



Relationship Between Corporate Governance Index And Firm Performance: An Empirical Study Of Indian Companies

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Executive summary

Corporate governance refers to all the aspects that are essential for an organisation in terms of direction and management. This includes the system of practices, regulations, controls and processes that help in the operation of the organisation. Firm performance is referred to as an economic category which contemplates the capability of an organisation in terms of its usage of material resources and human resources to achieve the desired goal of the organisation. . There are multiple theoretical approaches have been considered during this research, and there were various interpretations and hypotheses based on the corporate governance practices and their effects on the organization. Research philosophy is a phrase that connects to the expansion of learning and the spirit of that understanding. Four philosophical concepts are assessed during the study. These philosophical concepts are *realism, pragmatism, positivism and interpretivism*. There are several findings based on the topic that are analysed and evaluated.

Keywords: Corporate governance index, firm performance, Indian companies, stakeholders

Introduction

This research was composed based on the analysis and evaluation of the relationship between the corporate governance index and the firm performance of different companies in India. *Corporate governance* refers to all the aspects that are essential for an organisation in terms of direction and management. This includes the system of practices, regulations, controls and processes that help in the operation of the organisation. *Firm*

performance is referred to as an economic category which contemplates the capability of an organisation in terms of its usage of material resources and human resources to achieve the desired goal of the organisation. This research was conducted based on six different companies in India which are all related to the fashion industry of India. The selected Indian companies are *Biba, Park Avenue, Pepe jeans, FanIndia, Max* and *Mufti*.

Rationale

Some issues are related to the firm performance and corporate governance index of Indian companies. These are the selection procedure and terms of the designated board, lack of independent directors, transparency and data protection and liability towards the stakeholders. The issues emerge through various factors like some technical issues or management-related issues within the organizations (Petersen, 2021). There is also the problem with communication and some other factors that give rise to these problems. The current situation of the industry is not good, so there is a severe impact on the market and this gives rise to the issues.

This research was constructed to highlight the factors that affect the corporate governance and organisational performance of different Indian companies.

Aim

This research aims to analyse and evaluate the connection between organizational performance and the corporate governance index in different Indian companies.

Objectives

- To analyse the different factors that affect the organisational performance
- To evaluate the issues related to the corporate governance index
- To form the connection between the corporate governance index and firm performance

Significance and scope of research

This research is significant for understanding the corporate governance index for the Indian fashion industry.

Literature Review

Corporate governance index

The organisational framework that is initiated by corporate governance consists Ministry of corporate affairs (MCA) and the Securities and exchange board of India (SEBI). As opined by Shams *et al.* 2021, the corporate governance index can consist of severe issues for the organisation, so proper utilization is important. Some studies depict that some key players play an important role in the corporate sector these include management, shareholders and the board of directors (Petersen, 2021). The factors that depend on the corporate governance index are compliance, relationship with stakeholders, fairness and excellence etc. A good governance index enhances the performance of the organisation through the formulation and different policy-making strategies.

Firm performance

Several factors affect the firm performance it generally depends on the firm size, the more the higher the performance of the organisation. Some studies show that increasing the efficiency and effectiveness of the assets greatly enhances the firm performance (Kumar *et al.* 2020). There are some particular scales which help in the measurement of the firms these are referred to as the financial indicators, these are market share, profitability, cash flow, value-added productivity and revenue of the organisation (Irfan *et al.* 2021). A well-performing organisation ensures long-term profits and high results and gives employment opportunities and also improves the individual incomes of the employees.

Impact of corporate governance on firm performance

Corporate governance greatly affects the functioning and development of the economic market that exerts a strong influence on the allocated resources. It strongly impacts the performance and behaviour of the firms, entrepreneurship, development of the active SME sector and innovative activity (Dinh and Calabro, 2019). Appropriate application of the principles of corporate governance increases the profitability and returns of the organisations (Bhaumik *et al.* 2019). It also improves the competitiveness, reputation and credibility of the firms. It also helps to enhance relations with different stakeholders like investors, employees, business partners, customers etc.

Literature Gap

Some factors were essential for the research but lack appropriate information based on the topic. Most of the studies focus on the different factors that affect different sectors, and very few of those consider the fashion industry. In addition to that, there is very little information on the different companies in India. There are some studies which only considered the firm performance and some other studies which only focus on the surface-

level approaches. There are some studies which focus on other countries rather than India, thus, it was difficult to gather information specifically based on Indian companies.

Theoretical Framework

Theoretical frameworks are the basis of research conducted through previously done studies by developing a suitable roadmap on the arguments used in the work. There are multiple theoretical approaches have been considered during this research, and there were various interpretations and hypotheses based on the corporate governance practices and their effects on the organisation (Garg *et al.* 2020). These are some theoretical frameworks that are discussed below:

Stewholder theory

In this theory, the managers are the head of the controlling system for the entire work. therefore, it can be stated that the Indian fashion industry is one of them which is controlled and regulated by the managers (Nabi *et al.* 2022). Stewards or managers are responsible for the management of the intrinsic and extrinsic factors within the company. It has been identified that the shareholders and their returns also depend on the management property of the Stewards.

Indian CG model of corporate governance

CG model contains two-tier which are the board and executive board. This board and executive board are also considered as the stakeholders. At the level of management, board employees and shareholders are present, and the supervisors' board helps in the management of the management board as well as the company (Purbawangsa *et al.* 2019). Therefore, in the Indian fashion industry, this model can be considered to discuss the corporate governance regulation and controlling system (Archibald *et al.* 2019). The Indian fashion industry can follow the two-tier corporate govern meant system.

Conceptual Framework

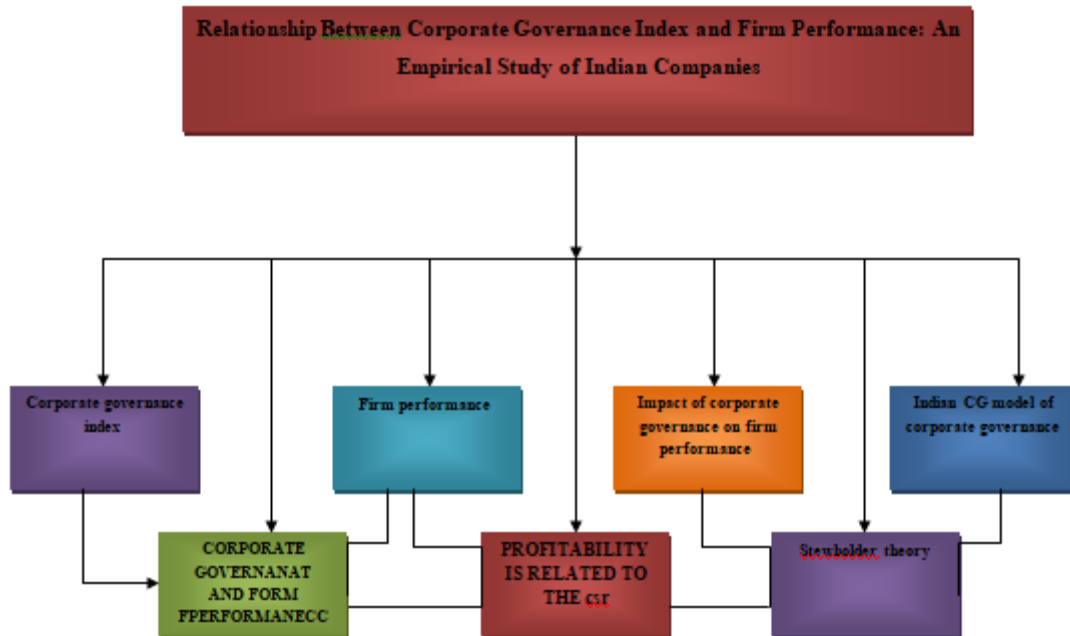


Figure 1: Conceptual framework

(Source: Self –developed)

Methodology

Research Philosophy

Research philosophy is a phrase that connects to the expansion of learning and the spirit of that understanding. Four philosophical concepts are assessed during the study. These philosophical concepts are *realism*, *pragmatism*, *positivism* and *interpretivism*. This research was constructed through a positivist approach (Lobei2020). This research was constructed based on the interpretivism philosophy. As stated by Alharahsheh and Pius (2020), interpretivism philosophy is beneficial for understanding eth social context of the considered topic. therefore, instead of positive ism and other philosophies interpretivism has been considered.

Research Design

This research was constructed based on the exploratory research design. Exploratory research design is a particular research design which focuses on the research problems, as there are very few or no previous studies to rely upon for predicting a suitable outcome (Aureli *et al.* 2020). The main goal is to gain familiarity and insights into the later investigation because the research problems arise in the earlier stage of the research (Vian,

2020). This research design was considered as this was the most suitable approach for this research because this research focuses on deep ideas that were not considered in previous studies.

Research Approach

This research was constructed based on the inductive approach. As opined by Benitez-Correa, *et al.* (2019), the induction approach is important. An inductive approach is a research-based approach which is utilised from going specific to general conclusions (Pius and Alharahsheh, 2020). This approach was most suitable for this research as it focuses on the direction from specific to general. On the other hand, the other approaches like the deductive approach focus on the aims to test the existing studies with the present ones.

Data Collection

This research was conducted based on the secondary qualitative data collection method. The collection of secondary qualitative data is beneficial as it required less time for data collection and also cost-effective in nature (Dzwigol, 2020). This method of data collection is most suitable for this research as it drastically helps the researchers. This method helps in time utilization as it is conducted based on previously done studies. Before data collection inclusion and exclusion criteria have been set which are mentioned below:

Factors	Inclusion criteria	Exclusion criteria
Company	Indian company	Other country's fashion company
	Fashion retail company	Other sector's company
Journal type	Peer-reviewed journal	Non-reviewed journal
Topic	Corporate governance	Other topics
Publication date	Last five years' data	Before five years

Table 1: Eligibility criteria

(Source: Self-developed)

Data Analysis

This research was conducted based on the thematic data analysis method. Thematic data analysis is advantageous to discuss a wide range of data (Altaf and Ahmad, 2019). The data was analysed and evaluated which was collected based on the previous studies conducted on the selected Indian companies which are related to the fashion industry. Thematic data analysis is an analysing method based on the qualitative data set for identifying, analysing and reporting repetitive patterns. This process is most appropriate for this research as it identifies and analyses the different patterns of the gathered data.

Ethical Consideration

The ethical considerations in the research are a collection of rules which help to guide the study design and methods based on the subject. data protection act has been used to protect the research-related data from unauthorised access. Moreover, university ethical consideration has been taken into account to conduct this study. Moreover, ethical consideration has been looked for before considering the primary research articles. Several ethical principles need to be considered when conducting research. These are obscurity, confidentiality, possible harm, informed consent and voluntary participation. Ethical consideration is essential because it enables ethical standards in the research. These considerations are necessary as they deliver aid in the growth of the study (Newman *et al.* 2021). Ethics are regarded as very significant because it makes the base of any process by delivering a natural and appropriate approach to the research (Jowett, 2020). Therefore, it can be defined that ethical considerations are essential for organisational performance.

Findings and Analysis

Findings

Author and year	Aim	Method	Result
Jain and Rath, 2023	This research aimed to identify customer loyalty to online fashion in the Indian fashion industry.	Primary research	The result highlights that the brand personality article is an influential factor which is maintained in regulating corporate governance in the Indian fashion industry.
Mittal and Gandhi, 2019	The purpose of this research was to analyse the consumption of fashion brands within the Indian and global context.	Primary research- descriptive cross-sectional research method	It has been identified that most of the fashion luxury brand users' age ranges from 18 to 55 years.
Dixit and Lal, 2019	The purpose of this research was to find the impact of the inclusion of corporate responsibility in the Indian textile industry	Primary rresrecah 276 small and medium enterprises.	The result highlight that a manpower base is possible to implement with corporate social responsibility.
Irfan <i>et al.</i> 2019	This research is to find the change in corporate responsibility with digital transformation	100, respondents' primary research	The result depicts that the customer experience is improved with digital technology and CSR in Fabindia company.

Agal, B. and Parwej, 2022	The purpose of this study was to find the structural changes and long-term strategic impact on the workers, customers, employees and on others.	A primary research study conducted in Gujarat	Results highlight that the Kankariya textile industry and S. I. Banitha textile industry are having a profit with corporate social responsibility.
Jogani and Patel 2019	This research aimed to evaluate the impact of corporate governance on profitability in the Indian textile industry.	Primary research tackled as regression method has been followed.	The result highlights that there is a significant impact on the profit of the textile industry of India by adopting appropriate Indian corporate governance responsibilities.
Gulzar <i>et al.</i> 2020	The purpose of the research is to analyse the firm performance with corporate governance of selected 13 companies of NSE.	Primary research	The result shows that the board meeting and CEO of the textile companies are not dependent. Performance is measured using a market-based approach.

Table 2: Results

(Source: self-developed)

Analysis**Theme 1: CSR in textile industry is essential for improvement of the firm workability**

The theme of this research was to analyse the different factors that are essential for organisational performance. On the other hand, the studies that have been studied focused on the identification of the fashion industry by identifying customer loyalty in the online fashion and strictly focusing on the Indian fashion industry (Jain and Rath, 2023). Therefore it can be said that several studies focus on the fashion industry related to organizational performance.

Theme 2: CSR facilitates in improving firm performance

This theme is based on the evaluation of the issues related to the corporate governance index. Some studies are focused on the inclusion and exclusion factors of the different Indian companies in the fashion industry (Mittal and Gandhi, 2019). There are also some studies which focus on other factors related to the Indian fashion industry. Therefore it can be defined that there are numerous studies which focus on the corporate governance index in the Indian fashion industry.

Theme 3: CSR helps in profitability

This theme was proposed based on the connection between the corporate governance index and firm performance. Some studies focus on the corporate governance index and firm performance. The data collection was conducted through the qualitative data collection method and thoroughly analysed based on it. There are also some studies which aim to find the changes that are required for corporate responsibility with digital transformation (Irfan *et al.* 2019). Therefore it can be said that several studies focus on the

Discussion

This research was constructed to analyse the different factors that are essential for establishing the connection between the corporate governance index and the firm performance of six different companies in India. The result highlights that the brand personality article is an influential factor which is maintained in regulating corporate governance in the Indian fashion industry (Jain and Rath, 2023). The result highlight that a manpower base is possible to implement with corporate social responsibility (Dixit and Lal, 2019). The results highlight that some influential factors are essential for maintaining the corporate governance of companies.

The result shows there were some issues regarding the customer experience due to improper technology. It has also been estimated that the customer experience is improved with digital technology and CSR in Fabindia company (Irfan *et al.* 2019). The research focuses on the different impacts that are related to corporate governance and firm performance. Therefore it can be estimated that there are also technical factors that affect the corporate governance of the organisation.

This research was conducted based on the qualitative data collection method and the data has been evaluated based on that method. There are some studies which found that most of the fashion luxury brands are users that are around 18 to 55 years (Benitez-Correa *et al.* 2019). This study was constructed based on the idea of implying different strategies that are essential for the enhancement of the firm performance and corporate governance index. Therefore it can be said that there are different features which help to enhance the corporate governance index and performance of the companies.

The research was conducted based on the different Indian companies that are related to the fashion industry of India. The results of this research also highlight that the Kankariya textile industry and S. I. Banitha fashion industry are having a profit with corporate social responsibility (O'Connor and Joffe, 2020). Therefore it can be said that there are various segments which help to improve the corporate governance index and performance of the companies.

In this section, the research data has been analysed and based on the data the evaluation has been done. Several factors affect the firm performance of organisations in India. The result that has been evaluated from the data shows that the board meeting and CEO of the textile companies are not dependent. Performance is measured using a market-based approach (Cheng *et al.* 2020). Therefore it can be said that various elements focus on the firm performance of the designated companies.

Therefore from this research, it can be said that the data collection and evaluation are done with utmost care and caution. The different methods and other objectives are analyzed strictly based on the topic. The results show that there are significant matters that can be harnessed to maintain corporate governance and firm performance.

Conclusion

This research was conducted based on the different factors that are utilized based on the corporate governance index and firm performance of six different companies in India to establish an appropriate relationship between them. The companies are *Biba*, *Park Avenue*, *Pepe jeans*, *FanIndia*, *Max* and *Mufti*. Several things are considered during this research. The exploratory design was selected for this research as it is the most appropriate approach to be selected from the other designs. The inductive approach was considered during the research as it help the researchers to evaluate the data from specific to general aspects. The companies are *Biba*, *Park Avenue*, *Pepe jeans*, *FanIndi and*, *Max* for the research purpose. Through this research, it has been found that the corporate governance index is very important for organisations. it has been defined that there is some influencing factor that helps in the maintenance of the corporate governance index of the selected companies. It has also been found that a manpower base is possible to implement with corporate social responsibility. The evaluation of the result depicts that the customer experience is improved with digital technology and CSR in Fabindia Company. Therefore it can be said that various factors affect the corporate governance index and firm performance of the different companies in India and it is important to maintain proper strategies to mitigate any issues that are related to this topic. This research was conducted based on the different factors that are utilized based on the corporate governance index and firm performance of six different companies in India to establish an appropriate relationship between them.

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