

Impact of Corporate Governance on Level of Earnings Management and Overall Firm Performance: A Review

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Abstract

Large number of corporate scams in recent years has resulted in increased attention to the importance of corporate governance, earnings management mechanism, and firm performance. The sudden collapses of large business houses, mostly resulting out of bad governance, have negatively affected the securities markets globally. Considering the significance attached to corporate governance as a monitoring tool for firm performance, several empirical studies are undertaken by researchers in the context of corporate houses belonging to different developed countries. A review of the previous research shows that corporate governance practices influence earnings manipulation practices and also the overall firm performance. The earnings management practices through accruals management (basically equipped with the accounting engineering of discretionary accruals) have been emerging as one of the most concerned areas of research in the present time. The present study is an attempt to review the existing literature available on different conceptual models of corporate governance and establishing the fact that good governance leads to controlled earnings management practices and better firm performance. Majority of the literature has been focusing on the relationship among shareholders, stakeholders, directors, and management. Findings of these studies are mixed, and as a result it is often difficult for user to draw any firm conclusion on the relationship. Most of the research findings show that board composition significantly determines earnings management practices. However, no structured

framework establishing such relationship is confirmed by the existing literature.

Keywords: Corporate Governance, Earnings Management, Discretionary Accruals, Firm Performance.

Introduction

There is an ongoing debate in the area of corporate governance to examine its influence on overall corporate performance by different business houses in the world. Most of the recent studies on corporate governance have primarily focused on the U.S. firms and firms belonging to other developed countries. Prominent examples of corporate scandals can be associated with Enron (USA), WorldCom (USA), Bank of Credit and Commerce International (UK), Subprime Mortgage (USA), and Satyam Computers (India), and many others in different parts of the world, many of which were caused by, or at least exacerbated by, governance weakness. All these raised the financial community's concerns about the appropriateness of using the companies' financial statements or projected market growth statements solely for valuing the firm as well as the necessity of effective control mechanisms in ensuring shareholders' value maximization. Many recent financial reporting scandals have been attributed to poor corporate governance oversight of the financial reporting process (Agrawal and Chadha, 2005). In response to these financial reporting scandals, regulators and major stock exchanges have implemented new rules designed to improve the quality of corporate governance,

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through mandatory rules regarding the board of directors' composition and auditor reports.

Corporate governance may be defined as a set of systems, processes and principles which ensure that a company is governed in the best interest of all stakeholders. It is the system by which companies are directed and controlled. It is about promoting corporate fairness, transparency, and accountability. It includes the rules related to the power relation between owners, the board of directors, management and other stakeholders. In other words, 'Good corporate governance' is simply 'Good businesses'. According to definition from OECD(1999), corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.

Logically, as per the observations by OECD (1999), the corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders. Corporate governance is a highly topical subject in the present time, which concerns the management structure of large companies and the way in which they use their power and influence in society today. It encompasses a wide range of issues extending from company law to business ethics. The complex three-way relationship among shareholders, boards, and top management has been the subject of a large literature (Adams *et al.*, 2009).

Many researchers have argued that 'earnings management' is used as a tool for manipulating financial information. Earnings management has been defined as purposeful intervention in the external financial reporting process with the intent of obtaining some private gain (Schipper *et al.*, 1989). It is the planning and control of the financial reporting system to meet the management objective of meeting analysts' expectations, maintaining the economic growth projector or arriving at the predetermined target income for their incentive pay (Giroux, G.2004). According to Leuz *et al.* (2003), earnings management

can be defined as the alteration of firms' reported economics performance by the insiders to either mislead some stakeholders or to influence contractual outcomes. Earnings management does not always have to mean upward manipulation; there can be many instances when managers intentionally misreport earnings downward. This is especially likely to happen when firms are either way above or way below their targets (Jensen & MC 1986). Regulators and financial media have been expressing concern that the quality of reported earnings is deteriorating as managers use the discretionary embedded in Generally Accepted Accounting Principles (GAAP) to opportunistically distort their firms' financial reports.

It has been observed that managers of companies with low governance quality have greater discretion to engage in opportunistic earnings management (Dechow *et al* 1996.). Moreover firms with weaker governance structures allow managers to exercise greater power and discretion over the board (Buniamin *et al.*, 2012). As such, they are more likely to engage in earnings management. In contrast, active monitoring by board and audit committee members as well as sophisticated shareholder groups significantly constrains management's flexibility to misrepresent financial results (Davidson *et al.*, 2003; Mitra s. 2002.).

Generally Accepted Accounting Principles (GAAP) allows alternative presentation of accounting information. The alternative accounting practice provides corporation discretion for alternative book keeping practices. In the absence of fraudulent reporting, management can alter reported earnings by choosing an accounting method in order to increase or decrease reported earnings (Buniamin *et al.*, 2012). Such discretion for alternative accounting practice may lead to inaccurate and manipulated presentation of financial information. There is a positive relationship between available discretionary accruals and earnings manipulation practices, and in such situation a weak corporate governance structure will encourage earnings management practice (Kent, Routledge and Stewart, 2010). Various studies have been focussed on association between corporate governance attributes and earnings management practises and it has been noted that there is a negative relationship between good corporate governance practice and earnings management through discretionary accruals (Jean Bedard, 2001; Buniamin *et al.*, 2012). Considering various research studies it has been observed that earnings management through accruals management and accounting engineering for discretionary

accruals reflects weak governance structures and greater managerial power.

Considering the significance attached to the impact of corporate governance on levels of earnings management and firm performance, the present study reflects on previous earnings management and corporate governance reporting literature to outline the opportunities for future research in these areas. This review research is an attempt to identify the association among these three areas i.e., corporate governance, earnings management and firm performance through literature review of previous research work. The study is structured in five sections. Section one being the introductory section which deals with the brief explanation associated with the three specific terms associated with the present study. Section two analyses the available literature on corporate governance and earnings management. Similarly, Section three analyses the existing literature on earnings management and discretionary accruals management and tries to establish the linkage between these two. The analysis of available literature on corporate governance and overall firm performance is carried out in Section four. Section five concludes the paper by identifying the direction of future research.

Corporate Governance Vis-A-Vis Earnings Management

The association between good corporate governance and earnings management has recently received considerable attention both from regulators and researchers. In earlier research literature, according to Agency Theory, it has been identified that low insider ownership (both for management and Board of directors) implies poor alignment of interests between management and shareholders (Jensen and Meckling, 1976), which leads managers with low ownership to manage accounting numbers so as to increase earnings based compensation, relax contractual constraints or avoid debt covenants (Healy, 1985; Holthausen *et al.*, 1995) whereas Warfield *et al.* (1995) identified that because of the greater personal investment and relatively less influence from capital markets, highly invested managers are more likely to make accounting choices that reflect firm economics rather than personal motives.

A good number of previous studies examined the relationship between attributes of corporate governance

and earnings management practices. The available literature on these areas mostly focused on board composition, board functions and board characteristics of different corporate houses under study, and provided evidences of significant relationship between corporate governance and earnings management process. These studies identified different attributes influencing corporate governance viz. Board composition, board size, institutional ownership, audit committee, CEO duality, and earnings management practices, which are considered to be the concerned areas for further research.

Board composition is one of the most important attributes of corporate governance. The board of directors consists of executive and non-executive directors. In India there are some mandatory guidelines for board composition by SEBI (clause 49) which must be followed by the companies listed in different stock exchanges. The Act regulates the appointment of executive and non-executive directors, and also defines the inclusion of different members and their role in the proper functioning of board. It is stated that for effective working of board, at least one third non-executive directors are preferred. Beasley (1996) investigated some corporate houses indulged in for fraudulent practices and observed that the incidence of such practice was lower with the presence of non-executive directors on the board. The independent directors are perceived to be unbiased monitors and reduce the chance of fraudulent earnings management practices (Shah *et al.*, 2009). The role of institutional directors is also very significant since, the proportion of institutional directors on the board is negatively related to the level of earnings manipulation (Beatriz and Belen, 2007). Institutional ownership is considered to be a part of good governance practice by various researchers, since institutional investor have the power to control resource and influence the corporation performance. The existence of audit committee has little impact of overall governance pattern, though independent audit committee is positively related with good governance but there are various studies which find no relationship between earnings management and audit committee characteristic (Beatriz and Belen, 2007; Peasnell *et al.*, 2005). The board composition is also influenced by the size of the board. Various previous studies observed the negative relationship between board size and earnings management practices (Syed Zulfiqar Ali Shah, 2009; Donal Byard *et al.*, 2010). Larger board size constrains the process of earnings management (Meca and Ballesta, 2009; Jayati Sarkar, 2006; Ballesta *et al.*,

Table 1: Research studies on association between Earnings Management and Corporate Governance

Sl. no	Author	Year	Research Topic	Findings	Country
1.	Jone, J.J.	1991	Earnings management during important relief investigations	Governance practice does affect the earnings management practise.	U.S.
2.	Healy, P.M. and J. M. Wahlen	1999	A review of earnings management literature and its implication for standard setting	A mixed relationship exists between different attributes of corporate governance and earnings management.	U.S.
3.	Jean Bedardand LucieCourteau	2001	Corporate governance and earnings management	Effective boards and audit committees constrain earnings management activities	Canada
4.	Gillian H.H.Yeo, Patricia M.S.Tan, Kim WaiHoand Sheng-Syan Chen	2002	Corporate ownership structure and the informativeness of earnings	There exists a non-linear relation between managerial ownership and the informativeness of earnings	Singapore
5.	SantanuMitra	2002	The impact of institutional stock ownership on a firm's earnings management practice: an empirical investigation	There is a significant relationship between corporate governance attributes and earnings management practices.	U.S.
6.	VrajlalSapovadia	2003	Critical analysis of accounting standards vis- a – vis corporate governance practice in India	Good governance practice should be followed by high quality standards of accounting and financial and non financial disclosure.	India
7.	Robert M. Bushman and Abbie J. Smith	2003	Transparency, financial accounting information, and corporate governance	Good governance produce more reliable and accurate financial disclosure	U.S.
8.	Leuz, Christian ; Dhananjay Nanda and Peter Wysocki	2003	Investor protection and earnings management : an international comparison	Good corporate governance practices insure better protection of investor fund and constrain earnings management process.	U.S.
9.	OECDPublication Services	2004	OECD principles of corporate governance	Frame work for corporate governance practice.	France
10.	Park, Y. and H.Shin	2004	Board composition and earnings management in Canada	Significant relationship between board composition and earnings management practice	Canada
11.	Rajesh Charkarbarti	2005	Corporate governance – evolution and challenges	Significant relationship exist between earnings management and corporate governance practices.	India
12.	Benjamin C. Ayers; John (Xuefeng) Jiang, and P. Eric Yeung	2005	Discretionary accruals and earnings management: an analysis of pseudo earnings targets	The positive association between discretionary accruals and earnings management intensifies around the actual profit benchmark.	Georgia
13.	Flora F. Niu	2006	Corporate governance and the quality of accounting earnings	Overall governance quality is negatively related to the level of abnormal accruals and positively influences the return-earnings association.	Canada

Sl. no	Author	Year	Research Topic	Findings	Country
14.	Jayati Sarkar; Subrata Sarkar; and Kaustav Sen	2006	Board of directors and opportunistic earnings management; evidence from India	There is a positive relationship among board size, CEO duality and presence of controlling shareholders in board and earnings manipulation practices.	India
15.	Donal Byard; Ying Li; Joseph Weintrop	2006	Corporate governance and the quality of financial analysts' information	Better Quality of Corporate Governance Increase The Overall Quality Of Information By The Financial Analyst and accuracy of the projected financial estimates.	U S
16.	Juan Pedro Sanchez-Ballista and Emma – Gatia –Meca	2007	Ownership structure, discretionary accruals and informatives of earnings	Insider ownership contributes both to the informativeness of earnings and constraining earnings management.	U.S.A.
17.	Beatriz Garcia Osma and Belen Gill-De-Albornoz Noguera	2007	The effect of the board composition and its monitoring committees on the earnings management: evidence from Spain	Board composition significantly determines earnings manipulation practices.	Spain
18.	Johnnie Ray Bejarano	2008	Mitigating corporate financial fraud: a qualitative study	A new fraud mitigation model emerged that integrates Differential association theory, agency theory, endogenous and exogenous fraud factors.	U. S.
19.	W. Brooke Elliott; Susan D. Kriechand Mark E. Peecher	2009	Expected mispricing: the joint influence of accounting transparency and investor base	Financial analysts' Expectations of mispricing are influenced jointly by a firm's investor base And accounting disclosure transparency.	U.S.A.
20.	Werner R. Murhadi	2009	Good corporate governance and earnings management practices: an Indonesian cases	The CEO duality and controlling shareholder existence have significant effect to earnings management practice.	Indonesia
21.	Syad Zulfiquar Ali Shah; Nousheen Zafar; and Tahir Khan Durrani	2009	Board composition and earnings management an empirical evidence from Pakistani listed companies	Presence of Negative relationship between institutional ownership and earnings management.	Pakistan
22.	N A Fayoumi; Bana Abuzayed; and David Alexander	2010	Ownership structure and earnings management in emerging markets; the case of Jordan	Application of corporate governance principles enhance the reliability and transparency of reported earnings.	U.K.
23.	Pamela Kent; James Routledge; Jenney Stewart	2010	Innate and discretionary accruals quality and corporate governance	A strong relationship exists in between sound corporate governance mechanism and innate accruals quality than discretionary accruals quality.	Australia
24.	Dennis B. K. Hwang; Jing Long; Teng Shih Wang	2010	The relationship between corporate governance mechanisms and earnings management : an empirical study on the listed firms in china	There is a significant positive relationship among CEO duality, ownership concentration and earnings management practices.	China

Sl. no	Author	Year	Research Topic	Findings	Country
25.	Bruce K. Bahan;Delwyn D Devries and Jing Lin	2010	The determinants of transparency in non-profit organizations: an exploratory study	High governance leads to better disclosure of accounts.	U.S.
26.	Mahmud Hossin; SantanuMitra; Zabi-hallahRezaee; Bharat Sarath	2011	Corporate governance and earnings management in the re- and post- Sarbanes-Oxley Act regimes: evidence from implicated option backdating firms	The SOX act has contributed in improving the corporate governance practice in the business houses.	U. S.
27.	Donal Byard, Ying L I, and Yong Yu	2011	The Effect of mandatory IFRs adoption on financial analysts' information environment	The adoption of mandatory IFRs has reduced the forecast error.	U.K.
28.	GianpaoloAbatecola, Andrea Caputo, Michela Mari and Sara Poggesi	2012	Relations among corporate governance, code of conduct, and the profitability of public utilities.	There is a significant relationship between corporate governance and earnings management.	Italy
29.	SharifahBuniamin; Nor HasimahJohari; Nor RaidaAbd Rahman and Fatimah Hanim Abdul Rauf	2012	Board diversity and discretionary accruals of the top 100 Malaysia corporate governance(mcg) index company	There is a positive association between number of women on board and discretionary accruals.	Malaysia
30.	Sandeep Goal	2012	Demystifying earnings management through accruals management: an Indian corporate study	Implication of corporate governance principles will reduce the presence of accrual management practices in Indian firms.	India
31.	ManjuJaiswall; Ashok Banerjee	2012	Exploring the relationship between earnings management and corporate governance characteristics in the Indian context	Significant relationship exist between corporate governance attributes and earnings management practices.	India
32.	HadiSirat	2012	Corporate governance practices, share ownership structure and size on earnings management	Company size variable consistently have a negative effect on the amount of earnings management.	Indonesia
33.	OlayinkeMarteUadiale	2012	Earnings management and corporate governance in Nigeria	Primarily there exist a negative relationship between attributes of corporate governance and earnings management practices.	Nigeria

2007). The CEO duality is another area of concern which influences the composition of the board. Some studies are undertaken for establishing the relationship between the earnings manipulation and corporate governance and in one such study it is found that CEO duality significantly affects the earnings management process (Werner, 2009). The results of various research studies, while considered on individual attributes of corporate governance, are conflicting in nature. But in the overall perspective, it has been established that there is a significant relationship between corporate governance practice and earnings management process.

Table 1 provides an outline of available research literature regarding relationship between corporate governance and earnings management. It appears that majority of research work has been done in developed countries like U.S. and U.K., these studies reveal intriguing findings.

Earnings Management Vis-A-Vis Accruals Management

Earnings management through accruals management is an area of concern for various research studies. The process of earnings management is mostly done through the practice of accruals management and basically managed through discretionary accruals. As investigated by Ayers *et al.* (2005) it is concluded that there is a

positive linkage between alternative discretionary accruals measures and earnings management practices where earnings manipulations were given effect through accruals management. The work of Sarkar (2006) also provides evidence of opportunistic earnings management practices captured by the amount of discretionary accruals a firm recognises for its accounting adjustments. There are different mathematical models and statistical tools available for identifying earnings management practices through discretionary accruals. In the study undertaken by Pamela *et al.* (2005) when innate components of accruals quality were regressed against corporate governance characteristics, it was found that a stronger relationship existed between earnings management practices through discretionary accruals and corporate governance mechanism. Previous works regarding discretionary accruals are basically exploratory in nature and state the use of discretionary accruals for earnings manipulation.

Table 2 provides a list of previous literature regarding the relationship of discretionary accruals and earnings management practices. A range of exploratory research works are done by using secondary data and applying different models for detecting the relationship between the earnings management and accruals managements through discretionary accruals. As evidenced from the table, most of the researches work are done in developed countries and vary few studies are performed in Indian context.

Corporate Governance Vis-A-Vis Firm Performance

The early work of Jensen and Meckling (1976) demonstrates that there is application of agency theory in Modern Corporation where there is a conflict of interest between owners and managers. The corporate governance attributes may act as a tool to minimise this conflict of interest between management and owners by proper mix of power, responsibility and accountability. The corporation management should work in behalf each of the stakeholders and take care of companies overall efficiency and profitability. Various studies have been performed to explore the association between firm performance and corporate governance practices. In recent past corporate governance is the central issue with major corporate scandals and many studies are performed to check the effectiveness of good corporate governance practice and its impact on firms' performance.

Corporate governance is the term used for the system by which companies are directed and controlled. It encompasses regulatory and market mechanisms and the relationships among a company's management, its board of directors, its shareholders, and the goal for which the corporation is governed. It ensures conduct of business within acceptable ethical standards, transparency, accountability, and disclosure of relevant operational and financial information. Corporate governance is the acceptance by management of inalienable right of shareholders as true owner of the corporation and of their own role as trustee on behalf of the shareholders.

Many researchers have shown a positive association between good governance practice and better firm performance. The recent study by Sarkar *et al.* (2012) concludes that companies with a higher corporate governance index based on the board of directors, the ownership structure, the audit committee and external auditor have higher return on equity. Xavier and Holger (2011) find that weak governance firms have lower equity returns, worse operating performance, and lower firm value. The result may vary in different market conditions. It can be justified by the study undertaken by Claessens (2003), which concludes that better corporate governance of firm leads to higher return on equity and better firm performance. The study by Weintrop (1990), establishes a positive relationship between corporate governance and firm performance, a better govern firm provides higher value to the end user of firm financial information and disclosure made by the company. The research shows that good governance result in more reliable financial reporting and disclosure. There is a linear relation existing between managerial ownership and informativeness of earnings and the firm disclosure are more reliable when the board comprises of director with shareholding in the company (Gillian *et al.*, 2002). Though there are various researches done regarding association between corporate governance and firm performance still there is scope of further study in this area since, the different attributes of corporate governance work differently in different market and industry situations and this keeps open the scope of research and analysis regarding impact of corporate governance on firm performance. When we are going through the literature review we find that mostly the studies are concentrated in developed countries. Table 3 provides a list of previous work done in this regard.

Table 2: Literature review on association between Earnings Management and Discretionary Accruals

Sl. No	Author	Year	Research Topic	Findings	Country
1.	K.V. Peasnell, P. F. Pope and S. Young	1999	Detecting earnings management using cross – sectional abnormal accruals models	The study suggests that, based on different measures of discretionary accruals different model should be applied for detecting earnings management practices in different circumstances.	U.K.
2.	Eli Bartov, Ferdinand A. Gul and Jusy S. L. Tsui	2001	Discretionary – accruals models and audit qualification	Conflicting findings are studied with respect of different models for discretionary accruals.	U.S.
3.	Benjamin C. Ayers, John(Xuefeng) Jiang and P. Eric Yeung	2006	Discretionary accruals and earnings management: an analysis of pseudo earnings targets	Positive relationship between discretionary accruals and earnings manipulation	U.S.
4.	Md. Aminul Islam, Ruhani Ali and Zamini Ahmad	2010	Is modified Jones model effective in detecting earnings management? Evidence from a developing economy	An extended modified Jones model has been developed for detecting earnings management	Bangladesh

Table 3: Literature review on association between Corporate Governance and Firm Performance

Sl. No	Author	Year	Research Topic	Findings	Country
1.	Rechard Lee Miller	1988	Ethical challenges in corporate – share holder and investor relation: using the value exchange model to analyze and response	Prospective investor have the minimum exchange value with the corporation	U.S.
2.	Maria Maher and Thomas Andersson	1999	Corporate governance: effect on firm performance and economic growth	Corporate governance affects the development and functioning of capital markets and exerts a strong influence on resource allocation.	OECD Countries.
3.	DebasisBagchi	2002	An analysis of relationship between corporate governance of firms and their capital market performance	Firms with good corporate governance practice earn more.	India
4.	Susan Parker, Gary F. Peters and Howard F. Turetsky	2002	Corporate governance and corporate failure	Good corporate governance practice help in better performance and survival of distressed firm	U.S.A
5.	StijnClaessens	2003	Corporate governance and development	Better corporate governance result in better firm performance.	U.S.
6.	Hitrotsugu Sakai andHitishiAsaoka	2003	The Japanese corporate governance system and firm performance : toward sustainable growth	Better governance result in better firm performance.	Japan
7.	Thomas Philippon	2003	Corporate governance over the business cycle	Highly governed firm have better profit margin.	U.S.

<i>Sl. No</i>	<i>Author</i>	<i>Year</i>	<i>Research Topic</i>	<i>Findings</i>	<i>Country</i>
8.	Fernando Lefortand Eduardo Walker	2005	The effect of corporate governance practices on company market valuation and payout policy	Firm with better governance practice have a better market valuation.	Chile
9.	AhmaduSanda;Aminu S Mikailuand TukurGarba	2005	Corporate governance mechanisms and firm financial performance in Nigeria	Governance attributes plays significant role in determining firms' performance.	Nigeria
10.	MuraliPatibandla	2005	Equity pattern corporate governance and performance: a study of India's corporate sector	The institutional investor help in better governance and better performance	India
11.	Lal. C. Chugh, Joseph W. Meador and AshwiniShanth Kumar	2006	Corporate governance and firm performance : evidence from India	Better corporate governance will give better firm performance.	India
12.	Richard Tudwayand Ana Maria Pascal	2006	Corporate governance, shareholder value and societal expectations	There is an association between corporate social responsibility and good corporate governance practice.	U.S.
13.	Silvia Ayuso and Antonio Argandona	2007	Responsible corporate governance: toward a stakeholder board of directors?	Good governance firm are more responsible toward its stakeholder interest.	Spain
14.	SanjaiBhagatand Brian Bolton	2008	Corporate governance and firm performance	Good governance result in good businesses	U.S.
15.	Abdussalam Mahmood Abu- Tapanjeh	2009	Corporate governance from the Islamic perspective: a comparative analysis with OECD principles.	Different governance practices are applicable in different economic and societal situation.	Jordan
16.	PalanisamySaravanan	2009	Corporate governance characteristics and company performance of family owned business in India	The ownership does not have major impact on firms' performance.	India
17.	BasakDenizci Guillet and Anna S. Mattila	2010	A descriptive examination of corporate governance in the hospitality industry	Higher corporate governance results in higher earnings.	U.S.
18.	QuiserRafique Yasser; Harry Entebangand Shazali	2011	Corporate governance and firm performance	Firm with good governance have better firm performance.	Pakistan
19.	Immaculate Tusiime; Stephen K. Nkundabanyangaand Isaac N. Nkote.	2011	Corporate governance: ownership structure, board structure performance of public sector entities	The ownership structure and attributes of corporate governance affect the overall firm performance.	Uganda
20.	Santosh Pande andKshama V Kaushik	2012	Study on the state of corporate governance in India- evolution, issues, and challenges for the future.	There is a positive relation between good corporate governance and firm performance.	India
21.	GianpaoloAbatecola; Andrea Caputo; Michela Mari; Sara Poggesi	2012	Relations among corporate governance, code of conduct and the profitability of public utilities : an empirical study of companies on the Italian stock exchange	Firm practicing good corporate governance has a higher profit margin.	Italy

Sl. No	Author	Year	Research Topic	Findings	Country
22.	William Judge	2012	Pioneering research in comparative corporate governance: the role of special issues	Different attributes of corporate governance have different impact on firm performance.	U.S.
23.	Palanisamy Saravanan	2012	Corporate governance and company performance- a study with reference to manufacturing firms in India	Good corporate governance practice help in better firm performance.	India

Conclusion

The various studies undertaken on corporate governance, earnings management and firm performance are mostly concentrated on the corporations based in the U.S., the U.K. and other developed countries. It necessitates the need for more studies to be undertaken in developing countries identifying the association among corporate governance, earnings management and firm performance. When we conclude the various research reports on corporate governance, earnings management and firm performance we find that initially the results are conflicting but on an overall basis these three are significantly related with each other. The good corporate governance results in transparency and reliability of firm financial information and enhance investor believe and positively influences the overall firm's performance. Similarly on a wider ground the various attributes of corporate governance and board composition work as a constraint for earnings management practices and limits the scope of earnings manipulation. Even though many studies have been undertaken in these areas, there is a scope of future study regarding establishing a framework for corporate governance practices and its influence on different levels of earnings management and together influencing the overall firms' performance in Indian context and the present work of literature review will facilitate the future study in a substantial way.

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