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COMPARATIVE ANALYSIS OF CORPORATE GOVERNANCE PRACTICES IN BRIC COUNTRIES: A REVIEW PAPER

ABSTRACT

The research reviews a large corpus of literature on BRIC countries to investigate the relationship between corporate governance and business performance. The study's main goal is to compare corporate governance practices implemented by BRIC enterprises. The study addressed the issues that BRIC nations encountered while implementing corporate governance practices, as well as the causes for such challenges. According to the literature, company law, financial stability, competitiveness, business culture, and financial development are reasons for inconsistency in BRIC corporate governance practices. The underlying relationship between corporate governance and firm performance was found inconsistent as a result of continued development in corporate governance practices in BRIC nations which is endorsed from industrialized nations in order to attract external finance and to decrease the cost of capital.

Keywords: corporate governance, firm performance, Brazil, Russia, India, China

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INTRODUCTION

Firm sustainability and combating future crises develop the need for proper corporate governance. The word 'proper corporate governance' relies on the social, political, and economic environment of the country. The corporate governance mechanism promotes the firm to raise external capital at a low cost (Shleifer and Vishny, 1997). It also leads the organization's state of affairs for the betterment of the stakeholders as well as for society. The focus area of corporate governance is not only to bring transparency and accountability but also to imbibe ethical and cultural actions in corporate behaviour. The failure of Enron, Satyam, WorldCom, Tyco, Volkswagen, Parmalat, etc. forced the companies to rework business ethics and corporate governance practices. To create a trustworthy open environment, the regulatory authority of the stock market-built policies and guidelines which corporates have to disclose before listing on the recognized stock exchange. But proper regulation and legal system depend upon the level of economic and financial development of the country in which companies are domiciled (Doidge, Karolyi, & Stulz, 2007). Differences in the law practices, policies, and regulations of the country infer differences in stock exchange development (La Porta, Lopez-de-Silanes, and Shleifer, 1998).

The present study is undertaken on BRIC countries because of the growth in their GDP, land cover, bourgeoning in international trade, and international regimes (Alam Iqbal, 2021). Armijo (2007) stated BRIC economy is a large emerging power with a diversified market, investment destination as well a good competitive market. With these advantageous and growth factors four countries are considered for the study. BRIC has similar aspects of corporate governance but contains their own provisions (Majumder, Maiti, and Banerjee, 2012). The mechanisms of corporate governance of Brazil, Russia, India, China, and developed countries are heterogeneous due to differences in business models and industrial advancement. Bijarnia (2013) has mentioned that BRICS nations are dominated by Western powers like America which has financial stability, so BRICS have to make a cooperative mission to encroach on economic and regional issues facing by firms.

Gradual progress in business models and market environment changes the operating methodology and practice of the firms which led to a mandatory requirement of policies and laws for healthy competition. But the question is whether the individual stringent legal policies of countries confined to the boundaries of corporate governance will bring distinct changes in the firm performance. Love (2011) has undertaken descriptive research by analysing 95 papers where he finds no consensus between corporate governance with firm performance. As per the investigation, corporate governance depends upon endogenous

factors like types of firms, characteristics of the firm, and its environment. Transparency and disclosure code have a strong relation with the valuation of firms in Asian emerging markets (Patel, Balic, and Bwakira, 2002). Large firms' corporate governance aspects are different due to less concentrated ownership, high agency problem, with high financial resources compared to small firms (Black, de Carvalho, and Gorga, 2012). According to Clarke (2015) Anglo American model of corporate governance is robust but for developing countries enhancement of individual corporate governance practices is the primary priority. Firms are adopting advanced corporate governance practices in board composition, minority ownership, related parties' transaction, takeover strategies, etc. to safeguard minority shareholders and to bring positive influence on the firm performance. Simultaneously, it is also factual that these aspects are not applicable in the same manner for all firms in emerging countries.

One of the central aspects of corporate governance is a board of directors. Entire corporate governance mechanisms stand due to stewardship duties and responsibilities of the board of directors who direct the firm to improve its performance (Majumder, Maiti, and Banerjee, 2012). Gupta, et.al (2011) demonstrated the functions of the board of directors are to set the mission, the objectives, formulate policies, strategic decision making, and monitor the activities of internal managers from time to time. Board relies on the consensus decision of board members whose expertise, experience, knowledge, information, etc. are diverged (Brennan, 2006). A board must comprise of insider and outside directors whose mutual decision impacts firm performance. The minimum number of inside directors' presence improves the performance of the firm (Bhagat and Black, 2002). Standalone companies contain more independent directors than related business group firms (Chauhan et al., 2016). Fan (2022) examines that board modification by including more outside directors improves internal governance of the firm and overinvestment in labour. Independent directors encourage more capital expenditures to ameliorate empire-building (Suman,2020). It is found in one of the studies that grey directors are responsible for high CEO compensations to family-controlled firms (Prasad, 2019). On the other hand, some researchers argued that the role of independent directors and non-executive chairmen is irrelevant to improve firm performance (Bani and Chatterjee, 2020; Goel and Kapoor, 2021). An optimum mix of directors is the internal origin and has no major statistical relationship with firm performance (Dahya and McConnell, 2005).

Past studies have cropped many important aspects of corporate governance like board composition, financial disclosures, types of firms, firm's characteristics, and firm's political, legal, and economic environment related to party transactions, and minority ownership which gradual progressiveness provides significant or insignificant impact on the firm performance. As it is seen the optimum mix of endogenous and exogeneous constraints creates the entire environment of corporate governance of a firm which brings influence on its performance. But there is no consensus on corporate governance practices found in developed and developing countries firms will follow.

The present study collected the literature to understand corporate governance practices adopted by firms to improve their performance in BRIC nations. The paper conducts a literature review study covering the role of the board of directors, various committees, gender diversity, CSR activities and ESG reports of Brazil, Russia, India, China and developed countries to examine the uneven impact on firm performance. The paper examines the development that occurred in corporate governance practices in firms to improve the open environment of firms in emerging countries. The paper will state the measures taken to assimilate proper corporate governance mechanisms to improve board structure, various committees, gender diversity, CSR disclosures and ESG reports in emerging countries like Brazil, Russia, India and China.

The first section also highlights the corporate governance amendments by the respective country with its key contributions. Secondly, the paper has investigated a few parameters to compare the areas of corporate governance as per the recent data presented by The Organization for Economic Cooperation and Development (OECD) in the factsheet for the year 2021. Thirdly, the areas are uncovered where corporate governance has a significant or insignificant impact on firm performance. Finally, the paper draws a conclusion and recommendation in the last section.

RESEARCH METHODOLOGY

The present study has extracted 56 papers from jstor, web of science, and other peer review journal to find the significant or insignificant impact of corporate governance practices on BRIC countries' firm performance. They analyse the relationship with a simple equation:

$$Firm\ Performancei = \alpha + \beta\ Firm\ Governancei + Controlsi + \varepsilon i$$

On the basis of the selected papers following literature have measured dependent variables i.e., firm performance as the return on assets, Tobin Q, and return on sales, return on equity, book-to-market ratio, market capitalization, etc. in different papers.

Firm Governance parameters as independent variables are evaluated in view of the composition of board of directors, independent boards, percentage of dispersed ownership, percentage of women directors, involvement of firm in CSR activities, corporate governance index, composition of various committees and gender diversity found from the selected papers. Control Variables selected by the existing body of the literature are financial disclosure, risk and return, Value of the risk, and company age. εi is term an error term that is examined as firm-specific effects on the firm performance.

Corporate Governance in Brazil

Rabelo and Vasconcelos, (2002) describes the position of corporate governance in Brazil. The paper is proclaiming that all the firms are dominated by family members. The state is incapable of creating industrial policies to attract global competition. Due to the poor position of the local capital market, the lack of rules and regulations remains dormant to protect the minority shareholders. The institutional investors holding 15% of the total market capitalization of the Sao Paulo stock exchange is the only positive fact directed towards the growth of corporate governance. CVM, the security regulator, BOVESPA, the stock market, and the Brazilian Institute of Corporate Governance are the key contributors to developing the legal rules and regulations of corporate governance (World Bank, 2005). The report of World Bank 2005 has also mentioned the main problem area of Brazilian companies is the high proportion of non-voting shares issued among minority shareholders upsurging the potential of expropriation. Black, Carvalho and Gorga (2012) highlighted the problems for the improvement of the corporate governance practices in Brazil. The paper has emphasized the primary problem is the board of directors which contains more insider representatives, the second problem is the financial information disclosures made only to a few minority shareholders, thirdly issue of more non-voting preferred shares to control dilution of voting, fourthly is audit committee existence which is found somewhere permanent or temporary is nature and lastly, 80% takeout price for minority shareholders. Brazil has developed two special corporate governance level 1 and level 2 rules for Nova Mercado (New Listing) companies to protect the investors (Chavez and Silva, 2009). But, Estrin and Preveze (2010) have examined that the informal framework of corporate

mechanism subverts the formal institution in Brazil. The country has proper rules of law, low risk of expropriation as well as good shareholders' rights but worst in the judiciary and investor's rights.

Braga-Alves and Shastri, (2011) created a corporate governance index of the newly listed companies on six parameters i.e., one share one vote, five directors on board, mandatory bid rules, financial statement preparation as per IFRS or USA GAAP, existing terms of the directors, dispersed ownership. Other independent variables taken for the analysis are sales growth, debt to asset ratio, plant, property, and equipment (PPE) to asset ratio, capital expenditure to asset ratio, number of years company is listed in Bovespa, market capitalization to asset ratio, total assets and corporate governance index (NM6) impact on Tobin Q and Return on Assets (ROA). The study found a positive and significant impact of NM6 on firm performance (Tobin Q) but has recognized no relation with operational performance (ROA).

Gilson, Hansmann, and Pargendler (2015) analysed and found that after decades of political unresponsiveness, the Brazilian stock market has taken the initiative by introducing regulatory dualism in the Sao Paulo stock market. In the year 2000 new regulations were imposed on New Listing (Novo Mercado) public limited companies which offer laws to protect non-controlled shareholders but made optional for the old public listed companies which is known as regulatory dualism. The regulatory dualism emerged as small entrepreneurs were exploited who were dependent on bank loans and paying high rates of interest.

Funchal and Pinto (2018) examined 530 companies by dividing them into two categories. One category consists of 265 firms which are selected based on events like IPO, secondary equity offering (SEO), and merger & acquisition. Another category is named control firms selected from the same industry based on the book-to-market ratio near to the given events. The study found a negative impact of corporate governance practices on firm performance. The reason behind this is the lack of a strong mechanism to mitigate agency costs.

Miranda, Amaral Melo, and Martins, (2021) examined 205 non-financial firms from 2010 to 2019 on the parameters of beta, value at risk, return, ROE, Sharpe index, size, and leverage. The research examined that investors are not getting any added advantages like low risk and better return through investing in Novo Mercado companies. The only benefit for the companies listed in Novo Mercado is gaining is competitiveness.

Table 1. List of corporate governance amendments with their key contribution in Brazil

Initiator/ Committee/ Regulator	Year	Key Contribution
Sao Paulo Stock Exchange (BOVESPA)	2000	**Level 1** • Proper disclosure of financial information • Disclosure of insider and monitoring shareholders' trading • Disclosure of shareholder agreements and stock option programs • Facilitate annual corporate event calendar • A minimum of 25% of the total equity must float in public • The placement of shares through a public offering optimizes "capital dispersion to a wider spectrum of shareholders." (Chavez & Silva, 2009) **Level 2** • Mandatory terms for two years for the board of Directors. • Preparation of annual Balance sheet accord with US GAAP or IAS • Revealing the rights of minority shareholders • Preferred shareholders voting rights in the event of spin-off, merger, and acquisition or in case of signing of contracts in the same group firms. • Via tender offer de-listing by applying the economic value criteria from Level 2 • Complying with the Market Arbitration Panel's dispute resolution guidelines (Chavez & Silva, 2009)- **New Market (Novo Mercado)- With additional obligation with Levels 1 & 2.** • Full voting rights to all shareholders, (Anderson, 2003)
CVM (Ordinance 358 & 361)	2002	• Proper disclosure requirement with relevant information is mandatory • Delisting, hostile offer, and sale of control offer possible through a tender offer
National Monetary Council (CMN)	2002	• New corporate governance policies establish to incorporate financial institutions in Brazil.
Securities exchange commission of	2002	• Promoted regulation of corporate governance to protect all the investors of Brazil (CVM) Codes

		are developed by analysing national and international codes and research (CVM, 2002) • Internal and external auditing is given more emphasis. • The main objective of the policy is to separate financial activities from non-financial activities and to create solid management of the financial institutions. (Anderson, 2003).
CVM (Ordinance 400)	2003	• Disclosure of the insider information before public offer (ECGI)
CVM (Ordinance 480 &481)	2009	• Disclosure of quarterly, annual, and periodic financial statements of all listed companies in the Brazilian Stock exchange. • Governs the solicitation of proxy votes and the disclosure of information to shareholders about votes to be made at shareholder meetings. Extra obligation to controlled shareholders, directors, and officers (ECGI).
CVM – (Ordinance 568)	2017	• Comply and explain model were the firms have to comply Brazilian code of corporate governance those who are not complying, they have to explainthe reason for non-adaptation (ECGI).

Corporate Governance of Russia

Russia is a state-driven economy that has a standard number of corporate and securities laws but these laws are unenforced by corporates. Most of the companies in Russia use privatization auctions to sell their shares. Huge privatization in Russian firms offers control in the hand of managers and larger shareholders which the country can only eliminate by bringing stringent policies to limit fiduciary activities (Black, Kraakman, and Tarassova, 1999). Consequently, the resultant outcome pushes the firms to stop working on corporate governance which is essential for raising capital from the public. On the other hand, Black (2001) observed a small sample of companies in Russia found constraints other than corporate governance are very weak, henceforth corporate governance practices in Russian firm brings positive impact on the market value of the shares (Black, 2001).

According to one of the surveys conducted by Judge, Naoumova, and Koutzevol, (2003) on 115 Russian companies' managers from Tatarstan, Bashkortostan, and Moscow regions. The study scrutinized that board composition is providing little influence on firm performance while dealing with general issues but in the case of retrenchment strategies, inside directors provide a negative influence on firm performance. The study suggested

forming a strong board of directors' requirement for 'deinstitutionalization' of the whole Russian economy.

Roberts (2004) investigates the Russian code of conduct is conciliated with Western management theory. The code fails to address various problems associated with the business. Russian companies are trying to indoctrinate the agency theory which is an essential code of conduct to trade with European countries & with the USA and also to maintain relations with Western institutions like the World Bank, World Economic Forum, OEDC, and IMF.

Lazareva, Rachinsky, and Stepanov, (2007) have mentioned in the survey undertaken on Russia that corporate culture is gradually improving as they have reached the international financial market for external fund which is the main requirement of the companies. But it is a very difficult task to transit the whole system because all the firms are carrying the legacy of the tsarist era (Mccarthy & Puffer, 2008).

The report of the World Bank on the Russian Federation (2013) stated that the board of directors is the representative of large shareholders. OECD principles evaluated the Russian Federation on the parameters of effective corporate governance framework like rights of shareholders and their functions, equitable treatment to shareholders, the role of stakeholders, and disclosure and transparency found that only 7 sub-parameters are fully implemented and rest of the them broadly or partially implemented.

Domadenik, Prašnikar, and Svejnar (2015) have researched 251 firms contain more than 100 employees from 2000-2010 in Slovenia. The firms are evaluated on the based-on ownership like state-owned, foreign-owned, management buyout, internally owned, and dispersed ownership to detect its political connectivity and its influence on the firm performance. The paper states that state-owned, management buyout and internally owned firms have a large percentage of political connectivity with the top management. It also states that non-traded firms are more politically connected which fetching a negative impact on firm performance. Political connectivity in the firm hampers the competition, lowers firm productivity, and increases corruption.

Liljeblom, Maury, and Hörhammer (2019) scrutinized 72 companies from the Russian MOEX broad market which is the main rubel denomination benchmark index from 2011 to 2015. The research paper examined the impact of state minority ownership, state majority ownership, golden shares, direct and indirect ownership, and federal, regional, and mixed ownership on firm performance which is measured by return on equity (ROE),

Return on Assets (ROA) and Return on Sales (ROS). The paper has determined that minority shareholders are the main sufferers in state-controlled firms due to weak corporate governance and lack of competition. Only golden shares companies are positively significant and the rest are negatively significant to firm performance.

Table 2. List of corporate governance amendments with their key contribution in Russia

Initiator/ Committee /Regulator	Year	Key Contribution
Law of joint stock companies	2002	• Code of corporate conduct as per 'Comply or explain model'
Federal Financial Markets Services (FFMS)	2010	• Maintaining the list of insiders like auditors, corporate insiders to stop insider trading (The World Bank, 2013)
Securities Markets Law	2011	• Disclosure of direct and indirect holding is compulsory while declaring the ownership holding (The World Bank, 2013)
Federal Financial Markets Services (FFMS)	2013	• Replacement of code of corporate Conduct • Modification in the law of joint stock companies and securities regulation • Shareholders have the right to participate in the general meeting, elect members of the board, and ingress the shareholders register • Tender offers and many mandatory takeover bids are introduced. • Compulsory approval of related party transaction if it is more than 2% of the total assets • Preparation of the financial statement as per IFRS and US GAAP falling in List A1 and A2 and the rest of the companies can follow IFSR. (The World Bank, 2013)

Corporate Governance in India

After liberalization, India's move toward corporate governance practices in the companies is gradually becoming more robust. India has adopted Anglo American model of corporate governance model (Reed, 2002). The transformation in corporate governance mechanism is developed to improve the Indian financial system, extract more external funds, compete in the international market, and reduce the domestic crisis and outside payment emergencies. A bill was proposed in parliament to revamp the Companies Act 1956 where provision was reduced to two- third of the 780 existing provisions (Som, 2006). With the Kumar Mangalam Birla Committee, the Securities exchange board of India (SEBI) has established the first corporate governance code to provide power to the board of directors to disseminate more information, cut risk that arises from untruthfulness of the senior managers (Murthy, 2012).

Chakrabarti, Megginson, and Yadav (2008) have emphasised the advancements in corporate governance practises in India. The study emphasised SEBI's (Securities Exchange Board of India) fast progress in corporate governance changes based on the Sarbanes-Oxley Act. The updated Clause 49 listing agreement on creditor rights reinforcement and other NSE (National Stock Exchange) duties elevated the NSE to the world's third biggest trading platform, trailing only NASDAQ and NYSE.

Dharmapala and Khanna (2012) examined 4335 firms from 1998 to 2006. The paper prominences on clause 49 which was authorized in the year 2000 with financial and criminal penalties for violating clause 49 imposed in the year 2004 impact on the firm value. The firms are divided based on the group that complies with clause 49 and another non-comply group. The dependent variable is Tobin Q to measure the firm value and the independent variables are clause 49 compliances, sales, total assets, total export, R & D expenditure, current liabilities, volatility, and advertisement expenses. By applying the difference-in-difference approach model, the outcome states that the degree of impact of the 2004 reforms influence 6% in firm value.

Kandukuri, Memdani, and Raja Babu, (2015) undertook a study to know the importance of corporate governance after the high-profile scam made by Harshad Mehta, Ketan Parekh, Bhansali, UTI, etc. The main of the study is to evaluate the Indian company's performance after the implementation of new rules and regulations on corporate

governance voluntary guidelines in the year 2009 by the Ministry of corporate affairs. For these, 94 companies for the year 2011-12 were undertaken to find the influence of total assets, age, and corporate governance index on Tobin Q. The outcome states that the companies executing the proper corporate governance mechanism are better in their financial performance, henceforth, corporate governance index has a significant and positive impact on the firm performance.

Wasdani et al. (2021) have undertaken a study to observe the dearth between academic perspective with empirical research. The research assessed the 102 corporate governance variables through a questionnaire in the area of board structure and committee, board processes, transparency and disclosures, shareholders' value enhancement, and corporate social responsibility and sustainability from 100 respondents. It is found that corporate governance compliance has a negative and insignificant correlation with firm performance. The study infers that a huge gap between the practical and academic approaches demonstrated in the policies of corporate governance.

Table 3. List of corporate governance amendments with their key contribution in India

Initiator/ Committee /Regulator	Year	Key Contribution
Confederation of Indian Industry (CII)	1997	• In the chairmanship of Rahul Bajaj developed code and guidelines of corporate governance for both private and public sector companies
Kumar Mangalam Committee	1999	• Composition of board of directors with executive, non- executive and independence directors • Role of independent directors • Standard remuneration for directors • Implementation of financial reporting standard • Role and power of audit committee • Implementation of Clause- 49 • CEO/CFO certificate report on corporate governance in annual report of listed companies

Companies act 2000	2000	• Sec 292A- Role of audit committee • Sec217(2AA)-Directors Responsibility Statement • Sec 252- Representative of small investor must • Introduction of the postal ballot in general meeting
Naresh Chandra Committee	2002	• Focus more on the audit committee • Rotation of audit partners, audit fees, • Appointment of auditor, certification of annual report by management and directors
Narayana Murthy Committee	2003	• Revised Clause -49 • More emphasis on the fairness, accountability and integrity in corporate affairs to provide maximum benefits to the all the stakeholders like implementation of whistleblower policy
SEBI	2004	• Revised Clause-49 where major focus Areas • Delegation of more power to audit Committee • Defining independent directors • Refining the value of financial disclosure by including related party transaction and issue of preferential/right/public (Jain, 2014)
CII- Voluntary Disclosure	2009	• CFO get appointed by audit committee • Every five year rotation of audit partner • Voluntary adoption of International financial reporting stamdards • Half yearly financial statement disclosure within the specific time period
Companies act 2013	2013	• New amendments to make corporate governace of Indian companies more stronger by replacing companies act 1956.
SEBI	2015	• New listing obligation and disclosure requirement includes provisions such as remuneration, independent audit, nomination and remuneration committees, grienvance redressal mechanism, vigilance officer, prior intimation, preservation of records etc.(Chatterjee, 2022)

Corporate Governance in China

The second largest economy in the world, China has adopted a corporate governance mechanism from Western developed economics. In China, the first highest legislative

authority is The Accounting Law, The Company Law & The Securities Law, the second position is China Securities Regulatory Authority and the third level are Shanghai Stock Exchange and Shenzhen Stock Exchange (Shan and Round, 2012). The new system of corporate governance incorporates in the year 2002 which all the listed companies have to follow. Article 63 of the Securities Law of China mentions all laws regarding financial disclosures, misleading information, and managers' and supervisors' responsibilities in case of violation. But due to the domination of the executive, insider trading, corruption in the court, and manipulation of information, the legal system of China is underdeveloped (Liu, 2005). 84% of the Chinese companies, one-third share is in the hand of the State (Ho, 2012). Political governance nosiness is high in State-owned listed enterprises (SOEs), to manage corruption, to bring more focus to social welfare activities, and to reduce agency problems (Jin, XU, Xin, and Adhikari, 2022).

Kato & Long, (2006) has mentioned in the research that concentrated ownership is the biggest problem in China. In most of the firms of China 42% of holding lies in the hands of large shareholders, 83% has maximum state ownership and only 10% of firm share ownership is in the hands of private shareholders. The study applied the logit model on 638 firms from 1999 to 2002. The independent variables undertaken to analyse are CEO turnover within one year, number of large shareholders with 50% ownership, percentage of private ownership, percentage of independent directors, CEO age, CEO gender, and CEO tenure and ROA as dependent variables. The research found that CEO turnover performance is weak with state own firms and strong with large majority-holding shareholders. The paper recommends strong laws for safeguarding minority shareholders.

Lin, Ma, and Su (2009) investigated 461 State-owned enterprises who are partially privatized from 1999 to 2002. The study has examined the impact of corporate governance on firm performance by using a two-stage bootstrapping DEA. In the first stage, the efficiency score is measured with - capital stock, labor, intermediate input, and sales revenue. The second stage found the impact of corporate governance on efficiency score. The result of the study shows a negative relationship of state ownership on firm performance whereas it demonstrates a positive concerning public and employee ownership.

Hass, Johan, and Schweizer (2013) have considered 1,384 listed companies in the Shanghai and Shenzhen stock exchanges from 2001 to 2011. The panel fixed regression model is applied to test the impact of board characteristics, share control, leverage, market-to-book ratio, market value, sales, and volatility on return on assets (ROA) to examine short-term performance persistence and long term persistence. The outcome shows both short

and long-term firm persistence compatibility of the structure board of directors, and dominant shareholders on ROA.

Yu, Zhang, and Zheng (2015) have explored the area of corporate scandal for the period 2006 to 2011 where 412 firm-scandal is taken as a sample. The analysis of the behavior of the share prices pre and post-scandal announcement on the scandal firm and non-scandal firms are observed. Corporate governance variables with all the financial disclosure impact on share return are examined. The study observed the contagion effect of the scandal on the peer firm but not on state-owned enterprises (SOE). But if the scandal is related to SOE then the contagion effect passes to all the firms despite its category.

Table 4. List of corporate governance amendments with their key contribution in China

Initiator/ Committee /Regulator	Year	Key Contribution
Shanghai Stock Exchange(SHSE)	1991	• Listing rules for the companies
SHSE & SZSE	2001	• Disclosure of share trading rules
China Securities Regulatory Commission	2002	• Formed rules and regulation of Economic and Trade commission governance corporate after scandals
China Securities Regulatory Commission	2003	• Involvement of independent directors on board i.e. atleast one-third of the total board members (Shan & Round, 2012)
China Government	2005	• Split reform to transform all nontradable share into tradable shares. (Jiang & Kim, 2015) • Revised China Company Law to protect the minority shareholders (Ho, 2012) • Supervisory Board consists of one third representatives from employees as well as shareholders to monitor the corporate affairs (Ho, 2012)
State Asset Supervision and Adminstrative Commission (SASAC)	2006	• New stock option scheme for managers of China's overseas state-owned enterprises (SOEs) (Feinerman, 2009)

SASAC	2008	• Disclosure Corporate Social Responsibility (CSR) guidelines to be followed by China's SOE.

Table 5. Comparative study on the recent standing of corporate governance in BRIC countries

Table 5-1. Board Structure

Countries	Board System	Details of the board
Brazil	One-Tier **or** Two-Tier	• According to KPMG survey 68% of company have Fiscal Council and Management Board while 32% have only Management Board **Fiscal Council** • Fiscal council is an independent board-alike to audit committee appointed by minority shareholders to provide report on financial statement, report on directors whether they are accessible private benefits and report on whether management comply with all the mandatory company law • State-owned enterprises must cover Fiscal council. **Management Board** • Combination of executives as well as non-executives on board
Russia	Two-Tier	**Supervisory Board** • Five members • 1/4 of the management board members with independent directors • Applicable for all listed companies in Level 1 & 2 tiers **Management Board**

		• Chaired by managing director or CEO with other executive directors • Are accountable to shareholders as well as to the supervisory board.
India	One-Tier	• **Board of directors** includes both executives and non- executives' directors with one women director. • 50% of directors must be non-executive directors • As per market capitalization top 1000 listed companies must have one woman director on the board • Mandatory for 2000 listed companies- At least three directors or 1/3 of total directors must attempt all the meetings including one independent director is compulsory amongst the directors. • The board of directors is responsible for the proper code of conduct of the listed entity.
China	Two-Tier	• **Supervisory Board** comprises of compulsory 1/3 of the members as representatives of employees and the rest representatives from shareholder. • This supervisory board has the right to monitor all activities of the management • **Management board** is the composition of 1/3 of the independent directors with non-independent directors. • Management board appoints the managers as well as audit the committee with a majority of independent directors.

Due to state supremacy in all three countries i.e., Brazil, Russia, and China two-tier board structures are more appreciated. The supervisory board carries more superlative power than the management board. Involvement of large shareholders and independent directors in the supervisory board to monitor the managing director and executive and non-

executive directors' actions and private benefits etc. Only India follows one tier where a mix of executive and non-executive directors are encompassed in the board of directors. The Managing Board of India has got more fiduciary power than other countries.

Table 5-2. Women Directors on Board

Countries	**Women's participation in the board of directors of public sector companies**		
	2017(%)	2018(%)	2019(%)
Brazil	8.4	8	11.9
Russia	7	9.2	10.6
India	13.8	14	15.9
China	9.7	11.1	11.4

Source: https://www.oecd.org/corporate/corporate-governance-factbook.htm

From the factsheet of The Organisation for Economic Cooperation and Development 2021, it is observed that the average growth rate of female presence as directors in public sector companies is highest in Russia and Brazil in comparison with India and China. In developed countries, women directors' presence is 195% higher compared to emerging countries. Carmen Valls Martinez et al., (2022) mentioned gender diversity is mandatory for social justice and for business enhancement.

Concentrated Ownership Structure

The main problem area of the BRIC nation is concentrated ownership because of this minority shareholders are expropriated from controlling right on the companies. Various measures taken by Brazil, Russia, India, and China to safeguard the minority shareholders are as follows:

Brazil

Minority shareholders with voting rights representing 15% of the total capital stock have the right to elect one member of the board.

- Minority shareholders with non-voting rights or preferred shareholders with limited voting rights representing 10% of the total capital stock are entitled to elect one member of the board.

- Shareholders who do not fall under the above category but hold 10% of the share capital have the right to elect one member of the board. State-owned enterprises have the right to elect one member of the board without any criteria. (OECD,2021)

Russia

- Board of directors is elected by the state and by shareholders holding large share ownership. There is no specific regulation that exists specifically for minority shareholders. Independent directors are acting as representatives of the minority shareholders (OECD, 2012).

India

- As per the Companies Act 2013, shareholders having a nominal value of shares not more than twenty thousand rupees can nominate members of the board.

China

- 84% of the companies have state ownership where non-controlling shareholders are tunnelled out. Lu and Zhu, (2020) have stated that China must go for mixed-ownership reform to remove the Type- II agency problem which occurs between controlled shareholders with minority shareholders.

Table 5-3. Percentage of independent directors in audit, remuneration and nomination committee

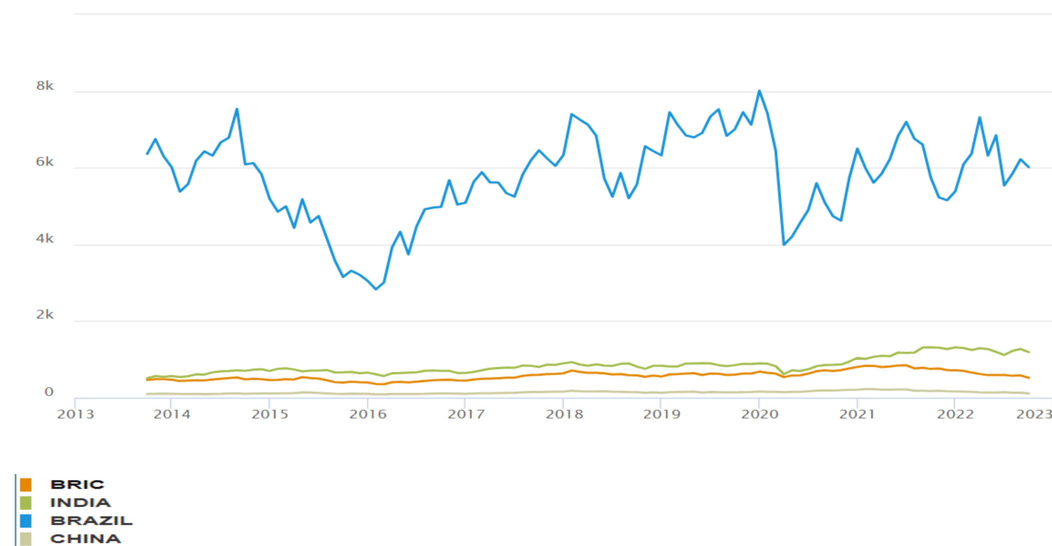
	Audit Committee	**Nomination Committee**	**Remuneration Committee**
Brazil	33%		100%
Russia	>50%	>50%	>50%
India	66%	50%	50%
China	>50%	>50%	>50%

Source: https://www.oecd.org/corporate/corporate-governance-factbook.htm

The status quo of India in the formation of audit, remuneration, and nomination committee as demonstrated in the table is far better in comparison with other countries. Brazil has given more preference to independent directors to composite the remuneration committee. Independent directors are the representatives of the minority shareholders, so the formation

of a committee with more independent directors creates trustworthiness, reliability, and accountability for the minority shareholders.

Graph 1. ESG (Environmental, Social and Governance) Index of BRIC countries



Source:
https://app2.msci.com/products/indexes/performance?asOf=Sep%252013,%25202017&size=36&scope=R&style=B¤cy=15&priceLevel=40&indexId=96434

The concept of ESG reporting is clearly connected to stakeholder theory, which emphasises that organisations are obligated to meet the needs of both internal and external stakeholders of the company. The interests of stakeholders are the main focus of the sustainable business strategy, which is based not only on maximising economic profit, but also on maximising stakeholder wealth (Melo & Fontgalland, 2023) .

From 2013 to 2023, the ESG Index **Graph 1** is taken from MSCI.com- Morgan Stanley Capital International. The index is based on the ESG policies implemented by major and mid-cap enterprises. According to the graph, Brazil has more significant gains in the indices featuring ESG firms than in the broad index of the largest corporations in terms of greatest growth rates among the BRIC countries. India outperforms the BRIC ESG Index as a whole, as well as from China. The graph also shows the decline throughout the Covid era, which began in the middle of 2019 and will last until 2020. The trajectory of India's ESG Index is increasing since 2022, when SEBI made ESG obligatory for the top 1000

listed firms. China's ESG trend is significant, it is moving at the same rate and has demonstrated a static line over the years.

Reasons behind the inconsistent link between corporate governance and firm performance

- Comply or explain approach used in Brazil, Russia, and China enterprises develops individual company discretion ability to oversee corporate governance practice.
- Continued state participation in Russia and China has an influence on the business's competitiveness, market return, and functional performance, resulting in an insignificant link between corporate governance and firm performance. The framework of regulations and laws on corporate governance practices must be permissive rather than restrictive in nature to encourage competition (Mayer, 1997).
- The advance changes in listing agreements in the corporate legislation of the BRIC nations have distinct impacts on firm performance.
- Company law, financial stability, competition, and financial development are the primary elements that have led to a modification in corporate governance practises of BRIC nations.
- Another reason which brings the differences in the firm performance is the minority shareholders voting right in electing the members of the board.
- BRIC nations have similarities in corporate governance codes but they have variations in corporate culture (Majumder, Maiti, and Banerjee, 2012). Brazil, China, and Russia follow mix of Anglo-American and Continental European models of corporate governance whereas Indian corporates are adherent to Anglo American model (Lattemann, 2014). Anglo- American and Continental European models are based on the principal-to-principal conflict whereas BRIC countries are trying to reduce principal to agent problems (Young et.al., 2008).
- ESG index trend varies among the BRIC countries. There are several social and economic issues in this country like inequality, social backwardness, poverty, hunger, unemployment, education deficits, and poor infrastructure which brings difference in ESG index simultaneously (Hieu and Hai, 2023).

CONCLUSION

The study has focused on the progress that took place in corporate governance mechanisms of BRIC countries and its impact on firm performance. The BRIC nations' corporate governance arrangements are complicated. The study found concentrated ownership arrangements and little protection for minority shareholders in all four nations. The study also established that improvement in corporate governance practices depend upon economic development, regulatory authority, and stringent laws, which affects company accountability (Carmen Valls Martinez, Martin-Cervantes, & Miralles-Quiros, 2022). It is established from the present study that corporate governance is structured as per the political behaviour of the country. Russia and China are state-driven countries where the maximum involvement of the state is examined in all the firms due to the high level of corruption. The focal point is to combat corruption to improve the country's economic progress. (Zhuo, Zhang, Musaad, Bashir, & Khan, 2020).

Various studies are examined to find the relationship between corporate governance on firm performance which is measured in terms of market return, optimal return, andvaluation of the firm. But the existing literature has stated inconsistency between corporate governance with firm performance due to variations in economic progress, financial stability and continued flux in drawing corporate governance practices. Some of the paper has a positive correlation of corporate governance parameters on firm performance. However, some of the studies also investigated a negative correlation on the firm performance. Various endogenous factors like firm type, firm characteristics, financial disclosure, board structure, gender diversity, CSR activities, ESG report and design bring positive or negative outcomes on firm performance due to variation in controlled ownership, legal, political, financial, and economic development factors. The study states that underlying nexus between corporate governance and business performance grows with advanced corporate governance systems adoption carried from developed nations for the purpose of attracting external funding and lowering the cost of capital.

The primary contribution the study make is the theoretical as well as empirical study potential of this framework, which emphasises the effects on corporate governance practices have deep effect on the firm performance in open environment. The paper clearly links the literature on corporate governance in developing nations to the literature on family businesses and business groups, which have gathered a substantial body of study mainly in the same direction.

The current study provides various practical implications for policymakers and investors.

For policymakers

- They should remove compliance and explain the corporate governance code to bring parity in rules to be followed by listed and newly listed companies of Russia and Brazil in their respective stock exchange.
- Countries with two tier board structure should bring limit discretionary power in the hands of the supervisory board because they are unaware of the internal complexity which executive directors face while accomplishing daily operations of the business.
- Surprise visits of the external auditors in some of the companies on a regular basis will reduce corruption within the organisation.
- The mandatory reforms for minority shareholders' participation in voting to elect directors reduce the agency problem as Brazil considers non-voting shares.
- The number of independent directors, executive directors, and women directors should be determined on the basis of the firm's market capitalization while forming a board.
- The participation of members on various committees, the ownership structure, CSR reporting, or ESG reporting are all subject to continual changes throughout time in order to improve corporate performance.
- Stringent policy concentrates on situations outside the Anglo-American, Continental European model and more on specific developing economies.

For Investors

- Active involvement by comparing the new altered governance reforms with the firm performance while investing their funds.

According to the analysis of the BRIC nations, there is no one proper corporate governance framework through which these connections get evaluated. The study has mentioned the reasons faced by specific country while incorporating corporate governance practices to improve the firm performance via reference to each country's histories and literatures. The study is based only on India, Brazil, Russia, and China where other emerging economies are ignored is one of the limitations. There are many more emerging countries

trying to bring together corporate governance practices and economic development are not focused in the present study. It has not covered many financial and non-financial parameters of corporate governance which also provides influence on firm performance.

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