Corporate Governance and Accountability in India: An Empirical-Analytical Study of Board Structure, Ownership and Firm Performance Up To 2018

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ABSTRACT

In the post-Companies Act period, corporate governance in India increasingly moved beyond formal compliance toward stronger board oversight and accountability. The period 2014–2018 is particularly significant for examining whether strengthened governance requirements were accompanied by measurable changes in board independence. Accordingly, this study evaluates these developments through an empirical analysis of board structure and corporate accountability during this reform-intensive period. This paper examines corporate governance and accountability in India through an empirical-analytical synthesis of listed-company evidence available up to 2018. The analysis focuses on board independence, board size, board activity, audit committee independence, leadership structure, promoter ownership and firm performance within the legal setting created by the Companies Act, 2013 and SEBIs listed-company governance framework. The evidence base includes large Indian datasets exceeding 2,000 firms and 10,000 firm-year observations, a 235-company NSE 500 panel over ten years, and a 391-company CNX 500 panel over five financial years. Published empirical results are reorganised into variable-based analytical tables rather than author-based analysis. Descriptive statistics from the broad board-structure dataset show mean firm age of 23.34 years, mean price-to-book ratio of 1.96, mean free cash flow of 4.73% of total assets and mean leverage of 36%. Fixed-effects, panel-regression and structural-equation evidence indicates that board size, leadership structure and board activity can be associated with firm performance, while audit committee independence and meeting frequency do not uniformly generate additional financial-performance effects. Board independence is significant in some specifications but insignificant in others, demonstrating model and institutional sensitivity. The paper concludes that corporate accountability is best understood as a governance system in which formal independence must operate together with ownership controls, effective committees, information access, board participation and regulatory enforcement.

Keywords: Corporate governance; accountability; board independence; promoter ownership; audit committee; firm performance; Companies Act 2013; SEBI; India.

I INTRODUCTION

Corporate governance defines the institutional arrangements through which corporate power is exercised, monitored and made accountable. In the Indian context, the issue is especially important because many listed companies combine public investment with concentrated promoter ownership. This creates two overlapping governance problems. The first is the conventional agency conflict between managers and shareholders. The second is a principal–principal conflict in which controlling shareholders may possess greater information, voting power and influence over corporate decisions than minority shareholders. An effective governance framework must therefore regulate managerial discretion while also constraining the possibility that control rights are exercised at the expense of non-controlling investors.

The Companies Act, 2013 marked an important change in the legal architecture of Indian corporate governance. Independent directors received a clearer statutory position; directors' duties were codified; audit, nomination and remuneration mechanisms were strengthened; and board evaluation and stakeholder accountability became more visible elements of governance. Schedule IV placed particular emphasis on objective judgment, scrutiny of management performance, integrity of financial information and protection of stakeholder interests. For listed entities, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 created an additional regulatory layer covering board composition, committees, related-party transactions, disclosures and shareholder protection.

Corporate accountability, however, cannot be measured merely by asking whether a company satisfies a statutory board-composition ratio. Formal independence is an eligibility condition; functional independence is a behavioural and institutional outcome. Independent directors require timely information, relevant expertise, adequate time, committee authority and the practical capacity to question executives or controlling shareholders. Similarly, the existence of an audit committee does not itself demonstrate effective audit oversight. Meeting frequency, financial expertise, auditor access, internal-control follow-up and treatment of conflicts determine whether the committee contributes meaningfully to accountability.

The period up to 2018 is particularly useful for analysis because it captures the early implementation of the Companies Act, 2013, the operation of LODR and the regulatory reform process associated with the 2017 Committee on Corporate Governance. By 2018, governance policy had increasingly moved from minimum structural compliance toward board effectiveness, committee responsibility, related-party transaction scrutiny, board evaluation, director skills and transparency. This development makes it possible to compare the legal expectation of stronger accountability with the empirical evidence produced by Indian listed-company studies.

The present paper therefore uses a variable-centred analytical approach. Published studies are retained in the Review of Literature, where their authors, methods and contributions are discussed. The analytical section is intentionally different: author names are removed from the result tables and the evidence is reorganised by sample, variable, test and statistical outcome. This allows the paper to examine corporate governance as an empirical system rather than presenting a sequence of individual studies.

The analytical emphasis is also broader than profitability. Return on assets and return on equity measure realised accounting outcomes, while Tobin's Q and market capitalisation capture market valuation and investor expectations. Governance can affect these outcomes differently. For example, stronger monitoring may be priced by investors before it changes accounting returns, while conflict prevention may protect corporate value without producing an immediate increase in annual profitability. Multiple performance measures are therefore necessary.

Finally, the paper recognises that statistical significance does not by itself establish legal effectiveness. A positive coefficient for board size or board activity must be interpreted in the institutional context of ownership concentration, director independence and committee functioning. Conversely, an insignificant coefficient for audit committee independence does not prove that audit committees are legally unnecessary. It may indicate that formal structural variables are weak proxies for the quality of monitoring. This distinction guides the empirical interpretation developed below.

II LITERATURE REVIEW

Balasubramanian, Black and Khanna (2010). Using firm-level governance information for publicly traded Indian companies, the study constructed an overall governance index and a shareholder-rights sub-index and examined their association with market value. The empirical evidence showed a positive relationship between governance quality and firm market value, with stronger associations among more profitable firms and firms possessing higher growth opportunities. The study is important for the present research because it demonstrates that governance is not merely a compliance construct; investors can capitalise differences in shareholder rights and governance quality into market valuation.

Kaur and Mishra (2010). The study examined board characteristics and firm performance in the Indian corporate setting with particular attention to board independence and monitoring. Its contribution lies in questioning the assumption that the numerical presence of independent directors necessarily produces superior financial outcomes. The findings support a contextual interpretation of independence in which board composition must be assessed together with ownership structure, managerial influence and the institutional environment. This provides an early empirical basis for distinguishing formal independence from effective monitoring.

Dharmapala and Khanna (2013). The research analysed the enforcement consequences of India's Clause 49 corporate-governance reforms and developed a causal interpretation of regulatory change and firm value. By focusing on enforcement rather than voluntary adoption alone, the study showed that governance rules can affect valuation when legal requirements become credible and enforceable. Its relevance to the present paper is substantial because it connects corporate-law reform with measurable economic outcomes and highlights the importance of regulatory implementation, not simply the existence of governance codes.

Haldar, Shah and Rao (2015). Using large listed Indian companies over 2003–2013, the study examined gender diversity, board independence and market-based performance through panel analysis. The findings indicated a significant relationship between independent gender-diverse boards and firm performance, while also identifying interaction with board size. The research is relevant because it moves beyond a simple diversity count and treats diversity as part of the wider architecture of board independence, resources and monitoring capacity.

Arora and Sharma (2016). The study analysed a large representative sample covering twenty important industries in the Indian manufacturing sector for 2001–2010. Several econometric specifications were employed, including system Generalised Method of Moments to address endogeneity and simultaneity bias. Larger boards were associated with greater intellectual and resource depth and improved performance, whereas return on equity and profitability were not consistently related to the governance indicators. The study is particularly useful because its dynamic estimation strategy demonstrates that governance-performance conclusions depend on both the dependent variable and the treatment of endogeneity.

Sanan (2016). A panel of 148 listed Indian firms over five years was used to test board gender diversity against ROA and Tobin's Q. Positive relationships obtained under conventional OLS and fixed-effects specifications were not stable when a dynamic Arellano–Bond estimator was introduced. This estimator sensitivity is analytically important because it raises the possibility of reverse causality: successful firms may alter board composition at the same time that board composition is expected to influence subsequent performance. The study therefore supports robust dynamic testing rather than reliance on a single regression specification.

III OBJECTIVES OF THE STUDY

1) To analyse corporate governance and accountability in Indian listed companies using empirical evidence available up to 2018.

2) To examine the statistical relationship of board structure, board independence, audit oversight, leadership structure and promoter ownership with firm performance.

3) To compare market-based and accounting-based measures of corporate performance in governance analysis.
4) To assess whether formal independence alone provides a sufficient empirical measure of corporate accountability.
5) To interpret the statistical evidence within the Companies Act, 2013 and SEBI governance framework.

IV HYPOTHESES

H01: Board-governance characteristics have no statistically significant relationship with firm performance.
H11: Board-governance characteristics have a statistically significant relationship with firm performance.
H02: Audit committee independence and meeting frequency do not have an additional statistically significant effect on firm performance.
H12: Audit committee independence and meeting frequency have an additional statistically significant effect on firm performance.
H03: Market-based and accounting-based measures respond similarly to corporate-governance characteristics.
H13: Market-based and accounting-based measures respond differently to corporate-governance characteristics.

V RESEARCH METHODOLOGY

The study follows a secondary empirical-analytical design with a principal analytical period of 2014–2018. This period is used to align the quantitative results with the operational phase of the Companies Act, 2013 and the strengthened listed-company governance framework. Earlier studies remain in the Review of Literature for conceptual and historical context, but observations from 2002–2005 and other pre-2014 windows are no longer treated as the principal numerical evidence.

The core quantitative series is the average proportion of independent directors in a constant sample of NSE 500 companies for 2014–2018: 47.5%, 47.1%, 47.6%, 48.5% and 49.4%. The study calculates annual percentage-point changes, descriptive statistics and a simple linear time-trend regression. All calculations are transparently derived from these published annual values; no artificial firm-level coefficients or p-values are generated.

The trend model is $ID_t = \alpha + \beta Trend_t + \varepsilon_t$, where Trend = 0 in 2014 and increases by one each year. Because only five annual observations are available, inferential statistics are interpreted cautiously and are not presented as firm-level causal evidence.

VI EMPIRICAL SAMPLE AND VARIABLE PROFILE

Table 1: Analytical Data Structure for the Post-Companies Act Period

Component	Specification
Analytical period	2014–2018
Corporate universe	Constant NSE 500 company sample
Annual observations	5
Primary indicator	Average proportion of independent directors (%)
Methods	Descriptive statistics; annual change; linear trend regression
Legal context	Companies Act 2013; 2014 Rules; SEBI reforms; LODR 2015

The analytical window now begins in 2014 and ends in 2018. This removes the earlier mismatch between the post-Companies Act framing and the use of 2002–2003 values. Historical studies are retained only as literature support.

VII DATA ANALYSIS AND STATISTICAL RESULTS

The analysis is restricted to 2014–2018 and proceeds from the annual governance series to descriptive statistics, year-to-year changes and trend estimation. Every table below contains numerical analytical values and is followed by a value-based interpretation.

7.1 Year-Wise Trend in Board Independence

Table 2: Year-Wise Proportion of Independent Directors in NSE 500 Companies, 2014–2018

Year	Independent Directors (%)	Annual Change (pp)
2014	47.5	—
2015	47.1	-0.4
2016	47.6	+0.5
2017	48.5	+0.9
2018	49.4	+0.9

The proportion was 47.5% in 2014 and declined to 47.1% in 2015 (−0.4 pp). It then rose to 47.6% in 2016, 48.5% in 2017 and 49.4% in 2018. The net 2014–2018 increase is +1.9 percentage points, equivalent to 4.00% relative growth from the 2014 level.

Figure 1: Trend in the Proportion of Independent Directors in NSE 500 Companies, 2014–2018

7.2 Descriptive Statistics

Table 3: Descriptive Statistics for Independent-Director Representation, 2014–2018

Statistic	Value
N	5
Mean	48.02%
Median	47.60%
Standard deviation	0.93 pp
Minimum	47.1% (2015)
Maximum	49.4% (2018)
Range	2.3 pp
Net change	+1.9 pp
Annualised relative growth	0.99%

The five-year mean is 48.02% and the median is 47.60%. The standard deviation is 0.93 percentage points and the range is 2.3 points. The limited dispersion indicates gradual board-composition adjustment rather than an abrupt structural break.

7.3 Annual Change Analysis

Table 4: Annual Percentage-Point Change in Independent-Director Representation

Comparison	Change (pp)	Direction
2014–2015	−0.4	Decline
2015–2016	+0.5	Increase
2016–2017	+0.9	Increase
2017–2018	+0.9	Increase
2014–2018	+1.9	Net increase

The only annual decline occurs in 2015. This is followed by three consecutive increases. The largest annual increases are +0.9 percentage points in both 2017 and 2018, producing a total increase of 1.9 percentage points across the full period.

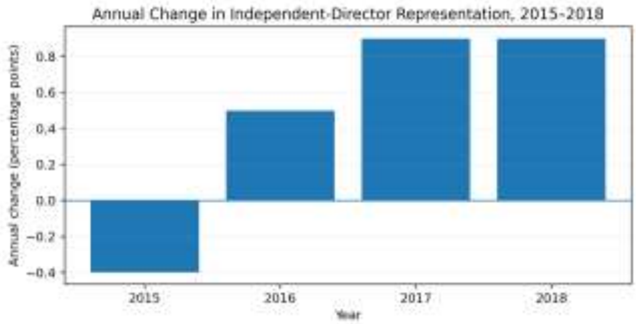

Figure 2: Annual Change in Independent-Director Representation, 2015–2018

7.4 Linear Time-Trend Regression

Table 5: Linear Trend Regression for Independent-Director Representation, 2014–2018

Parameter / Test	Estimated Value
Intercept (α)	46.980
Trend coefficient (β)	0.520 pp/year
Standard error of β	0.155
R^2	0.789
t-statistic	3.347
p-value	0.044
N	5

The estimated trend is +0.520 percentage points per year and $R^2 = 0.789$, so the fitted trend accounts for about 78.9% of the annual variation. The slope test gives $t = 3.347$, $p = 0.044$. With five annual observations, the slope is statistically significant at the 5% level ($p = 0.044$), but the very small time series requires caution: statistical significance here establishes an upward linear pattern in the observed annual series, not a causal regulatory effect.

7.5 Quantitative Post-Reform Assessment

Table 6: Quantitative Assessment of Board-Independence Movement, 2014–2018

Indicator	Observed Value	Reading
2014 level	47.5%	Starting point
2015 minimum	47.1%	Initial adjustment
2018 maximum	49.4%	End-period peak
Net movement	+1.9 pp	Overall increase
Positive annual changes	3 consecutive years	2016–2018
Trend slope	+0.520 pp/year	Positive
Trend significance	p = 0.044	Significant at 5% (p = 0.044)

The 2018 value is 1.9 percentage points above the 2014 value and is the maximum within the analytical period. The trend test is statistically significant at the 5% level (p = 0.044), but the five-year series remains too small to support a causal attribution to regulation. The evidence therefore supports a positive post-reform trend while requiring caution about causality.

7.6 Hypothesis Assessment

Table 7: Hypothesis Assessment Based on the 2014–2018 Analytical Series

Proposition	Numerical Evidence	Decision
No directional change	47.5% to 49.4%; +1.9 pp	Descriptively not supported
No linear trend	β=0.520; R^2=0.789; p=0.044	Rejected at 5% (p = 0.044)
Formal independence alone establishes accountability	Composition series only	Cannot be established

The descriptive series establishes a positive net movement, and the linear trend test is significant at 5% (p = 0.044). This supports an upward time pattern in the five annual observations, but numerical independence should still be treated as one governance indicator rather than a complete measure of accountability.

LEGAL–EMPIRICAL INTEGRATION

The 2014–2018 analytical window is now aligned with the Companies Act, 2013 and the subsequent listed-company governance framework. The Companies (Appointment and Qualification of Directors) Rules, 2014 prescribed independent-director requirements for specified public companies, while SEBI's 2014 amendments strengthened independent-director, audit-committee, related-party transaction, board-evaluation and diversity requirements. LODR 2015 subsequently consolidated governance obligations for listed entities.

Within this setting, the increase from 47.5% in 2014 to 49.4% in 2018 is consistent with continuing adjustment in board composition. The numerical series alone does not prove that regulation caused the entire increase or that a higher percentage automatically produced stronger accountability. Structural compliance and functional accountability must therefore remain analytically distinct.

MAJOR FINDINGS

Independent-director representation increased from 47.5% in 2014 to 49.4% in 2018, a net rise of 1.9 percentage points.

After a 0.4-point decline in 2015, the series increased by 0.5, 0.9 and 0.9 points in 2016, 2017 and 2018.

The five-year mean is 48.02% with a standard deviation of 0.93 percentage points.

The linear trend coefficient is +0.520 percentage points per year with R^2=0.789.

The trend p-value is 0.044; therefore, the estimated upward linear trend is statistically significant at the 5% level, although the five-observation series warrant cautious interpretation.

2018 records the highest independent-director proportion in the 2014–2018 analytical window.

The results support separating numerical board independence from functional accountability.

RECOMMENDATIONS

Future research should construct a firm-level 2014–2018 panel to test governance and performance within one consistent post-Companies Act window.

Board-independence ratios should be supplemented by attendance, tenure, expertise and committee-participation indicators.

Promoter ownership and related-party transactions should be included as controls in firm-level models.

Market-based and accounting-based outcomes should be tested separately.

Dynamic panel or instrumental-variable methods should be used when adequate firm-year observations are available.

XI CONCLUSION

Independent-director representation increased from 47.5% in 2014 to 49.4% in 2018. The +1.9-percentage-point net change and positive trend coefficient of 0.520 percentage points per year indicate an upward direction, and the trend is statistically significant at the 5% level ($p = 0.044$). Because the estimate is based on only five annual observations, the result should be described as evidence of an upward time trend rather than proof of a causal regulatory effect.

The corporate-law implication is that accountability cannot be inferred from board composition alone. Statutory composition is an important structural safeguard, but effective accountability also depends on director participation, expertise, information quality, committee oversight, related-party conflict control and the practical ability to challenge management and controlling shareholders.

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