

IIMS JOURNAL OF MANAGEMENT SCIENCE

VOL. 9, NO. 1, JANUARY-APRIL, 2018

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The Relationship between Corporate Governance, Ownership Concentration and Firm Performance: Empirical Evidence from India

– *Shikha Mittal Shrivastav and Anjala Kalsie*

ABSTRACT

The paper seeks to examine the relationship between the corporate governance mechanisms (board size, board composition, board independence and CEO duality), ownership concentration (proxied by percentage of promoter's shareholding) and firm performance. The empirical analysis performed on the panel data of 178 non-financial National Stock Exchange-listed companies for 8 years, that is from 2008 to 2015. Firm performance has been measured using market-based measure Tobin's *Q* and accounting-based measure return on equity (ROE). Multiple regression analysis is performed using pooled ordinary least square regression and panel data regression models – fixed effect model and random effect model. The results of the study found that the impact of board size and board composition on the firm performance measures Tobin's *Q* and ROE is negative. Board independence is positively and significantly related to firm performance measures – Tobin's *Q* and ROE. The results revealed that ownership concentration has a positive and significant impact on firm performance. The positive influence of ownership concentration on firm performance implies that more substantial promoter stakes provide greater access to funds for initial investment and thereby lead to a larger scale of operation resulting in higher firm value. The study findings have significant implications for companies, researchers, academicians and policymakers engaged in corporate governance in emerging economies. The results of the study revealed that companies that comply with good corporate governance practices could expect to achieve higher financial performance and reduced agency costs. The results suggest that the policymakers should focus on increasing board independence, reducing board size to an extent and increasing the ownership concentration to the maximum level as stipulated by law to improve corporate governance standards.

Keywords: Board size, Board composition, CEO duality, Ownership concentration, Firm performance and Tobin's *Q*

JEL Classification Codes: G32, G34

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Capability Development in Dynamic Business Environment: A Framework for Practitioners

- *Prabhati Pati and Arindam Das*

ABSTRACT

Organisations around the world are encountering a dynamic business environment that reduces predictability and certainty of business. However, most of them are not prepared to deal with the dynamic environment. This paper proposes a holistic framework that guides an organisation to leverage its managerial and leadership capabilities, combine them dynamically with resources and develop strategic agility to create a unique trajectory for organisation's business. We also discuss how the components of this framework relate to pertinent organisational practices to help adoption of the structure.

Keywords: Firm performance, Resource-based views, Dynamic capabilities, Systems thinking, Strategic flexibility, Organisational diagnosis

JEL Classification Codes: J24, O15

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Impact of Various Components of Government Expenditure on Economic Growth: Evidence from Developed and Developing Countries

- Simran Sethi

ABSTRACT

The primary objective of the paper is to study how different components of government spending affect economic growth using panel data for 20 developed and developing countries from 2001 to 2014. The empirical results in this area of study are mixed. Two classifications of the government expenditure have been adopted – economic (current and capital expenditures) and functional (expenditure on defence, health, education and social protection). Panel data, both random effects (RE) and fixed effects (FE), have been estimated for developed and developing countries as well as for the pooled sample. Hausman specification test has been applied to select between the FE and RE model. Empirical estimates indicate that (1) according to the economic classification, current expenditures negatively affect economic growth, and the effect is significant for developed countries and pooled sample. The effect of capital expenditures is negative only for developing countries; however, the coefficients are statistically insignificant for all the three sets of countries. (2) As per the functional classification, defence expenditures negatively affect economic growth, and the effect is significant for developed countries and pooled sample. Government spending on health and education has a positive effect on the rate of growth of per capita income. However, the effect is statistically significant only for education, that too for developed countries and pooled sample. The impact of public spending on social protection is less clear for developed and developing countries. For the pooled sample, the effect is positive but insignificant. Empirical results suggest government expenditures if deployed conductively can be a significant determinant of economic growth.

Keywords: Developed and developing countries, Economic growth, Government expenditure, Hausman test, Panel data

JEL Classification Codes: E62, E63

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Seasonality in Indian Stock Market: Delusion or Reality

- *Amit Tripathy and N.M. Leepsa*

ABSTRACT

In business, seasonal variations in production and sales are a recognised element. Hence, managers often try to calculate the fluctuations in demand and predict a more accurate nature of supply schedules. Seasonality in stock returns refers to a time series data that shows a systematic and repetitive variation over a span of a year that happens periodically. The primary root of seasonal disparities is the change in climate. The objective of this paper is to investigate whether the 'day-of-the-week' effect is prevailing in the Indian stock market returns. Empirical evidence of the existence of seasonality and thereby consistent abnormal returns have been identified in the efficient market postulate. One noteworthy inconsistency revealed was abnormal rates of return related to the calendar months. Several studies in this field empirically verified tests and found the existence of such anomalies on the stock return data that majorly refined to theories that turn of the year, the day-of-the-week and holiday effect has steadily created abnormal returns in both the developed and emerging markets. This paper tries to enrich the existing knowledge and to inspect whether cyclical irregularities continue in the emerging markets like India. The study provides the evidence that the presence of the day-of-the-week effects, precisely Monday effect and Friday effect, have disappeared in the Indian capital markets.

Keywords: Seasonal, Monthly, Day, Stock, Time series

JEL Classification Codes: G14, G12, G32, C58

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Validating Scale and Dimensions of Customer-Based Brand Equity in Indian Smartphone Market

- Rajesh Sharma

ABSTRACT

This study aims to construct a valid and reliable instrument for measuring the customer-based brand equity (CBBE) in Indian smartphone market. A multistep analysis was used to develop a multidimensional CBBE scale drawn from Aaker's (1991) conceptualisations of brand equity. A sample of 262 Indian participants evaluated both local and international smartphone brands. Data were analysed through SPSS and AMOS 22.0. The empirical findings suggest that CBBE consists of three dimensions – brand association and brand awareness, brand loyalty, perceived quality and that Aaker's model of CBBE is supported. The reliable and valid instrument will help marketers measure CBBE due to a small number of items and also enable the sources of brand equity to be estimated according to a well-established theoretical framework. This empirical study adds value to the growing body of literature on measurement of CBBE by identifying a comprehensive but simplistic list of brand dimensions.

Keywords: Brand equity, Customer-based brand equity (CBBE), Brand loyalty, Brand association, Brand awareness, Perceived quality

JEL Classification Code: M31

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Perception of Companies on XBRL Reporting: A Factor Analytical Study

- *Divya Verma Gakhar*

ABSTRACT

XBRL (eXtensible Business Reporting Language) allows companies to communicate their annual financial statements in a standard online format which is user friendly and provide information to all stakeholders. It also allows companies to integrate globally. In India, XBRL implementation is at initial stages. This study analyses the perception of Indian companies about the future of XBRL in India. The results of factor analysis show that XBRL reporting improves the reliability of information, changing the environment and promotes global competition.

Keywords: Factor analysis, IFRS, Ind AS, Internet disclosure, Stakeholder perception, Web-based reporting, XBRL

JEL Classification Code: M410

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Influence of Perceived Risk on Purchase Intension of Financial Instruments: A Comparative Study

- Anindita Chakraborty

ABSTRACT

There is plenty of literature on how perceived risk affects the purchase intention of the consumers, but none is available in respect of investors. This research is an attempt to apply two consumer behavior concepts in finance and conducts a study of investors' psychology. The base theory of Cunningham (1967b) was used for understanding the concept of perceived risk and its facets. But for preparing the questionnaire, it was modified according to the requirement of investors' buying behaviour. The study tries to examine the difference in the perceived risk of investors regarding three financial instruments, namely shares, mutual funds and bonds and is conducted in three cities, namely Allahabad, Lucknow and Varanasi with the help of a self-designed questionnaire. The results of the study showed a significant difference in the perceived risk of investors regarding the financial instruments. While in case of examining the impact of perceived risk on purchase intention of the three instruments, the results are connected to reality, that is the results were significant for shares and mutual funds but insignificant for bonds. The study will be useful to portfolio managers as it will help them in designing the investors' portfolio by understanding their risk appetite.

Keywords: Expected utility theory, Financial instruments, Perceived risk, Purchase intention, Risk perception

JEL Classification Codes: G10, G11, G23, G4, G41

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Foreign Direct Investment and Indian Economic Growth

- *Tarak Nath Sahu and Krishna Dayal Pandey*

ABSTRACT

The present study investigates the impact of the foreign direct investment (FDI) on Indian economic development during the period 1981 to 2016. The annual data of Index of Industrial Production (IIP) have been considered as a proxy of Indian economic development. The estimated results of the Johansen's cointegration test and vector error correction model (VECM) suggest that there exists a long-run positive cointegrating relationship between FDI and IIP. The result of the VECM indicates that any change in the value of FDI causes to change the value of IIP in the long run. But in the long run, change in IIP does not have any causal effect on FDI. The results of short-run causality test among the variables based on Granger causality test shows a bidirectional short-run causal relationship between FDI and IIP, that is in short-run the value of FDI significantly affect the movement of IIP and vice versa. So, with the help of the estimated results, the study concludes that FDI plays a crucial role in enhancing the economic growth and development of the country, as the flow of FDI leads to improve the economic development indicator used in this study.

Keywords: Foreign direct investment, Index of industrial production, Economic development, Indian Economy, Time Series Analysis

JEL Classification Codes: F21, F43, O11, O40

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