

A Study On Analyzing The Institutional Dynamics On Corporate Governance In Real Estate Companies

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Abstract

It is essential to have strong corporate governance in order to determine the level of success, accountability, and transparency that an organisation has. This is especially true for the real estate industry, which involves a wide variety of complex issues and factors to take into account. Within the context of Indian real estate enterprises, the purpose of this research is to investigate the impact that institutional dynamics have on corporate governance standards. The objective of this study is to shed light on the complex interrelationships that exist between the various organisational structures, stakeholder expectations, industry standards, and legal frameworks that have an impact on the corporate governance systems that are used in the Indian real estate business. It is planned to do this via the use of a mixed-methods approach that will include qualitative interviews, surveys, and document analysis. The purpose of this research is to give a complete evaluation of numerous elements, including executive remuneration, board composition, disclosure requirements, and shareholder rights, with the intention of gaining insights into the efficiency and adherence of corporate governance systems in real estate companies. This research's findings should give policymakers, industry stakeholders, and business leaders with significant information into the current governance structure in the Indian real estate sector. These insights should be provided by the results of this study. In addition to this, they should be able to aid in the identification of areas that need improvement and should facilitate the formulation of individualised strategies that are aimed at improving the transparency, integrity, and sustainability of corporate governance systems. The major purpose of this study is to improve knowledge of the institutional factors that have an influence on corporate governance in the Indian real estate market. This research will also have wider implications for corporate governance theory and practice throughout the world..

Keywords: Corporate governance, Real estate, Chi square analysis

INTRODUCTION

Corporate governance is the essential foundation for organisational control, accountability, and transparency, particularly in businesses that involve considerable investments and complicated operations. This is especially true in industries that are characterised by highly complex operations. In India, the real estate industry is a significant contributor to economic growth and development because of its distinctive dynamics, regulatory frameworks, and stakeholder expectations. This makes it a major driver of economic growth and development. The expansion of infrastructure, urban settings, and investment portfolios are all significantly influenced by the activities of real estate businesses. As a result, it is of the utmost importance to establish rigorous corporate governance standards in this industry in order to nurture investor trust, reduce risks, and encourage sustainable development (Halling, 2020).

However, the Indian real estate business has been presented with a multiplicity of obstacles and difficulties in terms of corporate governance. These challenges and difficulties range from financial improprieties to breakdowns in governance, as well as a lack of accountability and transparency. The difficulties highlight the need of conducting an investigation into the institutional elements that have an effect on the corporate governance procedures found in Indian real estate enterprises. It is essential to have a solid understanding of the fundamental elements that have an impact on governance processes in order to ensure compliance with regulations and to cultivate a culture that values integrity, ethical behaviour, and responsible business practices within the sector (Misman, 2020).

In light of this background information, the purpose of this research is to evaluate the influence that institutional dynamics have on corporate governance within Indian real estate enterprises. By investigating the complex link that exists between legal frameworks, industry standards, stakeholder expectations, and organisational structures, the purpose of this study is to get a thorough understanding of the governance

environment that exists within the Indian real estate sector (Aguilera, 2018). This research makes use of a multi-method technique, which includes analysing documents, conducting qualitative interviews, and distributing questionnaires. The purpose of this study is to identify the factors that have an effect on the corporate governance systems of real estate companies, as well as the obstacles that need to be overcome (Xu, 2016).

In addition to ensuring compliance with fundamental regulatory requirements, the research takes into account larger aspects such as the engagement of stakeholders, transparency, and effective governance. Important areas of attention include analysing the make-up of the board, the laws governing openness, the remuneration of executives, the rights of shareholders, and the systems for internal control (Khan, 2020). One of the goals of this study is to conduct an in-depth analysis of these elements in order to shed light on the present situation of corporate governance in Indian real estate businesses. Additionally, it seeks to identify potential areas for development and make suggestions to improve the integrity and effectiveness of governance across the governance process.

Problem Statement

Despite the fact that the Indian real estate industry has been a significant contributor to the expansion and development of the economy, it has consistently been confronted with difficulties in terms of corporate governance. Stakeholders are becoming more concerned about instances of financial irregularities, a lack of transparency, and failures in governance, which highlights the need of solid governance mechanisms in real estate enterprises. On the other hand, there is a lack of awareness about the many institutional factors that have an impact on the corporate governance standards in the Indian real estate market. For this reason, it is of the utmost importance to conduct research and investigation into the elements that have an effect on the governance structures of real estate businesses. This is done with the purpose of identifying areas of concern, enhancing transparency, and promoting ethical business practices within the sector.

Objectives

The main objectives of the study are

1. To analyse the impact of regulatory frameworks in influencing the institutional dynamics on corporate governance
2. To understand the influence of board composition in implementing institutional dynamics on corporate governance
3. To apprehend the role of industry practices in implementing institutional dynamics on corporate governance

LITERATURE REVIEW

According to the assertions of researchers, the particular characteristics of real estate as an asset class have led to the establishment of a different governance structure within the real estate sector. Recently, a collection of study that studied the influence of CG on many organisational difficulties within the real estate industry was published in the literature (Chong, 2016). This research was undertaken by a group of researchers. One illustration of this is the correlation that exists between the capital structure and corporate governance in 119 Chinese real estate companies that were listed between the years 2014 and 2018. Both fixed and random effects regression analysis were used in order to demonstrate the connection between the size of the board of directors and the concentration of ownership and capital structure. Structures of concentrated ownership and increased institutional holdings, both of which are components of corporate governance procedures, have the astonishing impact of encouraging businesses to adopt practices that are more environmentally friendly (Soewignyo, 2021). There is a very little and minimal influence of corporate governance variables on firm performance between the years 2015 and 2019, according to reports that have been made by real estate organisations in recent times. Additionally, the research looked at the impact that corporate governance procedures have on real estate investment trusts (REITs) in Malaysia and Hong Kong. According to the research, the concept of CEO duality and the number of independent directors did not have a discernible effect on real estate investment trusts (REITs) in Hong Kong. However, the performance of Malaysian real estate investment trusts was significantly impacted by the size of the board of directors as well as the number of independent directors on audit committees (Ramachandran, 2021). After doing a comprehensive analysis of the studies, it was shown that there is a similar pattern in the study on CG-FP, with less attention placed on CG adherence rates.

A growing body of data suggests that further study should be conducted in the subject of CG-REIT performance. Real estate investment trusts, sometimes known as REITs, are institutions that distribute a substantial portion of their earnings to their shareholders in the form of dividends. Additionally, they make investments in assets that are capable of producing income, which increases the possibility for overall development in equity and capital value. Due to the special legislative requirements that are associated with a tax-transparent REIT structure, the distinctiveness of this is further emphasised in locations that are not in the United States (David, 2021). There is still a paucity of research on the quality of corporate governance adherence as shown by the indices, despite the amount of theoretical and empirical research on the link between internal governance measures and REITs. Additionally, there is a lack of research on the relationship between REITs and REITs. According to the findings of a research that was carried out in 2006 and assessed a sample of 53 real estate investment trusts (REITs) in the United States, the impact of corporate governance on improving the performance of REITs is not substantial. They claimed that this may be partly ascribed to two variables: first, the very low frequency of hostile takeovers in REIT markets; and second, the distinctive qualities of REITs. Both of these criteria are in some way responsible for this phenomenon (Fulton 2017).

Using the generalised method of moments (GMM) as an estimating approach, this research investigates the influence that corporate governance (CG) had on Singaporean Real Estate Investment Trusts (REITs) during the years of 2008 and 2012. The CGI (R-Index) that was established by APREA is also used in this investigation. In spite of the rigorous restrictions that are placed on Singapore's Real Estate Investment Trusts (REITs), the data unequivocally reveals that there is a direct connection between corporate governance (CG) and the profitability of enterprises. In addition, a qualitative study that investigated the governance of Real Estate Investment Trusts (REITs) and the process of making investment decisions discovered that the relationship between corporate governance, investment decisions, and decision-making is significantly influenced by a variety of factors, including management style, board issues, transparency, and the level of market development (Strahan, 2020). Using GMM estimators, the research investigated the effect that CGI has on South African real estate investment trusts (REITs), and it found that there is a positive connection between the two variables. Comparatively, the R-index was used to assess the relationship between the performance of CG on REITs in Singapore and Malaysia. The purpose of this evaluation was to determine whether or not greater R-index values indicated better performance. The Real Estate Investment Trusts (REITs) in Singapore and Malaysia are the focus of this scorecard. It is made up of eight primary categories and twenty-seven governance aspects, which include criteria for both internal and external corporate governance. A regression study using structural equation modelling (SEM) indicated a high association between all attributes of the R-index, with the exception of management ownership, and enhanced performance. This was the case despite the fact that the R-index is a relatively new product (Nosipho, 2019). At the same time, the R-Index will investigate whether or not there is a connection between the degree of business success and the quality of corporate governance among Singapore's Real Estate Investment Trusts (S-REITs). Based on the findings, it was determined that S-REITs with a greater correlation coefficient did not exhibit extraordinary operational performance. Nevertheless, they demonstrated greater risk-adjusted returns and a reduction in information asymmetry inside the market. The Corporate Governance Quotient index, which is a more comprehensive measure of corporate governance, was applied to 21 S-REITs, and the results showed that there was not much of an influence of corporate governance on accounting performance criteria (Hsieh, 2020).

METHODOLOGY

By using a preset set of questions that have been created by the researchers, scientific research makes it possible for researchers to carry out exhaustive investigations that offer exact solutions to research inquiries. The researchers collected data by using pre-constructed, closed-ended inquiries that were tailored to the particular features of each participant. This was done in order to better understand the participants. The only people who participated in the survey were those who were currently employed by the firm. Conducting a study into the basic elements that have an effect on the effectiveness of logistics is the major purpose of the research that is being researched. A total of 137 respondents participated in the survey, and the researcher used the purposive sampling method to collect data from them.

Analysis

This section provides detailed analysis on the data which are collected from the respondents, the researcher uses SPSS data package for performing the analysis.

Table 1: Demographic Analysis

Respondents Gender	Frequency	Percent
Male	94	69.6
Female	41	30.4
Respondents Age	Frequency	Percent
18 - 20 Years	17	12.6
20 - 22 Years	71	52.6
22 - 24 Years	31	23
24 - 26 Years	16	11.9
Education	Frequency	Percent
Pursuing Under-graduation	47	34.8
Pursuing Postgraduation	70	51.9
Pursuing Professional course	18	13.3
Family type	Frequency	Percent
Nuclear family	94	69.6
Joint family	41	30.4
Experience	Frequency	Percent
Less than 5 years	43	31.9
5-10 years	62	45.9
10 - 15years	30	22.2

The survey data includes the demographic information of the respondents who participated. The respondents' gender makeup indicated that men accounted for 69.6% of the whole sample, while females constituted just 30.4%. The gender distribution in this sample shows a higher prevalence of men among the respondents. The age group of 20 to 22 years constituted the majority of participants, making up 52.6% of the sample. This discovery suggests that the study mostly focused on individuals in their younger years, since a significant number of the participants were in their early twenties. In addition, a substantial portion of the participants belonged to the age categories of 22 to 24 years (23%), 24 to 26 years (11.9%), and 18 to 20 years (12.6%).

In terms of educational endeavours, a small proportion of participants (13.3%) were registered in vocational programmes, whilst the majority (51.9%) were actively pursuing advanced degrees. Subsequently, 34.8 percent of individuals were registered in undergraduate courses. The data indicates that the respondents have a higher level of educational attainment, since a significant proportion of them are now pursuing advanced degrees. Based on the data about family kinds, the majority of respondents (69.6%) belonged to nuclear families, while the remaining respondents (30.4%) were part of joint families. The results of this distribution provide useful insights into the familial situations of the respondents, indicating that most of them were brought up in nuclear family settings. To summarise, the data shows that a small percentage (22.2%) of respondents had 10 to 15 years of professional experience, while the majority (45.9%) had 5 to 10 years of experience. Subsequently, persons with fewer than 5 years of experience accounted for 31.9%. This discovery suggests that the participants had a diverse range of professional experiences, including a significant number of persons in the early to middle stages of their careers. The data provides a comprehensive overview of the demographic attributes of the participants, including their employment, family status, educational achievement, and age, among other factors. It is

essential to include these demographic insights to provide context for the study's results and understand how different demographic elements may influence the research conclusions

Testing of hypothesis

Hypothesis 1: There is no statistical difference between impact of regulatory frameworks and institutional dynamics on corporate governance

Table 3: ANOVA

Regulatory frameworks	SS	Dof	Mean Sq.	F val	Sig. val
Between Gps	143.603	4	35.901	106.256	0.00
Within Gps	43.923	130	0.338		
Total	187.526	134			

The "Between Groups" analysis results in a sum of squares (SS) of 143.603 and a mean square (Mean Sq.) of 35.901, with four degrees of freedom (Dof). The p-value corresponding to the estimated F value of 106.256 is 0.00, indicating a high level of statistical significance. This discovery indicates that there is a statistically significant correlation between the levels of regulatory frameworks and the fluctuations in the dependent variable. In essence, there are significant differences in how the dependent variable behaves under various regulatory regimes. Conversely, the "Within Groups" analysis examines the spread of the dependent variable's variability inside each specific group. The component's sum of squares, with 130 degrees of freedom, is 43.923. While this feature does have a role in the total variation, the main focus is on the significant differences seen across groups in terms of regulatory frameworks. Overall, the research highlights the importance of regulatory frameworks in shaping the dynamics of the dependent variable. The observed changes in the dependent variable are significantly influenced by variations in regulatory regimes, as shown by the considerable F value.

Hypothesis 2: There is no statistical difference between influence of board composition and institutional dynamics on corporate governance

Table 4: ANOVA

Board composition	SS	Dof	Mean Sq.	F val	Sig. val
Between Gps	142.089	4	35.522	101.634	0.00
Within Gps	45.437	130	0.35		
Total	187.526	134			

The "Between Groups" analysis produces a mean square (Mean Sq.) value of 35.522, obtained from a sum of squares (SS) of 142.089 and four degrees of freedom (Dof). The value of F is 101.634, which is considered highly significant due to its p-value of 0.00. This discovery indicates that there is a statistically significant correlation between the levels of board composition and the variability in the dependent variable. Essentially, there are notable differences in how the dependent variable behaves when alternative board configurations are taken into account. In contrast, the "Within Groups" analysis examines the distribution of the dependent variable's variability inside each specific group. The total of squares for this component, with 130 degrees of freedom, is 45.437. Although this feature does contribute to the total variation, the main focus remains on the significant differences discovered across groups in terms of board composition. Overall, the research emphasises the significance of board composition in shaping the behaviour of the dependent variable. The observed changes in the dependent variable are significantly influenced by variations in board composition, as seen by the large F value.

Hypothesis 3: There is no statistical difference between industry practices and institutional dynamics on corporate governance

Table 5: ANOVA

Industry practices	SS	Dof	Mean Sq.	F val	Sig. val
Between Gps	129.317	4	32.329	72.202	0.00
Within Gps	58.209	130	0.448		
Total	187.526	134			

The "Between Groups" analysis results in a mean square (Mean Sq.) value of 32.329, obtained from a sum of squares (SS) of 129.317 and four degrees of freedom (Dof). The F value, 72.202, is determined to be very significant with a p-value of 0.00. This discovery indicates that there is a statistically significant correlation between the degrees of industrial practices and the variability in the dependent variable. Significant disparities occur in the functioning of the dependent variable across various sectors. Conversely, the "Within Groups" analysis examines the spread of the dependent variable's variability inside each separate group. The component, with 130 degrees of freedom, has a total of squares of 58.209. Although this specific feature does have a role in the overall variation, the major focus is still on the significant differences seen across groups in respect to industrial practices. Overall, the research highlights the significant impact that industrial practices have on the behaviour of the dependent variable. The substantial F value suggests that the observed disparities in the dependent variable are strongly impacted by changes in industrial practices.

DISCUSSION

The study that investigated the influence of legislative frameworks, board composition, and industry practices on the dynamics of corporate governance in the real estate sector presents a number of notable conclusions and consequences. These findings and repercussions are discussed in the following paragraphs. Because they build the legal and institutional structure that controls the conduct of firms and assures their duty to stakeholders, regulatory frameworks are crucial components of corporate governance. This is because they guarantee that businesses will be responsible to those stakeholders. The results of the statistical research show that regulatory frameworks have a considerable impact on the dynamics of corporate governance; the variation that can be attributed to the different regulatory environments is statistically significant. These findings shed light on the fundamental role of regulatory oversight in terms of its ability to influence governance practices within the real estate market. However, this circumstance also raises questions about the adequacy, effectiveness, and execution of the regulatory frameworks that are now in place, particularly with respect to the particular challenges and complexities that are associated with the business. When it comes to assessing the effectiveness of corporate governance in real estate companies, the makeup of boards becomes an extra very important issue to consider. As a result of the results of the investigation, it has been determined that the membership of the board has a significant influence on the dynamics of governance, with substantial differences being discovered across the various board structures. When it comes to fostering accountability, oversight of strategic affairs, and transparency, the existence of committees that are competent, varied, and independent is very necessary. As a result, these qualities contribute to an improvement in the organization's performance and a reduction in the risks associated with governance. Nevertheless, the achievement of an ideal board composition continues to be a challenging endeavour, particularly within the real estate sector. This is because of the possible influence that ownership structures, family-owned businesses, and vested interests may have on board memberships and dynamics. For the purpose of enhancing the efficiency of governance and lowering the probability of conflicts of interest, the findings highlight how important it is to guarantee the autonomy, diversity, and expertise of boards of directors.

Furthermore, the dynamics of corporate governance in the real estate sector are significantly influenced by the practices that are prevalent throughout the whole industry. Based on the results of the investigation, it can be concluded that the outcomes of governance are significantly impacted by the norms, standards, and best practices that are relevant to the desired sector. Because of this, it is very important to make sure that governance processes are in accordance with the standards that are used in the sector. However, the results of the research also stimulate queries about the capacity of real estate enterprises to modify and respond to changing market dynamics and industry practices. Real estate companies are required to

continually assess and change their governance processes in order to maintain their competitiveness and resilience in an environment that is characterised by rapid technology advancement, altering customer preferences, and alterations to regulatory policies. The critical discourse, in general, highlights a variety of key repercussions that arise from the findings of the researcher's work. The first thing that this demonstrates is how important it is for the real estate business to enact regulatory changes in order to raise governance standards, strengthen enforcement mechanisms, and correct governance weaknesses. Additionally, it highlights the necessity of board competence, independence, and diversity in the process of developing good governance and managing risks. In conclusion, it calls attention to the significance of ensuring that governance procedures are in accordance with industry standards and optimum methodologies in order to enhance accountability, transparency, and the development of long-term value. It is of the utmost importance to face these challenges and build governance structures that are robust in order to nurture investor confidence, attract capital inflows, and accelerate sustainable progress in the real estate business.

CONCLUSION

For the purpose of providing significant insights into the major aspects that impact the dynamics of corporate governance in the real estate business, the study that was undertaken to evaluate regulatory frameworks, board composition, and industry practices gives a summary of the findings. The findings shed light on the significant influence that these elements have on the efficiency of governance and the overall performance of the organisation. It is essential to have regulatory frameworks in place since they are responsible for providing the legal and institutional basis for governance practices. This highlights the need of having strong enforcement mechanisms and oversight. Furthermore, the composition of the board is seen as a crucial factor in the process of establishing accountability, transparency, and strategic oversight. This highlights the necessity of boards that are competent, independent, and varied in their membership. In addition, the fact that industry practices have an effect on governance results highlights how important it is to make certain that governance practices are in accordance with industry norms and optimum techniques in order to strengthen resilience and competitiveness. To foster investor trust, attract capital, and push sustainable growth in the real estate sector, it is important to face these hurdles and build effective governance structures.

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