder's satisfaction survey			N26	
89. Investor contracts			N27	
90. Payment of dividend			N28	
91. Top ten shareholders of corporation			N29	
92. List of investor's service centres			N30	
93. Change in equity share capital during the year	M63			
Investor protection and shareholder's rights total	**10*1=10**		**10*2=20**	
5.Increased reporting standards /reporting framework ***Disclosure*** 94. Secretarial audit report	M64			
95. Annual report available to download			N31	
96. Disclosure of contingent liabilities and capital commitment	M65			
97. Statement showing computation of net profit for the computation of managerial remuneration	M66			
98. Basis of related party	M67			

transactions				
99. Accounting principles followed	M68			
100. Details given regarding public issues, right issues, preferential issues, etc.	M69			
101. Reporting of remuneration of directors	M70			
102. Director's resignation reporting	M71			
103. CEO/CFO certification	M72			
104. Report on CG	M73			
105. CG compliance certificate	M74			
106. Management discussion and analysis reporting	M75			
107. Media scrutiny reporting on corporate governance			N32	
108. Notice of annual general meeting	M76			
109. Chairman's report	M77			
110. Summary of financial results	M78			
111. Auditor's report	M79			
112. Reporting of financial statements of the company	M80			
113. Compliance with other corporate governance guidelines	M81			
114. Code of conduct for directors/ senior management personnel	M82			
115. CG rating/credit rating			N33	
116. Succession planning			N34	
117. Insider trade code			N35	
Reporting framework Total	**19*1=19**		**5*2=10**	
6.Risk Management 118. The Board of directors shall constitute a risk management committee	M83			

119. The majority of members of risk management committee shall consist of members of the Board of Directors	M84			
120. Senior executives can be members of the committee but the chairperson shall be a member of the Board of directors	M85			
121. The BODs shall define the role and responsibility of the risk management committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit	M86			
122. Reporting of risk management	M87			
123. Roles and functions of risk management committee	M88			
124. Risk management attendance during the year	M89			
Risk Management Total	**7*1=7**		----------	
7.Whistle blowing mechanism 125. The listed entity shall formulate a vigil mechanism for directors and employees to report genuine concerns. sec 177(9)	M90			
126. The mechanism should provide for adequate safeguard against victimization of directors (s)/ employee(s) who avail of the mechanism and also provide for direct access to the chairman of the audit committee	M91			

127. Review of whistle blowing by the Audit committee			N36	
128. The details of establishment of this system shall be disclosed by the company on its website and in the board's report	M92			
Whistle blowing total	**3*1=3**		**1*2=2**	
8.Value for other stakeholders 129. FAQ			N37	
130. Policy to prevent sexual harassment (Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressed) Act, 2013) check the same is implemented in companies			N38	
131. Human Resource Development			N39	
132. Anti-corruption policy			N40	
133. Human Rights policy			N41	
134. Sustainability council/ committee			N42	
135. Sustainability report			N43	
136. Research and development			N44	
Value for other stakeholders Total	------------		**8*2=16**	
9. Statutory Auditors				
137. Awards & accolades			N45	
138. Internal management structure and workplace development initiatives			N46	
139. Compliance with International CG standards			N47	
140. Internal control system and its adequacy	M93			
141. Board evaluation	M94			
142. Details of non-compliance of complaints	M95			

143. Timely updating of company websites			N48	
144. Peer evaluation of Board members			N49	
145. Companies may send annual report to shareholder's residence			N50	
Others total	**3*1=3**		**6*2=12**	
Grand total	**95*1=95**		**50*2=100**	