

IMPACT OF BOARD CHARACTERISTICS AND CAPITAL STRUCTURE ON FIRM VALUE: A LITERATURE REVIEW

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INTRODUCTION

In the field of corporate finance there are several factors which affect the firm performance and some of them are more important for firm value on which special attention should be given to maximize the firm value. Where capital structure relevance is a debatable issue from many years and gaining the attention of researchers, the emergence of corporate governance is of recent origin and attracting the new researchers to explore this field of study. Dennis and McConnell (2003) argued that, to overcome problems in corporate governance, different internal or external governance mechanisms can be applied. Primary internal mechanisms are the board of directors and equity ownership structure of the firm, whereas primary external mechanisms are external market for corporate control (the takeover market) and the legal system. In India board of directors and capital structure have a major impact on the firm value. If we want to find those factors which affect the firm value then board characteristics and financing mix comes first which should be taken care of.

Corporate governance is a technique by which companies are directed, controlled and managed. It is the interaction between the various stakeholders (shareholder, directors and management) of companies. Mishra and Kapil (2018) corporate governance is concerned with three aspects of decision making process in a firm. First, who is empowered to take what decision; second, whose interest is to be given priority while taking a particular decision; and third, whether (and how) contextual factors like social, political, economic and legal institutions are impacting the decision making process and outcomes of these decisions. After Satyam scam, lot has been done in India related to board composition. Securities exchange board of India (SEBI) made it compulsory to adopt clause 49 of listing agreement that contains the prominence of independent directors in the board and after the voluntary guidelines of corporate governance laid out by the Ministry of Corporate Affairs in 2009 it has now become a norm in India. Board characteristics are deemed to be an important aspect of corporate governance influencing firm value. Bhatt and Bhattacharya (2015) said that a study on the board characteristics, its composition, activities and structure will be useful in understanding the corporate governance practices in India. Family businesses have a dominating place in the corporate sector in

India; therefor the presence of family controlled firms makes corporate governance different in India from other developing countries.

Capital structure decision is one the most important decision of every firm because it has its direct relation on value of the firm. Every firm wants to have an optimum capital structure where the profits of the firm are maximum and cost are at its minimum level. Traditionally it was believed that an optimum mix of debt and equity helps to achieve that capital structure where the firm can maximize its value and minimize its cost. Debt has tax advantage in it so it seems butter to use debt in capital structure to take advantage of tax benefits but it comes with fixed financial burden which increase the chances of insolvency. There should be a trade-off between the debt and equity so that the costs associated with debt remains less than the benefits derived from it. Abhijit Sinha (2017) many theoretical discussions have taken place over the years with many theories in place like the Net Income Approach, Net Operating Income Approach, the Modigliani and Miller Hypothesis, the trade-off theory, Pecking Order theory and the Market timing theory. Capital structure as a research area gained considerable attention after the irrelevance model was proposed by Modigliani and Miller, 1958. They proposed that capital structure decisions have no impact on firm value under certain conditions are fulfilled. Aggarwal, and Padhan (2017) the debate on the impact of capital structure variables on firm value is on-going in the field of corporate finance. There is no unanimous view on the relevance of capital structure theories in general.

Literature Review

A number of studies have been conducted in India as well as abroad regarding the impact of board characteristics and capital structure on firm value. This study has been divided into two sections. This study is a review of various studies so far done to analyse the various aspects of impact of board characteristics and capital structure on firm value.

(a) Impact of board characteristics and firm value

McIntyre et al. (2007) empirically investigated the relationship between directors tenure, board size, outside directors positions held and firm performance. The sample was collected from 151 Canadian firms over a period of Sept. 2003 to Dec. 2003 and regression analysis was used in the study. After controlling for firm size, CEO duality and board composition they found that high level of experience, appropriate team size, moderate level of variation in age and team tenure were positively correlated with performance while high average proportion of directors who hold outside board positions is negatively related to firm performance.

Lam and Lee (2008) examined the relationship between CEO duality and firm performance in Hong Kong. The sample included 128 companies listed on the Main Board of the Hong Kong Stock Exchange in 2003. Multivariate regression analysis concluded that CEO duality was good for non-family firms while CEO duality was not well for family-controlled firms.

Wang and Oliver (2009) investigated the relationship between board composition and firm performance variance. The sample was collected from 384 companies out of 500 top companies listed at Australia stock exchange. Regression analysis concluded that executive directors have negative impact whereas block holders, affiliated and independent directors have positive impact on performance variance.

Bokpin and Arko (2009) examined the effect of ownership structure and corporate governance on capital structure decisions of firms listed on the Ghana stock exchange. After controlling for the effect of volatility of income, sales growth, asset tangibility and firm size they found that managerial ownership and board size were significantly positively related to leverage. Further they found that foreign ownership; board independence and CEO duality were not important factors in the choice of financing mix of firms on the GSE.

Yamneesri and Herath (2010) aimed to examine the influence of independent directors on firm performance and to examine the existence of curvilinear correlation between board composition and firm value. The sample included 245 firms listed at stock exchange of Thailand for a period of 2003-2004. Cross sectional regression concluded those insider directors have a positive, CEO duality have a negative impact on firm performance whereas independent director and grey director don't have any relationship with firm performance. Additionally the study found a curvilinear correlation between inside directors and Tobin's Q.

Ameer et al. (2010) examined the relationship between board composition and firm performance in Malaysia. The data was collected from 277 non-financial Malaysian firms over a period of 2002-2007 and linear regression analysis was used in the study. They concluded that outside and foreign directors have a significant and positive impact on firm performance. Further the study concluded that institutional and foreign equity ownership also has a positive impact on firm performance.

Ujunwa (2012) investigated the impact of corporate board characteristics on the financial performance of Nigerian quoted firms. The sample was collected from 122 firms quoted on Nigerian stock exchange and random effect and fixed effect generalised least square regression were used in the study. He analysed that the board size, CEO duality and gender diversity were negatively linked with firm performance whereas board nationality, board ethnicity and the number of board members with a PhD qualification were found to have a positive impact on firm performance.

Kumar and Singh (2013) examined the impact of corporate board size and promoter ownership on firm value. The sample included 176 firms listed at BSE over the period of 2008-2009 and linear regression analysis was used in the study. They found out a negative relationship between board size and firm value, additionally they concluded that this relation was less negative for large companies than smaller companies. Further they found a positive association of promoter's ownership with firm performance after controlling for factors like firm size, age, leverage, and sales growth.

Sheikh (2013) investigated whether internal governance mechanisms such as board size, outside directors on the board, CEO duality, managerial ownership, and ownership concentration affect the performance of

Pakistani firms. The sample included 154 firms listed on KSE over the year 2004-2008 and pooled ordinary least square was used in the study. He found that board size, CEO duality and ownership concentration have positive impact on firm performance whereas outside directors and managerial ownership were found to have a negative impact on firm performance.

John (2013) explored the impact of Board Composition, board size, board ownership and CEO duality on financial performance in Nigeria. Linear multiple regression analysis was used in the study. He found a positive association between board size, outside directors and financial performance while director's stockholding is negatively related to firm performance. . Further the study revealed a negative association between ROE and CEO duality, while a strong positive association is observed between ROCE and CEO duality.

Mishra and Mohanty (2014) examined the corporate governance issues in India and explored the relationship between corporate governance and financial performance. The sample was collected from 141 companies listed at Mumbai stock exchange. Regression analysis concluded that the board influence the firm performance significantly while legal compliance indicator does not have any influence on firm performance. Further they found composite corporate governance measure was a good predictor of firm performance.

Fernandez (2014) investigated the relationship between internal governance structure and financial performance of Spanish companies. The sample included 121 companies listed on Madrid Stock Exchange in 2009 and multi-theoretical approach and multiple regression analysis were used in the study. This study observed positive relationship of firm performance with board size and negative relationship with board meetings. Due to the insignificance of the regression results, relation of the remaining variables with firm performance could not be found.

Bhatt and Bhattacharya (2015) explored the relationship between corporate governance specifically board structure and firm performance in Indian IT sector. The data was collected from 114 IT firms listed on BSE or NSE (2006-2011) and R statistical package was used in the study. They control for firm size, age, sales growth and leverage in the study. They concluded that independent director and board meetings don't have any impact on IT firm performance. They also found that attendance at board meeting and board size had positive impact on performance. Additionally they concluded family firms showed better performance as compared to non-family firms.

Arora and Sharma (2016) examined the impact of corporate governance on firm's performance for a large representative sample of Indian manufacturing industry. The sample included 1922 firms listed on BSE. They used panel fixed effect estimator and concluded that board meetings were found to have positive, board size and board independence had negative impact on firm performance but CEO duality was not found to have any relation with firm performance.

Darko et al. (2016) examined the relationship between corporate governance and firm performance of 20 companies listed on Ghana Stock Exchange over the years 2008-2012. They used pool panel regression and

ANOVA analysis in their study. They found that the ownership concentration and female directors have positive, independent directors and audit committee have negative impact on firm performance. Board size and audit committee were not found to have any relation with firm performance.

Solakoglu and Demir (2016) analysed the effect of gender diversity on firm performance in Turkey. The sample included largest publicly traded firms in Borsa Istanbul for a period of 2002 and 2006 and two stages least square was used in the study. The study concluded that women add to the strategic value of the firm. Further they concluded that gender diversity specially influences firm performance in the financial sector, local market-oriented firms, and firms with block ownership.

Kilic and Kuzey (2016) examined the impact of gender diversity on the firm's financial performance. The sample was collected from 149 Companies listed on BIST (Borsa Istanbul) Turkey over the year 2008-2012 and instrumental variable regression analysis and two stages least squares analysis were used in the study. Current study observed that female directors have positive and significant impact on firm's financial performance.

Palaniappan G (2017) aimed to found out the influence of board size, independence, duality and meetings on financial performance of manufacturing firms in India. The sample includes 275 firms listed at NSE over the period of 2011-2015 and content analysis and multiple regression models were used in the study. After controlling the effect of firm size, age, leverage and sales growth the study concluded that there exists a negative relationship between board size, board independence and board meetings with firm's performance indicated by ROA, ROE and Tobin's Q. And firm age, leverage, growth and meetings were not having any influence on firm performance.

Mishra and Kapil (2017) explored the relationship of Promoters ownership and Board structure on firm performance. The sample included data from 391 firms listed on NSE (2010-2014). They used panel data regression methodology and concluded that market based performance measure (Tobin's Q) get more affected by corporate governance as compared to accounting based performance measures (ROA). They also concluded that there exists significant positive association of promoter ownership and board size with firm performance whereas board independence does not show any kind of relation with firm performance.

Rodrighs (2017) investigated whether board structure can influence firm financial performance and also examined the relationship between firm performance and board composition. The data was collected from 475 firms listed on Karachi Stock Exchange. He used fixed effect regression analysis and concluded that minority representation at board and large board size were positively correlated with Pakistani firm performance. Further also found that board committees and managerial ownership shows a positive and significant relationship with firm performance.

Khosa (2017) examined the relationship between board composition and firm value of group affiliated firms in India. The sample included 317 firms listed on BSE over a period of 2008-2012 and value relevance model and ordinary least square regression models were used in the study. He found that the board size and

big four auditors have positive while board independence and audit committee have negative impact on firm performance. Further he concluded firm age, size and growth positively and debt negatively affects the group affiliated firms.

Yasser et al. (2017) examined if the board composition influences firm performance in Pakistan. The sample was collected from 475 firms listed on Pakistan Stock Exchange. Fixed Effect Regression Analysis concluded that board size, minority representation on the board and the appointment of a family director have a positive while independent directors have a negative impact on firm performance.

Mishra and Kapil (2018) aimed to found out the relationship of firm performance with board characteristics such as board size, independence, meetings, and leadership and directors busyness. The sample includes 391 Indian companies listed at NSE over the period 2010-2014. Structural Equation Modelling concluded that board size, independence and meetings were positively whereas CEO duality and board busyness is negatively related to firm performance.

Kavitha et al. (2018) empirically investigated the impact of board characteristics such as size, independence, busyness and duality on the extent of discretionary disclosures of 128 most liquid firms listed at BSE for a period of 2009-2016. The study used content analysis and discloser index for measuring the discretionary discloser of firms. They concluded that board independence positively, board busyness and duality negatively and board size does not have any influence on disclosers made by the Indian firms.

Paul et.al (2018) aimed to investigate the impact of board characteristics on the financial performance of 10 firms listed on Tanzania DSE over the years 2006 to 2013 by applying two corporate governance theories agency theory and resource dependency theory. They found after controlling firm debt, size and age that gender diversity was positively, CEO duality was negatively and foreign directors were not related to firm performance. They also concluded that outside directors and qualification of directors shows insignificant relationship with firm performance.

Somathilake (2018) investigated the relationship of board characteristics and firm performance by considering listed companies in Sri Lanka. The sample was collected from top 100 companies listed at Colombo stock exchange (2015-2016). He used regression analysis and ANOVA and concluded that board size and women directors have negative impact on firm performance. He also found out that independent directors affects firms performance positively.

Mishra and Kapil (2018) explored the relationship between board characteristics and firm performance for Indian companies. The sample was collected from 391 companies listed on NSE for a period of 2010-2014. Panel data regression model concluded that board size, independence and meetings have positive while duality and board busyness have negative impact on firm performance. Firm size, age and leverage were found to have a negative relationship with performance and sales growth was not found to influence firm performance.

Li and Roberts (2018) examined the relation between CEO Duality and firm performance. The sample included 85 companies listed on New Zealand Stock Exchange (2004-2011). Two stages least square analysis concluded that CEO board Membership is positively related to firm performance. Further, the benefits of having CEO on the board were greater in larger firms with more business segments.

Darko et al. (2018) examined the relationship between corporate governance practices, ownership structure, cash holdings and firm value of companies listed on Ghana stock exchange. They used seemingly unrelated regression analysis in their study. They found a positive relationship between non-executive directors, management ownership, audit quality and firm value whereas board size and cash holdings were found to have a negative impact on firm value.

Naseem et al. (2019) explored the effects of CEO duality, tenure and personal characteristics on firm performance and analysed the mediating effect of capital structure on the link between CEO characteristics and firm performance. The sample included 179 firms listed on Pakistan Stock Exchange and panel data regression analysis was used in the study. They found that CEO age, education have a positive and CEO tenure have a negative impact on firm performance. Further they found male CEOs have a significant impact on firm performance as compared to female CEOs and choices of debt or equity financing partially mediates the association between CEOs characteristics and firm financial performance.

(b) Impact of capital structure on firm value

Gleason et al. (2000) analysed the influence of culture on the choice of capital structure and impact of capital structure on corporate performance in European countries. The data was collected from 14 European countries and regression analysis was used in the study. He concluded that capital structure is different for different cultures. Further the study found that corporate performance of companies was influenced by capital structure of the companies.

Aivazian et al. (2003) examined the impact of financial leverage on investment decision of Canadian companies. The data was collected from publically traded Canadian firms for a period of 1982-1999 and two stages least square was used in the study. The study concluded that the leverage have a negative impact on investment. Further, leverage has greater negative impact on firms with low growth opportunities as compared to firms with high growth opportunities.

Mesquit and Lara (2003) examined the influence of the capital structure on the profitability of Brazilian companies. The data was collected from the financial statements of 70 Brazilian companies and ordinary least square method was used in the study. They found a positive impact of short-term debt and equity on profitability whereas an inverse impact of long-term debt on profits of the companies.

Abor (2005) empirically investigated the relationship between capital structure and profitability of companies listed on Ghana stock exchange. The sample was collected from all the firms listed in GSE during the period 1998-2002 and regression analysis was used in the study. After controlling for firm size and age the study concluded a negative relationship between long term debt and ROE whereas short term debt and

total debt were positively related to ROE. Further he concluded that profitable firms make more use of short term debt to finance their operations.

Carpentier (2006) examined the irrelevance model of capital structure. The sample included 243 French firms over a period of 1987-1996 and bivariate and multivariate regression analyses were used in the study. He accepted the irrelevance model and concluded that all other things being equal change in capital structure do not explain change in the value of French firm.

Abor (2007) examined the effect of debt policy on the financial performance of small and medium-sized enterprises in Ghana and South Africa. The sample was collected from 160 Ghanaian SMEs and 200 South African SMEs. Panel data analysis concluded that the Short-term debt and total debt is significantly and negatively related to gross profit margin for both countries whereas long-term debt has a significantly positive relationship with gross profit margin. Further, there was a negative association between trade credit and gross profit margin for both Ghana and South Africa.

Zeitun and Titan (2007) studied the impact of capital structure on corporate performance of Jordanian companies. The sample included 167 companies listed on Amman stock exchange for a period of 1989-2003. After controlling for industrial sector and regional risk they concluded that capital structure have a significant and negative impact on firm performance while short term debt to total assets have a positive impact measured by Tobin's Q. Further, firm size and tax rate have positive impact on performance.

Rocca (2007) studied the relationship between capital structure, corporate governance and firm value. After a synthetic review he defined a theoretical approach which could contribute in clearing the relationship between capital structure, corporate governance and firm value.

Ebaid (2009) investigated the impact of capital structure choice on firm performance in Egypt. The data was collected from 64 firms listed on Egyptian Stock Exchange during a period of 1997-2005 and ordinary least square regression analysis was used in the study. After controlling for firm size, the study concluded a negative relationship of short term debt and total debt on firm performance measured by ROA but no significant relation was found between long term debt and ROA. Further, the study found no significant influence of debt (short, long, and total debt) on financial performance as measured by ROE and GM.

Bhayani (2009) examined the effects of corporate capital structure on cost of capital and the market value of selected firms of Indian cement industry for the period from 2000 to 2008. The data was collected from top nine companies in the cement industry have been selected as sample for study. The study found that there was no impact of financial leverage on cost of capital and total valuation in the cement industry in India. Further Positive correlation was found between high- and low-levered companies with cost of capital.

Margaritis and Psillaki (2009) investigated the relationship between capital structure, ownership structure and firm performance of French firms. The investigation was made on low and high growth industries French firms and regression analysis was used in the study. After controlling for ownership structure and ownership

style the study concluded high leverage is associated with improved performance. Further the study found that family firms perform better than non-family firms.

Salim and Yadav (2012) investigated the relationship between capital structure and firm performance of 237 Malaysian companies listed on the Bursa Malaysia stock exchange during 1995-2011. Empirical tests indicated that TD and STD impacts firms' performance negatively measured by ROE while LTD and TD have significant negative impact on firm's performance measured by ROA. Furthermore, the results showed that Tobin Q have a positive and strong significant relationship with STD, LTD and control variable size negative relationship with total debt.

Shyu (2013) examined how agency problems and internal capital markets in group affiliated firms are mutually influenced by ownership structure, capital structure, and performance. The sample included 1926 firm year observation of listed manufacturing firms over a period of 1999-2007. Two stages least square regression concluded that the capital structure decisions of group-affiliated firms were independent of firm performance. Further, there exists a U-shaped relationship between insider ownership and performance.

Wang (2013) analysed whether measures of capital structure such as total debt ratio, long term debt ratio and short term debt ratio influence the performance of Pakistani firms. The sample included 240 firms listed on Karachi stock exchange for a period of 2004-2009 and pooled ordinary least square and fixed effects model were used in the study. The study found that capital structure and asset tangibility have negative whereas firm size and growth have positive impact on firm performance. Further results suggested that firm choose higher debt levels in order to decrease the agency problems between the managers and shareholders.

K and A (2013) investigated the relationship between capital structure and firm performance in Sri Lanka. The sample included 8 companies listed on Colombo stock exchange for the period of 2007-2011 and correlation and multiple regressions were used in the study. They concluded that the debt ratio was negatively correlated with performance while debt equity ratio is negatively related to NP, ROE and EPS except GP.

Dawra (2014) empirically investigated the impact of capital structure on firm performance in India on the basis of agency theory. The data was collected from 78 companies listed at BSE during 2003-2012. Panel regression analysis found that capital structure had a negative impact on firm performance against the agency theory assumption. Further the study concluded firm size, tangibility, liquidity and advertising were positively whereas firm age is negatively related to firm performance. He also suggested that as we increase short term and long term debt there is a decrease in profitability.

Manjule (2014) examined the debt-equity mix of asset financing by Indian companies and the influence of the various factor affecting there capital structure decisions. The data was collected from 151 Indian companies categorized in 13 industrial sectors for a period of 2006-2012 and ratio analysis, ANOVA, correlation coefficient and multiple regressions were used in the study. The study found that liquidity and

growth have significant influence on debt-equity ratio. Further the study revealed that determinants are industry specific, which implies that the weight of the explanatory variables varies from sector to sector.

Muhammad *et al.* (2014) empirically investigated the impact of capital structure on firm performance in Pakistan. The sample included 25 cement companies listed at Karachi stock exchange over a period of 2009-2013. Multiple regression analysis concluded a negative relationship between debt to asset and performance variables. Further the study found that debt to equity had a positive relation with GPM and NPM while a negative relation with ROA and ROE.

Anojan (2014) examined the impact of liquidity management and capital structure on the profitability of firms and studied the relationship between capital structure, liquidity management and profitability of firms listed in Sri Lanka for a period of 2008-2012. Regression analysis concluded that there was no significant impact of capital structure and liquidity management on the profitability of firms. Further, correlation analysis found that there was no significant relationship between capital structure, liquidity management and profitability.

Yazdanfar and Ohman (2015) examined the relationship between debt level and firm performance among small and medium sized enterprises. The sample included 15,897 Swedish SMEs over a period of 2009-2012 and 3SLS modelling and fixed effect regression were used in the study. They found that trade credit; short term debt and long term debt had an inverse relationship with firm profitability. Further they concluded firm size positively while firm age negatively influences the profitability of SMEs.

Chadha and Sharma (2016) analysed the impact of financial leverage on firm's financial performance of Indian companies. The investigation was made on 422 manufacturing companies listed on Bombay stock exchange during 2003–2004 to 2012–2013 and ratio analysis and panel data approach were used in the study. They found that financial leverage has no impact on the firm's financial performance as measured by ROA and Tobin's Q whereas return on equity showed a negative and significant impact on performance.

Asif and Aziz (2016) checked the influence of capital structure on firm value in Pakistan. The investigation was made on 20 cement companies listed on Karachi stock exchange for a period of 2006-2015 and regression and correlation were used in the study. The study concluded that debt to equity ratio; share capital and current ratios have a positive influence on firm value (Economic value added). Further they suggested that to improve the value of firms there should be perfect mix of debt and equity in capital structure.

Pandya (2016) investigated the impact of capital structure on the firm value of ten selected Cement manufacturing companies from Indian Cement Sector over a period of 2004-2014. Multiple regression analysis found that for increasing the wealth of shareholders a perfect mix of debt and equity was required. Additionally firm's capital structure have significant impact on its market value.

Aggarwal and Padhan (2017) aimed to examine the effect of capital structure and firm quality on firm value in the hospitality sector in India. The data was collected from 22 Indian hotel companies which are listed on the BSE over a period of 2001-2015. Panel regression equation concluded that leverage had a mixed

impact on firm value while firm quality, size and liquidity showed a significant positive relation with firm value.

Sinha (2017) analysed the effect of capital structure decisions on firm value in Indian companies. The sample included 11 power companies selected from the BSE Power over a period of 2007-2015. Panel data regression model found a negative effect of leverage on firm value. Additionally debt to equity ratio, age and size showed inverse relation with the price-to-book value ratio (performance measure) while growth showed a positive effect on the performance measure.

Taylor and Dessai (2018) explored the impact of capital structure on the value of the Indian automobile firms listed on NSE from 2012-13 to 2016-17. Ordinary least square and fixed effects model concluded that earning per share have a significantly positive relationship with firm value in automobile sector.

Sen and Heng (2018) investigated the relationship of capital structure decisions and corporate performance of Malaysian companies. The data was collected from 49 firms listed on Bursa Malaysia main board for a period of 2005 to 2008 and pooling regression model was used in the study. The study concluded that there exists a relationship between capital structure and corporate performance.

Govindasamy and Umamaheswari (2018) assessed the impact of debt on the profitability of Indian service sector. They took a sample of 56 companies listed on Bombay stock exchange during 2001-2011. Regression analysis revealed a significantly positive impact of debt on profitability. Further, the impact of debt on profitability in health services, transports and logistics was highest among all other service industries.

Ghayas and Akhter (2018) empirically examined the effect of capital structure on the firm's profitability of Indian firms. The investigation was made on 35 pharmaceutical companies listed on Bombay Stock Exchange during the period of 2012 to 2016 and regression analysis was used in the study. After controlling for firm size and sales growth they concluded that short term debt to total asset (SDA) and total debt to total asset (DA) have a positive impact on profitability (ROE) while a weak-to-no effect was found of long term debt (LDA) on ROE.

Li et al. (2019) investigated whether an SME's credit risk affects the relationship between capital structure and firm performance of SME's by using a 2012 cross-sectional sample of 1,24,632 European SME's from Austria, Belgium, Finland, France, Germany, Italy, Portugal, Spain, Sweden and UK. Regression analysis concluded that low credit risk SEM's, financial leverage is negatively related to performance, whereas in high credit risk SME's, this negative relationship between financial leverage and performance is not present.

Conclusion

The present study analysed the researches related to impact of board characteristics and capital structure on firm value across the different countries of the world. But limited study has been conducted in India that finds out the impact of board characteristics and capital structure on firm value. So, a detailed evaluation of impact of board characteristics and capital structure has to be done to fill this research gap.

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