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Research Paper

# Investors Perception Towards Corporate Governance in Agra District of Uttar Pradesh

Naina Bansal[1], Dr. Bhawna Johri[2]*

## ABSTRACT

This research investigates the perception of investors towards corporate governance in the Agra District of Uttar Pradesh. It focuses on understanding how investors in the region view and engage with corporate governance practices in various sectors. The study examines the evolution of corporate governance in India, emphasizing its significance in fostering transparency, accountability, and investor confidence. A detailed survey method is employed to capture the demographic profiles, investment behaviors, and levels of effectiveness about corporate governance among investors. The analysis highlights a diverse investor base on perception with varied levels of understanding and engagement, particularly in relation to key governance norms. The findings suggest that investor awareness plays a crucial role in shaping their investment decisions and their trust. This research contributes to the growing discourse on enhancing corporate governance frameworks to better align with the expectations of investors, thereby promoting a more robust investment environment in Agra District.

***Keywords:*** *Corporate Governance, Investors, Investor Perception, Agra District*

In a corporate governance system, the company is owned by the shareholders, managed by the managers, and overseen by the board directors, who act as the shareholders' representatives. The primary goal of corporate governance is to protect the interests of the company's many stakeholders, such as shareholders, senior management, suppliers, customers, financiers, the government, and the community. In addition, corporate governance offers a framework for the organization to accomplish its objectives; as a result, it encompasses nearly every facet of management, from internal control and action plans to corporate transparency and performance evaluation. Every public company needs to understand that corporate governance is a crucial component for investors. Since shareholders, stakeholders, employees, and consumers can readily notice flawless governance, it greatly contributes to a company's reputation. Therefore, a company's valuation can be directly impacted by corporate governance principles in both positive and negative ways. A well-functioning corporate governance system is inherently transparent and accountable, which helps shield businesses from issues like scandals or frauds that could

[1]Research Scholar, Department of Applied Business Economics, Faculty of Commerce, Dayalbagh Educational Institute, Agra, India
[2]Assistant Professor, Department of Applied Business Economics, Faculty of Commerce, Dayalbagh Educational Institute, Agra, India
*Corresponding Author

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result in corporate liability. Therefore, a business may readily defend itself against a number of challenges if its corporate governance is well-structured. Because it reflects the company's direction and business integrity, investors closely monitor the corporate governance of the organization. Good corporate governance helps businesses win over the trust of their community and investors.

## REVIEW OF LITERATURE

Since shareholders, stakeholders, employees, and consumers can readily notice flawless governance, it greatly contributes to a company's reputation. Therefore, a company's valuation can be directly impacted by corporate governance principles in both positive and negative ways. A well-functioning corporate governance system is inherently transparent and accountable, which helps shield businesses from issues like scandals or frauds that could result in corporate liability. Therefore, a business may readily defend itself against a number of challenges if its corporate governance is well-structured. Because it reflects the company's direction and business integrity, investors closely monitor the corporate governance of the organization. Good corporate governance helps businesses win over the trust of their community and investors. Reviewing the corporate governance phase and process is essential to conducting a transparent performance evaluation in an effective manner (Obasan, 2014). Compared to developed countries, emerging economies exhibit lower levels of governance; nonetheless, there is little variation in the way businesses operate whether they use excellent or bad corporate governance practices (Alanzai, 2019). Corporate governance has a major and beneficial impact on shareholders' investment decisions. In order to increase investors' confidence and, consequently, foster a long-term positive attitude toward investing decisions, it is highly stressed to provide effective corporate governance measures in addition to strengthening accounting standards and corporate governance mechanisms (Okere and Ibidunni, 2019). Businesses with effective and sound corporate governance procedures benefit from increased investment levels. The influence of corporate governance boosts investors' trust in the company's investment decisions. Furthermore, by guaranteeing an improvement in the monitoring function of board members, good corporate governance rules open the door for managers to make effective judgments and covertly control the interests of shareholders (Shahid and Abbas, 2019). The prompt holding of audit meetings and the inclusion of a diverse group of outside directors on the board contribute to improving the companies' performance and profitability. However, the CEO duality should be eliminated because it negatively impacts the quality of earnings (Zahid, 2020). Businesses must take the initiative to improve their corporate governance procedures if the country lacks sound governance in order to guarantee their effective operation. Additionally, effective national governance has a detrimental impact on the beneficial effects of corporate governance on business performance (Wu, 2021). In academic circles, investor behavior in relation to corporate governance has garnered a lot of attention. According to the literature, retail investors are increasingly looking at governance practices before making investment decisions, even when they have limited resources (Balp, 2018). Barber and Odean's (2008) research highlight that retail investors actively seek out information pertaining to governance rather than passively consuming business information. Factors including prior investment experiences, economic knowledge, and the overall state of the market all influence this behavior (Chitra & Sreedevi, 2011). Additionally, research by Cohen et al. (2011) suggests that retail investors are more likely to trust businesses with strong governance structures, suggesting a direct link between governance practices and investor confidence.

***Research Problem***

The research aims to assess the perception of investors regarding corporate governance practices in companies operating within the Agra district of Uttar Pradesh. The study will explore factors that influence investors' trust in corporate governance, the impact of corporate governance on investment decisions.

***Objective***

- To examine the perception of investors within the Agra region of Uttar Pradesh regarding corporate governance practices.

## RESEARCH METHODOLOGY

Descriptive and analytical research in nature and quantitative as well as qualitative approach is used. Stratified Random Sampling is used. The sample size should be representative of the investor population in Agra. A sample size of at least 100 investors is taken for adequate data for analysis. Primary and Secondary Source of data is used to collect the data. Rank Analysis and Percentage is used to analysis the data to find the result.

***Analysis of Data***

***Table 1: Demographic and Socio-economic Profile of Respondents***

| **Variables** | **Category** | **Total Number** | **Percentage** |
|---|---|---|---|
| **Gender** | Male | 67 | 67% |
| | Female | 33 | 33% |
| | Total | 100 | 100% |
| **Age** | Below 25 years | 18 | 18% |
| | 25-34 years | 34 | 34% |
| | 35-44 years | 35 | 35% |
| | 45 years & above | 13 | 13% |
| | Total | 100 | 100% |
| **Educational Qualification** | Undergraduate | 11 | 11% |
| | Graduate | 78 | 78% |
| | Post graduate | 11 | 11% |
| | Total | 100 | 100% |
| **Nature of Employment** | Business | 21 | 21% |
| | Service | 52 | 52% |
| | Professional investors | 27 | 27% |
| | Total | 100 | 100% |
| **Year of Experience Investing in the Stock Market** | Below 5 years | 69 | 69% |
| | 5-10 years | 20 | 20% |
| | 10 years and above | 11 | 11% |
| | Total | 100 | 100% |
| **Monthly Income (in Rupees)** | Up to 25000 | 3 | 3% |
| | 25001-50000 | 7 | 7% |
| | 50001-100000 | 67 | 67% |
| | Above to 100000 | 23 | 23% |
| | Total | 100 | 100% |
| **Amount Invested in Share Market** | Up to 50000 | 38 | 38% |
| | 50001-100000 | 41 | 41% |
| | 100001-200000 | 18 | 18% |
| | Above to 200000 | 3 | 3% |
| | Total | 100 | 100% |

*Source: Primary Data*

The demographic and socio-economic profile of respondents reveals a predominantly male sample (67%) with the majority falling in the age groups of 25-34 years (34%) and 35-44 years (35%). Most respondents are well-educated, with 78% holding graduate degrees, and are primarily engaged in service (52%) or as professional investors (27%). In terms of investment experience, 69% have less than 5 years of experience, and the majority (67%) have monthly incomes between ₹50,001-₹1, 00,000. Regarding investment amounts, 41% invest between ₹50,001-₹1, 00, 000, while 38% invest up to ₹50,000.

***Table 2: Frequency of Perception of Investors in respect to Corporate Governance Standards***

| **Category** | **Total Number** | **Percentage** |
|---|---|---|
| Regulatory Requirement | 69 | 69% |
| Tool for Business Sustainability | 21 | 21% |
| Need for Hours | 7 | 7% |
| Governance is not required at all | 3 | 3% |
| Total | 100 | 100% |

*Source: Primary Data*

The perception of corporate governance standards indicates that a significant majority (69%) view it as a regulatory requirement, followed by 21% who consider it a tool for business sustainability. A smaller proportion (7%) see it as a need for the current times, and only 3% believe governance is unnecessary. This highlights a strong awareness of governance's regulatory and sustainability roles, consistent with a well-informed, moderately experienced, and financially stable respondent base.

***Table 3: ranking of sources of information refer during the investment decision***

| **Items** | **I** | **II** | **III** | **IV** | **V** | **VI** | **Score** | **Rank** |
|---|---|---|---|---|---|---|---|---|
| Own Research | 5 | 24 | 25 | 13 | 22 | 9 | 344 | III |
| Family and Relatives | 25 | 12 | 22 | 9 | 9 | 21 | 322 | II |
| Social media | 13 | 11 | 10 | 21 | 21 | 23 | 392 | VI |
| Financial Advisors | 10 | 9 | 13 | 11 | 22 | 12 | 293 | I |
| Broker advice | 22 | 21 | 25 | 27 | 15 | 11 | 388 | V |
| Friends and Colleagues | 25 | 23 | 5 | 19 | 11 | 24 | 361 | IV |

*Source: Primary Data*

The table ranks various sources of information based on their importance in investment decision-making. "Own Research" emerges as the most influential source with the highest score of 344, ranked third overall. "Family and Relatives" follows closely behind in second place with a score of 322. "Social Media" is rated the lowest, with a score of 392, making it the least significant in the decision-making process despite its widespread use. "Broker Advice" holds the fifth position with a score of 388, while "Friends and Colleagues" rank fourth with a score of 361. Financial Advisors hold the fourth spot with a lower score, reflecting their relative influence compared to other sources like social media or family input.

***Table 4: ranking of Criteria of Investment Decision***

| Items | I | II | III | IV | V | VI | Score | Rank |
|---|---|---|---|---|---|---|---|---|
| Market price | 23 | 25 | 19 | 22 | 11 | 5 | 303 | II |
| Stock performance | 21 | 22 | 27 | 9 | 24 | 25 | 452 | VI |
| Sound corporate governance | 9 | 10 | 11 | 21 | 12 | 13 | 284 | I |
| Competitive position | 11 | 13 | 21 | 22 | 23 | 10 | 363 | IV |
| Reputation of promoter/CEO | 12 | 25 | 9 | 15 | 21 | 22 | 386 | V |
| Quality of financial reporting | 24 | 5 | 13 | 11 | 9 | 25 | 312 | III |

*Source: Primary Data*

The table ranks different criteria considered when making investment decisions, with "Stock Performance" ranking the highest at 452 points, indicating that past performance is the most influential factor. "Reputation of Promoter/CEO" follows in fifth place with a score of 386, reflecting the importance of leadership in investment choices. "Competitive Position" ranks fourth with a score of 363, highlighting the value of a company’s market standing. "Market Price" comes in second with a score of 303, suggesting that investors also consider the current stock price when making decisions. "Quality of Financial Reporting" holds third place with a score of 312, indicating that transparency and clarity in financial statements are important. Finally, "Sound Corporate Governance" ranks the lowest, with a score of 284, signifying that while it is a consideration, it is not as pivotal as other factors like stock performance or market price.

***Table 5: ranking of Criteria of Investment Goal***

| Statements | I | II | III | IV | V | VI | Score | Rank |
|---|---|---|---|---|---|---|---|---|
| Safety of invested amount | 5 | 24 | 23 | 9 | 25 | 22 | 415 | VI |
| Regular income in the form of Investment | 25 | 12 | 21 | 21 | 22 | 9 | 360 | V |
| Higher Returns | 13 | 11 | 9 | 23 | 10 | 21 | 330 | II |
| Capital appreciation | 10 | 9 | 11 | 12 | 13 | 22 | 306 | I |
| Liquidity | 22 | 21 | 12 | 11 | 25 | 15 | 359 | IV |
| Future Planning | 25 | 23 | 24 | 24 | 5 | 11 | 331 | III |

*Source: Primary Data*

The table ranks the various criteria related to investment goals, with "Safety of Invested Amount" being the top priority for investors, ranking sixth with a score of 415, indicating that safeguarding the principal is crucial. "Regular Income in the Form of Investment" follows closely in fifth place with a score of 360, showing that investors value consistent income from their investments. "Higher Returns" ranks second with a score of 330, reflecting the desire for significant returns on investments. "Capital Appreciation" is the least prioritized goal, ranking first with a score of 306, suggesting that growth in asset value is somewhat less important compared to income and safety. "Liquidity" ranks fourth with a score of 359, emphasizing the need for ease of access to funds, and "Future Planning" comes in third with a score of 331, highlighting long-term goals such as retirement or other financial milestones as important, though not as central as safety or income.

***Table 6: ranking of Corporate Governance Effectiveness***

| Statements | I | II | III | IV | V | VI | Score | Rank |
|---|---|---|---|---|---|---|---|---|
| Company’s profile should be considered before making any investment decision | 5 | 23 | 5 | 24 | 25 | 9 | 341 | III |
| Good governed companies attract investment easily | 25 | 21 | 25 | 12 | 22 | 21 | 426 | VI |
| I prefer to invest in a company adopting corporate | 13 | 9 | 13 | 11 | 10 | 23 | 302 | II |

| Statements | I | II | III | IV | V | VI | Score | Rank |
|---|---|---|---|---|---|---|---|---|
| governance norms | | | | | | | | |
| I perceive to get better returns from company adopting corporate governance norms | 10 | 11 | 10 | 9 | 13 | 12 | 235 | I |
| Adopting of corporate governance norms leads to greater investors' confidence | 22 | 12 | 22 | 21 | 25 | 11 | 387 | IV |
| Adoption of good corporate governance practices will lead to better organizational performance | 25 | 24 | 25 | 23 | 5 | 24 | 409 | V |

*Source: Primary Data*

The table ranks various aspects of corporate governance effectiveness in investment decisions. "Good Governed Companies Attract Investment Easily" ranks the highest with a score of 426, highlighting that investors prioritize companies with strong governance practices, viewing them as more appealing investment opportunities. "Adoption of Good Corporate Governance Practices Will Lead to Better Organizational Performance" follows closely with a score of 409, emphasizing that effective governance is seen as a driver of long-term business success. "Company's Profile Should Be Considered Before Making Any Investment Decision" ranks third with a score of 341, suggesting that a company's governance profile plays a key role in investment decisions. Investors also show a preference for investing in companies that adopt corporate governance norms, as indicated by the second rank (score of 302). However, the statement "I Perceive to Get Better Returns from Companies Adopting Corporate Governance Norms" ranks the lowest with a score of 235, showing that while corporate governance is valued, it is not directly associated with the expectation of higher returns by investors. Lastly, "Adopting Corporate Governance Norms Leads to Greater Investors' Confidence" ranks fourth with a score of 387, further reinforcing the idea that corporate governance builds trust and confidence among investors.

## CONCLUSION

In conclusion, the research on investors' perceptions towards corporate governance in Agra district, Uttar Pradesh, reveals valuable insights into the decision-making processes of individual investors in the region. The demographic profile of the respondents shows a predominance of male investors, with a significant representation from the 25-44 age group, and a large proportion holding graduate degrees. These investors are generally well-educated, financially stable, and have moderate levels of experience in the stock market, with a majority earning monthly incomes between ₹50,001-₹1,00,000. This socio-economic background indicates that the respondents are relatively sophisticated and informed when it comes to financial decision-making.

When it comes to corporate governance, the study reveals that most investors perceive it as an important regulatory requirement, with 69% acknowledging its significance in shaping investment decisions. Furthermore, a majority believe that companies with strong governance practices attract more investment and perform better over the long term. However, despite this recognition of the importance of governance, it ranks lower than other factors like stock performance, market price, and safety of investment in influencing investment decisions. This suggests that while corporate governance is valued for its role in ensuring transparency and reducing risk, it does not always directly translate into higher returns for investors. In terms of investment goals, investors prioritize safety, regular income, and higher returns over factors like capital appreciation or liquidity. Therefore, while corporate governance is recognized as an essential component of a company's long-term sustainability, its impact on immediate investment decisions may be less pronounced compared to other financial and performance-related metrics.

This study highlights the need for companies to continue strengthening their corporate governance practices to build investor trust and confidence, particularly in a region like Agra where investors, although aware of governance issues, prioritize financial metrics in their investment strategies. Future research could further explore the specific governance factors that most influence investor behavior and whether these perceptions shift with greater financial literacy and market maturity.

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***Conflict of Interest***

The author(s) declared no conflict of interest.

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