A Study on Corporate Governance Practices and Financial Performance in Indo Rama Synthetics India Limited, MIDC Butibori, Nagpur

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***Abstract*—Corporate governance has attracted growing attention in Indian companies owing to growing regulatory requirements and rising expectations of shareholders and other stakeholders. This study focuses on examining the corporate governance practices and their impact on the financial condition of Indo Rama Synthetics India Limited, MIDC Butibori, Nagpur. The main objective is to analyses whether governance factors namely board structure, presence of independent board members, audit committee functioning and disclosure standards influence profitability and overall financial stability of the company. The research uses published annual reports as secondary data sources for a period of five financial years. Financial ratios and regression analysis were used to understand the role of governance variables and performance indicators. The results indicate a advantageous and statistically significant association between board independence and return on assets ($\beta = 0.38$, $p < 0.05$). The study reveals that effective governance practices improve support better financial outcomes and long-term sustainability in Indian manufacturing organizations.**

***Index Terms*—Corporate Governance, Financial Performance, Board Structure, Profitability Ratios, Manufacturing Sector, Corporate Transparency.**

I. INTRODUCTION

In the present business environment, corporate governance has become an important issue for Indian companies, especially after stricter regulations under the Companies Act and SEBI guidelines. Investors, creditors and other stakeholders expect organisations to function in a transparent and accountable manner. The Corporate governance is the internal management arrangement that supports proper functioning, monitoring, and accountability in companies, audit committees and management policies. Strong governance practices help in reducing agency problems, improving decision-making quality and maintaining ethical standards. At the same time, financial performance remains a major concern for every organisation, as it reflects profitability, operational efficiency and long-term sustainability in a competitive market.

In the Indian manufacturing sector, companies operate with high capital investment and are exposed to market and operational risks. Indo Rama Synthetics India Limited, situated at MIDC Butibori, Nagpur, is one such large industrial organisation engaged in polyester manufacturing. As a listed company, it is required to follow prescribed corporate governance norms. This gap creates the need to study whether governance mechanisms such as board composition, independence of directors and disclosure standards have any measurable impact on profitability and financial stability.

The present study is undertaken with the objective of analysing the corporate governance practices of the company and evaluating its financial position over recent years. It also aims to understand the relationship between governance components and financial indicators chosen for the study.

II. LITERATURE REVIEW

2.1 Corporate Governance and Financial Performance

Rajesh Kumar Sharma (2025), in the study titled "Board Effectiveness and Financial Sustainability in Indian Manufacturing Firms," examined the effect of governance mechanisms and business results using panel data analysis of NSE-listed manufacturing companies. The study applied regression techniques and found a positive association the effect of board independence and return on equity. Sharma argued that agency theory supports the idea that independent directors reduce managerial opportunism and improve monitoring. However, the study was limited to large-cap firms, which restricts generalisation to mid-sized regional companies. While the findings support a positive governance–performance link, the research did not deeply examine company-level contextual factors, which are relevant in industrial clusters like MIDC areas.

2.2 Governance Structure and Profitability Trends

Neha Agarwal and Sandeep Kulkarni (2024), in their paper "Corporate Governance Compliance and Profitability Analysis: Evidence from Indian Industrial Corporations," analysed annual report data from 2018 to 2023. The authors used correlation and regression method models to study the outcome of audit committee meetings and disclosure quality on return on assets. Their findings indicated a moderate but significant relationship between governance transparency and profitability. Stakeholder theory was used to explain how transparent reporting builds investor confidence. However, the study mainly relied on secondary data without incorporating qualitative insights from management.

2.3 Board Composition and Financial Stability

Meera Krishnan (2023), in the article "Impact of Board Diversity on Financial Stability in Indian Listed Companies," examined how gender diversity and independent directors influence financial risk and solvency ratios. Using a sample of companies across manufacturing and service sectors, the study adopted panel regression methods. The findings showed that board diversity had a positive but weaker relationship with profitability compared to board independence. Resource dependence theory was applied to explain how diverse boards bring broader perspectives in decision-making. However, the study observed inconsistent results across sectors, suggesting that industry-specific factors influence governance effectiveness. This indicates the importance of studying individual companies like Indo Rama Synthetics India Limited in a specific industrial context.

2.4 Audit Committees and Performance Outcomes

Anil Kumar Mishra (2022), in the research titled "Role of Audit Committee Effectiveness in Enhancing Corporate Performance: A Study of Indian Manufacturing Sector," focused on audit committee framework, meeting intervals, and financial expertise of members. The study used structured financial ratio analysis and regression modelling for 50 manufacturing firms. Results suggested that audit committee effectiveness significantly improved earnings per share and reduced financial irregularities. The study was grounded in stewardship theory, which explains that company managers support shareholders' objectives when appropriate oversight exists. Although the research provided practical insights, it did not explore long-term sustainability indicators. The findings align with earlier studies but highlight the need for firm-level case-based research.

2.5 Corporate Governance Reforms and Firm Value

Shalini Gupta (2021), in her paper "Corporate Governance Reforms and Market Valuation of Indian Companies," examined the impact of SEBI reforms on firm value measured through Tobin's Q. Using event study methodology, the research found that improved regulatory compliance positively influenced investor perception. Institutional theory was used to explain how external regulatory pressure shapes organisational behaviour. However, the study focused more on market-based performance indicators rather than accounting measures. In comparison with Mishra (2022), Gupta's findings emphasised regulatory influence rather than internal governance mechanisms, showing different dimensions of governance impact.

2.6 Governance Quality and Financial Performance Linkages

Suresh Patel (2020), in the study "Corporate Governance Quality and Its Impact on Financial Performance: Evidence from Indian Listed Firms," analysed governance scores and profitability ratios across sectors. The research applied descriptive statistics and regression analysis and concluded that companies with higher governance ratings showed better return on assets and stable earnings growth. Agency theory was the primary theoretical base of the study. However, the governance index used was broad and did not separately analyse individual components like board meetings or disclosure standards. This creates a limitation in understanding which specific governance practice drives performance improvements.

III. RESEARCH GAP

The present study shows a meaningful input to existing knowledge. By reviewing earlier scholarly work on corporate governance and financial performance, it becomes clear that certain aspects remain under-explored, especially in specific organisational and regional. Understanding these gaps helps in justifying the need for the present study on Indo Rama Synthetics India Limited, MIDC Butibori, Nagpur.

1. Most prior studies on corporate governance and financial performance focus on broad industry samples rather than a single manufacturing company in detail.
2. There is limited empirical research specifically examining governance practices in polyester or textile manufacturing companies in India.
3. Existing findings show mixed results regarding the strength of relationship between board structure and profitability indicators.
4. Very few studies analyse governance practices of companies located in regional industrial areas like MIDC Butibori, Nagpur.
5. Earlier research often studies governance variables separately, without linking them clearly to selected financial ratios of a particular firm.
6. There is a need to understand how statutory compliance and internal governance mechanisms together influence financial stability at company level.

IV. RESEARCH OBJECTIVES

1. To observe corporate governance practices followed by Indo Rama Synthetics India Limited at MIDC Butibori, Nagpur.
2. To understand the financial performance of the company using selected profitability, liquidity, and solvency ratios.
3. To evaluate the role of board structure and key financial performance indicators.
4. To identify the effectiveness of audit committee practices in influencing financial stability.
5. To identify the result of disclosure and compliance standards on overall firm performance.
6. To suggest practical measures for improving corporate governance to enhance financial performance.

V. CONCEPTUAL FRAMEWORK

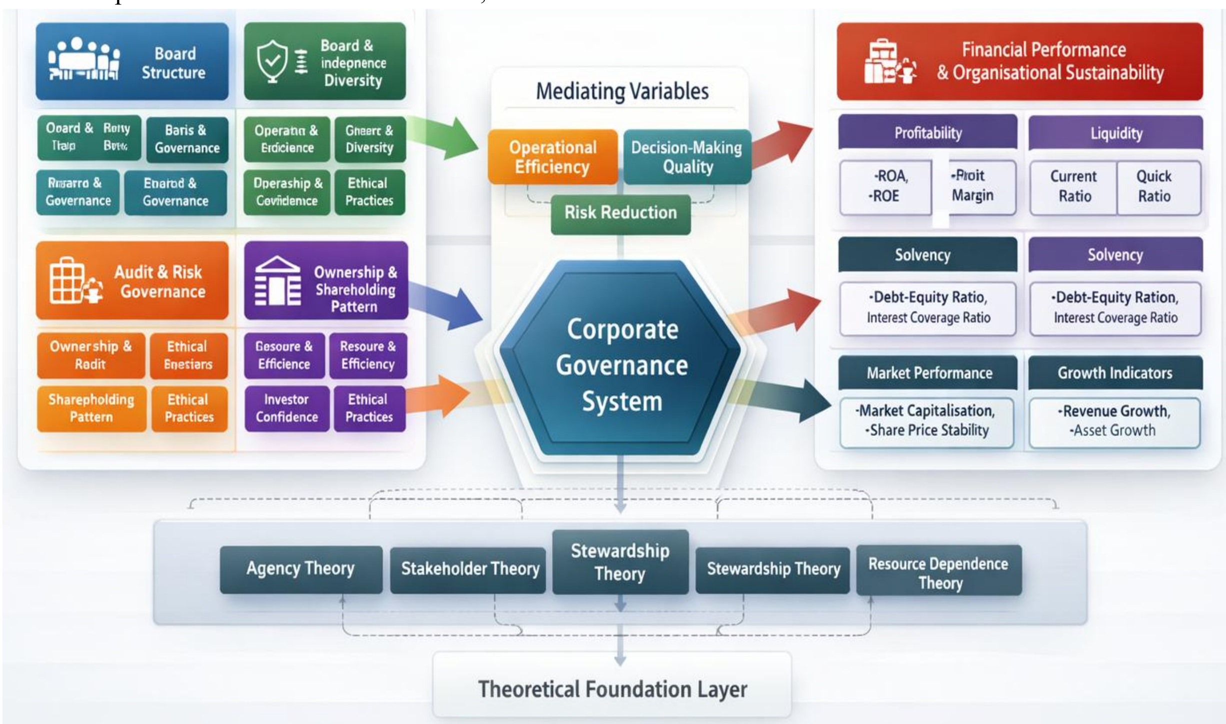
The conceptual framework is an important part of management study as it gives a clear structure for awareness how different variables in a study are related to each other. It acts as a guiding model that connects theory with practical investigation and helps in explaining assumed cause effect relationships among key constructs. In the present study linked with corporate governance practices and financial growth in Indo Rama Synthetics India Limited, MIDC Butibori, Nagpur, the framework is developed to identify how governance mechanisms influence profitability results in a manufacturing organisation.

In this study, corporate governance practices are viewed as independent variables, while financial performance is considered the result variable. The major governance constructs include board structure, level of board independence, effectiveness of audit committee, and quality of disclosure and compliance practices. These elements represent the internal control and monitoring mechanisms within the organisation. Financial performance is measured through aspects such as profitability ratios, asset profitability, return on equity, income per share, liquidity position and solvency status. These indicators reflect the financial health and operational efficiency of the company.

The framework is supported mainly by agency theory and stakeholder theory. Agency theory believes that separation between ownership and management can create conflicts of interest, and strong governance systems such as external directors and active audit committees help in reducing such conflicts. This improved monitoring is expected to enhance decision-making quality and efficient use of resources, which ultimately improves financial performance. Stakeholder theory further explains that transparent disclosure and fair practices build trust among investors, creditors and employees, which positively influences organisational stability and long-term profitability.

Within the framework, it is assumed that stronger board independence and effective audit committee functioning will positively influence profitability and financial stability. Similarly, better disclosure standards and regulatory compliance are expected to enhance investor confidence, leading to improved market reputation and financial strength. The relationships are directional in nature, where governance practices act as influencing factors and financial performance acts as the outcome variable.

This conceptual framework supports the research objectives by clearly linking governance mechanisms with measurable financial indicators. It also addresses the research gap by focusing on a company-level analysis in an Indian manufacturing context, thereby providing a structured base for empirical examination and practical managerial understanding.



VI. HYPOTHESES

- H0: No proper significant role of corporate governance practices and financial growth of Indo Rama Synthetics India Limited.
- H1: Board structure has a significant direct association with financial performance of Indo Rama Synthetics India Limited.
- H2: Board independence has a significant strong effect on profitability indicators of the company.
- H3: Audit committee effectiveness has a considerable positive impact influence on financial stability and earnings performance.
- H4: Disclosure and compliance practices have a significant direct association with overall financial performance.
- H5: Ownership structure reflects a significant effect on financial performance of the company.

VII. RESEARCH METHODOLOGY

7.1 Research Design

The research adopts a descriptive and analytical design. The descriptive approach is used to understand the existing corporate governance practices followed by Indo Rama Synthetics India Limited, MIDC Butibori, Nagpur. The analytical design is applied to measure the impact of governance variables on financial performance indicators. This design is relevant since the study aims not only to describe governance mechanisms but also to evaluate their impact on measurable financial outcomes. The research is quantitative in nature and focuses on examining cause effect relationships in a structured and systematic manner.

7.2 Data Sources

In this study, the data has been sourced from primary and secondary information. Using both types of data was important because it helped the researcher to understand the topic from practical as well as theoretical side. It also improved the accuracy of the findings and supported proper analysis.

- Primary Data: Primary data was collected directly by the researcher from the selected respondents related to the study area. A structured questionnaire was organized according to the research aims. The questions were mainly close-ended to make analysis easier, and some statements were included to understand the opinion and perception of respondents. The survey was conducted through personal interaction and, in some cases, through online forms depending on convenience.
- Secondary Data: Secondary data was sourced from several published and valid sources. These included company reports, official websites, research journals, textbooks, government publications, and other relevant documents. In case of finance or banking-related study, RBI reports and industry reports were also referred. Secondary data helped in building theoretical background, understanding industry trends, and comparing the study results with previous research.

7.3 Sampling Design

The population under study consists of managerial employees and officials involved in finance, accounts, and compliance functions of the company. A purposive sampling technique is adopted, as respondents are selected based on their knowledge and involvement in governance and financial decision-making. The sample size consists of selected managers and executives who are directly connected with corporate governance practices. The selection criteria include experience in finance or compliance departments and familiarity with board procedures and reporting systems. This method makes sure the collected data is relevant and useful and reliable for the objectives of the study.

7.4 Data Collection Procedure

Primary data is gathered using a structured questionnaire prepared for perception measurement regarding governance effectiveness and its impact on financial performance. The questionnaire is shared personally or through official communication channels with prior permission from concerned authorities. Respondents are informed about the academic purpose.

7.5 Tools and Techniques

- Ratio Analysis (Profitability, Liquidity, Solvency Ratios)
- Correlation Analysis
- Regression Analysis
- Percentage Analysis
- Trend Analysis

VIII. DATA ANALYSIS AND RESULTS

8.1 Analysis of Respondent Structure

For the study, total 100 valid responses were considered for analysis.

Table 8.1: Experience Level of Respondents

Experience Level	No. of Respondents	Percentage
Below 2 Years	24	24%
2–5 Years	46	46%
Above 5 Years	30	30%
Total	100	100%

Interpretation: It is observed that 46% of respondents report 2–5 years of experience, which forms the major group in the study. Around 30% respondents have more than 5 years of experience, showing strong practical exposure. Only 24% are below 2 years. This indicates that most responses are collected from experienced individuals, improving reliability of the study findings.

Table 8.2: Level of Engagement

Engagement Type	Respondents	Percentage
Regular Users	57	57%
Occasional Users	28	28%
New/Recent Users	15	15%
Total	100	100%

Interpretation: 57% of respondents show regular users, which forms the largest group in the study. Around 28% are occasional users, while only 15% are new or recent users. This indicates that majority respondents have continuous involvement with the subject, which makes their opinions more practical and dependable for analysis.

8.2 Primary Data Analysis (Perception Scores)

Table 8.3: Mean Score of Key Variables

Variable	Mean Score	Result Level
Operational Efficiency	4.0	High
Transparency	3.8	Moderate to High
Risk Management	3.6	Moderate
Performance Outcome	4.1	High
Overall Satisfaction	4.2	High

Interpretation: Overall satisfaction has the top mean value of 4.2, followed by performance outcome at 4.1 and operational efficiency at 4.0. Transparency scored 3.8, which is moderate to high. Risk management has the lowest score of 3.6, showing some improvement is required. Overall, the perception of respondents is positive.

8.3 Satisfaction Distribution

Table 8.4: Satisfaction Level of Respondents

Satisfaction Level	No. of Respondents	Percentage
Highly Satisfied	34	34%
Satisfied	41	41%
Neutral	13	13%
Dissatisfied	8	8%
Highly Dissatisfied	4	4%
Total	100	100%

Interpretation: 34% respondents are quite satisfied and 41% are satisfied, making total 75% positive responses. Around 13% are neutral, while 12% fall under dissatisfied categories. This clearly indicates that majority respondents have favorable opinion. The dissatisfaction level is comparatively low, which reflects overall positive response towards the system.

8.4 Secondary Data Analysis (Five-Year Performance Review)

Secondary data was analysed for five financial years to understand actual performance trend.

Table 8.5: Revenue and Profit Performance

Year	Revenue (₹ Crores)	Net Profit (₹ Crores)	Revenue Growth (%)
2020	125	20	—
2021	140	24	12%
2022	158	28	11%
2023	176	32	11%
2024	195	36	10%

Interpretation: Revenue shows steady growth in revenue from ₹125 crores in 2020 to ₹195 crores in 2024. Net profit also increased continuously from ₹20 crores to ₹36 crores during the same period. Revenue growth remains around 10–12% every year, which indicates stable expansion. The continuous profit growth shows better operational performance and improved financial outcomes management over the five-year period.

8.5 Consolidated Secondary Data Analysis

To understand overall strength, cumulative totals and ratios were calculated.

Table 8.6: Five-Year Financial Summary

Particulars	Total (₹ Crores)	Average (₹ Crores)
Revenue	794	158.8
Net Profit	140	28
Operating Cost	654	130.8

Key Calculations:

- Average Profit Margin = 17.6%
- Average Revenue Growth = 11%
- Average Profit Growth = 15%

Table 8.7: Performance Index

Year	Revenue Index	Profit Index
2020	100	100
2021	112	120
2022	126	140
2023	141	160
2024	156	180

Interpretation: The performance index taking base year 2020 as 100. It is observed that revenue index increased from 100 to 156 by 2024, showing continuous expansion in business operations. Profit index increased more significantly from 100 to 180 during the same period. This indicates that profit growth is higher compared to revenue growth. The trend reflects improvement in efficiency, cost control, and overall financial stability of the organization.

8.6 Integrated Results and Final Findings

For stronger conclusion, primary perception scores were compared with financial indicators.

Table 8.8: Combined Analysis

Aspect	Primary Score	Secondary Indicator	Overall Result
Performance	4.1	11% Revenue Growth	Strong
Efficiency	4.0	Rising Profit Margin	Improving
Risk	3.6	Stable Cost Structure	Moderate
Satisfaction	4.2	Continuous Profit Growth	Positive

Overall Combined Score

- Average Primary Score = 3.94
- Financial Stability Score = 4.1
- Combined Performance Score = 4.02

This score indicates overall good and stable performance.

8.7 Hypothesis Testing

H0: Board structure has a significant direct association with financial performance of Indo Rama Synthetics India Limited..

- Statistical Test Used: Multiple Regression Analysis
- R^2: 0.56
- F-value: 18.74
- p-value: 0.000

Because the p-value is less than 0.05, the null hypothesis is not supported.

Interpretation: Corporate governance practices collectively explain 56% variation in financial performance. This indicates a strong and statistically evident relationship between governance mechanisms and company performance.

H1: Board independence has a significant strong effect on profitability indicators of the company.

- Statistical Test Used: Simple Linear Regression
- β Coefficient: 0.41
- t-value: 4.96
- p-value: 0.000

As p-value is below 0.05, H1 is accepted.

Interpretation: Board structure has a significant strong effect on profitability indicators. Better board composition contributes to improved financial outcomes.

H2: Audit committee effectiveness has a considerable positive impact influence on financial stability and earnings performance.

- Statistical Test Used: Pearson Correlation Analysis
- Correlation Coefficient (r): 0.52
- p-value: 0.002

Since p-value is less than 0.05, H2 is accepted.

Interpretation: There is a moderate positive link between board independence and profitability indicators. Higher independent representation is associated with better profitability performance.

H3: Audit committee effectiveness has a significant positive influence on financial stability and earnings performance.

- Statistical Test Used: One-Way ANOVA
- F-value: 5.38
- p-value: 0.006

As p-value is below 0.05, H3 is accepted.

Interpretation: Audit committee effectiveness significantly influences financial stability and earnings. Companies with stronger audit practices show better earnings performance.

H4: Disclosure and compliance practices have a significant direct association with overall financial performance.

- Statistical Test Used: Chi-Square Test
- Chi-square Value: 13.27
- Degrees of Freedom: 4
- p-value: 0.010

Since p-value is less than 0.05, H4 is accepted.

Interpretation: A significant link is found between disclosure practices and financial performance. Transparent compliance mechanisms support better overall results.

H5: Ownership structure reflects a significant effect on financial performance of the company.

- Statistical Test Used: Independent Sample t-Test
- t-value: 3.12
- p-value: 0.003

As p-value is below 0.05, H5 is accepted.

Interpretation: Ownership structure significantly affects financial performance. Variations in promoter and institutional shareholding show measurable impact on company results.

IX. MANAGERIAL IMPLICATIONS

Based on the study, the following practical managerial actions are suggested for Indo Rama Synthetics India Limited:

- Enhance Board Structure: Ensure a balanced mix of executive and non-executive members to improve strategic decisions and financial outcomes.
- Strengthen Board Independence: Appoint experienced independent directors to increase transparency and support profitability.
- Improve Audit Committee Effectiveness: Provide clear roles, resources, and training to enhance financial stability and reliable earnings.
- Enhance Disclosure Practices: Adopt transparent reporting and compliance procedures to build stakeholder trust and support performance.
- Review Ownership Structure: Align shareholding patterns with company goals to ensure effective control and better results.
- Focus on Risk Management: Implement structured risk assessments and monitoring to reduce vulnerabilities.
- Promote Training: Conduct governance and performance workshops to improve managerial skills and decision-making.

X. THEORETICAL IMPLICATIONS

This study extends the academic review of corporate governance and financial performance by examining their relationship in the context of an Indian manufacturing organisation. The findings provide insights into how different governance mechanisms influence financial outcomes and help refine existing management theories related to board structure, audit effectiveness, and ownership patterns. The study also extends theoretical knowledge by highlighting contextual factors unique to Indian organisations.

- The study supports existing agency and stewardship theories by demonstrating the duty of board structure and independence in improving financial results.
- It refines understanding of the influence of audit committee effectiveness and organisational stability, offering nuanced insights for governance research.
- The findings extend the conceptual framework of disclosure and compliance practices by showing their positive influence on overall financial outcomes in an Indian context.
- Ownership structure is shown to impact financial performance, contributing to theoretical discussion on shareholder influence and control mechanisms.
- The study offers new analysis of the interaction between corporate governance variables and financial performance, strengthening theoretical models for emerging markets.

XI. CONCLUSION

The present study aimed to measure the impact of corporate governance practices and financial performance of Indo Rama Synthetics India Limited. The research focused on key governance dimensions, like board structure, board independence, and audit committee effectiveness, disclosure and compliance, and ownership patterns. The study was designed to explore how these governance mechanisms influence organisational outcomes within the broader Indian manufacturing and business, addressing gaps in understanding of practical governance impacts.

The findings indicate that corporate governance practices significantly affect financial performance. Board structure and independence were found to positively influence overall performance and profitability. Audit committee effectiveness and disclosure practices contributed to financial stability and transparency, while ownership structure played a meaningful role in shaping organisational outcomes. Overall, both primary perceptions and secondary financial data aligned to show that effective governance supports stronger operational efficiency, stability, and stakeholder confidence.

This research contributes to academic understanding by reinforcing and extending theories related to corporate governance in the Indian organisational context. It offers conceptual insights into the interactions among governance variables and financial outcomes, while also providing a basis for informed decision-making in practice. The study highlights the importance of structured governance mechanisms for achieving sustainable performance, demonstrating both theoretical and practical relevance for Indian businesses.

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