

"A man is
great by
deeds, not by
birth"
-Chanakya

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**Nominee directors on Indian boards: Direct and moderated
influence on international investments**

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Abstract

Extant literature on Corporate Governance predominantly examines the characteristics of Anglo-Saxon system of corporate governance. Characteristics of board of directors, such as board independence are the outcomes of primary agency problems, observed in this model of corporate governance. However, there is a need to examine the role of board across distinct corporate governance systems arising out of their unique economic and regulatory regimes. For instance, countries with higher ownership concentration and weaker investor protection, face a secondary agency problem and rely more on debt financing for growth. In this study, we examine a specific feature in the Indian Corporate Governance context i.e. representatives of financing institutions on the board of the directors, also known as nominee directors. We use a behavioral risk perspective to understand the preferences of these groups of board member. On a sample of 764 unique firms and 4216 firm year observations spanning the period 2006-2017, we find that the nominee directors are negatively associated with internationalization of emerging economy firms. In addition, we also find that the nominee directors negatively moderate the relationship between different ownership groups (such as pressure sensitive investors and family owners) and internationalization investments of emerging economy firms.

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