

Impact of Corporate Governance and Ownership Structure on the Financial Performance of listed FMCG Companies

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Abstract

The financial performance of firms depends greatly on corporate governance outcomes especially for companies operating in competitive Fast-Moving Consumer Goods (FMCG) markets. This research investigates the influence of Board Size, Independent Board, CEO Duality, Number of Committees, Number of Audit Committee Meetings, Insider Shareholding, Foreign Institutional Shareholding, and Domestic Institutional Shareholding as corporate governance measures upon three fundamental financial indicators including Return on Assets (ROA), Return on Equity (ROE), and Return on Capital Employed (ROCE). This research analyzes governance structures and profitability through data from 43 FMCG companies listed on the National Stock Exchange (NSE) over a period of 3 years.

Keywords: Corporate Governance, Ownership Structure, Financial Performance, FMCG Sector

Introduction

Corporate governance is merely the set of rules, traditions, and practices that oversee and control a corporation's administration. It encompasses practices through which corporations and boards are held responsible for their actions. The primary role of corporate governance is to create effective, innovative, and responsible administration to attain enduring prosperity in the long run. Briefly, it unites a corporation's various stakeholders such as shareholders, executive management, customers, suppliers, investors, the government, and the general public and reconcile their various interests.

The significance of corporate governance has risen in the recent past due to instances of corporate failures and scandals in the world. These events have underscored the need for sound governance processes to ensure transparency, accountability, and integrity in the management of corporations. Effective corporate governance is associated with increased access to capital, superior firm value, and reduced corporate crisis.

Within the Indian context, the evolution of corporate governance has been influenced by liberalization of the economy, regulatory changes, and increased integration into global markets. The Securities and Exchange Board of India (SEBI) has promulgated several guidelines and regulations to improve governance practices among listed companies. The

implementation of Clause 49 of the Listing Agreement was a milestone, outlining sophisticated requirements for the board composition, audit committees, and disclosure levels.

The Fast-Moving Consumer Goods (FMCG) sector is one of the most important sectors in the Indian economy. With fast consumption and sale of products at comparatively low prices, the FMCG sector involves a wide range of frequently purchased consumer products. Owing to the wide-range impact and importance of the sector, the governance strategies used by FMCG firms deserve significant analysis. Sound governance in the sector ensures that firms are able to tackle changes in the marketplace, maintain consumer confidence, and maintain growth. Furthermore, since FMCG products directly affect consumers' daily lives, ethical concerns and corporate social responsibility are key aspects of governance.

Literature Review

1. Naimah, Z., & Hamidah. (2017). The role of corporate governance in firm performance. *SHS Web of Conferences*, 34, 13003. <https://doi.org/10.1051/shsconf/20173413003>

Naimah and Hamidah (2017) examine the relationship between corporate governance and firm performance. The Corporate Governance Perception Index (CGPI) along with various other governance measures were considered to find the impact on firm

profitability which is measured by the ratio of Return on Assets (ROA). The results signified that the board independence had a significant negative affect on probability, contrary to common expectations. The number of audit committee meetings, audit quality, principles of corporate governance and CGPI found to have a positive significant affect on the profitability of the firm. This indicates that overall, the implementation of good governance would increase firm profitability. The results found are consistent with their research papers viewed of L.D. Brown and M.L. Caylor that showed a link between audit related governance factors and the firm's performance.

2. Cheung, Y.-L., Connelly, J. T., Jiang, P., & Limpaphayom, P. (2011). Does Corporate Governance Predict Future Performance? Evidence from Hong Kong. *Financial Management*, 40(1), 159–197.

<http://www.jstor.org/stable/41237900>

Cheung, Connelly, Jiang, and Limpaphayom (2011) examine the degree to which corporate governance quality can forecast future firm performance in Hong Kong's capital markets. This research solves the endogeneity problem found in previous studies by developing a time-series sample that combines OECD principles for constructing the Corporate Governance Index (CGI). The presented study takes an approach that analyzes governance as multiple interconnected factors and investigates the impact changes in governance quality have on future market valuation metrics. The authors demonstrate through statistical evidence that better corporate governance practice directly corresponds to improved company value measurement using both Tobin's Q and market to book ratio metrics. Notably, this correlation is stronger among MSCI-listed firms and those connected to China, for example red-chip and H-share companies.

3. Makki, M. A. M., & Lodhi, S. A. (2013). Impact of corporate governance on financial performance. *Pakistan Journal of Social Sciences*, 33(2), 265–280.

<https://pjss.bzu.edu.pk/index.php/pjss/article/view/196>

Makki and Lodhi (2013) examine the effect of corporate governance mechanisms on financial

performance of firms using a structural equation modeling approach with Karachi Stock Exchange listed companies in Pakistan. The authors identify a gap in the current research, i.e., methodological inconsistency and absence of clear empirical evidence and address this by using Partial Least Squares (PLS) to register complex, indirect relationships characteristic of the governance-performance nexus. The study uses a list of corporate governance indicators, such as board composition, ownership structure, CEO duality and managerial compensation. Financial performance is measured using indicators like return on investment (ROI), return on equity (ROE), and net profit after tax (NPAT). Their analysis rejects the hypothesis that there is a high positive correlation between the CG measures and financial performance. This research adds onto the ongoing debate about relevance of corporate governance in the financial performance of a company.

4. Aggarwal, P. (2013). Impact of corporate governance on corporate financial performance. *IOSR Journal of Business and Management*, 13(3), 1–5. <https://iosrjournals.org/iosr-jbm/papers/Vol13-issue3/A01330105.pdf>

Aggarwal (2013) uses a sample of 20 companies listed on the S&P CNX Nifty 50 Index from fiscal years 2010–11 to 2011–12 to conduct her study. The research has been conducted through statistical tools that combine regression analysis, along with correlation measurements and performs both t-tests and F-tests to examine the influence of corporate governance practices on financial metrics. The analysis reveals a strong positive relation between the corporate governance and financial performance of companies indicating that well-structured firms exhibit higher financial performance. It concludes that organizations should make efforts to enhance their performance indicators of good governance. However, this study has various limitations such as small sample size over a short period of time, which makes the analysis comparatively less reliable and reduce generalizability.

5. Wanyama, D. W., & Olweny, T. (2013). Effects of corporate governance on financial performance of listed insurance firms in Kenya. *Public Policy and Administration Research*, 3(4), 96–120. <https://core.ac.uk/download/pdf/234668922.pdf>

Wanyama and Olweny's (2013) investigates the relationship of corporate governance and firm performance specifically in insurance companies listed on Nairobi Securities Exchange (NSE) in Kenya. The four governance variables chosen were on the basis of relevance to agency theory because good governance practices decrease agency costs. The sample consisted of six insurance companies from the period of 2007 to 2011, and the data was collected through both primary and secondary sources. The findings of the study stated that the board size has a negative impact on the financial factors such as ROA and ROE, while CEO duality was shown to have a positive influence on the financial performance. A variable of leverage was also considered which depicted a positive relationship, suggesting that certain levels of debt may lead to better governance as it imposing more scrutiny and discipline on the management. The research provides practical suggestions for policy changes to enhance corporate accountability and long-term sustainability.

6. Amba, S. M. (2013). Corporate governance and firms' financial performance. *Journal of Academic and Business Ethics*, 6, 1–11. <https://www.aabri.com/manuscripts/131587.pdf>

Amba's (2013) research, focuses on the Bahrain Bourse and provides information on an evolving market environment. The study is motivated by the global concern regarding financial scandal and corporate failure and how they could impact the financial results of the company from the perspective of good governance standards. The study's analysis reveals both positive and negative impacts of governance procedures on the financial performance. Some of the crucial insights found are that CEO duality negatively affects ROA, along with a high proportion of non-executive directors on the board and existence of leverage in the company. These relationships may suggest that combining CEO roles with the chairperson compromises board independence and that higher number of non-executive directors may reflect lack of operational knowledge among outside directors. The study also mentions two variables that seem to positively influence the financial performance, which are when a board member leads the audit committee and the presence of institutional investors. Although the

variables that have a positive influence are not individually statistically significant, the regression model as a whole is statistically significant. The results define the need for firms to tailor their governance policies to promote independent oversight, reduce agency costs and align interest of the firm with the shareholders.

7. Stanwick, P. A., & Stanwick, S. D. (2002). The Relationship between Corporate Governance and Financial Performance: An Empirical Study. *The Journal of Corporate Citizenship*, 8, 35–48. <http://www.jstor.org/stable/jcorpciti.8.35>

Stanwick and Stanwick (2002) begin its study by establishing a theoretical foundation for their research which highlighted three main perspectives on corporate governance – legal responsibility, agency theory and resource-dependence theory. The research analyses world models of corporate governance by comparing Anglo-Saxon model, which is focused on shareholder interest, with Japan & German models, that emphasizes long-term ties with stakeholders such as banks and employees. The author uses a unique dataset that consists of 25 best and worst board of directors ranked by Business Week in 1997 and 1999. The research findings confirm that firms with good governance, and independent, strong, and responsible boards, tend to outperform poorly governed firms both in the short and longer term, as reflected by return on assets (ROA). This confirms the agency theory, implying that independent boards can monitor the management successfully and be guardians of shareholders interests. A significant point would be to note that the study also identifies the subtle impacts of governance dimensions - like board quality being pertinent only under certain situations – highlighting the complicated, situational nature of governance-performance relationships.

8. Kyere, M., & Ausloos, M. (2021), Corporate governance and firms' financial performance in the United Kingdom. *International Journal of Finance & Economics*, 26(2), 1871–1885. <https://doi.org/10.1002/ijfe.1883>

Kyere and Ausloos (2021) explain how they have taken the stewardship theory and agency theory of corporate governance to form their theoretical base. The study uses the data of 252 companies listed on

the London Stock Exchange in 2014 to determine how specific governance structures influence firm performances. They have used cross-sectional regression to analyse the relationship between the chosen variables. Their results depict that the insider shareholding has no direct impact on the profitability variables chosen, i.e., Return on Assets and Tobin's Q. Some other factors such as board independence and board size has exhibited significant predictive ability on both the financial indicators. The frequency of audit committee meetings shows some influence on ROA but no impact on Tobin's Q. Surprising to the other studies that have been conducted on this topic, CEO duality in this paper showed no influence on any of the profitability factors taken. The study establishes that corporate governance mechanisms function most effectively based on specific circumstances. Suitable governance systems help boost financial results while any standard governance framework proves ineffective.

Research Objectives

The paper aims to study the following objectives:

1. Understanding the relevance of good corporate governance with respect to firm's profitability through a thorough literature review.
2. Identifying the significance of various corporate governance factors in the FMCG sector.
3. Impact of corporate governance factors on financial performance of listed companies in the FMCG sector.

Broad Hypotheses:

- H0 (Null Hypothesis): Corporate governance has no significant impact on the financial performance of FMCG firms.
- H1 (Alternative Hypothesis): Corporate governance has a significant impact on the financial performance of FMCG firms.

Sub-Hypotheses:

1. CEO Duality

- H0: CEO duality has no significant impact on financial performance.

- H1: CEO duality negatively affects financial performance.

2. Board Independence

- H0: Proportion of independent directors has no significant impact on financial performance.
- H1: Proportion of independent directors has a significant positive impact on financial performance.

3. Number of Committees

- H0: Number of committees has no significant impact on financial performance.
- H1: Number of committees has a significant positive impact affects financial performance.

4. Number of Board Meetings

- H0: Number of board meeting committees has no significant impact on financial performance.
- H1: Number of board meeting committees positively affects financial performance.

5. Number of Audit Committee Meetings

- H0: Independence of the audit committee has no significant impact on financial performance.
- H1: Independence of the audit committee positively affects financial performance.

6. Insider Shareholding

- H0: Insider Shareholding has no significant impact on financial performance.
- H1: Insider Shareholding positively affects financial performance.

7. Foreign Institutional Holding

- H0: Presence of women on board has no significant impact on financial performance.
- H1: Presence of women on board positively affects financial performance.

Research Methodology

The research design employs quantitative methods with panel data regression analysis to explore the connection between corporate governance variables and financial performance of FMCG firms. This study functions as an explanatory study to uncover

the connections between cause and effect across different variables.

Secondary data has been collected to conduct the research and analysis from various company annual reports and databases such as the BSE website. The data contains 43 listed FMCG companies over a period of 3 years from 2022 to 2024, resulting in a panel dataset of 129 observations.

Variable Description:

The dependent variables, i.e., the profitability ratios, chosen are Return on Equity (ROE), Return on

Capital Employed (ROCE), Return on Assets (ROA).

The independent variables, which are the corporate governance variables chosen are CEO Duality (CD), Board Size (BS), Independent Board (IB), Number of Committees (NC), Number of Board Meetings (NB), Number of Audit Committee Meetings (NAC), Insider Shareholding (IS), Foreign Institutional Shareholding (FIH), Domestic Institutional Shareholding (DIH).

The control variable is the sector of the firm, which in this study is the FMCG sector.

Table 1: Descriptive Statistics of variables

	ROE	ROCE	ROA	CD	BS	IB	NC	NB	NAC	IS	FIH	DIH
Mean	0.21	0.25	0.12	0.22	9.22	4.73	5.21	5.91	4.64	0.59	0.07	0.07
Standard Error	0.02	0.02	0.01	0.04	0.22	0.12	0.07	0.18	0.09	0.01	0.01	0.01
Median	0.15	0.19	0.10	0.00	9.00	4.00	5.00	5.00	4.00	0.63	0.04	0.06
Mode	0.15	0.19	0.14	0.00	8.00	4.00	5.00	4.00	4.00	0.75	0.00	0.00
Standard Deviation	0.23	0.22	0.10	0.41	2.51	1.40	0.76	2.07	1.07	0.13	0.07	0.07
Sample Variance	0.05	0.05	0.01	0.17	6.32	1.95	0.57	4.29	1.14	0.02	0.01	0.00
Kurtosis	8.17	4.62	6.34	-0.07	0.48	1.67	1.10	4.42	4.01	0.20	-0.13	-0.20
Skewness	0.79	1.38	0.48	1.39	0.93	1.20	1.06	1.85	1.71	-0.79	0.97	0.79
Range	2.14	1.67	0.92	1.00	10.00	8.00	3.00	11.00	7.00	0.55	0.26	0.27
Minimum	-0.96	-0.57	-0.38	0.00	6.00	2.00	4.00	4.00	2.00	0.20	0.00	0.00
Maximum	1.18	1.10	0.54	1.00	16.00	10.00	7.00	15.00	9.00	0.75	0.26	0.27
Sum	26.72	31.67	14.90	28.00	1190.00	610.00	672.00	762.00	598.00	75.57	9.08	9.07
Count	129	129	129	129	129	129	129	129	129	129	129	129

Correlation Matrix:

The correlation matrix presents preliminary insights about the variable relationships that researchers use in their study. The three profitability measures including ROE, ROCE and ROA demonstrate a high level of positive interdependence between them (ROE–ROCE: 0.93, ROE–ROA: 0.90, ROCE–ROA: 0.90).

A moderate positive relationship exists between Return on Equity and both Independent Board (0.25) and Foreign Institutional Holdings (0.23), indicating their possible influence on financial outcomes.

Weak positive correlations exist between Return on Equity and Board Size (BS) along with CEO Duality (CD) and Institutional Shareholding (IS). The variables Number of Committees (NC) and Number of Audit Committees (NAC) present weak or no significant negative associations. Board Size demonstrates a robust positive link of 0.83 to Independent Board during this analysis yet this finding will undergo additional assessment through VIF testing in the regression monitoring steps. The correlation matrix shows no significant problems with multicollinearity apart from the exception of this noted pair.

Table 2: Correlation Matrix

	ROE	ROCE	ROA	CD	BS	IB	NC	NB	NAC	IS	FIH	DIH
ROE	1											
ROCE	0.928709	1										
ROA	0.900236	0.895537	1									
CD	0.179051	0.123945	0.155282	1								
BS	0.15991	0.184723	0.159759	-0.2576	1							
IB	0.251186	0.266018	0.270571	-0.19475	0.825745	1						
NC	-0.11316	-0.11843	-0.11911	-0.27084	0.229676	0.216776	1					
NB	0.071872	0.063479	0.036315	0.215185	0.025066	-0.08446	-0.15693	1				
NAC	-0.02792	0.012306	-0.04042	-0.0318	0.080269	0.1271	-0.00157	0.394494	1			
IS	0.1401	0.11879	0.056224	-0.03055	0.004248	0.032107	-0.17471	-0.20101	-0.13673	1		
FIH	0.234344	0.218035	0.287934	-0.09957	0.395497	0.544726	0.142236	-0.13151	0.125489	-0.09816	1	
DIH	0.091919	0.072199	0.134096	-0.26638	0.241664	0.29902	0.442858	-0.2235	0.029141	-0.06143	0.354737	1

To test the multicollinearity, Variation Inflation Factor was found for the independent variables.

Table 3: Variation Inflation Factor

<code>> vif(vif_model)</code>									
CD	BS	IB	NC	NB	NAC	IS	FIH	DIH	
1.041124	3.215205	4.294038	1.285721	1.338948	1.142276	1.082076	1.808620	1.557027	

As we can see, the VIF for most variables is quite low. There is some multicollinearity between Board Size and Independent Board, so we would be eliminating one of those variables along with the variable of Domestic Institutional Holding, to get better results.

Research Model:

We can form the research models using our three independent variables as follows:

$$ROA = c + b1.CD + b2.IB + b3.NC + b4.NB + b5.NAC + b6.IS + b7. FIH$$

$$ROCE = c + b1.CD + b2.IB + b3.NC + b4.NB + b5.NAC + b6.IS + b7. FIH$$

$$ROE = c + b1.CD + b2.IB + b3.NC + b4.NB + b5.NAC + b6.IS + b7. FIH$$

Data Analysis:

Hausman Test:

Before running the regression, to determine the more suitable model between fixed effects and random effects for the analysis, the Hausman test was conducted for all three dependent variables: ROE, ROCE, and ROA.

For ROE, the Hausman test yielded a Chi-square value of 17.882 with a p-value of 0.02213, indicating that the null hypothesis was rejected and the fixed effects model is preferred. Similarly, for ROA, the Chi-square value was 22.863 with a p-value of 0.003544, leading to the rejection of the null hypothesis and favoring the fixed effects model. However, for ROCE, the Hausman test reported a Chi-square value of 9.5769 with a p-value of 0.296, which is not statistically significant; hence, the null hypothesis could not be rejected, and the random effects model is considered appropriate for ROCE. These results guided the selection of the suitable econometric models for further analysis.

Table 4: Hausman Tests for the Dependent Variables using R

Hausman Test data: ROE ~ CD + IB + NC + NB + NAC + IS + FIH + DIH chisq = 17.882, df = 8, p-value = 0.02213 alternative hypothesis: one model is inconsistent
Hausman Test data: ROCE ~ CD + IB + NC + NB + NAC + IS + FIH + DIH chisq = 9.5769, df = 8, p-value = 0.296 alternative hypothesis: one model is inconsistent
Hausman Test data: ROA ~ CD + IB + NC + NB + NAC + IS + FIH + DIH chisq = 22.863, df = 8, p-value = 0.003544 alternative hypothesis: one model is inconsistent

Table 5: Summary of Hausman Tests with Model Chosen

Dependent Variable	Chi-square (χ^2)	Degrees of Freedom	p-value	Model Preferred
ROE	17.882	8	0.02213	Fixed Effects
ROCE	9.5769	8	0.296	Random Effects

ROA	22.863	8	0.003544	Fixed Effects
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Regression Analysis:

Table 6: Fixed Effects Model on ROE

Included 43 cross-sectional units Time-series length = 3 Dependent variable: ROE				
	coefficient	std. error	t-ratio	p-value
const	-0.620119	0.427999	-1.449	0.1514
CD	0.0224939	0.0593905	0.3787	0.7059
BS	0.0115491	0.0166524	0.6935	0.4900
NC	0.0838134	0.0340956	2.458	0.0162 **
NB	0.00395535	0.00977057	0.4048	0.6867
NAC	-0.000640798	0.0173025	-0.03703	0.9706
IS	0.356348	0.523256	0.6810	0.4979
FIH	1.74089	0.661382	2.632	0.0102 **
DIH	-1.03006	0.442290	-2.329	0.0225 **
Mean dependent var	0.207122	S.D. dependent var	0.233086	
Sum squared resid	0.892653	S.E. of regression	0.106978	
LSDV R-squared	0.871637	Within R-squared	0.197669	
LSDV F(50, 78)	10.59303	P-value(F)	1.08e-19	
Log-likelihood	137.7392	Akaike criterion	-173.4785	
Schwarz criterion	-27.62807	Hannan-Quinn	-114.2165	
rho	-0.256563	Durbin-Watson	1.529596	
Joint test on named regressors -				
Test statistic: F(8, 78) = 2.40209				
with p-value = P(F(8, 78) > 2.40209) = 0.0226168				
Test for differing group intercepts -				
Null hypothesis: The groups have a common intercept				
Test statistic: F(42, 78) = 10.1199				
with p-value = P(F(42, 78) > 10.1199) = 2.84256e-18				

The fixed effects model of panel data regression has been used for the dependent variable ROE. Among the eight independent variables considered, only three variables – Number of Committees (NC), Foreign Institutional Holding (FIH), Domestic Institutional Holding (DIH) – were statistically significant at the 5% level. Specifically, the FIH and NC had a positive effect on ROE, suggesting that greater board activity and higher foreign institutional shareholding contribute to better shareholder returns of FMCG companies. Conversely, the DIH showed negative effects on the ROE, implying that a higher share of domestic shareholding may not enhance the financial performance of the firm. The within R-squared value of 0.1976 indicates that around 19.77% of the

variance in ROE is explained by within-firm variation in the independent variables. The overall model demonstrated strong explanatory power, with an LSDV R-squared of 0.872608 and a highly significant F-statistic ($F(51, 77) = 10.34183$, $p < 0.0001$), indicating that the governance variables jointly explain a substantial proportion of the variation in ROE. The findings reinforce the role of specific governance mechanisms on the financial performance of the FMCG companies. While estimating the effect on the governance measures on the Return on Equity, the board activity and foreign institutional holdings had a significant influence in enhancing firm-level equity performance while also raising questions about effects of domestic institutional shareholdings.

Table 7: Random Effects Model on ROCE

Included 43 cross-sectional units Time-series length = 3 Dependent variable: ROCE				
	coefficient	std. error	z	p-value
const	-0.230326	0.224818	-1.025	0.3056
CD	0.0297370	0.0429007	0.6932	0.4882
BS	0.00753239	0.00976260	0.7716	0.4404
NC	0.0393889	0.0246064	1.595	0.1107
NB	0.00804962	0.00751203	1.072	0.2839
NAC	-0.00600600	0.0132177	-0.4544	0.6495
IS	0.243062	0.222766	1.091	0.2752
FIH	0.932597	0.355165	2.626	0.0086 ***
DIH	-0.469215	0.299936	-1.564	0.1177
Mean dependent var	0.245523	S.D. dependent var	0.215508	
Sum squared resid	5.697555	S.E. of regression	0.216996	
Log-likelihood	18.18243	Akaike criterion	-18.36486	
Schwarz criterion	7.373451	Hannan-Quinn	-7.906863	
rho	-0.332822	Durbin-Watson	1.648009	
'Between' variance = 0.0387757				
'Within' variance = 0.0080674				
theta used for quasi-demeaning = 0.746234				
corr(y,yhat)^2 = 0.0562106				
Joint test on named regressors -				
Asymptotic test statistic: Chi-square(8) = 13.6578				
with p-value = 0.0911338				
Breusch-Pagan test -				
Null hypothesis: Variance of the unit-specific error = 0				
Asymptotic test statistic: Chi-square(1) = 73.2578				
with p-value = 1.13773e-17				
Hausman test -				
Null hypothesis: GLS estimates are consistent				
Asymptotic test statistic: Chi-square(8) = 9.9125				
with p-value = 0.271221				

The regression results of the random effects model estimated for ROCE revealed that only the Foreign Institutional Holding (FIH) is statistically significant at the 1% level, indicating that a higher share of foreign institutional holding would give better returns on the capital of an FMCG company. The model's explanatory power, reflected by the

within R-squared (0.0562), is modest but acceptable considering the complexity and multifactorial nature of financial performance. The findings highlight that most of the governance variables considered do not significantly impact the ROCE of FMCG companies.

Table 8: Fixed Effects Model on ROA

Included 43 cross-sectional units				
Time-series length = 3				
Dependent variable: ROA				
	coefficient	std. error	t-ratio	p-value
const	-0.302140	0.227743	-1.327	0.1885
CD	0.0111047	0.0316023	0.3514	0.7262
BS	0.00456706	0.00886095	0.5154	0.6077
NC	0.0455396	0.0181426	2.510	0.0141 **
NB	0.00541063	0.00519903	1.041	0.3012
NAC	-0.00262323	0.00920687	-0.2849	0.7765
IS	0.103956	0.278430	0.3734	0.7099
FIH	1.12901	0.351929	3.208	0.0019 ***
DIH	-0.345478	0.235348	-1.468	0.1461
Mean dependent var	0.115469	S.D. dependent var	0.102395	
Sum squared resid	0.252748	S.E. of regression	0.056924	
LSDV R-squared	0.811670	Within R-squared	0.211378	
LSDV F(50, 78)	6.723316	P-value(F)	6.40e-14	
Log-likelihood	219.1257	Akaike criterion	-336.2514	
Schwarz criterion	-190.4010	Hannan-Quinn	-276.9894	
rho	-0.307382	Durbin-Watson	1.542489	
Joint test on named regressors -				
Test statistic: F(8, 78) = 2.61334				
with p-value = P(F(8, 78) > 2.61334) = 0.0137585				
Test for differing group intercepts -				
Null hypothesis: The groups have a common intercept				
Test statistic: F(42, 78) = 6.24959				
with p-value = P(F(42, 78) > 6.24959) = 1.97393e-12				

The fixed effects model was used to estimate the effect on Return on Assets. The LSDV R-squared is 0.8117, indicating that the model explains approximately 81.17% of the variation in ROA when accounting for entity fixed effects. The within R-squared is 0.2114, showing moderate explanatory power based on variation within firms over time. Among the independent variables, NC (Number of Committees) and FIH (Foreign Institutional Holding) were found to be statistically significant at the 5% and 1% levels respectively. There can also be seen a negative relationship between Number of Audit Committees (NAC) and the ROA, while not at a significant level, still suggesting that it may be impacting the Return on Assets in a weak manner.

Conclusion:

The research analyzed how board characteristics together with ownership structure affect financial performance levels of FMCG (Fast-Moving Consumer Goods) sector firms using panel data regression techniques. The fixed effects models applied to ROE and ROCE and ROA indexes demonstrated that Foreign Institutional Holding (FIH) proves to have a constant influential and positive effect on all three performance indicators. The confidence foreign investors express in a company plays a fundamental role in boosting both profitability and operational efficiency of firms operating in the FMCG sector. The research demonstrated that the Number of Committees (NC) produces statistically significant and favorable relationships with both Return on Equity (ROE) and Return on Assets (ROA) because strong internal governance structures which board subcommittees

maintain result in superior performance in the highly competitive FMCG market. The Hausman test showed fixed effects modeling was suitable for ROE and ROA but ROCE needed random effects while the research kept fixed effects for all models for uniformity. The reliability of the developed models was confirmed by diagnostic analysis through high R-squared results together with statistically significant F-test outcomes. Strong corporate governance combined with institutional investing plays essential roles in generating FMCG profitability throughout India's market.

As there were some factors that strongly affected the profitability of the FMCG firms, we can say that the null hypothesis is rejected and the alternate hypothesis is accepted. In the sub-hypotheses, only the alternate hypotheses relating to the Foreign Institutional Holding, Number of Committees could be accepted.

Summary:

The analysis in this research paper investigates how corporate governance dimensions associate with ownership forms to impact financial outcomes among Indian companies within the Fast-Moving Consumer Goods industry. The FMCG industry operates with consumer-demand-driven market dynamics and high turnover rates that need efficient management practices together with strong investor confidence to maintain profitability scenarios. The examination based on panel data includes three years of observations from 43 publicly listed FMCG companies amounting to 129 firm-year observations.

The study aimed to analyze the effect that Number of Committees (NC) and Foreign Institutional Holdings (FIH) and financial indicators have on Return on Equity (ROE), Return on Capital Employed (ROCE), and Return on Assets (ROA). The empirical analysis adopted panel data regression methods using both fixed effect and random effect models during the research. The selection process of appropriate models for dependent variables depended on diagnostic tools including Hausman Test and Breusch-Pagan Lagrange Multiplier Test.

Results demonstrate that Foreign Institutional Holding (FIH) proves to have both a positive and statistically significant relationship with three financial performance indicators of FMCG firms which shows better profitability when there is higher foreign investor involvement. The internal governance mechanisms play a significant role through the variable named Number of Committees (NC). An organization's performance increases as board committees multiply because structured internal oversight improves both decision-making accountability which leads to enhanced firm performance.

Results from the Hausman test indicated that fixed effects regression techniques should be applied to analyze ROE and ROA because firm-specific elements impact financial outcomes. The random effects model proved acceptable for ROCE even though fixed effects remained included in every analysis for conformity purposes. The findings demonstrate that effective corporate governance alongside strategic ownership arrangements prove crucial for improving business profitability in the fast-moving consumer goods domain.

The study provides substantial insights to existing financial performance-corporate governance literature particularly focused on the Indian market conditions. The study provides significant business implications which benefit boards of companies and investors together with government authorities who intend to enhance governance systems to draw premium institutional investments for lasting FMCG market expansion.

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