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**Topic of the Research**: Corporate Governance, Financial Performance and Valuation of Indian Companies

**ABSTRACT**

***Keywords:*** Corporate Governance, Clause 49, Corporate Governance Index, Financial performance, Valuation of companies, Fuzzy logic, Corporate Governance framework, corporate frauds.

## Rationale for the Study

Corporate governance deals with the managing practices of the enterprise that essentially requires symmetry of information available to all stakeholders. It was found that the cases of large corporate frauds like WorldCom, Enron, Satyam computers etc. that raise questions on governance and has also increased the level of awareness among the stakeholders. Going by the agency theory, a trust needs to be developed when the management is separated from ownership. In India, it was found that increased accessibility of the world to our domestic markets and cut-throat completion developing internally. Therefore, the quality of governance has direct implications on capital raising and survivals. Developing suitable CG standards is an imperative. Therefore, the research problem addressed in this study is – How the corporate governance practices affect the financial performance and valuation of Indian companies?

The study fulfils this research gap that contribute towards enhancing the understanding of how CG impacts the performance(financial) and valuation of Indian corporate which has not been explored precisely in the previous researches. The study examines the relationship between the CG framework of the organization and its effect on the firm's financial

performance and its valuation in context of Indian companies using both exploratory and descriptive research designs. The data required for the purpose of econometric analysis has been obtained from Prowess, CMIE data base for NSE 100 listed companies. Also, the reports of various national and international agencies have been used that inter alia includes the regulators and consulting companies.

The research study empirically tests the relationship between corporate governance index with companies' valuation and companies level performance variables for Indian companies. For investigating the relationship conventional method like regression have been used first. The study also motivates towards the usage of fuzzy logic tool in solving ambiguous scenario of the relationship between CG and firm financial performance and the firm valuation created by conventional methods. In addition, the study also examined the legal framework of CG in India and abroad.

It is believed that Scoring models are imperfect, rather because of impreciseness, fuzzy based classification is better. There are bundles of practices not one. By using the fuzzy based approach, it is concluded that Companies with high returns(RONW) in India usually have larger public holding, independent board, concern for investors, good audit perspective, though may not rate high on remuneration dynamics, Companies with very low returns will have remuneration and board independence as determining factors. There is no single bunch/group of CG practice that can be termed as "best practice". There are many groups whereby individual variable (practice) can influence the classification. The results show that the exogenous variables can significantly influence the firm performance. It is concluded that good CG practices is a double edge sword which not only motivates the management but also increases interest of the stakeholder thereby fosters the economic growth of the country as a whole.