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Correlations among the Corporate Finance Decision, Governance and Financial Performance in Emerging Market Value : the Study in Indian Context

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Abstract

The research paper investigated on the financial decision, corporate governance and financial performance in emerging market value, such as in the Indian Context. In spite of the significant published work on investigations into corporate finance decision and Practices, Corporate governance and financial performance, none have comprehensive research in the context of emerging market value in India. Without a doubt most of the pragmatic research the above mention topic has been conducted in developed market such as the USA and UK. The practical evidence shows that the way corporate boards make the decision is not always in tune of with academic decision procedures and theories. The main aim of the present research paper is to study whether theories are associated with the behaviors of financial manager in the terms their practices in the context of Indian emerging market value. The study is based on the survey condected to collect and to analyze data on corporate financial decision, corporate governance, financial *performance, associated with the capital budgeting techniques to capital structure, cost of capital, and dividend policy. The study adopted the methodology to investigate the research from the perspective financial manager toward concerns for the sustainable business practices when making the corporate financial decision. The study was conducted in the context of Indian emerging market, through the structured and semi structured questionnaires from the listed companies of NSE in the region of Hyderabad, Bangalore, Chennai, Mumbai and Delhi. The findings of the research have significant implications for both academics and practitioners in the Indian context. It may provide insights on corporate governance in companies in India.*

Keywords: Corporate, Governance, Financial performance, Emerging market

Introduction

This Research paper presents the outcomes of an exploration of corporate financial decisions, corporate governance and financial performance of emerging market values and their relationships with corporate performance in theory and in practice. The emphasis of this research paper is in the context of Indian market. The results contribute to the fund of knowledge on corporate finance and governance in this context, in particular on theoretical issues of corporate governance and sustainable business responsibility. This research paper is the first study to comprehensively examine the theory and practice of corporate finance decisions, corporate governance, financial performance of firm and corporate performance in the context of emerging markets such as in the context of Indian perspective. The significance of this research study lies in its facilitation of rich information and insights for stakeholders in other developing countries like India about the corporate governance Finance Decision, Dividend Decision and sustainable Business concerns and their contributions and impact on firm value.

The Finance and investment decision is related with the method in which funds are raised in capital markets to generate future cash flows, Funds Flows and provide a return to investors. The investment decision and Financial Decision typically deal with 'capital budgeting techniques, Divided Policy, Capital Structure theories' as 'project evaluation tools'. Capital budgeting and capital expenditures are used to describe the process of making and managing expenditures on long-lived assets. A financial decision connotes to the mix of funding obtained from capital markets, in terms of the proportional holdings of equity and debt. This decision is typically focus on determining the 'optimal' capital structure or the 'optimal' mix of debt and equity that reflect a firm's finance proportions from the current and long-term debt as well as equity.

The corporate governance is needed to guard the interest of all stakeholders. Corporate governance secures sureness for not only shareholders, but also other stakeholders, such as (a) government, (b) employees, (c) suppliers, and (d) customers in ensuring the firms' leaders are accountable for their finance and investment Decision. Weak-governance companies have higher input costs, lower labor productivity, lower equity return, lower value, and lower operating performance than good-governance companies.

Literature review (Name of the Authors, Year, Identified Aspects and Study Variables) **Salama, & Dixon 2014** The interest of the agency theory proponents is how to minimize the conflict of interests resulting from the separation of ownership and management of firm resources **Mamun 2013** Stakeholders can include shareholders, suppliers, customers, employees, lenders, governments, local charities, and various interest groups. **Dimitropoulos & Tsagkanos 2012** There is a pressing need for corporate governance mechanisms to control management's behaviors and actions to protect shareholders' interests and align these interests with management's interests **Ongore & Kobonyo 2011** In the most cases, the divergence of interests between the principal and agent is due to lack of corporate governance mechanisms for efficient and effective control, and approval and sanctioning of management decisions **Amidu 2007** The study examine whether dividend policy influences firm performance in the Ghana Stock Exchange, it was found out that dividend policy affects firm performance especially the profitability measured by the return on assets. The results showed a positive and significant relationship between return on assets, return on equity, growth in sales and dividend policy **Mancinelli** and **Ozkan**

2006 An empirical investigation of the relationship between the ownership structure of companies and dividend policy using 139 firms listed in Italian exchangeJoshua **Abor 2006** Examined the factors affecting dividend payout ratios of listed companies in Ghana. The results of their study showed that payout ratios were positively related to profitability, cash flow and tax but are negatively related risk and growth. **Zhou and Ruland 2006** Examined the possible impact of dividend payouts on future earnings growth. Their study used a sample of active and inactive stocks listed on **NYSE and NASDAQ** with positive, non- zero payout ratio companies covering **Weston and Shastri 2005** the price-earnings ratio is also widely used to measure the value a firm in developing and developed financial markets **Nam and Nam 2004** Argue that the relationship between corporate governance and the value of a firm developed in existing literature is not relevant to developing markets as well. **Aviazian, Booth and Clearly 2003** Their study also finds that firms with high debt ratios often have a lower dividend payment and, firm size is positively related to dividend pay-out.**World Bank Report 2003** They can make decisions about the compensation of employees in a firm and can also participate in financial decisions of a firm as argued **Mesquita and Lara 2003** Studied the relationship between capital structure and profitability of the Brazilian firms. They tried to examine the effects of debt or equity on profitability. Ordinary least square method was used to examine the effect of short and long term financing on return on equity. **Pedersen and Thomsen 2003.** The notion that ownership structures with dominant holders lead to underperformance is increasingly supported by an emerging body of research that examines the ownership structures of continental European firms. **Arnott and Asness 2003** Based their study on American stock markets (S&P500) and found that higher aggregate dividend payout ratios were associated with higher future earnings growth. **Mathiesen 2002** Corporate governance is the mechanism used to safe guard the interests of the shareholders in the market. **Leruth and Piesse 2002** Pointed out that the sample size used for the Malaysian study in the former researchers' working paper was small and lacked robustness. **Monks and Minow 2001** Defined corporate governance as the mechanism by which the board of directors improves the value of the shareholders by controlling the actions of managers, CEO and other stakeholders in a firm. **Sharma 2001**Indicates that during the three-year period prior to dividend initiation, firms report significant improvement across key performance measures, including the improvement of profitability and cash flow generation. **Arnold** and **Hatzopoulos 2000** Specifically focus on capital budgeting practices in developed countries such as the US and UK. A long with the area of capital budgeting, some studies include cost of capital **Gorton and Schmid 2000** In their Research Paper studied reform in taxation which was regarded as a positive signal of a new policy orientation that contributes to the unravelling of the system of cross shareholdings and encourage corporate restructuring by lowering the transaction costs **Sarkar and Sarkar 2000** Definition of corporate governance and the value of a firm in the existing literature originated from developed markets is not suitable for developing market. **Shirvani and Wilbratte's 1997** Study estimates the error correction model to capture short-run deviations from the long-run target payout ratio and the speed of adjustment. Thus the study also touches on the first of the three questions about the **Lintner model. Lee1996** Assesses whether there is long-term relationship between various definitions of earnings and dividends. The study utilises a bivariate time-series model of earnings and dividend obtained from annual observations on the **Standard & Poor's Index. Hines 1996** finds that the payout rates applied to profits from foreign sources are about three times higher than the payout rates applied to domestic profits. **Myers and Majluf 1984** Predicts no well-defined target debt-equity mix. Pecking order theory states that a firm can obtain the necessary fund to finance its projects in different ways, which depend on hierarchical sources of finance as a result of information costs. **Rozeff's 1982** Agency theory studies generally use regression analysis to assess the degree of substitutability among alternative mechanisms for controlling agency problems. **Jensen** and **Meckling 1976** Define corporate governance as a set of internal and external mechanisms, from incentive and control, aimed at minimizing the agency costs. **Modigliani and Miller 1963** Review their earlier position by incorporating tax benefits as one determinant in firms' capital structure. In particular, a firm that pays taxes receives a tax shield in the form of lower taxes paid. Therefore, these authors conclude that firms can maximize their value by using as much debt capital as possible. **Donaldson 1961** Investigates how companies establish their capital structure. The study concludes that firms prefer internal finance from generated funds

Significance of the study

The present research paper provides insights into the relationship between financial decision structure, corporate Governance diversification, and firm financial performance in the Indian context. By exploring the impact of corporate governance on firm's financial performance, the present Research study highlights the principal management problems, by reviewing to the literature on Financial Decision and Corporate Governance in emerging markets**.** From a hypothetical perspective it brings philosophical insights related to corporate finance theories and corporate governance theories and firm's financial performance, in the context of emerging market context, i.e. India. Meanwhile emerging markets are different from developed markets, the factors that affect corporate performance and financial decisions in Indian emerging markets could be different than the ones that operate in developed countries markets.

The secondary data review explored the existence of gaps in identifications, not only the issues of corporate finance practices, corporate governance, business decisions but also their impact on financial performance of firm. Further the research additionally to form knowledge, providing an opportunity to contribute to the overall improvement of firms' performance and stock market efficiency in emerging markets. This research study may inform to the investors about the firm level ownership and its impact on firm value performance, and therefore help investors make appropriate investing decisions. This research study may help to explain the diversification motives of firms in an emerging market in the context of India.

Statement of the problem

The investors and regulators now-a-days have become more interested in the rules and regulations of financial decision, corporate governance and financial performance of firm because of the high-profile failure of a number of large companies in India.Further the research paper studied the world financial crisis of 2008 has focused to a persistent need for establishing comprehensive corporate governance practices as an emerging market values demand. The business management scholars have focused on the relationships between corporate governance, finance decision and financial performance of the company value. The general business problem is that there is a lack of consensus with respect to the relationships between corporate governance, finance decision and financial performance company value. The different financial management authors and finance managers argue that the effect of ownership structure on corporate diversification is different between strong and weak investor protection markets. While there are many studies of the relationship between ownership structure, corporate governance and firm performance, and corporate diversification and firm performance, there are no studies that systematically investigate the impact of ownership structure on firm performance or the impact of corporate diversification on firm financial performance in India.

Objectives of this Research

1. To Study the current financial decisions and practices in India. The significance of this objective is to measure the extent to which theories and developed models that have been taught in the teaching fraternity point of view, have found their ways in corporate Financial Decision venues in the context of emerging market values as well as, the sub objective of the study to the main objective of this research is to explore how corporate finance decisions in India are linked with accepted theoretical concepts.

2. To identify and analyze the different types of relationship between the Corporate Finance Decision, Governance and Financial Performance of the influence factors on the share price of listed companies in India emerging market value.

3. To explore the impact of corporate finance decisions on corporate performance and firm financial performance in Indian emerging market value.

4. To observes the Relationship between the level of ownership distribution

as well as the percentage of shares held by foreign and domestic institutional investors and their impact on firm value financial performance in Indian emerging market.

5. To test the market efficiency of the Indian Stock Market in relation to Corporate Finance Decision, Governance and Financial Performance in Emerging Market Value.

6. To investigates the perceptions and attitudes among financial manager and Investor behaviors in India.

Hypothesis of the study

H1: A Company's capital structure and dividend policy are expected to have a negative influence on its performance of the Company listed under NSE

H2: A Company's capital structure and dividend policy are expected to have a positive influence on its performance of the Company under listed of NSE

H3: A firm's capital budgeting techniques and size of company is expected to have a positive influence on a firm's performance in the context of emerging market in India.

H4: A firm's capital budgeting techniques and size of company is expected to have a negative influence on a firm's performance in the context of emerging market in India.

H5: There is a positive relationship between financial risk and corporate Governance performance in the view of the Emerging market Value.

H6: There is a positive relationship between corporate financial decision and the performance of a firm in the context of emerging market in India.

Research Questions

The research questions framed are based on the main objectives of the study and significance of identified variables from the literature review and theoretical framework of the above mentioned hypotheses. This study proposes the following specific research questions:

1. How are the corporate finance practices, techniques and corporate governance issues currently being practiced among corporate firms performance in India?
2. What is the impact of financial decisions, corporate Governance issues and practices on a financial Performance of firms in India?
3. What is the impact of corporate governance and financial decision on firm's financial performance in India?
4. What are the current business sustainability issues and their impacts on dividend policies and capital structure theories in Indian market ?

Research Methodology

This research paper's main objective is to study the Corporate Finance Decision, Governance and Financial Performance in Emerging Market Value on the market price of companies listed on stock market in India. Incidental to the study it is necessary to understand whether the efficiency level of the Indian stock market has any role in affecting the changes in share prices due to dividend related values. The companies listed on the stock market are diverse in terms of the industry, market corporate Finance decision, governance and financial performance. The study also exhibit different types of dividend decisions, corporate finance decision viz. cash or stock and indirectly repurchase of shares.

Sampling frame

There are twenty five stock exchanges operating in India. Out of these twenty one operate at regional level and only five are working at national level. Only eight stock exchanges have permanent license amongst which namely Bombay Stock Exchange (BSE), National Stock Exchange (NSE), Over the Counter Stock Exchange (OTC) and Multiple Commodity Index (MCX) are operational at national level. The MCX is trading in commodities and falls within the regulatory purview of Forward Market Commission of India; only BSE (Bombay Stock Exchange) and NSE (National Stock Exchange) deal in majority of the companies listed on the Indian Stock Market. Due to their size in terms of number of listings as well as turnover, BSE and NSE have been considered as representative of. Indian Stock Market for identification of companies and selection of events.

The selection of companies in the sample is based on non-probability purposive sampling (Stepwise sampling). Time span of 10 year from financial year 2005-06 to financial year 2015-16 has been taken for the study. The final selection of companies is based on the criteria of regular announcement of dividend and active trading in the stated stock exchanges (e.g. BSE and NSE) during the span of time taken for the study.

Data Analysis and Interpretation

Table 1 : The question asked to the manager : How often did your company use the capital budgeting techniques while deciding which projects or selection to pursue?"

Variables	%	Mean	Firm's Sector								
			1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
NPV	69.25	6.21	5.25	2.35	6.52	8.27	5.80	4.10	6.25	9.54	5.01
IRR	74.12	5.41	2.41	2.87	3.20	6.45	5.25	3.21	2.35	4.80	4.18
ARR	81.03	3.08	7.94	8.21	2.35	1.20	5.69	3.58	3.52	6.23	9.56
PI	59.80	3.56	5.83	7.80	2.68	2.58	4.20	4.15	7.12	7.25	4.85
Payback	63.40	6.19	2.89	4.13	6.25	8.60	3.21	3.45	8.36	8.23	7.25

Table : 2 Capital Budgeting: - Mean Table

Variables	%	Mean	Equity		Size					Ownership fund (CFO)			
			1	2	1	2	3	4	5	1	2	3	4
NPV	69.25	6.21	2.012	0.236	2.369	1.325	0.147	0.123	2.589	2.458	1.20	0.89	5
IRR	74.12	5.41	3.256	0.843	8.256	0.231	0.852	0.456	4.257	4.879	2	0.49	2.45
ARR	81.03	3.08	1.256	1.678	4.235	4.235	0.963	0.158	3.487	2.730	1.02	1.56	3.15
PI	59.80	3.56	8.154	5.365	0.569	0.258	0.471	1.357	0.480	3.890	3.	4.25	4
Payback	43.40	6.19	6.215	2.458	0.478	0.369	1.789	2.458	4.751	1.824	5.24	3	2.56

The above Table discusses the results on capital budgeting techniques used for corporate finance decisions making and selection of the new project for the investment. The study found majority of responses that had the highest average score when asked "how frequently did your firm use the following capital budgeting techniques while deciding which projects or acquisitions to pursue and performance of the corporate finance decision and financial performance of the particular selected sector " was IRR (74.11 percent) followed by NPV (69.25 percent). Non- DCF methods (such as Accounting Rate of Return (ARR) and PB) are less popular among listed firms in India.

The pay back method is also popular (43.40 percent). Only 42.5 percent of the respondents use ARR - the most popular capital budgeting tools. The payback criterion is more popular among privately and publicly owned companies that are managed by in selected sector financial manager and CFO. Overall, the results regarding capital budgeting are similar to those of Graham and Harvey (2001). de Jong, and Koedijk (2004). The typical the Indian financial manager prefers the NPV and IRR techniques, in contrast to the European sample, that favors the payback period.

Table : 3 Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max	Skew ness	Kurtosis	Shapiro-Wilk	Probabi lity
ROE	2.35	0.23	-3.21	0.95	12.32	25.36	6.25	0.00
ROA	1.23	2.56	2.10	3.21	2.56	45.36	45.28	0.00
Tobin's Q	1.56	0.47	0.58	1.25	45.32	58.36	112.59	0.51
SRETURN	4.28	5.74	0.54	2.30	5.89	78.23	-14.03	0.00
MPBV	2.89	6.45	0.69	1.65	47.23	27.12	53.25	0.00
PE	3.45	1.45	4.23	5.30	4.36	45.23	23.56	0.10
Mcap	6.23	8.41	-1.23	2.03	9.25	5.23	18.23	0.40
TDTA	0.26	6.78	5.41	6.85	21.86	6.02	19.58	0.16
STDTA	0.78	5.47	7.02	8.36	32.56	-12.25	14.28	0.00
LTDTA	5.12	9.25	3.25	4.12	12.58	5.23	0.69	0.00
TDTE	4.57	2.85	1.85	2.58	45.58	0.23	0.58	0.00
TDTC	3.96	4.01	3.58	4.89	8.23	0.59	9.72	0.00
DP	7.82	2.10	4.12	5.10	1.36	4.23	5.58	0.00
DY	4.58	3.14	2.56	3.56	-23.5	0.58	6.12	013
Size	6.85	2.42	4.58	5.23	-85.4	0.47	8.96	0.20
STDVE	4.89	2.15	3.45	4.01	8.32	2.25	18.56	0.00
LIQ	5.74	4.02	2.54	3.54	9.36	6.82	9.70	0.00
TANG	3.57	6.58	2.50	3.57	12.36	4.58	15.78	0.00
Growth	6.78	3.12	3.52	3.92	6.56	1.28	7.23	0.17

The summary statistics for the variables used in the study is testified in above table the average return to equity was 12.3 percent for the whole sample while the average return on assets was only 7.2 percent. The research paper discussed two accounting measures of performance indicated that Indian firms have low financial performance in emerging market firms. The majority of variable measures of market performance showed high percentages of firm performance, which are being compared with corporate finance decision variable and governance the average values of above table all variables were 83 percent, respectively. The high ratios for the emerging market performance measures could be a result of the increase in the firms' share price and equity without any increase in the real activities performance of the firm.

Inferential Analysis

The research paper tested for multi co linearity of the available data. This is the unwanted situation where the correlations among the independent variables are strong. The summary results show that all the four variables had a variance inflation factors (VIF) as shown in table given below. This implies that there was no co linearity with the variables thus all the variables were maintained in the regression model. Durbin-Watson statistic was also conducted to test for autocorrelation in the residual from the regression analysis. The Durbin-Watson statistic show a coefficient of 0.25489 which implies that there is a positive autocorrelation. However, since the coefficient is nearing the 1.0 mark, the co-efficient is deemed appropriate for the study to continue.

Table:-4 Co linearity Statistics

	Co linearity Statistics	
	Tolerance	VIF
Capital Structure	0.245	2.358
Capital market investments	0.561	3.452
Corporate earnings	0.182	1.256
Dividend payout ratio	0.456	4.238

Table : 5 Least Squares Variable Performance Table

Test Equation:				
Dependent Variable: RESID^2				
Method: Least Squares				
Included observations: 60				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	-1.02351	0.23510	1.35061	1.87962
LOG (CS)	0.1254	1.0230	0.2032	0.568
CE	0.4568	0.5894	0.5967	0.1463
DP	0.1453	0.2589	0.3642	0.8961
CM	0.7531	1.0258	0.3698	0.2589
R-squared	0.258745	Mean dependent var		0.654802
Adjusted R-squared	0.36985	S.D. dependent var		0.658962
S.E. of regression	0.14785	Akaike info criterion		0.35269
Sum squared resid	0.123652	Schwarz criterion		0.23864
Log likelihood	0.325864	Hannan-Quinn criter.		1.378952
F-statistic	3.02589	Durbin-Watson stat		0.90237
Prob(F-statistic)	0.689542			

Table : 6 Coefficients Results

	Unstandardised coefficients		**Standardised coefficients**	**t**	**Sig**
	B	Std. error	Beta		
(Constant)					
Capital Structure	3.096	7.093	.531	1.902	.010
Capital market investments	0.985	5.980	.325	1.401	.105
Corporate earnings	2.970	1.780	.453	0.301	.023
Dividend payout ratio	5.901	0.569	.261	-2.012	.045

The results shown in the above table are about the selected sectors Market value. From the data given in the above table the following equation has been developed for the evaluation of the above mention variables: Y= 3.096+ 0.985CS + 2.970CM + 5.901 DP There is a positive relationship between market value of listed sector and the predictor factors capital structure, capital market investments, corporate earnings, dividend payout ratio of the emerging market value in India. This implies that holding all factors constant, the market value of listed sector would be 6.249. The study further shows that there is a significant relationship between corporate finance decision, market value and corporate governance of listed selected sectors, the capital structure (p= 0.029 0.09). The study therefore rejects the following null hypotheses and rejects the alternative hypotheses: there is relationship between capital structure and market value among listed selected 9 sectors in India. There is relationship between dividend payout ratio and market value among listed sectors in Indian NSE Companies.

Table : 7 Relationship between Corporate Finance Decision and Governance

	Unstandardised coefficients		**Standardised coefficients**	**t**	**Sig**
	B	Std. error	Beta		
(Constant)					
IT	3.096	7.093	.531	1.902	.010
Bank	0.985	5.980	.325	1.401	.105
Retail	2.970	1.780	.453	0.301	.023
Insurance	15.901	0.569	.261	-2.012	.045
Food	19.865	2.906	.321	1.095	.601
Infrastructure	0.789	0.341	.542	.095	.231
Real-estate	0.583	0.430	.410	0.342	.279
Healthcare	2.863	0.501	.450	0.549	.470
Manufacturing	0.830	0.430	.801	.206	.001
R^2	.180		n	43	

Key: Coefficient level of significance, Significance levels: p<0.10 ** p<0.01 * p<0.05 *** p<0.001

The above Table describe the results of the regression analysis that estimate the effects of the presence of corporate finance decision and Governance on the management and boards members of the companies.

According to 2 Hypotheses the presence Corporate Finance Decision and Governance on the management and financial decision is positively related to the level of ownership dispersion of a company's common stock. The empirical results reveal positive and statistically significant coefficients on all four measures of upper echelon internationalisation, thus empirically supporting hypotheses 2 and 3.

The results of regression analysis regarding impact of governance ratings on financial performance of firm have been summarized below.

Table : 8 Regression analysis

Variable	R	R^2	Adjusted R^2	F	Significance of F	Beta Coefficient	p-value
NPV	2.35	0.23	-3.21	0.95	12.32	25.36	6.25
IRR	1.23	12.56	2.10	3.21	2.56	45.36	45.28
PI	1.56	0.47	0.58	1.25	45.32	58.36	112.59
PBP	4.28	5.74	0.54	2.30	5.89	78.23	-14.03
DPBP	2.89	6.45	0.69	1.65	47.23	27.12	53.25
ARR	3.45	1.45	4.23	5.30	4.36	45.23	23.56

Following findings and conclusions can be drawn from observation of data given in the above table. The coefficients of determination (R^2) values are sufficiently high. Also; all Significance of F values are less than .05. Thus, the result of the model is impacted on the selected 9 sectors. Majority of Beta coefficients values are showing positive. Thus, corporate finance decision, and governance rating have positive impact on financial performance of firm. All p-values are more than 05. The finance decision and corporate Governance rating have insignificant impact on financial performance of firm. On the basis of these results, the research paper accepts the null hypothesis and reject the alternate hypothesis. Thus, it can be inferred from statistical results that corporate finance and governance in firms rating of company have significant negative impact on its financial performance. This research finding of negative impact of corporate finance and governance on financial performance is in selected sectors only in India.

Chi-Square Model

The degree of freedom (DF) is equal to:

DF = (r-1) X (C-1)

Where _ r'is the number of levels for one categorical variable, and _c'is the number of levels for the other categorical variable. The expected frequency counts are computed separately for each level of one categorical variable at each level of the other categorical variable. Compute r X c expected frequencies, according to the following formula.

$$Erc = \frac{(nrxnc)}{n}$$

where Or,c is the observed frequency count at level r of variable A and level c of variable B, and Er,c is the expected frequency count at level r of variable A and level c of variable B.

$$X^2 = \sum \frac{(Or^c - Er^c)^2}{Er^c}$$

To show the influence of the corporate finance decision and governance on financial performance of emerging market value in India, the study formulated a testing hypothesis,

Table : 9 Chi-Square Test: There is a positive relationship between financial risk and corporate governance performance in the view of the emerging market value.

Relationship	Particulars	Pearson Chi Square	Likelihood Ratio	Linear-by Linear Association	Result
Relationship between Governance and Financial risk	Value	56.23	61.51	18.47	Accept
	DF	17	17	3	
	Asymp. Sig. (2-sided)	0.00	0.05	0.00	
Relationship between financial performance and Construction risk	Value	68.89	73.26	24.31	Reject
	DF	17	17	3	
	Asymp. Sig. (2-sided)	0.02	0.00	0.01	
Relationship between Financing Decision and Operating risk	Value	67.57	69.48	24.04	Accept
	DF	17	17	3	
	Asymp. Sig. (2-sided)	0.05	0.03	0.00	
Relationship between Investment and Capital Budget Technique	Value	75.38	82.39	31.74	Accept
	DF	17	17	3	
	Asymp. Sig. (2-sided)	0.04	0.00	0.02	

The result indicated that the value of chi-square statistic is 68.89, the degree of freedom is 17, and the Asymp. Significance value is 0.000. From the analysis, given in the table it can be observed that the P-value is lesser than the level of significance 0.05 ($p < 0.05$) so, it is highly significant. It means, the operating risk, business risk and political risk are influencing the corporate finance, governance and financial performance of emerging market in India. Therefore, the hypothesis can be accepted.

Conclusion and Suggestions

1. Corporate governance and corporate financial performance are correlated and governance assessment of company has significant positive impact on its financial performance.
2. Findings may support decision of company to improve its governance structure. Companies should strive to improve its performance along indicators of good governance –leadership values.
3. Businesses should understand that improving governance and sustainability performance is as significant as improving the financial performance.
4. The companies do not have any particular source of capital structure and divided choices when it comes to to decide as how to best finance their projects as is the case in the US and UK markets. This research reveals that finance theory is not yet fully implemented. The results also indicate that corporate finance and sustainability practices vary depending on firm and management characteristics.
5. Indian companies prefer internal financing to debt to equity rather than external sources of finance, such as loans and issuance of stocks.
6. The study explores the non-linearity aspect of this association using Panel and Pool analysis.' The results reveal that only governance, not institutional ownership, has a negative and significant influence on a manager's activities in terms of corporate performance.
7. In this research study, a 'Least Square Simultaneous Equations Model' is used to examine the interrelationships between financial decisions, ownership structure, and firms performance.

8. The finding reveals that ownership concentration influences the firm to some extent. For instance, ownership concentration significantly enhances corporate value by improving monitoring of free-rider problems.

Limitation of the Study

The study has faced the problem of unavailability of data. This prevented the researcher from undertaking further investigation. For example, the unavailability of annual data for macroeconomic variables such as banking credit and currency exchange rate prevented the researcher from conducting any further investigations and providing a comparison between the performances of firms.

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Appendix : Names of the Authors, Year, Identified aspects and Study variables.

Name of the Authors	**Year**	**Identified Aspects and Study Variables**
Salama, & Dixon	2014	The interest of the agency theory proponents is how to minimize the conflict of interests resulting from the separation of ownership and management of firm resources
Mamun	2013	Stakeholders can include shareholders, suppliers, customers, employees, lenders, governments, local charities, and various interest groups.
(Dimitropoulos & Tsagkanos	2012	There is a pressing need for corporate governance mechanisms to control management's behaviors and actions to protect shareholders' interests and align these interests with management's interests
(Ongore & Kobonyo	2011	In the most cases, the divergence of interests between the principal and agent is due to lack of corporate governance mechanisms for efficient and effective control, and approval and sanctioning of management decisions
Amidu	2007	The study examine whether dividend policy influences firm performance in the Ghana Stock Exchange, it was found out that dividend policy affects firm performance especially the profitability measured by the return on assets. The results showed a positive and significant relationship between return on assets, return on equity, growth in sales and dividend policy
Mancinelli and Ozkan	2006	an empirical investigation of the relationship between the ownership structure of companies and dividend policy using 139 firms listed in Italian exchange
Joshua Abor	2006	Examined the factors affecting dividend payout ratios of listed companies in Ghana. The results of their study showed that payout ratios were positively related to profitability, cash flow and tax but are negatively related risk and growth.
Zhou and Ruland	2006	Examined the possible impact of dividend payouts on future earnings growth. Their study used a sample of active and inactive stocks listed on NYSE and NASDAQ with positive, non- zero payout ratio companies covering
Weston and Shastri	2005	the price-earnings ratio is also widely used to measure the value a firm in developing and developed financial markets
Nam and Nam	2004	Argue that the relationship between corporate governance and the value of a firm developed in existing literature is not relevant to developing markets as well.

Aviazian, Booth and Clearly	2003	Their study also finds that firms with high debt ratios often have a lower dividend payment and, firm size is positively related to dividend pay-out.
World Bank Report	2003	They can make decisions about the compensation of employees in a firm and can also participate in financial decisions of a firm as argued
Mesquita and Lara	2003	Studied the relationship between capital structure and profitability of the Brazilian firms. They tried to examine the effects of debt or equity on profitability. Ordinary least square method was used to examine the effect of short and long term financing on return on equity.
Pedersen and Thomsen	2003	The notion that ownership structures with dominant holders lead to underperformance is increasingly supported by an emerging body of research that examines the ownership structures of continental European firms.
Arnott and Asness	2003	Based their study on American stock markets (S&P500) and found that higher aggregate dividend payout ratios were associated with higher future earnings growth.
Mathiesen	2002	Corporate governance is the mechanism used to safe guard the interests of the shareholders in the market.
Leruth and Piesse	2002	Pointed out that the sample size used for the Malaysian study in the former researchers' working paper was small and lacked robustness.
Monks and Minow	2001	Defined corporate governance as the mechanism by which the board of directors improves the value of the shareholders by controlling the actions of managers, CEO and other stakeholders in a firm.
Sharma	2001	Indicates that during the three-year period prior to dividend initiation, firms report significant improvement across key performance measures, including the improvement of profitability and cash flow generation.
Arnold and Hatzopoulos	2000	Specifically focus on capital budgeting practices in developed countries such as the US and UK. A long with the area of capital budgeting, some studies include cost of capital
Gorton and Schmid	2000	In his Research Paper studied on reform in taxation was regarded as a positive signal of a new policy orientation that contributes to the unravelling of the system of cross shareholdings and encourage corporate restructuring by lowering the transaction costs
Sarkar and Sarkar	2000	Definition of corporate governance and the value of a firm in the existing literature originated from developed markets is not suitable for developing market.
Shirvani and Wilbratte's	1997	Study further estimates the error correction model to capture short-run deviations from the long-run target payout ratio and the speed of adjustment. Thus the study also touches on the first of the three questions about the Lintner model,

Lee	1996	Assesses whether there is long-term relationship between Various definitions of earnings and dividends. The study utilises a bivariate time-series model of earnings and dividend obtained from annual observations on the Standard & Poor's Index
Hines	1996	finds that the payout rates applied to profits from foreign sources are about three times higher than the payout rates applied to domestic profits
Myers and Majluf	1984	Predicts no well-defined target debt-equity mix. Pecking order theory states that a firm can obtain the necessary fund to finance its projects in different ways, which depend on hierarchical sources of finance as a result of information costs.
Rozeff's	1982	Agency theory studies generally use regression analysis to assess the degree of substitutability among alternative mechanisms for controlling agency problems.
Jensen and Meckling	1976	Define corporate governance as a set of internal and external mechanisms, from incentive and control, aimed at minimizing the agency costs.
Modigliani and Miller	1963	Review their earlier position by incorporating tax benefits as one determinant in firms' capital structure. In particular, a firm that pays taxes receives a tax shield in the form of lower taxes paid. Therefore, these authors conclude that firms can maximize their value by using as much debt capital as possible.
Donaldson	1961	Investigates how companies establish their capital structure. The study concludes that firms prefer internal finance from generated funds

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