

Moderating Effect of Profitability on the Relationship between Board Characteristics and Companies' Performance : A Study of Indian Companies

AMITA RANI*
MONITA MAGO**

Abstract

The objective of the study was to draw the attention of experts and stakeholders towards distinctiveness of board characteristics of a loss-making and a profit-making companies. The total samples were 1092 observations consisting of 91 companies listed at the Bombay Stock Exchange and covered the period of 12 years. The data was analyzed using descriptive statistics, parametric and non-parametric test and structural equation modeling. The study found that the companies earning profits have reported dominant shareholding by promoters, larger board, more independent chairman, more directorships by inside and outside directors and lesser number of board meetings in one financial year in comparison to the companies, incurring losses. Also, the results have shown that there was a significant positive effect of overall board characteristics on financial performance of the companies under study.

JEL Code : G2; G3

Keywords : Ownership Structure; Board; Agency Theory; Resource Allocation; Financial Performance; BSE; India.

I. Introduction

BOARD PLAYS A vital role in a company's performance. It connects the company with its environment, ensuring critical resources (Bathula 2008; Zabria et al., 2015) and actively participates in a company's strategic decision-making (Fama and Jensen, 1983). Armstrong (2006) has described the performance in the output terms which could be measured on the basis of the achievement of the quantified objectives. Performance of a company is a multidimensional construct (Alam et al. 2014), which ensures the financial health of an organization. Financial performance of companies have been studied and measured by different researchers (Allam Hamdan, 2018;

* Young Professional, Government of Haryana, State Planning Department, The Department of Economic and Statistical Affairs, Yojana Bhawan, Bay 21-28, Sector 4, Panchkula, Haryana 134109, INDIA

** Assistant Professor, Punjabi University, School of Applied Management, NH64, Urban Estate, Phase II, Patiala, Punjab 147002, INDIA

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