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Influence of Board Characteristics on Financial Performance of CNX Nifty Listed Companies in India

Mahesh Bendigeri,
Associate Professor,
Global Business School, Hubli, India.

Dr. R. L. Hyderabad,
Professor,
P. G. Department of Studies in Commerce,
Karnatak University, Dharwad, India

ABSTRACT

The aim of this research work is to analyze the influence of board characteristics on the financial performance of the CNX Nifty Listed Companies in India. We examined board characteristics such as the size of the board, Independence, Duality, Gender, Education, Nationality, Board Meeting, Age as the independent variables and leverage, size of the firm, age of the firm as control variables. Financial performance is measured in terms of Return on Assets. The study used 45 CNX Nifty listed companies for a period of 2010 to 2017. In all eleven hypotheses were posit. Using the GLS Random effect regression model. The study found a negative and insignificant relationship between the size of the board, Independent directors, Duality, board meeting, Gender, Nationality and Return on Assets. Whereas, board age, education had a positive, insignificant relationship with Return on Assets. But with regard to the size of the firm, leverage, there exists a negative and significant relationship with Return on Asset. The age of the firm also found to have a negative relationship with return on assets but statistically not significant. The research paper concludes stating that most of the firms under study are family owned and are highly controlled by promoter groups, most of the policy guidelines on corporate governance are either followed as a checklist or as a rule of thumb. Hence board characteristics are not influencing the financial performance.

Keywords: Size of Board, Board Education, Board Nationality, Women Director, Return on Assets.

INTRODUCTION:

Corporate Board is a subject of debate. The economic crisis over the past decade or so has shown us the prevalence of the imperfect form of corporate governance and its applicability across the corporate world. Nier & Merrouche (2010) in their study found that in preventing crises, supervision and regulation of the financial system are key resources. With the topic of Corporate Governance being discussed, the corporate board has also become a topic of discussion. Bennedson (2002) in his research findings stated that most of the larger firms have a board even when it is not mandatory. So at this point, a question arises, do corporate need board. If yes, then, how should the board be characterized and whether the board influence firm performance. Several researchers based on their research work in the past have tried to establish the relationship between board characteristics and firm performance and accordingly few researchers were able to state a positive relationship to exist between board characteristics and firm performance, whereas other stated no relationship. Considering the research output from the prior studies, an attempt has been made in this study to analyze, whether board characteristics influence the financial performance of a firm by selecting 45 companies listed in the CNX Nifty Index. The findings of this study would help the research community and the regulatory body to drawn inferences about board characteristics and its impact on financial performance in the Indian context.

LITERATURE REVIEW:

More than three-decade or so, exhaustive research has been conducted by researchers across various developed

and developing countries on board characteristics and firm performances. Various literature on board size revolves around basic questions, what should be the ideal size of the board? Do board size has anything to do with firm performance? In a study conducted by (Pfeffer, 1973; Pearce & Zahra, 1992; Goodstein, Gautum, & Boeker, 1994) finds that large board size is created to fulfill the regulatory norm and also the reduce the uncertainties, by making the board and more important resource. Based on the results output of (Yermack 1996; Eisenberg, Sundgren, and Wells 1998) in their research, board size and firm performance for small private firms in Finland found a negative relationship. Howerver, (Loderer and Peyer, 2002; Mak and Kusnadi 2005; Haniffa and Hudaib 2006) found a significantly negative impact of Board Size on Tobin's Q. Empirical studies conducted in the US by (Cheng, Evans, & Nagarajan, 2008; Coles et al., 2008; Hermalin & Weisbach, 2003; Huther, 1997) also confirm the same negative impact of board size on firm performance. On the other hand, the research finding of (Dalton, Daily, Johnson, and Ellstrand 1998; Dehaene, De Vuyst, and Ooghe 2001; Adams and Mehran 2005; Beiner, Drobetz, Schmid, and Zimmermann 2004 and 2006) shows a positive relation between board size and firm performance. The literature on Board Independence and firm performance find its place in almost all countries of the world. Still there exist an ongoing debate in the field of literature as to whether independence directors add value to the firm performance. Empirical evidence from the research community in the United States, United Kingdom, New Zealand, Korea document the superior performance of the firm due to board independence (Pearce & Zahra, 1991; Zahra & Pearce, 1989; Ezzamel & Watson, 1993; Hossain, Prevost & Roa, 2001; Choi, Park & Yoo, 2007; Joh & Jung, 2012). Whereas in most of the AngloAmerican countries like Austria, the United States, and in emerging countries like Bangladesh, the researcher has found a negative relationship between board independence and firm performance. Board Meetings are the integral part of the corporate governance process. Depending upon the type of company, the frequency of meetings may vary. In the case of financial, power sector board meetings are frequency conducted. Whereas in case of other sector the frequency of meeting may be low. So the question to the research community is, whether board meetings have an impact on firm performance. In a study conducted by (Jackling and Johl 2009) reported that there exists no relationship between a number of board meetings and firm performance of Indian listed firms. García-Ramos and García-Olalla, (2011) find a positive and significant relationship between board meetings and financial performance. Whereas, (Rodriguez-Fernandez et al. 2014) stated a negative relationship. A different school of thought and researchers have expressed a different opinion about the merging of two role of CEO and Chairman. Research in this domain has mixed results. As few researchers based on their research findings support the view of merging the role will lead to better performance (Boyd, 1995), whereas other researchers state no significant difference in firm performance occurs by merging the role. (Daily & Dalton, 1997; Dalton et al., 1998; Weir & Laing, 1999, Abdullah, 2004). Research on gender diversity and its impact on firm performance has drawn a lot of attention over a decade. A board comprising of the proper mix of male and female directors is considered to add value to the firm. Hanoku Bathula (2008) mentions that gender diversity and firm performance are significantly related. However, in a larger board, the presence of women directors affects the firm performance negatively. A similar view was expressed by (Marimuthu, 2009; Miller and María, 2009). Kevin et.al (2008) find that gender diversity has a positive effect on the firm's value in Spain. Whereas, in the study conducted by Mente (2011) find a negative and insignificant relationship between gender diversity and Tobin Q., Return on Assets. The presence of foreign directors on the board has drawn significant attention in the corporate world. As the company expands its business operation to offshore markets, it faces a new set of challenges. Foreign Directors on the board helps in addressing those challenges, bring innovation in the process and help in generating market value (Masulis et al. 2012). Sumit K Majumdar (1997) using contemporary data of 1020 Indian firms suggest as the age of firm increases their productivity also increases but profitability decreases. Whereas as the size of firms increases, they tend to be profitable but less productive.

HYPOTHESIS DEVELOPMENT:

H1: Board Size and Financial Performance are negatively associated
H2: Board Independence and Financial Performance are negatively associated
H3: There is a negative relationship between Board Meeting and Return on Asset
H4: CEO duality and firm performance is negatively related
H5: Women Director onboard no impact on the financial performance of a firm
H6: Foreign Director and firm performance has a negative relationship
H7: There is a positive relationship between Board Qualification and firm performance
H8: There is a positive relationship between Board Age and firm performance

H9: Firm Age and firm performance are negatively associated
H10: Firm debt and firm performance are positively related
H11: Firm Size and firm performance are positively related

RESEARCH METHODOLOGY:

Sample Selection:
For the study, the researcher has selected companies listed on the CNX Nifty Index. Out of 50 companies listed in CNX Nifty, 5 companies have been excluded from the list, as the data relating to board characteristics and financial information were not available due to a variety of reasons. Hence only 45 companies were selected for the study, covering from 2010 to 2017. The data relating to board characteristics are drawn from the annual report, capitaline database, Bloomberg database, Corporate Governance report. Table 1 represents the frequency distribution of selected companies in different sectors.

Table 1: Frequency distribution of Companies Sector wise

Sl. No	Sector	No. of Companies	%
1	Financial Services	8	18%
2	Automobile	5	11%
3	Energy	7	16%
4	It	5	11%
5	Pharma	5	11%
6	Cement & Cement Products	4	9%
7	Consumer Goods	3	7%
8	Metals	2	4%
9	Telecom	2	4%
10	Construction	1	2%
11	Industrial Manufacturing	1	2%
12	Media & Entertainment	1	2%
13	Services	1	2%
		45	**100%**

For this study, we have used GLS random effect regression over the Eight years test period. In order to study the relationship between the board characteristics and firm performance, GLS random effect model has been used. Stata 14.1 statistical software has been used for analyzing the data. Descriptive statistics are used to organize, summarize and describe the sample. To study the association between the independent and dependent variables Pearson correlation coefficient is used. Hausman Test and Breusch and Pagan Lagrangian Test are conducted to select the appropriate model for the study. The regression model is developed.

$$\mathbf{PERF_{it}} = \beta_{0it} + \beta_1 BSIZE_{it} + \beta_2 BINDEP_{it} + \beta_3 BMEET_{it} + \beta_4 CEODUAL_{it} + \beta_5 BGEN_{it} + \beta_6 BNATION_{it} + \beta_7 BEDU_{it} + \beta_8 BAGE_{it} + \beta_9 FSIZE_{it} + \beta_{10} FLEV_{it} + \beta_{11} FAGE_{it} + E_{it}$$

Where $PERF_{it}$ – Firm Performance measured in terms of Return on Assets
E_{it} - Error Term

Dependent Variables: Return on Assets
Board Characteristic Variables:

- **BSIZE:** Board Size: Total No. of Directors
- **BINDEP:** (No.of Independent Director / Total Directors)*100
- **BMEET:** Total No. of the board meeting held in a year
- **CEODUAL:** 1 – CEO and Chairman is Same, 0 – if, different
- **BGEN:** Number of Women Director on the board
- **BNATION:** Number of Foreign Directors on the board
- **BEDU:** Board Qualification: No. of education stream in the board
- **BAGE:** Board Age: Mean Age group of the Directors.

Firm Control Variables:

- **FLEV:** Debt /Equity
- **FSIZE:** Natural log of Total Assets
- **FAGE:** Natural log of Firm Age

RESULTS:

Table 2: Descriptive Statistics

Variables	Obs	Mean	Std. Dev.	Min	Max
BoardSize	315	11.73333	2.575979	6	22
BoardIndependence	315	46.01573	17.99335	0	83
BoardMeeting	315	7.59048	3.19941	4	20
CEODuality	315	0.33016	0.47102	0	1
BoardGender	315	1.04127	0.33595	0	5
BoardNationality	315	0.39523	1.47111	0	7
BoardEducation	315	11.64127	2.50380	6	19
BoardAge	315	60.63389	3.90635	52	70
Ageofthefirm	315	44.75556	27.76747	4	110
FirmLeverage	315	0.29869	0.47010	0	2.49
FirmSize	315	10.57537	1.48690	7.694	14.313
ROA	315	18.73567	18.30431	-22.545	145.389

Source: Author's Own Computation based on data collected.

From Table II, it is found that among the board characteristics variables, the mean board size of sample companies selected is 12 and ranges from 6 to 22. This is consistent with the companies' act of having min. 3 directors and max. 15 for the listed companies in India. The mean percentage of independent directors is 46% and ranges from 0% to 83%. It shows that in some companies there are no independent directors (energy, financial service & Industrial manufacturing sectors), whereas in (Pharma, IT and Cement Sectors). Independent directors are found to be at a high percentage. Board Meetings are an integral part of good governance practices. In the present context, it is found that on an average 8 board meetings were conducted by the sample companies with min 4 and max. 20 meeting. Companies in Financial services and energy sectors normally have frequent meetings as the nature of the business demand so. Further, it is found that 67 percent of the firms have kept the role of CEO and the chairman separately, while 33% of the firm have CEO and Chairman as one person. Concerning Board Gender, on an average 1 women director represent the board with a range of 0 to 5. In certain companies, it is found that there were no women directors during a certain period. As the companies act 2013 specifies the inclusion of at least one woman director with effect from Oct 2014, due to this the companies under study period might have not appointed the women directors onto the board. On comparing the growing importance of women directors on the corporate words across the globe, the result obtained in this study is not satisfactory. Further, Board Nationality represented by the No. of foreign directors in the board range from 0 to 7 with mean 1 foreign director. Board Education representing no. of the educational stream the board possesses found the mean no. of the educational stream the board possesses is 11, with a range of 6 to 19 streams. A good diversity of educational streams helps better discussion and control. The mean age of board members is 61 years (60.68yr) with min age of 52 years and the maximum age of 70 years. This means almost at the companies under study have experienced and older age group board members.

The result of the analysis of control variables finds that firm leverage has a mean of 0.29 with SD 0.470 with a range of 0 to 2.49. On further analysis, it is found that 13 companies out of 45 are debt-free. Further, it is also found that the average firm age of CNX Nifty listed companies is 45 years, the youngest company is 4 years old and the oldest firm is 110 years. In terms of the size of the firm, the mean size of the firm is Rs. 134956 cr. with min 2195 cr to max.2711590 cr.

Finally, the firm performance variable Return on Assets has an average of 18.7% with a min of negative return

of -22.5% and a max of 145.38%.

Table 3: Correlation Matrix

	Roa	Bsize	Bindep	Bmeet	Ceo Dual	Bgen	Bnation	Bedu	Bage	Fage	Flev	Fsize
Roa	1											
Bsize	0.0010	1										
Bindep	0.1839	0.0059	1									
Bmeet	-0.2070	0.171	-0.6147	1								
Ceodual	-0.0474	0.0102	-0.1342	0.2760	1							
Bgen	-0.1520	0.1081	0.1105	-0.0154	-0.292	1						
Bnation	0.0024	0.0682	0.2053	-0.2920	-0.1522	-0.0871	1					
Bedu	0.0200	0.372	0.1403	0.1144	0.1494	-0.0809	0.0961	1				
Bage	0.0767	0.159	0.4255	-0.3830	-0.136	0.0424	-0.0013	0.186	1			
Fage	0.0835	0.0908	-0.1230	0.1535	0.0400	0.0255	0.0379	-0.0360	0.0509	1		
Flev	-0.255	-0.0626	-0.1972	0.2220	0.2800	0.0274	-0.1624	0.0172	-0.118	-0.012	1	
Fsize	-0.492	0.217	-0.3565	0.5042	0.1291	0.154	-0.1437	0.172	-0.151	-0.0740	0.051	1

Note: *correlation is significant at the 0.05 level (two-tailed).
Source: Author's Own Computation based on data collected.

Table III presents the correlation matrix. From the correlation matrix, it is found that among the board characteristic variables Board Meeting and Board Gender are statistically significant and have a negative relation to Return on Asset. Implying that, when the number of board meetings increases, the number of women directors increases, the return on assets starts decreasing. This result is consistent with past study results documented in emerging markets, Anglo American Countries and also finding of Darmadi (2011) wherein, he develops the negative relationship between gender diversity and accounting and market performance. Whereas Board Independence is positively correlated and statistically significant at 5% level. Implying an increase in outsider directors has a greater impact on firm performance.

However, CEO duality is weakly negative and statistically insignificant concerning Return on assets. Implying as the CEO Duality converges the financial performance decreasing, but the effect is not significant. The finding supports most of the earlier literature on the Dual role of CEO and Chairman and firm performance.

Further Size of the board, Board Nationality, Board Education, Board Age, Firm Age are weakly positive and statistically insignificant concerning Return on assets. This implies an increase in the size of the board, educational streams, age of board members and the firm age has a positive impact on the firm performance but the impact is not too significant.

Finally, comparing the size of the firm and firm debt, it is found that both are negative and significantly related to Return on Assets. This indicates that with an increase in debt in the capital structure the return on the assets decreases significantly. Similarly, as the firm size increases expressed as total assets the return on assets decreases.

Results of Fixed Effect and Random Effect:

Table IV and V presents Fixed Effect Results, Table VI and VII presents Random Effect Results, Whereas the Hausman Test is presented in Table VIII and Table IX presents the Breusch and Pagan Lagrangian multiplier test. The results obtained in Table IV and VI provide acceptance for both the Random effect and Fixed Effect model, at a 5% level of significance. To decide among the two models for presenting the analysis, the researcher administered the Hausman test. The test result of the Hausman in Table VIII suggested the use of a random effect model for presenting the analysis. Additionally, Breusch and Pagan Lagrangian(BPL) multiplier tests were performed to double-check the validity of the random effect model with a pooled regression model. Table IX shows the result of the BPL Multiplier test and it is found that the p-value is less than 0.05, and the test suggests a selection of random effect models was appropriate for presenting the analysis. Table X presents the Multicollinearity test results Variance inflation factor (VIF) for all explanatory variables are calculated and observed to be intolerance limit as suggested by David et al., (1998) that VIF for each explanatory variable should less than 10. Following that rule of thumb, no multicollinearity is observed in the model.

Table 4: Fixed Effect Regression Results.

Fixed-effects (within) regression	Number of obs = 315
Group Variable : company code	Numberr of groups = 45
R-Sq:	Obs. Per group:
Within = 0.1500	Min = 7
between = 00085	Average = 7
overall = 0.0046	Max = 7
	F (11,259) = 4.16
corr (u_i, Xb) = -0.7390	Prob > F = 0.0000

Source: Author's Own Computation based on data collected.

Table 5: Fixed Effect Regression Results

ROA	**Coef.**	**Std. Err.**	**t**	**P> | t |**	**(95% Conf. Interval)**	
BSIZE	-0.1355	0.3007	-0.45	0.653	-0.7278	0.4567
BINDEP	-0.0113	0.0457	-0.25	0.804	-0.1014	0.0787
BMEET	-0.1318	0.2737	-0.48	0.63	-0.6709	0.4072
CEODUAL	-0.0432	1.8639	-0.02	0.981	-3.7137	3.6272
BGEN	-0.7093	0.7621	-0.93	0.353	-2.2101	0.7914
BNATION	-0.9159	0.9839	-0.93	0.353	-2.8534	1.0215
BEDU	0.1962	0.2855	0.69	0.493	-0.366	0.7585
BAGE	0.4564	0.2793	1.64	0.102	-0.0916	1.0085
FAGE	-25.0128	7.5449	-3.32	0.001	-39.87	-10.155
FLEV	-9.6844	3.1483	-3.08	0.002	-15.884	-3.4848
FSIZE	1.7294	2.1353	0.81	0.419	-2.4753	5.9343
_cons	67.8529	20.3682	3.33	0.001	277445	107.961
sigma_u	25.9833					
sigma_e	6.3190					
rho	0.94415	(fraction of variance due to u_i)				

Source: Author's Own Computation based on data collected.

Table 6: Random Effect Regression Results

Random-effects GLS regression	Number of obs = 315
Group Variable: company code	Numberr of groups = 45
R-Sq:	Obs. Per group:
Within = 0.1163	Min = 7
between = 0.2873	Average = 7
overall = 0.2671	Max = 7
	Wald chi2 (11) = 49.91
corr (u_i, Xb) = 0 (assumed)	Prob > F = 0.0000

Table 7: Random Effect Regression Results

ROA	Coef.	Std. Err.	z	P> | z |	(95% Conf. Interval)	
BSIZE	-0.1938	0.2817	-0.69	0.492	-0.0746	0.3585
BINDEP	-0.0053	0.0437	-0.12	0.903	-0.0910	0.0803
BMEET	-0.1985	0.2629	-0.76	0.45	-0.7138	0.3168
CEODUAL	-0.2380	1.7853	-0.13	0.894	-3.7371	3.2612
BGEN	-0.8115	0.7218	-1.12	0.261	-2.2264	0.6033
BNATION	-0.8797	0.8426	-1.04	0.296	-2.5314	0.7718
BEDU	0.2813	0.2800	1.00	0.315	-0.2675	0.8302
BAGE	0.4354	0.2512	1.73	0.083	-0.0569	0.9278
FAGE	-1.6119	3.0360	-0.53	0.595	-7.5623	4.3385
FLEV	-9.0853	2.7089	-3.35	0.001	-14.3946	-3.7759
FSIZE	-4.0861	1.1025	-3.71	0.000	-6.2471	-1.9251
_cons	46.4971	17.5370	2.65	0.008	12.1252	80.869
sigma_u	15.4349					
sigma_e	6.3190					
rho	0.8564	(fraction of variance due to u_i)				

Source: Author's Own Computation based on data collected.

Table 8: Hausman test for best effects (between fixed and random effects models)

	Coefficients			
	(b) FE	(B) RE	(b - B) Difference	sqrt (diag(V_b-V_B)) S.E.
BSIZE	-0.1355	-0.1938	0.0583	0.1051
BINDEP	-0.0113	-0.0053	-0.0060	0.0134
BMEET	-0.1318	-0.1985	0.0667	0.0762
CEODUAL	-0.0432	-0.2380	0.1948	0.5356
BGEN	-0.7093	-0.8115	0.1022	0.2443
BNATION	-0.9159	-0.8797	-0.0362	0.5079
BEDU	0.1962	0.2813	-0.0851	0.0557
BAGE	0.4564	0.4354	0.0210	0.1222
FAGE	-25.0128	-1.6119	-23.4009	6.9071
FLEV	-9.6844	-9.0853	-0.5991	1.6043
FSIZE	1.7294	-4.0861	5.8155	18286.000
	b = consistent under Ho and Ha; obtained from xtreg			
	B = inconsistent under Ha, efficient under Ho; obtained from xtreg Test : Ho: difference in coefficients not systematic			
	chi2 (11) = (b-B)' [(V_b - V_ B) ^ (-1)] (b-B)			
	=	19.5200		
	Prob >chi2 =	0.0523		
	(V_b - V_ B is not positive definite)			

Source: Author's Own Computation based on data collected.

Table 9: Breusch and Pagan Lagrangian multiplier test for random effects

ROA (Companycode, t) = Xb + u[companycode] + e[companycode, t]		
Estimated Results:		
	Var	**sd=sqrt(Var)**
ROA	335.0479	18.30431
e	39.93046	6.319056
u	238.2363	15.43491
Test: Var (u) = 0		
chibar 2 (01) = 591.44		
Prob > chibar 2 = 0.000		

Source: Author's Own Computation based on data collected.

Table 10: Multi Colinearity Test – VIF

Variable	VIF	1/VIF
BSIZE	1.30	0.77002
BINDEP	1.96	0.51117
BMEET	2.44	0.41043
CEODUAL	1.34	0.74564
BGEN	1.27	0.78501
BNATION	1.23	0.81600
BEDU	1.35	0.74005
BAGE	1.45	0.68915
FAGE	1.13	0.88304
FLEV	1.18	0.84856
FSIZE	1.56	0.64292
Mean VIF	1.47	

Source: Author's Own Computation based on data collected.

From Table VI, it is found that the overall R-Square value is 0.26, which means 26% of the variation in dependent variable expressed as Return on Assets is accounted for Board Characteristics variables and control variables and the remaining 74% of the variation is accounted for other variables. The Probability of Chi-Square value showed that the overall model is significant. Further 'rho' value which is known as the intraclass correlation suggests 85% of the variation is due to difference across the panels.
From Table VII the following inferences and findings are drawn to test the hypothesis.

- H1 suggested Board Size and Financial Performance are negatively associated. At a 5% level of significance, the size of the board is negative but not significant to Return on assets. Implying with an increase in the size of the board, the financial performance of a firm tends to decrease, but the extent of decrease is not significant. The finding is similar to the findings of Ghosh's (2006) board size showed a negative significant relationship with ROA. Hence the H1 is accepted.
- H2 suggested Board Independence and Financial Performance are negatively associated. The coefficient of Board Independence is negative and statistically insignificant, as P>0.05 at a 5% level of significance. Implying the presence of independent directors on the board impacts the firm performance negatively but at a lower rate. A similar finding is observed in the works of Abdullah, 2004, Haniffa & Hudaib,2006 and Rahman & Mohamed Ali, 2006 Hence H2 is accepted.
- H3 proposes a negative relationship between Board meetings and Return on assets. The coefficient of Board Meeting is negative and statistically insignificant with P-value > 0.05. This shows higher the frequency of board meetings leads to a decrease in firm performance. Further, it also indicates a greater frequency of board meeting has an adverse effect on firm performance. In the study conducted by Jackling and Johl (2009), Vafeas(1999), Evan, et al. (2002) and Lipton & Lorsh, all have found that too frequent meetings can lead to resources being channeled towards less productive activities. Hence H3 is accepted.
- H4 suggests CEO duality and firm performance are negatively related. The coefficient of CEO duality is negative and statistically insignificant at 5% level with P-value > 0.05. This finding supports the results of Chen et al. (2008), Norman et al. (2005) and Hambrick and D'Aveni (1992). Hence H4 is accepted
- H5 suggests Women Director onboard has no impact on the financial performance of a firm The coefficient of Board Gender represented as no. of women directors has a negative coefficient and statistically insignificant at a 5% level with p-value >0.05. This shows women's representation in the board will not contribute to firm performance, instead, the firm performance gets affected. Hence H5 is accepted.
- H6 suggest Foreign Director and firm performance has a negative relationship. The coefficient of Board Nationality represented as several foreign directors have a negative coefficient and but statistically insignificant at 5% with P>0.05. This implies board constituting foreign directors will have ego clash and the culture and the experience of the foreign director may not synchronize with the existing board members leading to a difference of opinion, which in term may affect firm performance. We found this result contrasts with the findings of Oxelheim and Randoy (2003) and Rosenstein and Wyatt (1990), while consistent with the findings of Agrawal and Knoeber (1996). Hence H6 is accepted.
- H7 suggests there is a positive relationship between Board Qualification and firm performance. The coefficient of Board Education represented as a number of the educational stream the board posses has a positive coefficient but statistically insignificant at 5% with P-value>0.05. This implies with an increase in board qualification a greater amount of discussion on the strategic decision, cost control and improvisation of business take place which in turn leads to better performance. Hence H7 is accepted.
- H8 suggests there is a positive relationship between Board Age and firm performance. The coefficient of Board age is positive and is statistically insignificant at 5% with P>0.05. This shows a board consisting of older directors, with their rich experience contribute better towards firm performance. Hence H8 is accepted.
- H9 suggests Firm Age and firm performance are negatively associated. The coefficient of firm age is negative and is statistically insignificant at 5% with P>0.05. This implies as the firm becomes older it has to adapt to the changing environment and introduce new products and services in the market, to face the competition. Failing to do so, has a greater impact on the operating cost which in turn affects profitability. Hence H9 is accepted.
- H10 suggests Firm debt and firm performance are positively related. The coefficient of firm leverage is negative and it is statistically significant at 5% with p-value <0.05. Hence H10 is rejected. As the debt portion increases in the capital structure, most of the earning will be utilized in interest payout, thus affect the financial performance to a greater extent.
- H11 indicates Firm Size and firm performance are positively related. The firm size as indicated represents the total assets of the firm. The coefficient of firm size is negative and is statistically significant at 5% with P-value <0.05. This implies intending to expand the business operation and gain the market share, the firm may induce debt into the capital structure, leading to underutilization of assets and in terms affecting the profitability.

SUMMARY OF HYPOTHESIS:

Hypothesis	Indicative Sign	Coefficient	P-Value	Accepted Rejected
H1: Board Size and Financial Performance are negatively associated	-	- 0.193	0.492	Accepted
H2: Board Independence and Financial Performance are negatively associated	-	- 0.005	0.903	Accepted
H3: There is a negative relationship between Board Meeting and Return on Asset	-	- 0.198	0.450	Accepted
H4: CEO duality and firm performance is negatively related	-	- 0.238	0.894	Accepted
H5: Women Director onboard no impact on the financial performance of a firm	-	- 0.811	0.261	Accepted
H6: Foreign Director and firm performance has a negative relationship	-	- 0.879	0.296	Accepted
H7: There is a positive relationship between Board Qualification and firm performance	+	0.281	0.315	Accepted
H8: There is a positive relationship between Board Age and firm performance	+	0.435	0.083	Accepted
H9: Firm Age and firm performance are negatively associated	-	-1.611	0.595	Accepted
H10: Firm debt and firm performance are positively related	+	-9.085	0.001	Rejected
H11: Firm Size and firm performance are positively related	+	-4.086	0.000	Rejected

CONCLUSION:

The main purpose of this research is to analyze the influence of board characteristics on the financial performance of the firm. And from the study, we noted that certain board characteristics variables, such as the size of the board, board Independence, Board Meeting, CEO Duality, Board Gender, and Board Nationality are negatively correlated with Return on assets but statistically insignificant. Whereas board education, board age is positively correlated to ROA but not significant. Among the control variables, firm age, firm leverage and firm size are negatively related to ROA and are significant, but the firm age is not statistically significant. The research has few limitations also. The data pertain to only those companies listed in the CNX Nifty Index and top sectors of the economy, so the findings can't be generalized. Additionally, by including few more board characteristic variables like no. of directorships, directors' remunerations, directors' expertise, etc the researcher can expand the scope of study and draw the inferences on both accounting-based and market-based performance parameters.

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