Corporate Governance Characteristics and Company Performance of Family Owned and Non-Family Owned Businesses in India

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Abstract. This paper studies the impact of promoters' family control and corporate governance on firm value. Purposive sampling method was adopted to choose sample firms from those listed in the Bombay Stock Exchange (BSE). Of the 4573 firms listed in BSE, banking, insurance and financial firms were excluded as they are governed by different bodies. Foreign firms and companies acquired during the period of investigation were also excluded. So a sample of 771 firms during the period 2001 to 2005 was studied. The data were analyzed using 't' test to find the difference in the firm value between promoter family controlled and non-promoter family controlled firms. Multiple regression analysis was conducted to identify the factors that affect firm value. This study found that the firm value is not significantly affected by the ownership type of the firm.

Keywords: Corporate governance, Firm Value, Agency Theory

One of the emerging issues in the field of management is the impact of family influence (Mishra et. al., 2001; McConaughy et. al., 1998) and corporate governance (Khatri et al., 2001; Kwak, 2003; Black et al., 2003) on the value of a firm. Various studies in diverse domains like accounting, economics, finance, law and management (Mishra et al., 2001; Kwak, 2003; Black et al., 2003; Andersen and Reeb, 2003) have been conducted to study the impact of family influence and corporate governance on the firm's value. These studies have resulted in interesting and useful observations. Security variables don't dominate the theory of determining the firm value any longer. With the changing socio and economic structure, more so in developing countries like India, it is important to examine the impact of two key variables namely family influence and the corporate governance on the firm value. This paper examines the relationship between these variables.

I have organized this paper in the following manner. I first present the basic objectives of the current work followed by the concept of family influence and examine its comparison with the major variables in literature. Next, I briefly outline corporate governance and trace its coverage in literature. Third, I present the various indications that have been discussed in the firm's value. Finally I introduce the research objectives and methodology adopted followed by the discussion and analysis.

OBJECTIVES OF THE STUDY

The present study revolves around the following two major objectives.

1. To test whether there are significant differences in the firm value for Family Controlled Firms (FCFs) and the Non- Family Controlled Firms (NFCFs);

2. To test whether there are significant differences in the corporate governance structure of FCFs and NFCFs

THEORETICAL BACKGROUND AND RESEARCH HYPOTHESES

Promoters Family Influence and Firm Value

The finance literature widely discusses the effect of family control on the firm's operation (Jensen and Meckling, 1976), the firm value (Fama and Jensen, 1985) and capital structure (Randy and Goel, 2000; Vries de, 1993; Leland and Toft, 1986). The terms "promoter family control", "founding family control", "ownership control", "ownership concentration" and "management control" are used interchangeably in literature. However, McConnaughy et al. (2001) have described the nuances between these terms. Anderson and Reeb (2003) clarified that "the family represents a unique class of shareholders with poorly diversified portfolios, who are long term investors (multiple generations), and often control senior management positions". Hence, family firms are those in which the founder and his or her relatives have a majority stake in managing and controlling the affairs of the firm.

Evidence shows that the level of equity held by the firm's management does influence the firm's efficiency, profitability and capital structure and therefore its value (McConaughy et.al., 2001). The study by Morck, Shelfier and Vishny (1988) found that the firm value (as measured by Tobin's Q) increased when the promoter family held top position in the firm. James (1999) argued that family traits such as altruism, paternalism would encourage an atmosphere of love and commitment towards the business. Fama and Jensen (1983) argued that the long-term nature of the family relationship is meritorious in monitoring and disciplining the managers. La Porta et.al. (1996) documented that many large organizations tried to adopt these family traits in an effort to compete more effectively and boost firm performance. Further, the family influence is yet another corporate governance mechanism as it involves replacing the other monitory mechanism (direct monitoring by appointed executives to run the firm). Therefore the family leadership enables the owners of the firm to exercise full control over the corporate insiders (paid executive directors of the board) and the overall management (Jensen and Meckling, 1976; Fama and Jensen, 1983). This frees the family controlled firms from incurring a huge agency cost and can therefore benefit the promoters enormously. Further, this ensures a lot of involvement from the promoter of the firm ultimately leading to the fullest utilization of the resources and other capabilities of promoter. This results in better firm performance for investors. There is enough evidence in the literature (Kang, 1998; Morck et al., 1988; McConaughy et al., 1998) suggesting that family controlled firms exhibit better performance in comparison to firms in which family control is insignificant.

This review of empirical literature on promoter family control and firm value presents different perspectives about the relationship between family control and the value of a firm. While studies have shown positive relationship, evidence also shows contradicting results. Demsten (1983) and Demsten and Lehn (1985) argued that the level of managerial ownership does not affect firm value. Further, studies by Slovin and Sushka (1993) have found that the founder status does not have any relationship on the firm value. Moreover, it is interesting to observe the findings of Stulz (1988) that there exists a curvilinear relationship between managerial ownership and firm value. According to him, the firm value increases in the initial period where ownership is more concentrated and the monitoring costs decrease. However, as management becomes more insulated, the value of the firm decreases.

However in family controlled firms, threatening factors such as family instability, lack of succession planning, etc. may negatively influence the firm value (Demstez, 1983; Demstez and Lehn, 1985). Table 1 lists positive and negative factors affecting the relationship between family control and firm value.

Table 1

Family Controlled Firm's (FCFs) Impact on Firm Value

Positive Determinants	Negative Determinants
Greater independence - quick decisions - flexibility Long-term family involvement - effective monitoring and disciplining of managers - low monitoring cost - fewer principal - agent problems - clearly defined culture - co-ownership within the family leading to better investment strategies - family members' extensive knowledge of the firm - continuity in leadership thereby encouraging long - term orientation	- placing personal/family interest ahead of business needs - problems with succession planning - nepotism and favoritism - costly inter-generational transfers (family inheritance) - family instability due to conflict among the family members for control - messy organization structure - autocracy and paternalism

Thus, it is evident that there is still difference of opinion among researchers on this topic of importance. The absence of any such study in India on this important issue motivated me to explore this topic. A study of this topic is sure to throw more light on the inclusion of the important variable of family control in determination of the firm value, which is of importance in extending the body of knowledge in this area.

Hence, based on the mixed conceptual and empirical evidences presented before, the following hypothesis is framed.

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Hence, based on the mixed conceptual and empirical evidences presented before, the following hypothesis is framed.

Hypothesis 1: Family Controlled Firms (FCFs) have higher firm value than the Non Family Controlled Firms (NFCFs)

Corporate Governance and Firm Value

Yet another interesting question in the finance literature is whether the corporate governance practices of an individual firm influence its market value. Many studies have been conducted and varied findings have emerged (Black 2001; Gompers, Ishii and Metrick, 2003). A survey carried out by McKinsey & Co. found that investors pursuing a growth strategy did not worry about corporate governance, but investors who pursued value strategy and invested in undervalued or stable companies were willing to pay for good governance. These investors have the belief that a company with good corporate governance will perform better over a period of time and that good governance can reduce the risk and attract further investment (Agrawal et al., 1996). Even though there is a growing literature on governance issues such as board composition and board leadership structure, the results are unclear with respect to firm performance (Dalton et al., 1998). Many studies that have demonstrated positive relationships between variables of interest and firm performance, when meta-analytically reviewed show negative relationships and no statistically significant relationship at all (Dalton et al., 1998).

The diversity of results can be partly explained by differences in the theoretical perspectives applied, selected research methodologies, measurement of performance and conflicting views about the board involvement in decision making and to some extent the contextual nature of the individual firm. Even studies based on the integrative models encompassing board involvement, incorporating different theoretical perspectives and various board attributes such as board size, board composition and number of non-executive directors on the board, provide inconclusive results suggesting that corporate governance has, at least an indirect effect on the company performance (Zahra and Pearce, 1989).

The factors considered for measuring corporate governance have been identified and adopted differently by different researchers. For example Mishra et al. (2001) have used variables such as firm age, board size, outside directors on the board and multiple classes of shares. Few others (Millstein and MacAvoy, 1998; Bhagat and Black, 1999) have taken board characteristics while others (Karpoff et al., 1996; Sarkar and Sarkar, 2000) have considered "shareholder activism" as corporate governance. Further, the numerous indexes for measuring corporate governance developed by researchers (Mohanty, 2001; Black et al., 2003) have made the domain of corporate governance wider. However, most of these studies were conducted in developed countries that have evolved corporate governance to a larger extent (Black, 2001). Evidence also indicates that corporate governance practices are likely to have a larger effect on the firm value in those economies that are in the transition stage. There will be wider variations in corporate governance practices in those countries with a groggy legal environment. In the changing socio, political and economical environment in India, the application of corporate governance on the firm value is still an unexplored area deserving the immediate attention by the researchers in this field.

However, many variables have been commonly used in the literature as the indicators of corporate governance: board size, board composition, multiple classes of shares, number of meetings attended by directors, number of meetings held in a year, the existence of various committees like audit committee, remuneration committee and the like. Amongst all the above mentioned variables, I chose only board size and board composition as corporate governance indicators. The rationale and support for choosing these variables for effective corporate governance which in turn influence firm value are presented in the succeeding paragraphs.

Board size and firm value

Historically, board size ranged form very small (5 to 6) to very large (30 plus). A number of studies (Conference Board, 1962, 1967; Gordon, 1945) have found that the average size of board has remained the same (between 12 and 14) for the last 50 years or so. According to Vence (1983), "… there have been no reputable studies which show that the size of board increases proportionately to size of capital, net assets or even sales." Chaganthi et al. (1985) argued that board size is a significant board attribute and affects board functions and eventually corporate performance. Yermack (1996) documented that those firms having small board sizes have higher stock market value. He finds an inverse relationship between firm value and board size by using a sample of large US corporations. Mishra et al. (2001) argued that smaller boards help to make decision more quickly. Kathuria and Dash (1999) argued that firm's performance increases if the board size increased but the contribution of an additional board member decreases as the size of the board increases. Business Today in association with the Association of Indian Management Schools (AIMS, 1997) reports that there exists a positive and close relationship between the board size and firm value.

Board Composition and Firm Value

Board consists of two different types of directors, executive and non-executive. Executive directors are responsible for the day-to-day affairs of the company. They have direct responsibility for business functions such as finance and marketing (Weir and Laing, 2001). They are full time employees of the company and have clearly defined roles and responsibilities. However executive directors are not in a strong position to monitor or discipline the CEO (Daily and Dalton, 1993). It is therefore important that there is a mechanism to monitor the actions of the CEO and executive directors and to ensure that they pursue shareholder interest. Dare (1998) argued that non-executive directors are effective monitors when they ask firm's strategy related questions. They are able to provide independent judgment when dealing with the executive directors in areas such as pay awards, executive director appointments and dismissals. O'Sullivan and Wong (1999) recorded that non-executive directors in the board become less effective if they continue with the same board for many years.

If non-executive directors are effective monitors, this should result in improved corporate performance. However, two recent US studies have found that this is not the case. Yermack (1996) and Bhagat and Black (1999) found a negative relationship between the proportion of outside directors and corporate performance. Apart form the above, two other studies conducted in UK (Vageas and Theodorou, 1998; Laing and Weir, 1999) did not find a relationship between the proportion of non-executive directors and corporate performance.

The lack of positive relationship between non-executive directors and firm performance can be explained by part-time employment of non-executive directors, lack of knowledge on highly technical issues and insufficient information while taking key decisions (Laing and Weir, 1999).

Given the evidence on the corporate governance structures' impact on firm value both in developed and developing countries, as shown in this section, the following hypotheses were formulated.

Hypothesis 2: Board Size does not influence the firm value

Hypothesis 3: Board Composition does not influence the firm value

METHODOLOGY

Data Collection and Operational Definitions

Data for computing the firm value, governance characteristics and promoters family influence of the selected companies were obtained from various sources. The initial data sample was taken from the firms that are listed in the Bombay Stock Exchange (BSE) for the last five years. This pool of firms in the BSE was chosen because of the mandatory requirements on the part of these firms to submit corporate governance details to the stock exchange authorities.

Data were then collected for the years 2001 and 2005. The data for governance and control variables were obtained from the annual report of the firms as well as from CMIE PROWESS database.

The purposive sampling method was adopted in the selection of the sample firms for analysis. Of the 4573 firms listed in the BSE, only 3384 (74 percent of firms) which do not fall into any of the following criteria, were considered.

a) Banking, insurance and financial firms. These firms were excluded because they are subject to different regulatory bodies and their accounts are differently structured thus making the comparison of firm performance difficult.
b) Foreign firms. It is because of authors' presumptions of variations perceived in the board culture between Indian and foreign firms.
c) Companies acquired during the period of investigation.
d) Availability of data for all variables for the above mentioned periods

Finally a sample of 771 firms fulfilled the above conditions.

Operational Definitions of Selected Variables

Since the variables selected for the study viz. family control, corporate governance and firm value are constructs which have been defined differently by different researchers in this field, and since no consensus definition of these variables is agreed upon in the literature, I have given the operational meaning to these variables as below:

1. Firm value is measured through a proxy for Tobin's Q ratio. Tobin's Q is defined as the ratio of market value of equity and market value of debt to the replacement cost of assets. But in Indian context calculation of Tobin's Q is difficult because corporate debts are not actively traded in the debt market. Again Indian companies report asset values at historical costs rather than at replacement costs. Hence, I have calculated a proxy for Tobin's Q which is defined as the ratio of market value of the firm to the book value of total assets, where the market value of the firm is measured by the sum of the market value of equity and the book value of total liabilities. This similar 'Q' value measure to examine the relation between shareholder concentration and firm value in India has been used in similar studies by Morck et al., (1988), McConnaughy et al., (1998), Mishra et al., (2002), Khanna and Palepu (2000), Sarkar and Sarkar (2000), and Mohanty (2001). We have taken the natural log of firm value.

2. Family controlled firm is defined as a firm whose shares of not less than 51% are held by the promoter and his or her family members. The above-mentioned criterion was used in previous studies by McConaughy et al., (1998), Mishra and McConaughy (1999), Mishra et al. (2001), and Chang (2003).

3. Corporate governance is measured through three proxy variables namely board size, board composition and multiple class of shares.

Board size is defined as the number of both executive and non-executive directors on the board of the firm.

Board composition is defined as the proportion of representation of non-executive directors on the board.

Control Variables

Apart from the family influence and governance characteristics, the performance of a firm is influenced by other factors, which operate through the product and the capital market. In the empirical literature it is customary to control for the effect of these external factors to avoid any spurious relationship with the variables of interest and to single out the specific impact of promoter family control and corporate governance characteristic on the firm value by including them as control variables. Accordingly, variables such as sales, firm's age, financial leverage and asset tangibility are considered as exogenous variables in this study.

Sales is defined as the average sales (natural log) of the last seven years. It reflects the effect of unobserved factors, which are related to size. In the product market, size reflects possible entry barriers on account of economies of scale and size also reflects the market power of a firm. In the capital market, size reflects the ability of the larger firms to fund their investment projects from internal sources as well as their ability to raise additional funds through the issue of fresh common stock (Mishra et al., 2001; Sarkar and Sarkar, 2000).

Age is defined as the log difference between end of 2002 and firm's founding year. It controls for the life cycle effect because profits of older and matured firms may be higher on account of good will and learning efforts (Randoy and Goel, 2001; Anderson and Reeb, 2001; Black et al., 2003).

Financial leverage is the ratio of long-term debt to total equity plus retained earnings. The variable captures the effect of corporate tax shield (Anderson and Reeb, 2001; Sarkar and Sarkar, 2000).

Asset tangibility is ratio of net fixed assets to total assets at the end of 2002 (Mishra et al., 2001; Randoy and Goel, 2000).

Analytical Techniques

Considering the objective of the study and nature of the data collected, I performed a 't' test and Multiple Regression Analysis (MRA). I conducted a 't' test to find out the significant differences in the mean firm value and other variables of interest between Family Controlled Firms (FCFs) and Non- Family Controlled Firms (NFCFs).

In order to find out the size of influence of promoter family control and each of the corporate governance characteristics on the firm value, a multiple regression analysis was done. This was performed by controlling the effect of extraneous variable (firm performance indicators) such as sales, firm age, financial leverage and asset tangibility.

Model 1
FV = (1 X FCFs) +
Model 2
FV = (1 X FCFs+ 2 X BS + 3 X BC) +
Model 3
FV = (1 X FCFs + 2 X BS + 3 X BC + 4 X FS + 5 X FA + 6 X AT + 7 X FL) +

Where FCFs = Family Controlled Firms
BS = Board Size
BC = Board Composition
FS = Firm Sales
FA = Firm Age
AT = Asset Tangibility
FL = Financial Leverage

ANALYSIS AND DISCUSSION

Table 2
Number and Percent of Family Controlled Firms and Non-Family Controlled Firms

Nature of the Firm	Family Controlled Firms	Non-Family Controlled Firms	Total
Manufacturing	330 (51%)	318 (49%)	648
Service	60 (49%)	63 (51%)	123 N = 771

It is observed from Table 2 that Family Controlled Firms are around 51% in manufacturing sector and 49% in service sector. I have not carried out a break-up of industry-wise classification but propose to do so in future work. But in the current work, the sample firms are classified only into two categories, namely manufacturing and service.

Table 3
Descriptive Statistics for FCFs and NFCFs
Summary statistics for all firms

Variable	Mean	Median	Standard Deviation	Minimum	Maximum
Promoters Holding	53.01	50.85	15.40	26.00	99.33
Board Size	8.75	8.00	3.00	2.00	23.00
Board Composition (%)	0.01	0.00	0.04	0.00	0.56
Age ((years)	29.14	22.00	20.11	4.00	137.00
Financial Leverage (%)	3.08	2.49	3.82	0.01	47.83
Asset Tangibility (%)	0.41	0.41	0.20	0.01	0.94
Log Sales	1.88	1.90	0.91	2.22	5.13
Log Firm Value	2.11	2.04	0.78	0.07	4.97

Table 3 presents the descriptive information about my sample firms. For all the variables, means, medians, standard deviations and minimum and maximum values are computed.

One of the objectives of the study is to find out the impact of family control on the firm's value. For this purpose, I classified the total sample of 771 firms (as selected from the BSE) into two categories, those firms in which the promoters' equity holding is less than 51 per cent and those firms in which the promoters' equity holding is more than 51 per cent. The firm value (natural log) of these sample firms was computed using Tobin's Q (the computational procedure is explained in the methodology section). The significant difference in the firm value and other variables of importance of these two categories of the firms was tested using a t-test. The results are reported in Table 4.

Table 4
Difference of Means Test

	Family Controlled Firms	Non-Family Controlled Firms	t - statistics
No of Firms	381	390	
Promoters Holding	65.81	40.64	-39.52**
Board Size	8.64	8.85	1.01*
Board Composition	0.01	0.01	-1.59
Age	29.58	28.71	-0.60
Financial Leverage	3.05	3.11	0.20
Asset Tangibility	0.40	0.42	1.55
Log Firm Value	2.15	2.08	-1.25
Log Sales	1.94	1.81	-1.96

df = 769;
** p<.01 * p<.05

As shown in the table, we found the average firm value as computed using the Tobin's Q method was not significantly different for firms in FCF and NFCF categories. This difference was not significant t (769) = -1.25, p>.05. This finding reflects a totally different scenario in the firm value determination based on the family control in the Indian firms. One possible reason for such a peculiar finding might be the fact that the firms were classified based on the 51 per cent share-holding by the promoters in the firm. Perhaps, the findings might vary if some other criteria for the classification of firms are taken, say, fixation of a 26 per cent stake by the promoter in the firm or a totally different approach of defining family controlled firms like by assessing whether the CEO of the company belongs to the promoter's family. But at the same time, it is observed that there is a significant difference in the average shareholding of family controlled firms and non-family controlled firms.

The second objective of the study is to test whether there are significant differences in the corporate governance structure of FCFs and NFCFs. For this purpose, it was hypothesized that the CG structure would be different for firms in these two categories. As stated in the literature, the researchers have identified two major factors, board size and board composition (measured in terms of proportion of non-executives directors). The mean values for FCFs and NFCFs for each of the CG variables as depicted in the above table reveal interesting facts. Significant differences exist between family controlled firms and non-family controlled firms in the corporate governance factors, namely the average board size and board composition. As it is evident, the mean board size for FCFs is 8.64 while it is 8.85 for NFCFs. Hence board size is an important corporate governance factor differentiating FCFs and NFCFs. The second factor, board composition has the mean value of .001 non-executive directors for FCFs and .001 for NFCFs and the difference is not statistically significant. The possible reason may be only in 2004, the Indian Companies Act, 1956 made it mandatory for the firms to appoint non-executive directors in the board of the firms.

Table 5 provides a correlation matrix for all the key variables in the analysis.

Table 5

Correlation Matrix

Variable	FV	PH	BS	BC	LS	Age	FL	AT
Firm Value (log)	1							
Promoters Holding	0.07	1						
Board Size	0.60*	-0.02	1					
Board Composition	0.09*	0.02	0.04	1				
Sales (log)	0.31*	0.09*	0.18*	-0.01	1			
Age	0.27*	0.03	0.17*	-.05	.08	1		
Financial Leverage	-0.06	-0.01	-0.05	-.01	-.02	-.05	1	
Asset Tangibility	0.074	-0.07	0.07	-.08	.01*	-.01	-.04*	1

*correlation is significant at 0.05 levels

From the above table it is observed that there is a strong positive correlation between firm value and board size, followed by sales, and age. Promoters holding and sales have a positive correlation. Asset tangibility and financial leverage have a negative correlation.

In order to find out the significant influence of the FCFs and CG components on the determination of firm value after controlling the firm performance variables such as sales, asset tangibility and financial leverage, all the variables were submitted for the multiple regression analysis (MRA). The firm-type was measured as a dummy coded '1' for FCFs and '2' for NFCFs. The Board size was measured as the actual number of directors (inclusive of both executive and non executive directors in the board of a firm). The Board composition was measured as the proportion of non-executive directors in the board of a firm). The variable sales was measured as the average sales (natural log) for the last seven year period.

Table 6
Regression analysis (RA) of the impact of firm type and CG component factors on Firm Value

	Model -1	Model- 2	Model - 3
Intercept	1.910	0.480	0.340
	(.101)	(.15)	(.07)
Promoters Holding	.004 (.001)	1.106* (.001)	0.001 (.001)
Board size		0.160 ** (.008)	0.004 ** (.005)
Board composition		1.490 (.64)	0.77 (.36)
Age			.002 ** (.001)
Financial Leverage			-0.005 (.003)
Asset Tangibility			0.180 † (.060)
Log Sales			0.66 ** (.02)
Adjusted R^2	0.004	0.369	0.797
ANOVA - F value	4.169	150.89 **	431.98 **

** significant at 0.01 level;
*significant at 0.05 level;
†significant at 0.10 level
standard errors are reported in parentheses

As seen from the above table, the multiple regression analysis results indicate that the firm value is not found to be significantly affected by either 'type of firm' (that is FCF or NFCF) or 'corporate governance' factors when these variables are adjusted for the firm performance variables. The only exception is the board size, which is significant at .01 level. In the control variables, age, sales and asset tangibility are found to be the contributing variables to the firm value. It is interesting to observe this trend. The overall model is significant at .01 level and the F-values are reported. While interpreting the results of these models, the method of defining variables of the study should be noted. For example, in this study the value for sales as one of the 'financial performance' variables is defined as the average sales of a firm over the last seven year period instead of the usual measurement of logarithm of sales. Perhaps, future studies should attempt to analyze the same data but take the log sales of the firm to test the applicability of the model in the Indian context.

LIMITATIONS

The weaknesses of the study that are to be considered in drawing implications of the findings are given below:

1. The operational definition of Family Controlled Firms was made taking into account the percentage of the shares held by the promoters alone. Accordingly only those firms with not less than 51% promoters holding were included in the analysis. However, researchers have taken the criteria of the status of CEO-whether he or she is a promoter CEO or a non-promoter CEO (Mishra et al., 2001) while others have simply categorized the equity holding of the promoter (Morck et al., 1988). It should be remembered that it is quite possible that firms whose promoters holding is less than 51% but the promoters holding the CEO position (Bajaj Auto Ltd.,) and influence the affairs of the firm, fall under the Non-Promoter Family Controlled Firms (NPFCFs). This incongruent classification of firms into PFCFs and NPFCFs with the reality is a serious limitation of the study. Perhaps, the future researchers can endeavor to bring out an acceptable standard for the determination of firm status as PFCFs and NPFCFs.

2. While the independent effect of promoter family control and corporate governance characteristics on the firm value are analyzed, it is quite possible that the firm value might significantly be different if interaction effect between these two variables are considered. Perhaps, future researchers can consider this issue of dissecting the independent and interaction effect of these variables in explaining the effect on firm value.

CONCLUSION

The present study is an attempt in analyzing the impact of promoter's family control in the determination of firm value. The study also aimed at analyzing the significant differences in the corporate governance characteristics for the family controlled firms and non-family controlled firms. While many factors have been identified as the corporate governance components, only two of them were included for the study. This reveals the existence of correlation between firm value and board size. Furthermore, subsequent researchers carrying out research on this line will throw more light on this significant issue.

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