



CORPORATE GOVERNANCE DISCLOSURE PRACTICES AND ITS IMPACT ON FINANCIAL PERFORMANCE: A CASE STUDY ON PHARMA SECTOR IN INDIA

ABSTRACT:

India is a strong emerging force on the global map. Corporate Governance is an integral part of the broader governance of the country. The CG Disclosure is important because reporting is widely viewed as the most effective tool to encourage better Corporate Governance Practices. India enjoys an important position in the global pharmaceuticals sector. This study is basically an analytical in nature. Period of the Study is 2012-13 to 2016-17. Ten Companies belonging to pharma sector are considered for the study. In present study using Panel data regression analysis, appropriate model is fitted for Tobin's Q, MVBV and Market Capitalisation using CG Score as an independent variable and ROA, ROE, D/ERatio, DPR, Sales Growth, NPM, NAV and Firm Size as controlled variables. It is concluded that CG score has positive impact on firm performance.

Key words: *Corporate Governance, Tobin's Q, Market Capitalisation, MV/BV Ratio, D/ E Ratio, Disclosure Score*

INTRODUCTION:

India is a strong emerging force on the global map. The growth is enabled by the development of public and private sector enterprises across all the sectors of economy. The regulatory and legal framework of the governance is the way for the India to become a global leader. Corporate Governance is an integral part of the broader governance of the country.

Corporate Governance is the set of processes, customs, policies, laws and institutions affecting the way a corporation is directed, administered and controlled. The Prime objective of corporate governance is to contribute in the growth and development of organization by healthy practices and self sustainance in a competitive business environment, resolving conflicts and infusing confidence in the minds of shareholders and stakeholders. As good governance is the demand of the Information efficient market, corporate governance practices need a remarkable improvement in India. The CG Disclosure is important because reporting is widely viewed as the most effective tool to encourage better Corporate Governance Practices.

Grounds for Selecting Pharmaceutical Sector

India is the largest provider of generic drugs globally. Indian pharmaceutical industry supplies over 50% of global demand for various vaccines, 40% of generic demand in the US and 25% of all medicine in UK. India enjoys an important position in the global pharmaceuticals sector. The India's pharmaceutical industry is expected to expand at a CAGR of 22.4% over 2015-2020 to reach US\$ 55 billion. By 2020, India is likely to be among the top three pharmaceutical markets by incremental growth and 6th largest market globally in absolute size. Because of such explosive opportunities, the pharmaceutical market is alluring for a deeper study; hence selected for the study.

REVIEW OF LITERATURE:

Gugler, Mueller, & Yurtoglu (2003) attempted to shed a light on three conundrums of investment literature. They concluded that managers in countries of strong corporate governance preferred to rely on internal cash flow whereas managers in weak corporate governance countries were free to use the equity market as a source of finance. Moreover, managers with very attractive investment opportunities would favor equity over debt. It was also observed that weak corporate governance practices in developing countries provided less check on managers who wished to issue

equity to finance low return investments. They also conferred that weak corporate governance system led to slow economic growth and vice versa. Stronger accounting standards and better enforcement had a significant impact on firm performance so it had been suggested as a modest reform.

Inessa (2011) has tried to establish relationship between corporate governance and firm performance as measured by valuation ratio, operating performance or stock return. Most of the research till date suggested a positive correlation between CG score and firm performance. However, it suffered from endogeneity problems and that was difficult to resolve. The emerging conclusion indicated that corporate governance was likely to develop endogenously which depended on firm specific characteristic.

Vinitila & Stefan (2012) examined the relationship between corporate governance ratings and firm performance using the cross-sectional multiple linear regression model for 155 US companies listed on New York Stock Exchange. Negative relationship had been shown between corporate governance global rating and firm performance as well as between corporate governance sub-indices and firm performance. Hence, it was suggested that investors and shareholders should not rely entirely on commercial corporate governance ratings to make investment decisions.

Mittal & Zaidi (2015) have conducted study on 16 major industries covered under NSE CNX 100. It was concluded that healthcare, chemical, pesticides and fertilizers industries have built a strong relation with the shareholders by adopting maximum disclosure requirements whereas media and advertising companies have adopted only mandatory norms and were silent on voluntary norms. As a result, SEBI has made best standards on Corporate Governance practices for non-mandatory norms also.

Varshney, Kaul, & Vasal (2015) have used Economic Value Added as a value based performance measure as the primary metrics to measure the firm performance. To evaluate the linkage between corporate governance and firm performance, along with Economic Value Added other financial parameters used were Return on Net Worth, Return on Capital Employed and Tobin's Q. Sample size is CNX Nifty (Nifty) and CNX Nifty Junior (Nifty Junior) consisting 50 stocks (June 2011) have been considered. The analysis stated significantly positive correlation between the corporate governance index and Economic Value Added. Thus it was concluded that positive relationship existed between corporate governance and firm performance when Economic Value Added was considered as dependent variable. The relationship could not be validated for the traditional performance tools like return on net worth, return on capital employed and Tobin's Q.

RESEARCH METHODOLOGY:

This study is basically an analytical in nature to examine the Corporate Governance Disclosure Practices followed by the selected companies. The researcher has relied on the Corporate Governance Report for nonfinancial parameters and Annual reports of companies for financial parameters to critically analyse the performance of the selected listed companies. Period of the Study is 2012-13 to 2016-17. Ten Companies belonging to pharma sector considered for the study are enumerated as under:

Table No. 1 : Selected Pharmaceutical Companies	
Sr. No.	Name of Pharmaceutical Company
1	AurobindoPharma Ltd.
2	Biocon Ltd.
3	Cadila Healthcare Ltd.
4	Cipla Ltd.
5	Divis Laboratories Ltd.
6	DrReddys Laboratories Ltd.
7	Glen Mark Pharmaceuticals Ltd.
8	Lupin Ltd.
9	Sun Pharmaceutical Industries Ltd.

It is attempted to evaluate the whole mechanism of the corporate governance adopted by considered companies in pharma sector. The Disclosure score is calculated by assigning a weight to each of the parameter. Companies are scored out of 100 for their corporate governance practices and disclosures. Financial parameters apart from nonfinancial parameters used are Return on Assets, Return on Equity, Debt Equity Ratio, Dividend Payout Ratio, Market Value to Book Value Ratio, Tobin's Q, Sales Growth, Net profit Margin, Net Assets Value and Market Capitalisation.

Tools and Techniques used:

For the purpose of analysis of data, the Statistical techniques used were Shapiro Wilk Test and Panel Data Regression Analysis. Statistical tools like SPSS 21 (trial version) and EViews 10 Student Version Lite were used.

Correlation Analysis of CG Score with Parameters of Financial Performance:

In the present study it is examined whether Corporate Governance Score and other financial variable significantly affect MV/BV Ratio, Tobin's Q as well as

Market Capitalisation or not.

To verify the assumption of normality, Shapiro Wilk test statistic is applied as data is less than 100

Table No. 2 : Test of Normality			
Shapiro-Wilk Test			
	Statistic	Df	Sig.
CGSCORE	.937	50	.010
ROA	.978	50	.475
ROE	.978	50	.472
DERATIO	.866	50	.000
TOBINQ	.895	50	.000
DPR	.802	50	.000
SALES GROWTH	.547	50	.000
NPM	.943	50	.018
MARKETCAP	.693	50	.000
NAV	.939	50	.012
MVBVRATIO	.873	50	.000

It can be seen that p value of Shapiro - Wilk test statistic is less than 0.05 for all considered variables except ROA and ROE. So the considered variables do not follow normal distribution. So to test the significant correlation coefficient between any two parameters of financial indicators, Kendal Tau test (nonparametric test) is used.

		CG SCORE	ROA	ROE	D/E RATIO	TOBIN Q	DPR	SALES GROWTH	NPM	MARKET CAP	NAV	MV/BV RATIO
CG SCORE	r	1.000										
	p value											
ROA	r	.050	1.000									
	p value	.614										
ROE	r	.082	.788	1.000								
	p value	.410	.000									
D/E RATIO	r	.188	-.111	.077	1.000							
	p value	.063	.261	.440								
TOBIN Q	r	.108	.037	.038	-.050	1.000						
	p value	.279	.707	.694	.615							
DPR	r	-.066	.081	.076	-.115	-.084	1.000					
	p value	.512	.407	.436	.247	.389						
SALES GROWTH	r	-.106	.369	.422	.071	-.072	-.115	1.000				
	p value	.293	.000	.000	.475	.461	.244					
NPM	r	.024	.649	.543	-.231	.068	.216	.222	1.000			
	p value	.814	.000	.000	.020	.487	.028	.024				
MARKET CAP	r	.251	-.171	-.209	-.028	.468	-.286	-.245	-.133	1.000		
	p value	.012	.080	.033	.776	.000	.003	.013	.173			
NAV	r	.254	-.163	-.187	.045	.118	-.281	-.227	-.274	.549	1.000	
	p value	.011	.096	.055	.651	.225	.004	.021	.005	.000		
MV/BV RATIO	r	.153	.038	.075	.089	.795	.015	-.075	.088	.408	.056	1.000
	p value	.126	.700	.441	.370	.000	.880	.446	.366	.000	.569	

It can be observed that MV/BV Ratio and Tobin's Q have no significant correlation with CG Score whereas Market Capitalisation has significant correlation with CG Score for Pharma Sector. MV/BV Ratio has positive correlation with Tobin's Q and Market Capitalisation at 1% significance level. Tobin's Q has positive correlation with Market Capitalisation and MV/BV Ratio at 1% significance level. Market Capitalisation has positive correlation with CGRS Score, Tobin Q, NAV and MV/BV Ratio as well as negative correlation with ROA, ROE, DPR and sales growth at 10% significance level for Pharma Sector.

Panel Data Regression Analysis:

Panel data (also known as longitudinal or cross-sectional time-series data) is a dataset in which the behavior of companies is observed across time. Panel data considers individual heterogeneity which leads to efficient estimates. The regression model of panel data is known as panel data regression model.

In present study one way Fixed Effect Regression Model or one way Random Effect Regression Model is used for Tobin's Q, MVBV and Market Capitalisation using CG Score as an independent variable and ROA, ROE, D/ERatio, DPR, Sales Growth, NPM, NAV and Firm Size as controlled variables.

Panel Data Regression Model For Tobin's Q :

For Pharma Sector, it was observed through Hausman test that Random Effect Model is appropriate. From Table No. 4, it can be observed that p value (0.0037) of the F statistic (4.52) is less than 0.05. So model is statistically significant.

Dependent Variable: TOBINQ				
Method: Panel EGLS (Cross-section random effects)				
Periods included: 5				
Cross-sections included: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.83219	3.641730	3.249057	0.0022
CGSCORE	0.111271	0.035891	3.100287	0.0033
ROE	-0.008526	0.024637	-0.346047	0.7309
D/ERATIO	-2.747510	1.339357	-2.051366	0.0461
FIRMSIZE	-2.066846	0.549187	-3.763464	0.0005
R-squared	0.286765		F-statistic	4.523207
S.E. of regression	1.141636		Prob(F-statistic)	0.003715

$$\text{Tobin's } \hat{Q}_{it} = 11.83 + 0.11\text{CGScore}_{it} - 0.008\text{ROE}_{it} - 2.75\text{D/ERatio}_{it} - 2.07\text{FirmSize}_{it}$$

H_0 : Random Effect Model is appropriate.

H_1 : Fixed Effect Model is appropriate.

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.397009	4	0.0519

From the above Table No 5, it can be observed that p value of Hausman chi square test is 0.0519 i.e. greater than 0.05. So, H_0 cannot be rejected. So, the fitted Random Effect Model of Tobin's Q for Pharma Sector is appropriate. CGScore affects positively to Tobin's Q at 1% level of significance and D/E Ratio as well as firm size affect negatively to Tobin's Q at 5% and 1% level of significance respectively. The variation in Tobin's Q is explained 28.68% by the all explanatory and control Variables together. Assuming control variables as constant, if CGScore increases by one unit across time and between companies then Tobin's Q goes up on an average by 0.11 percent. Same way, assuming independent and other control variables as constant, if D/E Ratio increases by one time across time and between companies then Tobin's Q goes down on an average by 2.75 percent. Assuming independent and other control variables as constant, if Firm size increases by one percent (in terms of natural log of NAV) across time and between companies then Tobin's Q goes down on an average by 2.07 percent. ROE does not impact significantly on Tobin's Q as p value is greater than 0.05. If all control variables and independent variable are zero then average common value of intercept is 11.83.

Panel Data Regression Model for Market Capitalisation:

It was observed through Hausman test that Fixed Effect Model is appropriate. This can be seen from the following Table No.6 of Random Effect Regression Model and Table No. 7 of Hausman Test.

Table No. 6 : Random Effect Model of Market Cap for Pharma Sector				
Dependent Variable: MARKETCAP				
Method: Panel EGLS (Cross-section random effects)				
Periods included: 5				
Cross-sections included: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-92956.29	34452.78	-2.698078	0.0099
CGSCORE	1559.626	420.8761	3.705664	0.0006
DPR	-227.5988	149.1745	-1.525721	0.1344
SALESGROWTH	135.0389	64.63475	2.089262	0.0426
NPM	-546.9532	509.8239	-1.072828	0.2893
NETASSETSVALUE	10.48555	3.825689	2.740828	0.0089
DERATIO	-2853.662	17894.15	-0.159475	0.8740
R-squared	0.625345	F-statistic	11.96206	
S.E. of regression	13156.94	Prob(F-statistic)	0.000000	

From the above Table No.6, it can be said that model is appropriate and CG Score, Sales Growth and NAV have statistically significant impact on Market Capitalisation but DPR, NPM and DE Ratio have no significant impact on Market Capitalisation. But Hausman test revealed that Random Effect Model is not appropriate.

H_0 : Random Effect Model is appropriate.

H_1 : Fixed Effect Model is appropriate.

Table No. 7: Hausman Test – Market Cap for Pharma Sector			
Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	13.001765	6	0.0430

From the above Table No. 7, it can be observed that p value of Hausman chi square test is 0.043 i.e. less than 0.05. So, H_0 can be rejected. So, the fitted Random Effect Model of Market Capitalisation for Pharma Sector is not appropriate. So, Fixed Effect Model is fitted as below.

Table No. 8 : Fixed Effect Model of Market Cap for Pharma Sector				
Dependent Variable: MARKETCAP				
Method: Panel Least Squares				
Periods included: 5				
Cross-sections included: 10				
MARKETCAP=C(1)+C(2)*CGSCORE+C(3)*DPR+C(4)*SALESGROWTH+C(5)*NPM+C(6)*NETASSETSVALUE+C(7)*D/ERATIO+C(8)*D2+C(9)*D3+C(10)*D4+C(11)*D5+C(12)*D6+C(13)*D7+C(14)*D8+C(15)*D9+C(16)*D10				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-144167.3	39163.44	-3.681170	0.0008
C(2)-CGScore	1692.838	433.0552	3.909059	0.0004
C(3)-DPR	-259.1807	151.5771	-1.709894	0.0964
C(4)-SalesGrowth	121.1031	64.78850	1.869207	0.0702
C(5)-NPM	-92.16429	539.3037	-0.170895	0.8653
C(6)-NAV	9.987178	4.074411	2.451195	0.0195
C(7)-D/ERatio	9516.592	19791.64	0.480839	0.6337

C(8)-D2	18280.94	16065.61	1.137892	0.2631
C(9)-D3	22823.52	9091.799	2.510341	0.0170
C(10)-D4	23422.90	15271.23	1.533793	0.1343
C(11)-D5	24532.29	14041.75	1.747096	0.0896
C(12)-D6	9679.027	10956.02	0.883443	0.3832
C(13)-D7	13887.26	13502.60	1.028488	0.3110
C(14)-D8	43757.40	13244.07	3.303923	0.0023
C(15)-D9	142412.5	14966.96	9.515121	0.0000
C(16)-D10	10929.65	9212.789	1.186357	0.2437
R-squared	0.948243	F-statistic	41.52781	
S.E. of regression	12201.02	Prob(F-statistic)	0.000000	

From Table No. 8, it can be observed that p value (0.000) of the F statistic (41.53) is less than 0.05. So model is statistically significant. CG Score affects positively to Market Capitalisation at 1% level of significance. NAV affects positively to Market Capitalisation at 5% level of significance. Sales Growth affects positively to Market Capitalisation at 10% level of significance. DPR affects negatively to Market Capitalisation at 10% level of significance. The variation in Market Capitalisation is explained 94.82% by the all explanatory and control Variables together. Assuming control variables as constant, if CG Score increases by one unit across time and between companies then Market Capitalisation goes up on an average by 1692.84 crore rupees. Same way, assuming independent and other control variables as constant, if NAV increases by one crore rupees across time and between companies then Market Capitalisation goes up on an average by 9.99 crore rupees. Same way, assuming independent and other control variables as constant, if DPR increases by one percent across time and between companies then Market Capitalisation goes down on an average by 259.18 crore rupees. Same way, assuming independent and other control variables as constant, if sales growth increases by one percent across time and between companies then Market Capitalisation goes up on an average by 121.10 crore rupees. NPM and D/E Ratio do not impact significantly to Market Capitalisation as p value is greater than 0.10. The intercept value for Aurobindo Pharma Ltd. is -144167.3, for Biocon Ltd. is -125886.36, for Cadila Healthcare Ltd. is -121343.78 and so on. The intercept value for each company is different may be due to unique feature of the company and the difference is statistically significant for some companies and the difference is statistically not significant for some companies. So, again it is tried to check whether Fixed Effect Model is appropriate or not. If Fixed Effect Model is not appropriate then Pooled Regression Model can be considered as appropriate.

$$\hat{MarketCap}_{it} = -144167.3 + 18280.94D_{2i} + 22823.52D_{3i} + 23422.90D_{4i} + 24532.29D_{5i} + 9679.03D_{6i} + 13887.26D_{7i} + 43757.4D_{8i} + 142412.5D_{9i} + 10929.65D_{10i} + 1692.84CGScore_{it} - 259.18DPR_{it} + 121.10SalesGrowth_{it} - 92.16NPM_{it} + 9.99NAV_{it} + 9516.59D/ERatio_{it}$$

H_0 : Pooled OLS Regression Model is appropriate (All dummy variables equal zero)

H_1 : Fixed Effect Model is appropriate (All dummy variables does not equal zero)

Table No. 9: Wald Test - Market Cap for Pharma Sector			
Wald Test:			
Equation: Untitled			
Test Statistic	Value	df	Probability
F-statistic	31.62192	(9, 34)	0.0000
Chi-square	284.5973	9	0.0000

From the above Table No. 9, it can be observed that p value of Wald test is 0.0000 i.e. less than 0.05. So, H_0 can be rejected. So, the fitted Fixed Effect Model of Market Capitalisation for Pharma Sector is appropriate.

Panel Data Regression Model for MV/BV Ratio:

For Pharma Sector, it was observed from the Table No.10 that p value (0.78) of F – statistic (0.36) is greater than 0.05. i.e. the model is not significant. In other words, Random Effect Model of

MV/BV Ratio is not appropriate. So, Fixed Effect Model of MV/BV Ratio is fitted and represented in Table No. 11.

Table No. 10 : Random Effect Model of MV/BV Ratio for Pharma Sector				
Dependent Variable: MVBV				
Method: Panel EGLS (Cross-section random effects)				
Periods included: 5				
Cross-sections included: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.151410	3.852531	0.558441	0.5793
CGSCORE	0.042115	0.045876	0.918027	0.3634
ROE	-0.003843	0.035659	-0.107761	0.9147
SALESGROWTH	-0.005228	0.008941	-0.584671	0.5616
R-squared	0.023177	F-statistic		0.363819
Adjusted R-squared	-0.040528	Prob(F-statistic)		0.779415
S.E. of regression	1.730106			

The Table No.11 represents Fixed Effect Model of MV/BV Ratio for Pharma Sector. From Table No. 11, it can be observed that p value (0.000) of the F statistic (6.06) is less than 0.05. So model is statistically significant. It can be seen that CG Score affect positively to MV/BV Ratio but effect is not statistically significant. 66.29% of the variation in MV/BV Ratio is explained by the all explanatory and control Variables together. Assuming control variables as constant, if CG Score increases by one unit across time and between companies then MV/BV Ratio goes up on an average by 0.061 times. Same way, assuming independent and other control variables as constant, if ROE increases by one percent across time and between companies then MV/BV Ratio goes up on an average by 0.026 times. But independent variable as well as control variables do not have statistically significant impact on MV/BV Ratio. The intercept value for Aurobindo Pharma Ltd. is -1.07, for Biocon Ltd. is -2.05, for Cadila Healthcare Ltd. is 0.826 and so on. The intercept value for each company is different may be due to unique feature of the company and the difference is statistically significant for one company and the difference is statistically not significant for other companies. So, again it is tried to check whether Fixed Effect Model is appropriate or not. If Fixed Effect Model is not appropriate then Pooled Regression Model can be considered as appropriate.

Table No. 11: Fixed Effect Model of MV/BV Ratio for Pharma Sector				
Dependent Variable: MVBV				
Method: Panel Least Squares				
Periods included: 5				
Cross-sections included: 10				
Total panel (balanced) observations: 50				
MVBV=C(1)+C(2)*CGSCORE+C(3)*ROE+C(4)*SALESGROWTH+C(5)				
*D2+C(6)*D3+C(7)*D4+C(8)*D5+C(9)*D6+C(10)*D7+C(11)*D8+C(12)				
*D9+C(13)*D10				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-1.074703	4.337305	-0.247781	0.8057
C(2)-CGSCORE	0.060680	0.047560	1.275876	0.2100
C(3)-ROE	0.025753	0.041994	0.613246	0.5435
C(4)-SALESGROWTH	-0.009770	0.009214	-1.060277	0.2959
C(5)-D2	-0.984858	1.260654	-0.781228	0.4396
C(6)-D3	1.896387	1.096778	1.729053	0.0921
C(7)-D4	0.044027	1.306148	0.033708	0.9733
C(8)-D5	1.121667	1.105376	1.014739	0.3168
C(9)-D6	-0.111678	1.159927	-0.096280	0.9238
C(10)-D7	0.035194	1.152516	0.030537	0.9758

C(11)-D8	1.933381	1.091428	1.771424	0.0847
C(12)-D9	7.401563	1.649609	4.486859	0.0001
C(13)-D10	0.696324	1.131157	0.615586	0.5419
R-squared	0.662877	F-statistic	6.062674	
S.E. of regression	1.701922	Prob(F-statistic)	0.000010	

$$\widehat{MV / BV}Ratio_{it} = -1.07 - 0.98D_{2i} + 1.896D_{3i} + 0.044D_{4i} + 1.12D_{5i} \\ - 0.112D_{6i} + 0.035D_{7i} + 1.933D_{8i} + 7.40D_{9i} + 0.696D_{10i} \\ + 0.061CGScore_{it} + 0.026ROE_{it} - 0.0098SalesGrowth_{it}$$

H_0 : Pooled OLS Regression Model is appropriate (All dummy variables equal zero)

H_1 : Fixed Effect Model is appropriate (All dummy variables does not equal zero)

Wald Test: Equation: Untitled			
Test Statistic	Value	df	Probability
F-statistic	7.477518	(9, 37)	0.0000
Chi-square	67.29766	9	0.0000

From the above Table No.12 , it can be observed that p value of Wald test is 0.0000 i.e. less than 0.05. So, H_0 can be rejected. So, the fitted Fixed Effect Model of MV/BV Ratio for Pharma Sector is appropriate.

Conclusion:

- MV/BV Ratio and Tobin's Q have no significant correlation with CG Score in Pharma Sector. CG Score does not affect the firm performance in terms of MV/BV Ratio and Tobin's Q in Pharma Sector. Market Capitalisation has significant positive correlation with CG Score in Pharma Sector. CG Score affects the firm performance in terms of Market Capitalisation in Pharma Sector.
- From Random Effect Model, it is revealed that CG Score has significant positive impact whereas D/E Ratio as well as Firm Size have significant negative impact on Tobin's Q in Pharma Sector.
- From Fixed Effect Model, it is revealed that CG Score, Sales Growth and NAV have significant positive impact on Market Capitalisation whereas DPR has significant negative impact on Market Capitalisation in Pharma Sector.
- From Fixed Effect Model, it is revealed that CG Score has little significant positive impact on MV/BV Ratio in Pharma Sector.

Pharmaceutical Sector plays an important role as it is concerned with life of the human being. Transparency in Disclosure Practices is directly related with the health of the citizens as the drugs are available for the sale in the market on the basis of clinical trials. Higher disclosure increases the faith and reliability. It is observed that CG score has positive impact on firm performance.

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