Journal of Information Systems Engineering and Management
2025, 10(46s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

Analyzing the Relationship Between Corporate Governance Mechanisms and Financial Performance in Indian-Listed Companies

[1]Shailesh B. Gohel, [2]Dr. Nirav Mandavia
[1]PhD Scholar School of Management, RK University, Rajkot, Gujarat, India
Email: shaileshbgohel@gmail.com
[2]PhD Guide School of Management, RK University, Rajkot, Gujarat, India
Email: nirav.mandavia@rku.ac.in

ARTICLE INFO

Received: 24 Dec 2024

Revised: 12 Feb 2025

Accepted: 26 Feb 2025

ABSTRACT

Background: Corporate governance (CG) is crucial for ensuring transparency and accountability in firms. This study explores the relationship between CG mechanisms and financial performance (FP) in Indian listed companies. CG focuses on Inside Directors (ID), Outside Directors (OD), Audit Committee (AC), CEO Duality (CEO), and Frequency of Board Meetings (FBM)

Objectives: The study aims to evaluate how these governance mechanisms influence FP, measured through Return on Assets (ROA), Return on Equity (ROE), Net Profit Ratio (NPR), Equity Multiplier (EQM), and Total Asset Turnover Ratio (TATR)

Methodology: A quantitative approach was employed, analyzing data from Indian listed companies for the period 2014-2020. Statistical techniques such as Descriptive statistics, Correlation analysis, and Regression analysis were used to assess the impact of ID, OD, AC, CEO, and FBM on the FP of the listed companies.

Findings: The study finds that in Indian-listed companies, CEO characteristics significantly influence FP, particularly asset turnover, while other governance factors show mixed or insignificant effects. FP metrics like ROA and ROE exhibit strong correlations, but leverage negatively impacts profitability. Governance's impact varies across industries, emphasizing its complex role.

Implications: The study implies that enhancing CG mechanisms, particularly board composition and oversight, can significantly improve FP in Indian-listed companies. Effective governance structures are crucial for optimizing asset utilization and profitability, thus contributing to overall financial health.

Keywords: Corporate Governance, Financial Performance, Board Independence, CEO Duality, Ownership Concentration, Audit Committee, ROA, ROE, NPR

1. INTRODUCTION

Corporate governance (CG) refers to the structure that directs and controls a business. The structure, procedures, and interpersonal relationships a company uses to manage and oversee its operations are termed CG, meaning it ensures accountability, fairness, and transparency in its dealing with all stakeholders, namely investors, management, clients, vendors, lenders, government, and society (Tricker, 2015). CG systems are a primary set of instruments and procedures that can ensure accountability, integrity, and transparency of operations. A well-functioning board of directors that guarantees managerial oversight to guarantee actions in the most beneficial interests of shareholders is one such approach (Garcia-Torea *et al.,* 2016). The Board usually comprises independent members who can ensure efficient supervision, supplemented by diversity. Another key tool would be the power of shareholder rights that allows shareholders to vote and affect key decisions (Keay & Loughrey, 2015).

Journal of Information Systems Engineering and Management
2025, 10(46s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

Effective CG must implement strong internal controls and be based on maximum openness of financial reports to enable risk minimization and accuracy. While the independent audits externally validate the financial statements, the internal controls preserve the resources and ensure compliance (Fung, 2014). This gives a double advantage by enhancing stakeholder confidence in the accuracy of the information conveyed in financial reports. Through such practices, businesses can show the world their concern for transparency and develop in investors an attitude of trust in the integrity of their financial systems and the preservation of their good name (Joseph *et al.,* 2015). Executive compensation is targeted at aligning management incentives with business success as a means of ensuring long-term shareholder value maximization; in most cases, this is achieved through performance-based pay. Such practices collectively encourage good ethical corporate behavior, limit incentive conflicts, and support sustainable growth.

Financial performance (FP) is hence a key lead indicator for the health of the Indian economy and the operating performance of its corporations. In that respect, the set of measures relates to profitability, ROE, ROA, revenue growth, and stock market performance (Rani *et al.,* 2015). Several factors, both domestic and international, including economic trends, market demand, and regulatory laws, are likely to impinge upon the Indian financial sector. Most businesses in India tend to focus on their financial results in pursuit of external capital for continuous growth with the ability to remain competitive (Purnamasari, 2015). The key sectors driving growth manufacturing, IT, and pharmaceuticals all have returned good financial results based on export growth, innovation, and government regulations that support these industries (Sharma *et al.,* 2019). However, such challenges as volatile exchange rates, inflation, and red tape may impinge upon financial results. That said, stable FP will not only enhance the trust of investors but also spur economic development and ensure the long-term durability of Indian businesses.

CG processes are thus a significant determinant of the FP of corporations. Procedures regarding ownership concentration, executive remuneration, and board composition establish openness, accountability, and a win-win situation between the shareholders and management (Razali, 2018). In light of this view, effective CG would instill an ethical and risk-aware culture, leading to stronger financial results and more confidence from investors (Mahrani & Soewarno, 2018). For instance, a good board with a mix of experience could provide good supervision and strategic direction, while concentrated ownership may back the creation of enduring value.

Objectives of the study,

- To examine whether there are differences in the link between FP and governance structures amongst various industries in the Indian stock market.
- To examine how CG policy and regulation changes affect the FP of companies listed on Indian stock exchanges.
- To determine and evaluate the important CG practices that greatly impact financial results.

2. LITERATURE REVIEW

In 2022, Alabdullah *et al.,* have investigated the link between CG structures and financial success in businesses. It expands upon earlier research on CG and the processes that support it, such as internal control. Their study explains the relationship between variables such as CEO duality, independence, and board size and how it affects financial success. Given that prior research has shown that internal control systems and board composition are important for effective CG, their study makes the case that these elements are essential for improved FP. Their study therefore emphasizes how crucial internal control systems are to the success of a business.

In 2020, Al-Ahdal *et al.,* focused on the relationship between the presentation of listed Indian manufacturing companies and CG from 2005 to 2012. It examines how financial success is impacted by promoter ownership, board size, composition, and leadership duality. Using literature reviews and the ordinary least squares approach, the study examines the association between the variables. The results indicate a negative correlation between board size, the CEO position, and financial success, but a favorable correlation between insider ownership and board independence. The study concludes that profit margin is the only FP indicator that meaningfully correlates with internal governance systems.

In 2014, Alabdullah *et al.,* have concentrated on how CG structures affect Jordan's industrial and service companies' financial results. Employing cross-sectional data from 109 organizations, the study makes use of annual reports from

the 2011 fiscal year. Their results show a negative correlation between the organization's FP and the board's size. Financial performance and the number of standalone members on the board are unrelated. The CEO's dual role does not affect the FP of the firm. Their analysis adds to the body of knowledge on CG and business performance by utilizing a market share variable as a proxy for corporate FP. This is the first of its type to offer fresh perspectives on the connection between company success and CG, as well as a new metric for both developed and emerging economies, including Jordan.

In 2023, Singh & Rastogi have examined how board composition affects Indian manufacturing companies' financial results. Using information from 275 businesses listed on the NSE between 2011 and 2015, the effect of board characteristics on company success, such as size, independence, CEO duality, and board involvement, was investigated. Their results showed a negative correlation between board characteristics and performance metrics and a significant inverse association between board size and Tobins Q, ROA, and ROE. Board independence and meeting frequency, together with stronger CG procedures, weakened the relationship between ROE and ROA. Their study recommends more research to enhance corporate performance, however, it does not take into account all potential board features, such as the dominance of major shareholders and promoter and institutional holdings.

In 2018, Mandal & Al-ahdal have investigated how CG affects the financial success of Indian companies that produce electronic consumer products. Based on their CG policies, a sample of seven firms was chosen by market capitalization and examined. Among the CG procedures under investigation were the board size, frequency of meetings, and independence of the AC. Firm size served as the control variable, while the dependent variables were ROA and return on capital employed (ROCE). Based on ROCE and ROA, the analysis's conclusions showed a significant relationship between CG variables and business performance. Only AC independence and performance showed a significant correlation according to accounting measures. The corpus of knowledge in this field of study is expanded by their examination of the connection between CG and financial success in Indian electronic consumer goods firms.

In 2020, Dey & Sharma have determined how certain Indian public sector banks' FP is correlated with their CG policies. A key component of economic regulation, especially in nations like India, is CG. The research examines 10 banks according to the size of their balance sheets and makes use of secondary data from the CMIE Prowess database. The findings indicate a negative correlation between board size, conferences, committees, independence, and financial performance. The number of female members, chief executives, and non-executive directors did, however, show a favorable correlation with the banks' performance metrics. The study suggests that public sector banks' boards not become larger than a certain size, which offers a distinctive viewpoint to the corpus of studies on the connection between governance and the banking sector.

In 2015, Shahwan *et al.,* investigated how well CG practices performed in Egyptian-listed companies and how they affected financial hardship and business outcomes. Their research produced a CG index (CGI) based on four criteria: ownership and control structure, investor relationships and rights of shareholders, board composition, and transparency and openness. Their results showed no correlation between CG practices and financial success, indicating that the quality of CG activities in these firms could be improved. Their study also found a negligible negative correlation between CG practices and financial trouble. Unique organizational traits could serve as preliminary tools for assessing financial distress risk and firm performance.

In 2014, Siahaan have investigated how strong CG practices like ACs, commissioner's boards and independent commissioners affect business value is the goal of this study. Additionally, the impact of these processes on firm value, firm size, and leverage on firm value are examined. 28 manufacturing companies registered between 2007 and 2011 on the IDX made up the sample. Double linear regression and judgment sampling were the data analysis methods employed in the investigation. The findings demonstrated that while ACs and independent commissioners have no disc The study concludes that business size, leverage, and sound CG practices all affect firm value. terrible effect on company value, sound CG practices such as the size of the commissioner's board do. Firm size determines firm value; leverage does not affect it.

In 2016, Zabri Zabri *et al.,* have looked at the relationship between CG practices and Bursa Malaysia's Top 100 publicly traded businesses' business performance. The Malaysian Code of CG (MCCG) was introduced as part of the

Journal of Information Systems Engineering and Management
2025, 10(46s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

BMB listing requirements. The study assessed its hypothesis on the association between corporate success and governance procedures using descriptive and correlation analysis. Board size and ROE did not correlate, according to their findings, however there was a little negative link with ROA. There was no correlation established between the firm's success and the independence of the board. Policymakers may be better equipped to adjust CG regulations and comprehend the connection between business performance and governance procedures using this knowledge.

In 2023, Almashhadani & Almashhadani have provided a thorough description of CG procedures from the viewpoints of many nations, both industrialized and developing. It draws on earlier studies of the literature, mostly from the Middle East, to emphasize the contributions made by academics and researchers in the area. To help academic staff better comprehend the notion, the research also summarizes CG features in several Asian nations. For academic personnel to comprehend CG more fully, they must have a thorough comprehension of it.

In 2018, Paniagua *et al.,* have investigated the relationship between the company's financial success, CG, and ownership structure. It applies non-linear and complementary linear multiple regression analysis. Between 2013 and 2015, 1207 companies from 59 countries are represented in the panel data, which covers 19 industries. Through the application of several empirical techniques, the research adds significantly to our understanding of the relationship between ownership and CG and a firm's FP.

In 2015, Rossi *et al.,* have examined the connection between Italian-listed firms' financial success and CG. To find out if improved business performance is a result of good governance, it develops a quality indicator known as the CGQI. The target demographic consists of all Italian companies that were listed on the Italian Stock Exchange in 2012. Cross-sectional regression reveals a positive association between Return on Equity and CGQI and a negative correlation between Tobin's q and CGQI. Since the score is based on CG principles from several nations, the research may be expanded both temporally and geographically, allowing for a comparison between different countries.

2.1. Problem Statement

One gains insight into the connection between the financial outcomes and the CG methods. Board independence, CEO duality, size, and the outcome of internal controls on firm performance are its primary issues. The disparate impact of CEO duality on business performance in non-financial businesses across borders requires more investigation to close the knowledge gap. By looking at the connection between CG mechanisms and FP in different corporate entities, the research gap is filled. FP was calculated between 2009 and 2016 by examining the CG processes in non-financial listed enterprises of India and the Gulf Corporation Council (GCC). Thus, more investigation is necessary into how CG practices interact with the various economic situations in India and the GCC to understand their intricate implications on FP. By examining the connection between CG's mechanisms and FP across different corporate entities, the research gap is filled. In this sense, the effect of the CG structure on the FP of Jordanian industrial and service firms was examined and analyzed using the financial data from the fiscal year 2011. By analyzing CG techniques and their impact on corporate performance in developed countries, and contrasting the findings with emerging economies such as Jordan, this research requirement is satisfied. Therefore, the current study's objective is to investigate how the processes of CG and FP relate to different kinds of business entities.

3. RESEARCH METHODOLOGY

3.1 Hypothesis of the Study

Hypothesis 1

The ROA of Indian-listed businesses is not significantly correlated with the strength of CG mechanisms.

Hypothesis 2

The ROE of Indian-listed businesses is not significantly correlated with the strength of CG mechanisms.

Hypothesis 3

The NPR of Indian-listed firms is not significantly correlated with the effectiveness of CG procedures.

Hypothesis 4

Journal of Information Systems Engineering and Management
2025, 10(46s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

The EQM of Indian-listed businesses and the effectiveness of CG mechanisms do not significantly correlate.

Hypothesis 5

The TATR of Indian-listed businesses and the effectiveness of CG procedures do not significantly correlate.

3.2 Research Design

- **Data Collection**

The data for this research work were sourced from the internet databases of 10 key Indian companies, comprising four Fast Moving Consumer Goods (FMCG) companies: Nestle, Hindustan Unilever, Colgate, and TATA Consumer Products; three corporate banks like ICIC, Kotak-Mahindra, and HDFC; lastly, three pharmaceutical companies like Cipla, Sun, and Pfizer. To check the strength, financial statements and annual reports from these respected organizations were carefully examined. The period under investigation covers seven years, from 2014 to 2020. The received information consists of various financial scales, neatly collected in an Excel worksheet for further statistical analysis. This methodical way will allow broad analysis and inter-industry comparison to give valuable insights into the financial trends and performance of the selected period.

- **Variables**

In this study, the independent variables include Return on Assets (ROA), Return on Equity (ROE), Net Profit Ratio (NPR), Equity Multiplier (EQM), and Total Asset Turnover Ratio (TATR), which collectively measures various aspects of FP and leverage. The dependent variables encompass several governance and organizational factors: Inside Directors (ID), Outside Directors (OD), Audit Committee (AC), CEO Duality (CEO), and Frequency of Board Meetings (FBM). These dependent variables reflect different dimensions of CG and board structure, allowing for an examination of their relationship with FP metrics.

- **Data Analysis**

A proper data analysis was done with the use of a standard statistical software program, SPSS. Means and SDs of the measurements of FP and CG metrics, among other descriptive statistics, provide a clear view of data distribution and its key patterns. Correlation analysis has made it possible to estimate the direction and intensity of the linkages between FP and governance structures, showing important correlations. To isolate the effect of governance structures on FP, regression analysis with multiple regression models was used after controlling other variables. Independent sample t-tests were conducted for the comparison of mean differences between groups, such as different businesses with different kinds of governance arrangements. All these statistical methods applied sequentially added to our understanding of the trends and relationships that exist in the data about CG and its relations with financial outcomes.

4.1 Pharma Companies

4.1.1 Descriptive Statistics

The descriptive statistics for the different survey questions in pharmaceutical businesses are shown in Table 1. With a mean of 6.854783 and a standard deviation (SD) of 6.06052231, the ROA showed significant variability, ranging from -0.03172 to 11.37601. Even more dispersion was seen in the ROE, which ranged from a low of -0.06076 to a maximum of 15.38843, with a mean of 8.9101846 and an SD of 8.02056621. With values ranging from -13.68857 to 16.92143, a mean of 5.5547619, and a high standard deviation of 16.75632517, the NPR showed considerable variability. The EQM values, with a mean of 1.4127619 and a low SD of 0.21646550, were reasonably steady, ranging from 1.24086 to 1.65586. TATR showed significant variation, ranging from 0.26571 to 69.08571, with a mean of 45.7938095 and a high SD of 39.43202030. For ID, values ranged from 1 to 4 with a mean of 2.67 and a SD of 1.528. OD had values between 1 and 11, a mean of 5.33, and an SD of 5.132. AC values ranged from 3 to 5, with a mean of 4.00 and a SD of 1.000. CEO values ranged from 0 to 1, with a mean of 0.67 and an SD of 0.577. FBM had values between 3 and 4, with a mean of 3.67 and an SD of 0.577. These statistics provide a detailed overview of the variability and central tendencies of these financial and organizational metrics.

Journal of Information Systems Engineering and Management
2025, 10(46s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

Table 1: Descriptive Statistics of Survey Items in Pharma Companies

	Minimum	Maximum	Mean	Std. Error Mean	Std. Deviation
ROA	-.03172	11.37601	6.8547830	3.49904419	6.06052231
ROE	-.06076	15.38843	8.9101846	4.63067606	8.02056621
NPR	-13.68857	16.92143	5.5547619	9.67426885	16.75632517
EQM	1.24086	1.65586	1.4127619	.12497641	.21646550
TATR	.26571	69.08571	45.7938095	22.76608754	39.43202030
ID	1	4	2.67	.882	1.528
OD	1	11	5.33	2.963	5.132
AC	3	5	4.00	.577	1.000
CEO	0	1	.67	.333	.577
FBM	3	4	3.67	.333	.577

4.1.2 Correlation Analysis

Table 2 presents the Pearson correlation coefficients between various FP metrics in pharmaceutical companies. The ROA and ROE are highly correlated with a coefficient of 0.997, indicating a strong positive relationship. Similarly, ROA and NPR also show a perfect correlation of 0.997, reflecting consistent profitability across these measures. The TATR is positively correlated with ROA and NPR 0.982 and 0.993, respectively, suggesting that higher asset turnover is associated with better FP. Conversely, EQM has a strong negative correlation with ROA, ROE, and NPR, with coefficients of -0.916, -0.884, and -0.943, respectively. This implies that higher financial leverage is associated with lower profitability. The TATR also negatively correlates with EQM is -0.976, indicating that as leverage increases, asset turnover tends to decrease. Overall, the correlations indicate that while profitability metrics are closely related, higher leverage impacts negatively on performance indicators.

Table 2: Correlation Analysis of the Survey Items in Pharma Companies

	ROA	ROE	NPR	EQM	TATR
ROA	1	.997*	.997*	-.916	.982
ROE	.997*	1	.989	-.884	.965
NPR	.997*	.989	1	-.943	.993
EQM	-.916	-.884	-.943	1	-.976
TATR	.982	.965	.993	-.976	1

4.1.3 Regression Analysis

Table 3 presents the analysis of various independent variables' effects on different dependent variables, with key values summarized. For ROA, the CEO shows the highest positive standardized coefficient Beta of 0.984 with a t-statistic of 5.532, though it is not significant at the 0.05 level with a significance of 0.114. On the contrary, the other variables have weaker effects, with FBM showing a negative Beta of -0.338 and a t-statistic of -0.359, which is also not significant with a significance of 0.781. For ROE, the CEO again has a high positive Beta of 0.969 with a t-statistic of 3.899 but remains not significant with a significance of 0.160. NPR is most influenced by the CEO, showing a Beta of 0.995 and a notable t-statistic of 9.550, although it is not significant at the 0.05 level with a significance of 0.066. EQM sees the highest positive influence from ID with a Beta of 0.887 and a t-statistic of 1.926, though not significant with a significance of 0.305. Finally, the TATR is strongly positively affected by the CEO, with a perfect Beta of 1.000 and a t-statistic of 74.695, making it highly significant with a significance of 0.009. Overall, the CEO variable

Journal of Information Systems Engineering and Management
2025, 10(46s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

consistently shows strong positive effects across various performance metrics, with the TATR being significantly impacted.

Table 3: Regression Analysis of FP in Pharma Companies with their CG

Independent Variable	Dependent Variable	Standardized Coefficients (Beta)	t – Statistics	Significance (Sig.)
ROA	ID	-.627	-.806	.568
	OD	.048	.048	.969
	AC	.763	1.181	.447
	CEO	.984	5.532	.114
	FBM	-.338	-.359	.781
ROE	ID	-.570	-.693	.614
	OD	-.024	-.024	.985
	AC	.715	1.022	.493
	CEO	.969	3.899	.160
	FBM	-.269	-.279	.827
NPR	ID	-.684	-.937	.521
	OD	.122	.123	.922
	AC	.809	1.378	.400
	CEO	.995	9.550	.066
	FBM	-.407	-.446	.733
EQM	ID	.887	1.926	.305
	OD	-.446	-.498	.706
	AC	-.959	-3.366	.184
	CEO	-.973	-4.181	.149
	FBM	.688	.947	.517
TATR	ID	-.765	-1.186	.446
	OD	.238	.245	.847
	AC	.873	1.787	.325
	CEO	1.000	74.695	.009
	FBM	-.512	-.595	.658

4.2 FMCG Companies

4.2.1 Descriptive Statistics

Table 4 provides a summary of the descriptive statistics for various survey items in FMCG companies. ROA ranges from 9.08046 to 31.45219 with a mean of 18.4213364, indicating variability in asset utilization among the companies. ROE exhibits substantial variability, ranging from 11.77144 to 2109.74533, with an average of 561.8445227, reflecting significant differences in profitability relative to shareholder equity. NPR ranges from 12.41571 to 14.78571 with a mean of 13.5505821, suggesting relatively consistent profit margins. EQM varies between 1.26671 and 2.75914 with an average of 2.1497857, indicating different levels of financial leverage. TATR ranges from 68.32429 to 213.42000, with a mean of 151.0396429, highlighting variations in asset efficiency. Moreover, the means of the three variables ID, OD, and AC are 6.25, 3.50, and 5.25, respectively, for the ranges of 3 to 10, 1 to 7, and 4 to 7. The examined organizations exhibit homogeneity in both elements, as seen by the consistent values of 1 and 5, respectively, for both CEO and FBM.

Table 4: Descriptive Statistics of Survey Items in FMCG Companies

	Minimum	Maximum	Mean	Std. Error Mean	Std. Deviation
ROA	9.08046	31.45219	18.4213364	4.71598953	9.43197907

Journal of Information Systems Engineering and Management
2025, 10(46s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

ROE	11.77144	2109.74533	561.8445227	516.19741600	1032.39483201
NPR	12.41571	14.78571	13.5505821	.51128426	1.02256852
EQM	1.26671	2.75914	2.1497857	.34598887	.69197775
TATR	68.32429	213.42000	151.0396429	33.26507745	66.53015491
ID	3	10	6.25	1.652	3.304
OD	1	7	3.50	1.500	3.000
AC	4	7	5.25	.629	1.258
CEO	1	1	1.00	0.000	0.000
FBM	5	5	5.00	0.000	0.000

4.2.2 Correlation Analysis

Table 5 presents the correlation analysis of survey items in FMCG companies, focusing on the relationships between ROA, ROE, NPR, EQM, and TATR. ROA shows a strong positive correlation with NPR at 0.814, EQM at 0.757, and TATR at 0.867, indicating that higher returns on assets are associated with higher net profit ratios, equity multipliers, and total asset turnover ratios. ROE has a weaker positive correlation with NPR at 0.250 and TATR at 0.471, and a negative correlation with EQM at -0.183 and ROA at -0.014, suggesting limited direct association with these variables. NPR demonstrates moderate positive correlations with EQM at 0.245 and TATR at 0.769, highlighting its relationship with both equity management and asset efficiency. EQM is positively correlated with TATR at 0.650, underscoring the link between equity usage and asset turnover efficiency. Overall, the analysis reveals that ROA and TATR are highly interconnected with other financial metrics, reflecting their critical role in the FP of FMCG companies.

Table 5: Correlation Analysis of the Survey Items in FMCG Companies

	ROA	ROE	NPR	EQM	TATR
ROA	1	-.014	.814	.757	.867
ROE	-.014	1	.250	-.183	.471
NPR	.814	.250	1	.245	.769
EQM	.757	-.183	.245	1	.650
TATR	.867	.471	.769	.650	1

4.2.3 Regression Analysis

A regression study of the association between FMCG businesses' CG and FP is shown in Table 6. With a t-statistic of -1.243 and a beta of -0.660, the variable CEO for ROA demonstrates a significant negative connection. This suggests that CEO-related governance has a negative influence on ROA, although the finding is not statistically significant with a Sig. of 0.340. With the same Sig. value, FBM's positive Beta of 0.660 and corresponding t-statistic are also not significant. With a beta of 0.928 and a t-statistic of 3.534, AC has a significant positive correlation with ROE that approaches significance at 0.072. NPR analysis reveals ID and AC as positive influencers with Betas of 0.666 and 0.475 respectively, though these results are not significant. For EQM, CEO has a substantial negative Beta of -0.851 with a t-statistic of -2.289, and FBM shows an equally strong positive relationship, but both lack statistical significance with a Sig. of 0.149. In the case of TATR, the CEO again shows a notable negative impact with a Beta of -0.829 and a t-statistic of -2.095, and FBM displays a corresponding positive influence, yet both are not significant at 0.171. Overall, the analysis indicates varying degrees of influence by governance variables on FP, though none of the results achieve statistical significance.

Journal of Information Systems Engineering and Management
2025, 10(46s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

Table 6: Regression Analysis of FP of FMCG Companies with their CG

Independent Variable	Dependent Variable	Standardized Coefficients (Beta)	t – Statistics	Significance (Sig.)
ROA	ID	.470	.752	.530
	OD	-.188	-.271	.812
	AC	.052	.073	.948
	CEO	-.660	-1.243	.340
	FBM	.660	1.243	.340
ROE	ID	-.443	-.698	.557
	OD	.775	1.732	.225
	AC	.928	3.534	.072
	CEO	-.355	-.537	.645
	FBM	.355	.537	.645
NPR	ID	.666	1.262	.334
	OD	-.266	-.390	.734
	AC	.475	.763	.525
	CEO	-.293	-.433	.707
	FBM	.293	.433	.707
EQM	ID	-.053	-.075	.947
	OD	.107	.152	.893
	AC	-.352	-.532	.648
	CEO	-.851	-2.289	.149
	FBM	.851	2.289	.149
TATR	ID	.102	.145	.898
	OD	.284	.419	.716
	AC	.449	.711	.551
	CEO	-.829	-2.095	.171
	FBM	.829	2.095	.171

4.3 Corporate Banks

4.3.1 Descriptive Statistics

Table 7 provides descriptive statistics for various corporate banking metrics. ROA ranges from 0.215 to 0.415, with a mean of 0.319 and an SD of 0.100, indicating low variability in asset returns. ROE spans 1.749 to 4.000, with a mean of 2.722 and an SD of 1.156, showing significant variability in equity returns. NPR varies from 15.674 to 21.289, with a mean of 18.579 and an SD of 2.812, reflecting moderate variability in profitability. EQM ranges between 7.445 and 9.649, with a mean of 8.488 and an SD of 1.107, showing variability in leverage. With a mean of 1.616 and an SD of 0.391, TATR ranges from 1.186 to 1.949, suggesting some variation in asset use. In terms of individual measurements, the mean for ID is 7.33 and the standard deviation is 3.055, while the mean for OD is 4.00 and the standard deviation is 3.606, ranging from 1 to 8. CEO is constant at 1.00 with no fluctuation, FBM ranges from 4 to 5 with a mean of 4.33 and an SD of 0.577, and AC ranges from 3 to 4 with a mean of 3.33 and an SD of 0.577.

Table 7: Descriptive Statistics of Survey Items in Corporate Banks

	Minimum	Maximum	Mean	Std. Error Mean	Std. Deviation
ROA	.21515	.41495	.3189589	.05780908	.10012826
ROE	1.74915	4.00031	2.7220068	.66755791	1.15624422
NPR	15.67429	21.28857	18.5790476	1.62364194	2.81223034
EQM	7.44457	9.64857	8.4880952	.63892159	1.10664466
TATR	1.18571	1.94857	1.6157143	.22551076	.39059609

Journal of Information Systems Engineering and Management
2025, 10(46s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

ID	4	10	7.33	1.764	3.055
OD	1	8	4.00	2.082	3.606
AC	3	4	3.33	.333	.577
CEO	1	1	1.00	0.000	0.000
FBM	4	5	4.33	.333	.577

4.3.2 Correlation Analysis

Table 8 shows the correlation analysis for corporate banks. ROA and ROE have a strong positive correlation of 0.956, suggesting that improvements in ROA are closely associated with increases in ROE. ROA and NPR exhibit a perfect correlation of 1.000, indicating a direct relationship where changes in ROA are mirrored by NPR. ROA's correlation with TATR is very high at 0.989, revealing a strong link between ROA and TATR. ROE and NPR also have a high correlation of 0.958, demonstrating their close relationship. The correlation between ROA and EQM is moderate at 0.521, reflecting a weaker connection compared to other metrics. TATR and EQM show the lowest correlation of 0.388, indicating a relatively weak association between these two variables. Overall, the correlations highlight a strong interconnectedness among ROA, ROE, NPR, and TATR, while EQM exhibits weaker relationships with the other variables.

Table 8: Correlation Analysis of the Survey Items in Corporate Banks

	ROA	ROE	NPR	EQM	TATR
ROA	1	.956	1.000**	.521	.989
ROE	.956	1	.958	.749	.901
NPR	1.000**	.958	1	.527	.988
EQM	.521	.749	.527	1	.388
TATR	.989	.901	.988	.388	1

4.3.3 Regression Analysis

Table 9 shows the regression analysis of CG factors affecting FP metrics in corporate banks. For ROA, the variables ID and OD show high Beta values of 0.993 and -0.985, respectively, but are not statistically significant with p-values of 0.078 and 0.111. AC and CEO each have a Beta of 0.068, with p-values of 0.957, indicating no significant effect. FBM displays a negative impact with a Beta of -0.898 and a p-value of 0.290, also suggesting insignificance. In terms of ROE, the ID and OD have Beta coefficients of 0.913 and -0.890, with p-values of 0.268 and 0.301, respectively, suggesting marginal significance. AC and CEO, each with a Beta of -0.229, have high p-values of 0.853, indicating no significant influence. FBM's Beta is -0.729 with a p-value of 0.480, also insignificant. For NPR, the ID and OD have high Betas of 0.992 and -0.983 with p-values of 0.083 and 0.116, suggesting marginal significance. AC and CEO both show Betas of 0.060 and high p-values of 0.962. FBM's negative Beta of -0.895 has a p-value of 0.295, indicating insignificance. EQM shows no significant effects from any variables, with Betas and p-values reflecting no impact. Finally, the TATR demonstrates significant relationships with ID and OD, having Betas of 1.000 and -1.000 and p-values of 0.017 and 0.016, respectively, indicating a strong influence.

Table 9: Regression Analysis of FP of Corporate Banks with their CG

Independent Variable	Dependent Variable	Standardized Coefficients (Beta)	t – Statistics	Significance (Sig.)
ROA	ID	.993	8.128	.078
	OD	-.985	-5.661	.111
	AC	.068	.068	.957
	CEO	.068	.068	.957
	FBM	-.898	-2.039	.290
ROE	ID	.913	2.234	.268

Journal of Information Systems Engineering and Management
2025, 10(46s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

	OD	-.890	-1.952	.301
	AC	-.229	-.235	.853
	CEO	-.229	-.235	.853
	FBM	-.729	-1.064	.480
NPR	ID	.992	7.651	.083
	OD	-.983	-5.421	.116
	AC	.060	.060	.962
	CEO	.060	.060	.962
	FBM	-.895	-2.001	.295
EQM	ID	.412	.453	.729
	OD	-.364	-.391	.763
	AC	-.817	-1.415	.392
	CEO	-.817	-1.415	.392
	FBM	-.092	-.092	.942
TATR	ID	1.000	37.084	.017
	OD	-1.000	-39.240	.016
	AC	.215	.221	.862
	CEO	.215	.221	.862
	FBM	-.953	-3.160	.195

5. DISCUSSION

The study on pharmaceutical companies' FP yields some very interesting patterns. Descriptive statistics indicate that for most measures, the values are quite dispersed, thus reflecting highly diversified financial situations among the companies. In particular, one can't help noticing that the measures for profitability, such as ROA and ROE, are very strongly positive, which might suggest a consistency in performance across these measures, while financial leverage is very strongly negatively related to profitability. According to the EQM, higher leverage corresponds to reduced profitability and may indicate potential risks arising out of higher financial leverage. Furthermore, there is an inverse relationship between leverage and measures of TATR, indicating that effective asset use is critical to maintaining FP. This is reinforced by regression analysis, which illustrates that chief executive officer characteristics are significant to most performance metrics and more particularly in asset turnover. Though the effect of other variables, notably financial ratios, and organizational variables, is weak or nonsignificant, these findings underline how important executive leadership can be in terms of financial outcomes.

The research into the FP of FMCG companies suggests an interplay between various financial metrics and governance variables. From the descriptive statistics, it is observed that ROA and ROE show high variability, indicating diverse asset utilization and profitability. Furthermore, correlation analysis shows that ROA has strong correlations with NPR, EQM, and TATR, making it central to FP. However, ROE shows weaker correlations with these variables and, therefore, less direct impact. Regression analysis explains CG's impact on financial measures in more detail. There is a highly substantial association between various governance characteristics and FP measures, but no results are statistically significant at an acceptable level. More concretely, governance variables related to CEO show negative significance in ROA and TATR, but again, the results are not statistically significant. Similarly, while certain aspects of governance positively affect ROE and NPR, these effects are also non-significant. In general, the findings suggest that although CG influences FP, it does not do so significantly concerning all of the various metrics used in measuring performance.

The analysis of corporate banking metrics brings out rather distinct patterns in FP and governance variables. Descriptive statistics and correlation analysis show that some financial metrics, such as ROA and ROE, have very high positive correlations, which demonstrates that improvements in asset returns are very strongly related to enhancements in equity returns. Other metrics show different degrees of interrelation. ROA and NPR demonstrate perfect correlation, which means that there is a direct relationship between these two metrics, and each change in the returns on the assets is reflected in the profitability metrics. However, ROA and EQM are much more weakly correlated, which further contributes to establishing a less direct relationship between asset returns and leverage.

Research Article

Regression analysis demonstrates that while some governance factors have high values of Beta, in general, they are not statistically significant for most of the FP metrics. First and foremost, of the governance factors, ID and OD are significantly linked to TATR, suggesting that these variables are strong drivers of asset use. Conversely, other variables, including AC and CEO, were found to have the least influence on the financial metrics analyzed. Thus, all things considered, our research demonstrates that the relationship between CG and financial success is very cyclical, sometimes having a significant impact and other times not at all.

6. CONCLUSION

The results of this study highlight that, in the Indian stock market, there are major industry-specific differences in CG systems' relationship to financial success, hence signifying that industry-specific characteristics play a role in how governance structures produce financial outcomes. Other important causes of variations in FP among companies listed on Indian stock exchanges have been changes in the policy and regulatory environment relating to CG, thus indicating that regulations are an important conditioner of outcomes concerning governance. The key CG practices that emerged as having important effects on FP also brought out the contribution that robustness in governance frameworks makes toward the enhanced FP of companies. The findings bring out the need for industry-specific governance plans and flexible regulatory policies so that firms listed in India could gain maximum financial benefits.

7. IMPLICATION

The results of this investigation show how crucial CG practices are to the financial success of Indian-listed companies. Research has demonstrated that the makeup and organization of the board, especially the inclusion of ID and OD, affects several financial indicators, including profitability and asset usage. This would find a way for companies to be more concerned with building up their framework of governance so that their performances improve. Though some mechanisms, such as the AC and CEO Duality, had limited influences, thus perhaps requiring revisiting of their roles or readjustment, the FBM was found relevant for asset utilization. These insights thus mean that emphasis by policymakers and corporate leadership needs to be on good governance practices through the right composition of the board and meetings that would enhance better financial outcomes. Improved governance mechanisms will ensure more investor confidence and better performance of the company in general, for the competitive Indian market.

REFERENCE

[1] Alabdullah, T. T. Y., Ahmed, E. R., & Kanaan-Jebna, A. (2022). Corporate governance system and firm FP. *Acta Scientific COMPUTER SCIENCES Volume*, *4*(6).

[2] Alabdullah, T. T. Y., Yahya, S., & Ramayah, T. (2014). Corporate governance mechanisms and Jordanian companies' financial performance. *Asian Social Science*, *10*(22), 247.

[3] Al-Ahdal, W. M., Alsamhi, M. H., Tabash, M. I., & Farhan, N. H. (2020). The impact of corporate governance on financial performance of Indian and GCC listed firms: An empirical investigation. *Research in International Business and Finance*, *51*, 101083.

[4] Almashhadani, M., & Almashhadani, A. A. (2023). Corporate Governance Science, Culture and Financial Performance. *International Journal of Business and Management Invention*, *11*(2), 55-60.

[5] Dey, S. K., & Sharma, D. (2020). Nexus between corporate governance and financial performance: Corroboration from Indian Banks. *Universal Journal of Accounting and Finance*, *8*(4), 140-147.

[6] Fung, B. (2014). The demand and need for transparency and disclosure in corporate governance. *Universal Journal of Management*, *2*(2), 72-80.

[7] Garcia-Torea, N., Fernandez-Feijoo, B., & De La Cuesta, M. (2016). Board of director's effectiveness and the stakeholder perspective of corporate governance: Do effective boards promote the interests of shareholders and stakeholders?. *BRQ Business Research Quarterly*, *19*(4), 246-260.

[8] Joseph, O. N., Albert, O., & Byaruhanga, J. (2015). Effect of internal control on fraud detection and prevention in district treasuries of Kakamega County. *International Journal of Business and management invention*, *4*(1), 47-57.

[9] Keay, A., & Loughrey, J. (2015). The framework for board accountability in corporate governance. *Legal studies*, *35*(2), 252-279.

Research Article

[10] Mahrani, M., & Soewarno, N. (2018). The effect of good corporate governance mechanism and corporate social responsibility on financial performance with earnings management as mediating variable. *Asian Journal of Accounting Research*, *3*(1), 41-60.
[11] Mandal, P., & Al-ahdal, W. (2018). Impact of corporate governance on financial performance of Indian electronic consumer goods firms. *International Journal of Research*, *5*(19), 56-74.
[12] Paniagua, J., Rivelles, R., & Sapena, J. (2018). Corporate governance and financial performance: The role of ownership and board structure. *Journal of Business Research*, *89*, 229-234.
[13] Purnamasari, D. (2015). The effect of changes in return on assets, return on equity, and economic value added to the stock price changes and its impact on earnings per share. *Research journal of finance and accounting*, *6*(6), 80-90.
[14] Rani, N., Yadav, S. S., & Jain, P. K. (2015). Financial performance analysis of mergers and acquisitions: evidence from India. *International Journal of Commerce and Management*, *25*(4), 402-423.
[15] Razali, M. W. M. (2018). Directors Remuneration and Firm Performance in Property and Construction Industries Listed on Bursa Malaysia's Main Board. *EPH-International Journal of Business & Management Science*, *4*(3), 15-24.
[16] Rossi, M., Nerino, M., & Capasso, A. (2015). Corporate governance and financial performance of Italian listed firms. The results of an empirical research. *Corporate Ownership & Control*, *12*(2), 628-643.
[17] Shahwan, T. M. (2015). The effects of corporate governance on financial performance and financial distress: evidence from Egypt. *Corporate Governance*, *15*(5), 641-662.
[18] Sharma, D., Bhattacharya, S., & Thukral, S. (2019). Resource-based view on corporate sustainable financial reporting and firm performance: evidences from emerging Indian economy. *International Journal of Business Governance and Ethics*, *13*(4), 323-344.
[19] Siahaan, F. O. (2014). The effect of good corporate governance mechanism, leverage, and firm size on firm value. *GSTF Journal on Business Review (GBR)*, *2*(4).
[20] Singh, K., & Rastogi, S. (2023). Corporate governance and financial performance: evidence from listed SMEs in India. *Benchmarking: An International Journal*, *30*(4), 1400-1423.
[21] Tricker, R. I. (2015). *Corporate governance: Principles, policies, and practices*. Oxford University Press, USA.
[22] Zabri, S. M., Ahmad, K., & Wah, K. K. (2016). Corporate governance practices and firm performance: Evidence from top 100 public listed companies in Malaysia. *Procedia Economics and Finance*, *35*, 287-296.