

Impact of Corporate Governance Practices on Financial Performance of Hindustan Petroleum Corporation Limited

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Abstract

Corporate governance has a paramount importance for the company and keeps a clean place for the primary business plan. It prevents the corporate scandals, frauds and civil and criminal burden of the company. It also improves company's image in the eyes of public as well as stakeholders. The evolution of Corporate Governance in India began in early 90s. The starting point was the recommendations of the Cadbury Committee Report after which followed by various committees, leading to a formal Corporate Governance Code. This code was notified by Securities Exchange Board of India (SEBI) by inserting a new Clause 49 in the listing guidelines to the Stock Exchanges making it mandatory for the listing companies to follow the requirements of Clause 49, effective from January 01, 2006. It means providing the rights to corporate board so that it may be able to control the organisation without the interference of shareholders for the statutory benefits like appraisal rights, in order to make corporate governance more efficient. The corporate governance, broadly speaking is the rule, process or the laws through which business are managed, supervised and governed. Hence, let's ponder over it. Why the financial performance analysis is necessary? In the era of cut throat competition analysis of financial performance plays a vital role. The analysed of financial statements reveal the position of profitability, solvency and liquidity of a business concern, which is highly significant for shareholders. The objective of the current study is to judge the impact of corporate governance practices on the shareholders wealth and financial performance of the organisation. The research methodology is based on the secondary source of information. In order to evaluate the financial performance and impact of corporate governance on shareholder's wealth the various hypotheses has been formulated which are tested through t test (paired two samples for means) and ratio analysis. The researchers have found that the corporate governance practices have a positive impact on shareholder's wealth as well as financial performance of the organisation. The present study covers a period of 16 years, which shows eight years study before and eight years study after the implementation of the corporate governance.

KEYWORDS: Corporate Governance Practices, Shareholder's Wealth, Financial Performance and Ratio Analysis.

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Corporate Governance:

The evolution of Corporate Governance in India began in early 90s. The starting point was the recommendations of the Cadbury Committee Report after which followed various committees, leading to a formal Corporate Governance Code. This code was notified by Securities Exchange Board of India (SEBI) by inserting a new Clause 49 in the listing

guidelines to the Stock Exchanges making it mandatory for the listing companies to follow the requirements of Clause 49 effective January 01, 2006. The major areas of compliance in Clause 49 are

- Appointment of required number of independent directors
- Larger role of Audit Committee
- CEO/CFO Certification of Accounts (will become applicable for 2005-06 Accounts)
- Code of Conduct for Board / Senior Management
- Risk Minimization Report to the Board
- Legal Compliance Report to the Board
- Compliance relating to Subsidiary Companies
- Information items to Board

Corporate Governance means providing the rights to corporate board so that it may be able to control the organisation without the interference of shareholders for the statutory benefits like appraisal rights, in order to make corporate governance more efficient. The mother of corporate governance in India, the scam like Ketanparekh scam, Harshad Mehta scam and biggest among the Satyam which is equal to the Mount Everest and that play a pivotal role in the born of Corporate Governance in India. It defends the curiosity of the smaller bondholders. The minority shareholders are those who have a share in a public listed company of less than 50%. Corporate Governance simple means provide the traffic free road for the smooth running of the organisation. It is a combination of the various principles of management which is given by the Father of Administrative Management Henry Fayol. Corporate Governance is the ray of hope for the stakeholders of the company like Government, employees, owners and also the most important stakeholder that is shareholders. The corporate governance is broadly speaking to the rule, process or the laws through which business are managing, supervised and governed. The term can allude to internal factors are explain by the top officers, the valuable stakeholder's as well as external forces such as the consumer groups, clients and the government regulation.

Insurgencies of Corporate Governance

It is right to say that good corporate governance helps an organization to achieve several objectives. The corporate governance is important in any organisation because of the following under mentioned keynotes:

1. It plays a vital role for developing an appropriate strategy through which the organisation achieves the shareholders objective.
2. It also plays a prominent role for attracting, motivating and retaining of the best minds in the organisation from the different corners of the World.
3. It couldn't be deny that the corporate governance reduces the risk as well as improves the company's reputation in the market.
4. It creates wealthy environment for the smooth functioning of the business entity under which it can utilise its resources efficiently.

Financial Appraisal:

Financial Appraisal is a technique through which we can determine operating and financial efficiency of a business firm with the help of their financial statements. Why the financial

performance analysis is necessary? To answer, In the era of cut throat competition analysis of financial performance plays a vital role for the improvement of working (operating and financial) of an organisation. It couldn't be denied that, if, the proper financial analysis is not done then the weakness and opportunities before the business concern may not be identified.

A business entity may improve its financial position, if proper financial appraisal takes place. It is also right to say that proper financial analysis leads to maximisation of profitability consequently maximisation of wealth of shareholders. That's why, we have to identify the impact of corporate governance on the financial performance of a business firm, namely, Hindustan Petroleum Corporation Limited.

The Hindustan Petroleum Corporation Limited (HPCL) came into the existence in the year 1974. It had originally been incorporated as a company under the Indian Companies Act 1913. It is listed on the Bombay Stock exchange (BSE) and National Stock Exchange (NSE) in India. HPCL has an annual sales/income from operations of Rs.2,32,188 Crores (US\$ 38.75 Billions) during FY 2013-14, having about 20% Marketing share in India among PSUs and a strong market infrastructure.

Intentions of the study:

- To test the impact of Corporate Governance Practices on profitability (like EPS, leverage, gross profit and net profit etc.) of Hindustan Petroleum Corporation Limited.
- To test the Financial Performance of Hindustan Petroleum Corporation Limited, Pre and Post Corporate Governance Practices.

Research Hypotheses:

The research hypotheses are formulated keeping the above objectives of the study in the mind. The following are the null hypotheses tested during the study period only.

H₀₁: There is no significance difference in the mean value of earning per share between pre and post of corporate governance scenario of HPCL.

H₀₂: There is no significance difference in the mean value of financial leverage between pre and post of corporate governance scenario of HPCL.

H₀₃: There is no significance difference in the mean value of operating leverage between pre and post of corporate governance scenario of HPCL.

H₀₄: There is no significance difference in the mean value of gross profit ratio between pre and post of corporate governance scenario of HPCL.

H₀₅: There is no significance difference in the mean value of net profit ratio between pre and post of corporate governance scenario of HPCL.

Literature Review

The various studies have been conducted to judge the functioning and financial performance of the petroleum industry in India. But, we could not find the studies related with corporate governance practices in the Petroleum Industry. The literature in the financial performance of Hindustan Petroleum Corporation Limited and other oil organisations in India are very

limited. The literature obtained by investigations in the form of reports of Ministry of Petroleum, the research studies, articles etc. Some of the related studies which have been reviewed are as follows:

The paper authored by (Anshu & Fious 2012) entitled, “Analysis of short term financial position- A case study of Ranbaxy Ltd”. The authors have convened and discuss the short term financial liquidity of the Ranbaxy limited with the help of liquidity ratios. The research methodology which is used by the authors is not mentioned in their research paper. It covers the study of Ranbaxy limited from 2006 to 2010. The overall conclusion of this paper is not disclosed by the authors. But, it reveals the financial position of the organization through ratio analysis and common size statement techniques.

An article authored by (A. Muthusamy & M.Gauri 2012) entitled, “Performance Appraisal of Hindustan Petroleum Corporation Limited”. They have highlighted the effectiveness of long term as well as short term financial policies of the industry. Their research paper covers the study from 2001-01 to 2009-10. Their research methodology is based on secondary source of information collected from the annual reports of the company and annuals reports of the ministry of petroleum. The objective of the study is to show the financial performance and its financial position with the help of different ratios like: financial leverage, operating leverage, earning per share ratio, solvency ratio, reserve to capital ratio and proprietary ratio. But they couldn't come to across role of corporate governance practices in financial performance of the organization.

A paper written by (Ankit Katrodia) entitled, “Corporate Governance Practices in the Banking Sector”. He convenes the role, importance, need, objectives and relationship between corporate governance practices and banks. The paper also highlighted pre-requisites of good governance and shows how the evolution of corporate governance took place in the banking sector? The conclusion is given by the author that's sound corporate governance would lead to effective and more meaningful supervision and could contribute to a collaborative working relationship between bank management and bank supervision. The author also suggested that banks need to ensure good corporate governance in order to achieve excellence transparency and for the maximisation of the shareholder's wealth. But nothing is given by him in regards of shareholder's wealth and impact of corporate governance practices on shareholder's wealth in the banking sector. No data is analysed for the measurement of the corporate governance impact on the shareholder's wealth.

An article authored by (Bhavesh Chadamiya and Mital Menapare) entitled, “Financial Performance of Indian banking sectors during pre and post mergers and acquisitions” they have highlighted and measured the financial performance of banking sector before and after the mergers of the bank. They have taken the merger year as a base year. The objective of the present study is to test that merger and acquisition play a key role for reducing the competition, prevent overcrowding of banks, gain economic scale with less amount of investment and also discuss the unutilized resources through Indian banks that compete the foreign banks in the global era. Their research methodology is based on secondary sources of data. The sources of information are prospectus, pamphlets and annual reports of selected units. In the present study t-test, ratio analysis, mean, standard deviation and student paired “t” distribution test has been used. The researchers have found that the merger and acquisition doesn't affect the financial position of the banks. But nothing has been discussed by them in regard of corporate governance practices.

An article authored by (Anil Kumar Soni and AbhayKapre) entitled, "Performance Evaluation of Regional Rural Banks in India" their studies flag the financial performance of the regional rural banks. Their objectives of the study are to estimate and evaluate the progress of regional rural banks, financial performance and growth pattern during 2006-07 to 2010-11. The research methodology is used by them that 2010-11 taken as a current year and 2009-10 as a base year for measuring the growth rate. The sources of information are annual reports of NABARD and RRBs, journals, conference proceedings and websites. Their study found that the financial performance of RRBs has improved.

Research Gap

The various review of literature shows that most of the work carried out in the areas of financial performance and operating performance of the different sectors and their impact on stakeholders. But we couldn't come to pinpoint the impact of corporate governance practices on profitability of oil sector in general and HPCL in specific.

Research Methodology

The present study is based on the secondary sources of data which is collected from the various Annual reports of the Hindustan Petroleum Corporation Limited, print journal and e-journals, books and e-books, newspaper and e-newspapers, magazines and e-magazines, various websites and the Annual Reports of the Ministry of Petroleum. The data collected has been analysed and interpreted in such a way that has to achieve the objectives of the study.

The data was collected for eight years period pre and post after the implementation of corporate governance in the same organization. The corporate governance implement in 2006 that's why up to 2006 considered as pre corporate governance. The figure up to 2005-06 is considered pre data of implementation of corporate governance practices in registered companies in stock exchanges. The variable cost included raw material, power & fuel cost, employee cost and other manufacturing expenses and net sale is the difference of sales and excise duty. In the present study, we have use the ratio analysis and t-test (paired two samples for means) for testing the hypotheses and achieve their objectives of the study. The present study covers a period of 16 years, which shows eight years study before and eight years study after the implementation of the corporate governance.

Future scope of the study

The scope of the present study is very limited but the same study opens the various doors for the others. We have chosen a narrow path for our walking but leave the wider path for the smooth running of others. The present study covers only one organisation and it's a micro study. With the help of same kind of the study of different organization, we can find out the impact of corporate governance on the others factors of the organisation. The present study covers a period of 16 years, which shows eight years study before and eight years study after the implementation of the corporate governance.

Significance of the study

- ⇒ The research study is very important to evaluate the financial performance of Hindustan Petroleum Corporation Limited.

- ⇒ The study is also useful to check the impact of corporate governance on the shareholders wealth.
- ⇒ The present study displays the importance of the corporate governance.
- ⇒ The findings and conclusions are also useful for formulating the policies and strategies of the organisation.
- ⇒ The study also highlights, whether the corporate governance is working properly or not.

Hitches in the study

- ⇒ The present study is based on secondary source of information only.
- ⇒ The current study covers only the single organisation of petroleum industry.
- ⇒ The current study doesn't touch all the aspect of Financial Performance.
- ⇒ The data has been arranged as per their own requirements.
- ⇒ The present covers the period of 16 years only.

Testing of the hypotheses

A hypothesis is only a statement to be tested with the help of statistical tool. It is right to say that the hypotheses tested are widely useful for the business and industry for taking the appropriate decisions and formulating the strategy and policy. The following are hypothesis which are already framed and tested with the help of using independent t-test (paired two samples for means) at 5% level of significance.

Hypothesis 1

H₀₁: There is no significance difference in the mean value of earning per share between pre and post corporate governance scenario of HPCL.

Table: I
Earnings per Share of Hindustan Petroleum Corporation Limited

| Years I | Net Profit (Rs.in crores) II | No. of Equity Shares III | EPS RatioII/III IV |
|------------|------------------------------------|--------------------------------|-----------------------|
| 1998-99 | 901.26 | 226220000 | 3.98 |
| 1999-00 | 1057.41 | 339330000 | 3.11 |
| 2000-01 | 1088.01 | 339330000 | 3.20 |
| 2001-02 | 787.98 | 339330000 | 2.32 |
| 2002-03 | 1537.36 | 339330000 | 4.53 |
| 2003-04 | 1903.94 | 339330000 | 5.61 |
| 2004-05 | 1277.33 | 339330000 | 3.76 |
| 2005-06 | 405.63 | 339330000 | 1.19 |
| 2006-07 | 1571.17 | 339330000 | 4.63 |
| 2007-08 | 1134.88 | 339330000 | 3.34 |
| 2008-09 | 574.98 | 339330000 | 1.69 |
| 2009-10 | 1301.37 | 339330000 | 3.84 |
| 2010-11 | 1539.01 | 339330000 | 4.53 |
| 2011-12 | 911.43 | 339330000 | 2.70 |
| 2012-13 | 904.71 | 339330000 | 2.67 |
| 2013-14 | 1733.77 | 339330000 | 5.10 |

Source: Annual Reports of HPCL, Dion Global Solutions Limited and Moneycontrol.com

T-TEST PAIRS=preEPS WITH postEPS (PAIRED)
/CRITERIA=CI (.9500)
/MISSING=ANALYSIS.

Paired Samples Statistics

| | | Mean | N | Std. Deviation | Std. Error Mean |
|--------|---------|--------|---|----------------|-----------------|
| Pair 1 | preEPS | 3.4625 | 8 | 1.35068 | .47754 |
| | postEPS | 3.5625 | 8 | 1.17186 | .41431 |

Paired Samples Correlations

| | | N | Correlation | Sig. |
|--------|------------------|---|-------------|------|
| Pair 1 | preEPS & postEPS | 8 | -.341 | .409 |

Paired Samples Test

| | | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|--------|------------------|--------------------|----------------|-----------------|---|---------|-------|----|-----------------|
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | | Lower | Upper | | | |
| Pair 1 | preEPS - postEPS | -.10000 | 2.06779 | .73107 | -1.82871 | 1.62871 | -.137 | 7 | .895 |

Interpretation:

The calculated value of t is .137 in the first hypothesis which is less than 5% level of t value i.e. 2.13. That's why the null hypothesis is accepted and we can say that statistically there is no significance impact of corporate governance practices on the shareholder's wealth in the present study of the Hindustan Petroleum Corporation Limited. But, we have to observe that the average mean of Post EPS is greater than Pre EPS. As per the mean value of earning per share, we can say that there is positive impact of corporate governance on shareholder's wealth.

Hypothesis 2

H02: There is no significance difference in the mean value of financial leverage between pre and post corporate governance scenario of HPCL.

Table: II
Financial leverage of Hindustan Petroleum Corporation Limited

| Years | EBIT (Rs.in crores) | PBT (Rs.in crores) | Financial Leverage (in times) |
|---------|------------------------|-----------------------|-----------------------------------|
| I | II | III | II/III=IV |
| 1998-99 | 1804.05 | 1280.56 | 1.40 |
| 1999-00 | 1604.32 | 1273.71 | 1.25 |
| 2000-01 | 1704.59 | 1333.87 | 1.27 |
| 2001-02 | 1787.85 | 1237.44 | 1.44 |
| 2002-03 | 2796.03 | 2412.78 | 1.15 |
| 2003-04 | 3268.08 | 2943.73 | 1.11 |
| 2004-05 | 2110.83 | 1648.96 | 1.28 |
| 2005-06 | 817.33 | 287.49 | 2.84 |

| | | | |
|---------|---------|---------|------|
| 2006-07 | 2527.02 | 1969.39 | 1.29 |
| 2007-08 | 1851.27 | 1134.91 | 1.63 |
| 2008-09 | 3301.28 | 722.29 | 4.57 |
| 2009-10 | 3313.71 | 2123.01 | 1.56 |
| 2010-11 | 3323.07 | 2361.38 | 1.40 |
| 2011-12 | 4131.34 | 1219.73 | 3.38 |
| 2012-13 | 4261.66 | 1474.56 | 2.89 |
| 2013-14 | 5237.73 | 2615.51 | 2.00 |

Source: Annual Reports of HPCL, Dion Global Solutions Limited and Moneycontrol.com

T-TEST PAIRS=preFL WITH postFL (PAIRED)
/CRITERIA=CI(.9500)
/MISSING=ANALYSIS.

Paired Samples Statistics

| | Mean | N | Std. Deviation | Std. Error Mean |
|--------------|--------|---|----------------|-----------------|
| Pair 1 preFL | 1.4675 | 8 | .56558 | .19996 |
| postFL | 2.3400 | 8 | 1.16932 | .41342 |

Paired Samples Correlations

| | N | Correlation | Sig. |
|-----------------------|---|-------------|------|
| Pair 1 preFL & postFL | 8 | -.181 | .668 |

Paired Samples Test

| | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|-----------------------|--------------------|----------------|-----------------|---|--------|--------|----|-----------------|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Pair 1 preFL - postFL | -.87250 | 1.38790 | .49070 | -2.03282 | .28782 | -1.778 | 7 | .119 |

Interpretation:

The calculated value of t in the second hypothesis is less than 5% level of significance value i.e. 2.13. That's why the null hypothesis is accepted. Now, we can say that statistically there is no significance difference in the mean value of financial leverage between pre and post corporate governance scenario of Hindustan Petroleum Corporation Limited. We have to observe that the average mean of Post financial leverage is greater than Pre financial leverage. Hence, we can say that there is positive impact of corporate governance on financial performance of Hindustan Petroleum Corporation Limited.

Hypothesis 3

H03: There is no significance difference in the mean value of operating leverage between pre and post of corporate governance scenario of HPCL.

Table: III
Operating leverage of Hindustan Petroleum Corporation Limited

| Years | Contribution = Net Sales-Variable Cost (Rs.in crores) | EBIT (Rs.in crores) | Operating Leverage (in times) |
|---------|--|------------------------|----------------------------------|
| I | II | III | II/III=IV |
| 1998-99 | 650.30 | 1804.05 | 0.36 |
| 1999-00 | 706.32 | 1604.32 | 0.44 |
| 2000-01 | 3748.94 | 1704.59 | 2.19 |
| 2001-02 | 3894.27 | 1787.85 | 2.17 |
| 2002-03 | 3532.79 | 2796.03 | 1.26 |
| 2003-04 | 5019.86 | 3268.08 | 1.53 |
| 2004-05 | 4831.44 | 2110.83 | 2.28 |
| 2005-06 | 2488.79 | 817.33 | 3.04 |
| 2006-07 | 5844.56 | 2527.02 | 2.31 |
| 2007-08 | 2692.69 | 1851.27 | 1.45 |
| 2008-09 | 8725.36 | 3301.28 | 2.64 |
| 2009-10 | 4038.16 | 3313.71 | 1.21 |
| 2010-11 | 4239.72 | 3323.07 | 1.27 |
| 2011-12 | 6265.89 | 4131.34 | 2.22 |
| 2012-13 | 8030.05 | 4261.66 | 1.88 |
| 2013-14 | 8806.80 | 5237.73 | 1.68 |

Source: Annual Reports of HPCL, Dion Global Solutions Limited and Moneycontrol.com

T-TEST PAIRS=preOL WITH postOL (PAIRED)
/CRITERIA=CI(.9500)
/MISSING=ANALYSIS.

Paired Samples Statistics

| | Mean | N | Std. Deviation | Std. Error Mean |
|--------------|--------|---|----------------|-----------------|
| Pair 1 preOL | 1.6588 | 8 | .93999 | .33234 |
| postOL | 1.8325 | 8 | .52180 | .18449 |

Paired Samples Correlations

| | N | Correlation | Sig. |
|-----------------------|---|-------------|------|
| Pair 1 preOL & postOL | 8 | -.015 | .973 |

Paired Samples Test

| | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|-----------------------|--------------------|----------------|-----------------|---|--------|-------|----|-----------------|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Pair 1 preOL - postOL | -.17375 | 1.08173 | .38245 | -1.07810 | .73060 | -.454 | 7 | .663 |

Interpretation:

The calculated value of t in the third hypothesis is less than 5% level of significance value i.e. 2.13. That's why the null hypothesis is accepted and we can say that statistically there is no significance difference in the mean value of operating leverage between pre and post corporate governance scenario of Hindustan Petroleum Corporation Limited. Thus, we can say that there is positive impact of corporate governance on financial performance of Hindustan Petroleum Corporation Limited with the use of statistical tools.

Hypothesis 4

Ho4: There is no significance difference in the mean value of gross profit ratio between pre and post corporate governance scenario of HPCL.

Table: IV
Gross Profit Ratio of Hindustan Petroleum Corporation Limited

| Years I | Gross Profit (Rs.in crores) II | Sales (Rs.in crores) III | GP Ratio II/III=IV |
|------------|--------------------------------------|--------------------------------|-----------------------|
| 1998-99 | 1,804.05 | 25,994.56 | 6.94 |
| 1999-00 | 1,727.88 | 34,368.03 | 5.02 |
| 2000-01 | 2,140.91 | 47,117.50 | 4.54 |
| 2001-02 | 2,046.69 | 45,309.67 | 4.52 |
| 2002-03 | 3,139.06 | 54,259.48 | 5.79 |
| 2003-04 | 3,642.66 | 57,511.13 | 6.33 |
| 2004-05 | 2,381.83 | 65,218.33 | 3.65 |
| 2005-06 | 1,151.21 | 76,920.26 | 1.50 |
| 2006-07 | 3,094.14 | 96,918.15 | 3.19 |
| 2007-08 | 2,751.91 | 112,098.28 | 2.45 |
| 2008-09 | 3,776.36 | 131,802.65 | 2.87 |
| 2009-10 | 4,193.18 | 114,888.63 | 3.65 |
| 2010-11 | 4,637.09 | 142,396.49 | 3.26 |
| 2011-12 | 5,156.44 | 1,88,130.95 | 2.70 |
| 2012-13 | 4,821.78 | 215,666.45 | 2.23 |
| 2013-14 | 6,140.31 | 232,188.35 | 2.64 |

Source: Annual Reports of HPCL, Dion Global Solutions Limited and Moneycontrol.com

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NEW FILE.
DATASET NAME DataSet1 WINDOW=FRONT.
T-TEST PAIRS=preGPR WITH postGPR (PAIRED)
  /CRITERIA=CI(.9500)
  /MISSING=ANALYSIS.
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Paired Samples Statistics

| | Mean | N | Std. Deviation | Std. Error Mean |
|---------------|--------|---|----------------|-----------------|
| Pair 1 preGPR | 4.7863 | 8 | 1.70319 | .60217 |
| postGPR | 2.8738 | 8 | .46761 | .16532 |

Paired Samples Correlations

| | N | Correlation | Sig. |
|-------------------------|---|-------------|------|
| Pair 1 preGPR & postGPR | 8 | .358 | .384 |

Paired Samples Test

| | | Paired Differences | | | | t | df | Sig. (2-tailed) | |
|--------|------------------|--------------------|----------------|-----------------|---|---------|-------|-----------------|-------|
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | | Lower | | | | Upper |
| Pair 1 | preGPR - postGPR | 1.91250 | 1.59668 | .56451 | .57764 | 3.24736 | 3.388 | 7 | .012 |

Interpretation:

The calculated value of t in the fourth hypothesis is greater than 5% level of significance value i.e. 2.13. That’s why the null hypothesis is rejected and the alternative hypothesis is accepted and we can say that statistically there is significance difference in the mean value of gross profit ratio between pre and post corporate governance scenario of Hindustan Petroleum Corporation Limited. Hence, we can say that there is positive impact of corporate governance on financial performance of Hindustan Petroleum Corporation Limited with the use of statistical tools.

Hypothesis 5

Ho5: There is no significance difference in the mean value of net profit ratio between pre and post corporate governance scenario of HPCL.

Table: V
Net Profit Ratio of Hindustan Petroleum Corporation Limited

| Years | Net Profit (Rs.in crores) | Sales (Rs.in crores) | NP Ratio |
|---------|---------------------------|----------------------|-----------|
| I | II | III | II/III=IV |
| 1998-99 | 901.26 | 25,994.56 | 3.46 |
| 1999-00 | 1057.41 | 34,368.03 | 3.07 |
| 2000-01 | 1088.01 | 47,117.50 | 2.31 |
| 2001-02 | 787.98 | 45,309.67 | 1.74 |
| 2002-03 | 1537.36 | 54,259.48 | 2.83 |
| 2003-04 | 1903.94 | 57,511.13 | 3.31 |
| 2004-05 | 1277.33 | 65,218.33 | 1.96 |
| 2005-06 | 405.63 | 76,920.26 | 0.53 |
| 2006-07 | 1571.17 | 96,918.15 | 1.62 |
| 2007-08 | 1134.88 | 112,098.28 | 1.01 |
| 2008-09 | 574.98 | 131,802.65 | 0.44 |
| 2009-10 | 1301.37 | 114,888.63 | 1.13 |
| 2010-11 | 1539.01 | 142,396.49 | 1.08 |
| 2011-12 | 911.43 | 1,88,130.95 | 0.48 |
| 2012-13 | 904.71 | 215,666.45 | 0.41 |
| 2013-14 | 1733.77 | 232,188.35 | 0.75 |

Source: Annual Reports of HPCL, Dion Global Solutions Limited and Moneycontrol.com

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DATASET ACTIVATE DataSet0.
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/CRITERIA=CI(.9500)
    
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/MISSING=ANALYSIS.

Paired Samples Statistics

| | | Mean | N | Std. Deviation | Std. Error Mean |
|--------|---------|--------|---|----------------|-----------------|
| Pair 1 | preNPR | 2.4013 | 8 | .97977 | .34640 |
| | postNPR | .8650 | 8 | .42369 | .14980 |

Paired Samples Correlations

| | | N | Correlation | Sig. |
|--------|------------------|---|-------------|------|
| Pair 1 | preNPR & postNPR | 8 | .316 | .446 |

Paired Samples Test

| | | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|--------|------------------|--------------------|----------------|-----------------|---|---------|-------|----|-----------------|
| | | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | | Lower | Upper | | | |
| Pair 1 | preNPR - postNPR | 1.53625 | .93656 | .33112 | .75327 | 2.31923 | 4.640 | 7 | .002 |

Interpretation:

The calculated value of t in the fifth hypothesis is greater than 5% level of significance value i.e. 2.13. That's why the null hypothesis is rejected and the alternative hypothesis is accepted and we can say that statistically there is significance difference in the mean value of net profit ratio between pre and post corporate governance scenario of Hindustan Petroleum Corporation Limited. Thus, we can say that there is positive impact of corporate governance on financial performance of Hindustan Petroleum Corporation Limited with the use of statistical tools.

Findings of the study

- ⇒ There is no impact of corporate governance on the shareholder's wealth statistically but we observe that the earning per share has increased after the implementation of corporate governance in the organisation. The average mean of earning per share in post scenario has also improved.
- ⇒ The corporate governance has positive impact on operating performance of the organisation that is statistically proved by the researcher.
- ⇒ It is right to say that the financial leverage has improved after the implementation of the corporate practices in the organisation.
- ⇒ We couldn't deny the effectiveness of the corporate governance in the organisation because with the help of it the gross profit as well as net profit has also improved.
- ⇒ Once the operating income has improved the government income has also increased in the form of tax paid by the organisation.
- ⇒ The operating profit has increased at a higher rate but due to the payment of more interest to the debt holders the net profit has decreased.

Conclusion

The corporate governance plays a significant role for the improvement of the operating performance, financial efficiency and shareholder's wealth in the organisation. It also useful for mitigating the risk as well as to improve the image of the organisation in the eyes of public and stakeholders of the organisation. It also attracts the best mind towards the organisation in which the corporate governance has effectively worked. It protects the organisation from the various frauds and scams. In the present study, we find out that the corporate governance has positive impact on the overall financial performance of the organisation, i.e. Hindustan Petroleum Corporation Limited

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