

## RESEARCH PROJECTS 2016

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### **Project Title**

Does Accountability Deter Individuals from Serving as Independent Directors? Evidence from a Corporate Governance Reform in India

### **Principle Investigator(s)**

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### **Abstract**

Prior literature, both theoretical and empirical, has highlighted the important role of independent directors as a monitor and an advisor. Recent corporate governance scandals have resulted in calls for greater accountability of independent directors to improve the effectiveness of corporate boards. Opponents, on the other hand, have highlighted that increased accountability, will reduce the attractiveness of directorships, and thus deter individuals from serving on boards. To this end, this research proposal will examine whether accountability deters individuals from serving as independent directors. We propose to exploit a quasi-natural experiment in the form of a recent reform of the corporate law in India, which introduced accountability for independent directors. We hypothesize that accountability deters individuals from serving on boards, and expect to find stronger deterrence among firms where the monetary or reputational incentives to serve as an independent director are weak and in firms that are subject to greater litigation risk.

