

RESEARCH PROJECTS 2015

Project Title

Product Market Response to Corporate Governance Shocks: Evidence from India

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Abstract

In 2000, India has adopted a major corporate governance reform (Clause 49) that required the adoption of audit committees, a minimum number of independent directors, and CEO/SFO certification of financial statements and internal controls. While initially the largest firms were required to adopt these changes, later the reform extended to the mid-sized firms, and finally to the smaller firms. In this research we plan to adopt regression discontinuity analysis to explore how corporate governance shapes operating strategies of affected firms. In particular, given rich source of data, we plan to study whether improvements in corporate governance led to higher productivity, larger output, and higher prices. Moreover, we plan to study how governance affects the investment in new capacity and inventory behavior. Finally, we will also address the spillovers effects: whether firms' suppliers and customers also benefit from corporate governance changes, and their unaffected rivals accelerate their own corporate governance changes.

