

Article

Corporate Governance and Financial Outcomes: A Multi-Country Study of BRICS

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Abstract

This study examines the association between corporate governance and firm-level financial outcomes across the BRICS economies from 2013 to 2023. A multidimensional Corporate Governance Index (CGI), comprising five sub-indices and thirty-one attributes, is constructed to examine how governance frameworks are related to firm-level outcomes in evolving institutional environments. Using panel regression analysis on a dataset of publicly traded firms, the study focuses on three core dimensions of firm performance, i.e., cost of capital (COC), return on capital employed (ROCE), and working capital efficiency (WC). The findings suggest that governance is associated with variations in financing costs and firm performance indicators, although the strength and consistency of these relationships vary across the BRICS economies. The results also highlight cross-country differences, which are interpreted in light of institutional variation in regulatory and enforcement environments across BRICS economies. Additional sensitivity analysis indicates that the findings are not driven by the specific construction of the governance index. Overall, the study contributes to the literature by providing comparative evidence on governance and firm outcomes in emerging markets, while emphasizing that the results should be interpreted as associational rather than causal.

Keywords: BRICS; cost of capital; Corporate Governance Index; return on capital employed; working capital

1. Introduction

In an increasingly globalized and complex financial environment, corporate governance (CG) has become a central concern for firms, regulators, and investors. Effective governance is generally associated with enhanced accountability, transparency, and oversight, and is widely viewed as an important mechanism through which firms manage risk and align managerial incentives with shareholder interests. Historical episodes such as the South Sea Bubble, the 1929 stock market crash, and more recent corporate scandals involving Enron, WorldCom, and Wells Fargo highlight the systemic risks associated with weak governance structures and highlight the importance of institutional and firm-level governance mechanisms (Karamanou & Nishiotis, 2009; Stulz, 2022). These developments have motivated a substantial body of research examining how governance practices are related to firm-level financial outcomes.

While the relationship between governance and financial outcomes has been extensively studied in developed markets, its implications are particularly salient in emerging economies. In such settings, institutional voids, concentrated ownership structures, and regulatory inconsistencies may intensify agency problems and shape the effectiveness of



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governance mechanisms. The BRICS economies Brazil, Russia, India, China, and South Africa provide a relevant context for examining these dynamics, given their increasing importance in global capital markets alongside persistent governance-related challenges (Khan et al., 2022). In these environments, firm-level governance may interact with broader institutional frameworks in shaping financial outcomes.

Existing empirical evidence suggests that stronger governance is associated with lower cost of capital through reduced perceived risk and improved investor confidence (AlHares, 2021). Governance practices have also been linked to measures of internal financial performance, including capital efficiency and working capital management (Moussa & Elmarzouky, 2023). However, the strength and consistency of these associations may vary across institutional contexts, and findings from developed markets may not generalize directly to emerging economies. Moreover, much of the existing literature focuses on single country analyses or specific financial outcomes, limiting the scope for comparative and multidimensional assessment.

Despite the growing body of research, several gaps remain. First, there is limited comparative evidence examining governance financial outcome relationships across BRICS economies within a unified empirical framework. Second, prior studies often examine external financing outcomes or internal performance measures in isolation, with relatively little attention to how governance is associated with multiple dimensions of firm outcomes simultaneously. Third, existing studies frequently rely on narrow governance proxies, which may not fully capture the multidimensional nature of governance practices in emerging market settings.

Addressing these gaps, this study examines the association between corporate governance and firm-level financial outcomes across BRICS economies over the period 2013–2023. The analysis is based on a multidimensional Corporate Governance Index (CGI) comprising five sub-indices and thirty-one attributes, designed to capture a broad set of governance mechanisms. The study focuses on three key dimensions of firm outcomes: cost of capital, return on capital employed (ROCE), and working capital efficiency. Using panel regression techniques, the study evaluates how governance is associated with these outcomes across different institutional contexts.

Given the observational nature of the data, the empirical strategy incorporates firm and year fixed effects, along with lagged governance measures and placebo tests, to partially address concerns related to reverse causality and omitted variables. Nevertheless, the results are interpreted as associational rather than causal. By providing a comparative analysis across multiple emerging economies and financial dimensions, the study contributes to the literature on governance and firm outcomes while highlighting the role of institutional context in shaping these relationships.

The study is organised into the following sections including the present one. Section 2 provides a comprehensive review of the existing literature and theoretical background. Section 3 outlines the research design and methodology employed in the study. Section 4 presents and interprets the empirical results. Section 5 presents the robustness checks. Finally, Section 6 concludes the study, highlighting key findings and discussing their implications for both theory and practice.

2. Literature Review

The theoretical foundations of corporate governance provide a useful framework for understanding how governance structures are related to firm-level financial outcomes in the BRICS economies. Agency Theory (Jensen & Meckling, 1976) emphasizes the role of governance mechanisms in mitigating conflicts between managers and shareholders, suggesting that improved oversight may be associated with reduced information asymme-

try and lower perceived risk, which is relevant to the cost of capital. Stakeholder Theory (Freeman, 1984) extends this perspective by highlighting the importance of accountability to a broader set of stakeholders, which may support more balanced decision making and long-term capital allocation, thereby relating to measures such as Return on Capital Employed (ROCE). Stewardship Theory (Donaldson & Davis, 1991), particularly relevant in contexts characterized by concentrated ownership and state influence, suggests that managerial alignment with organizational objectives may be associated with more efficient resource utilization, including working capital management. Taken together, these theoretical perspectives suggest that governance quality, as captured by the Corporate Governance Index (CGI), is associated with variations in financing costs, capital efficiency, and liquidity management, while acknowledging that such relationships may differ across institutional contexts and should not be interpreted as causal.

2.1. Corporate Governance and Cost of Equity

In developed economies, the literature suggests that robust corporate governance is associated with lower perceived risk among investors. This relationship operates through mechanisms such as high disclosure quality, board effectiveness, and the enforcement of shareholder rights, which are linked to reduced information asymmetry and improved transparency, thereby relating to lower equity risk premia and cost of equity. In these institutional settings, board independence and transparent reporting are viewed as key governance features that support accurate risk assessment within well-developed regulatory frameworks (Zhang, 2018; Mehrotra, 2015). Cross-country evidence further indicates that stronger governance frameworks are associated with deeper financial markets and more efficient risk pricing, which correspond to lower discount rates applied by equity investors (Wongkantarakorn et al., 2022). Institutional monitoring also plays an important role in mitigating informational frictions between managers and investors, contributing to improved market confidence (Su, 2024). Recent studies highlight that governance mechanisms, including anti-corruption disclosure and enhanced transparency, are associated with reduced earnings management risk, which may in turn be linked to lower cost of equity (Chouaibi et al., 2026).

In contrast, the role of governance may be more pronounced in emerging markets, where higher levels of information asymmetry and weaker regulatory enforcement shape firm level financing conditions. Evidence from South Asian economies, including Pakistan and India, suggests that firms with stronger board structures and ownership arrangements are associated with lower cost of equity capital (Ali et al., 2019; Srivastava et al., 2019). Similarly, studies on China indicate that governance improvements, particularly those related to board structure and investor protection, are associated with higher firm valuations and lower discount rates (Bai et al., 2004; Shan & McIver, 2008). More recent research also suggests that financing costs are closely related to firm productivity and investment efficiency, highlighting the potential importance of governance mechanisms in shaping capital allocation outcomes (Gang & Hongrui, 2025). Given the prevalence of enforcement challenges and related-party risks in such settings, improvements in transparency and monitoring are associated with reductions in firm-specific risk perceived by investors (Huang et al., 2023). Overall, the literature indicates that while governance is consistently linked to cost of equity, the strength and consistency of this association may vary across institutional contexts and should be interpreted with caution.

2.2. Corporate Governance and Cost of Debt

The relationship between corporate governance and the cost of debt is often examined through the role of internal oversight as an indicator of financial transparency and credit-

worthiness. In developed economies, the literature suggests that stronger governance is associated with lower borrowing costs, primarily through its links to reduced information asymmetry, agency conflicts, and earnings management risk. Evidence on supervisory board characteristics indicates that more rigorous monitoring is associated with lower levels of earnings management, which may enhance credibility with debt holders and relate to lower interest expenses (Ran et al., 2015). Similarly, governance practices that improve transparency and investor protection are associated with higher credit ratings and more favourable loan terms, including lower spreads and bond yields (Aras, 2015). Recent research also highlights that governance may be indirectly related to borrowing costs through improved ESG disclosure quality, which is associated with greater transparency and reduced perceived lender risk (J. Liu et al., 2025). Overall, these findings suggest that in mature institutional environments, governance structures are linked to lender perceptions of risk and creditworthiness.

In contrast, the association between governance and debt financing may be more pronounced in emerging economies, where institutional constraints and ownership concentration shape firm-level financing conditions. Evidence from Asian markets suggests that the extraction of private benefits by controlling shareholders is associated with higher borrowing costs, while stronger governance mechanisms are linked to improved lender perceptions and reduced financing costs (Gao & Kling, 2008). Firm level studies indicate that governance features such as board independence, audit quality, and ownership diversification are associated with reduced opportunistic behaviour and more favourable debt conditions (L. Chen et al., 2007; Khoza et al., 2024). Within the BRICS context, recent evidence suggests that governance-related ESG quality is associated with capital structure decisions, particularly in relation to reliance on higher-cost debt (Bagh et al., 2025). These findings indicate that while governance is broadly linked to debt financing conditions, the strength of this relationship may vary across institutional contexts and should be interpreted with caution.

2.3. Corporate Governance and Cost of Capital

In developed economies, the literature suggests that robust corporate governance mechanisms are associated with lower cost of capital through their links to enhanced transparency, reduced agency conflicts, and improved investor confidence. Evidence from U.S. firms indicates that those with stronger governance structures tend to exhibit lower equity financing costs (Ashbaugh et al., 2004). Similarly, studies in European markets show that stricter disclosure requirements are associated with lower equity costs, while cross-country evidence suggests that greater transparency is linked to reductions in both equity and debt financing costs by improving information availability to market participants (Hail & Leuz, 2006; Francis et al., 2005). Additional research finds that higher governance quality is associated with lower bond yields, indicating that lenders in advanced markets incorporate governance characteristics into their assessment of firm risk (Bhojraj & Sengupta, 2003). More recent evidence also suggests that ESG performance and governance quality are differentially associated with components of the cost of capital depending on the strength of legal and institutional frameworks, highlighting the role of institutional context in shaping these relationships (Koutoupis et al., 2026). Overall, these findings indicate that in mature institutional environments, governance is closely linked to perceived risk and financing conditions.

In emerging economies, the relationship between governance and cost of capital is more complex due to weaker legal systems, concentrated ownership structures, and enforcement challenges. Prior studies suggest that governance quality is associated with variations in capital constraints and firm performance in these settings (Klapper & Love, 2004; La Porta et al., 2002). Within the South Asian context, evidence indicates that cost of

capital may serve as a more informative governance-related outcome than traditional valuation measures, particularly in environments characterized by high information asymmetry (Srivastava et al., 2018; Samarakoon et al., 2024). Evidence from Brazil and China similarly suggests that improvements in governance are associated with reductions in both equity and debt financing costs, even in the presence of regulatory volatility (Black et al., 2012; Shen et al., 2016). These findings indicate that in BRICS economies, governance is linked not only to internal agency considerations but also to broader institutional constraints, although the strength and consistency of these associations may vary across countries and should be interpreted with caution.

2.4. Corporate Governance and Working Capital

In developed economies, the literature suggests that corporate governance is associated with variations in working capital management practices through its links to oversight, transparency, and managerial discipline. Evidence from the United States and European contexts indicates that firms with stronger governance structures such as effective audit committees, board independence, and dispersed ownership tend to exhibit more disciplined working capital policies. These practices are associated with reduced inefficiencies in current asset management, including lower levels of excess inventory and more efficient receivables management. For example, evidence from Belgian firms shows that governance-related factors are associated with differences in cash conversion cycles, with more effective oversight linked to shorter durations of receivables and inventory holdings (Deloof, 2003). Similarly, research on U.S. firms suggests that working capital management may serve as an important channel through which governance is related to firm value, as governance structures that limit managerial discretion are associated with more efficient allocation of short-term resources (Kieschnick et al., 2013). In these institutional settings, governance is generally linked to mechanisms that constrain opportunistic behaviour and support more efficient resource utilization.

In contrast, the association between governance and working capital management in emerging economies is shaped by institutional constraints, including weaker legal enforcement and higher ownership concentration. Evidence from comparative studies suggests that firms operating in such environments may exhibit more volatile or aggressive working capital strategies, reflecting differences in governance quality and external monitoring (Gill & Shah, 2012). Research on Indian firms indicates that governance attributes such as board independence and disclosure quality are associated with variations in working capital management practices (Farhan et al., 2021). Similarly, evidence from Vietnam suggests that efficient management of current assets is closely related to firm performance in contexts characterized by weaker external governance mechanisms (Huynh et al., 2025). Recent studies from BRICS economies also indicate that governance-related ESG performance is associated with differences in cash holdings and liquidity management, potentially through its relationship with financing conditions (S. Chen et al., 2025). Additional evidence suggests that specific governance attributes are linked to working capital efficiency, with broader implications for liquidity and short-term financial management (Gupta & Pandey, 2024). Overall, the literature indicates that while governance is linked to working capital practices across different contexts, the strength and consistency of this relationship may vary across institutional environments.

3. Research Design and Methodology

3.1. Sample

This study examines corporate governance and firm-level financial outcomes across the BRICS economies Brazil, Russia, India, China, and South Africa using a panel of non-

financial firms listed on their respective stock exchanges over the period 2013–2023. Financial and governance data are obtained from Bloomberg to ensure consistency and reliability. Banking and financial institutions are excluded due to their distinct regulatory frameworks and capital structures, and firms with incomplete observations are removed to maintain panel consistency. The final sample comprises 1616 firms, including 150 from Brazil, 52 from Russia, 636 from India, 692 from China, and 86 from South Africa. The selected period captures a phase of regulatory and institutional evolution across these economies, enabling a consistent comparative analysis within changing governance environments.

The empirical analysis focuses on three core outcome domains: cost of capital, capital efficiency, and working capital management. These are measured using cost of capital (COC), return on capital employed (ROCE), and working capital, respectively. Additional variables including cost of equity (COE), cost of debt (COD), return on assets (ROA), return on equity (ROE), price-to-earnings ratio (PE), current ratio (CR), quick ratio (QR), and inventory turnover (ITR) are incorporated as supplementary measures to assess the robustness of the results. This structure enables a coherent cross-country comparison of governance-related associations across multiple dimensions of firm outcomes while maintaining a clear distinction between core outcomes and supporting indicators.

3.2. Conceptual Model

The study conceptualizes corporate governance as a multidimensional construct that is associated with firm-level outcomes through distinct theoretical channels. Drawing on Agency Theory (Jensen & Meckling, 1976), governance mechanisms are viewed as being linked to reduced information asymmetry and agency conflicts, which may relate to variations in the cost of capital. From a Stewardship Theory perspective (Donaldson & Davis, 1991), governance structures are associated with managerial alignment and long-term decision making, which may be reflected in measures of capital efficiency. Similarly, Stakeholder Theory (Freeman, 1984) suggests that broader accountability and stakeholder engagement are associated with differences in working capital management practices. Accordingly, corporate governance is modelled as the key explanatory variable in relation to three outcome domains cost of capital, capital efficiency, and working capital management captured through their respective primary measures. These relationships are examined within an associational framework and are not interpreted as causal (See Figure 1).

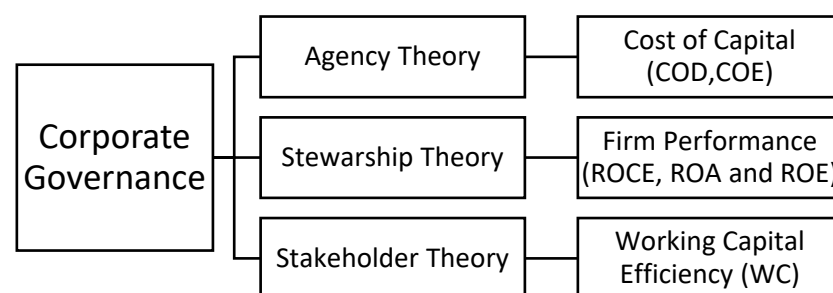


Figure 1. Theoretical Framework of Corporate Governance.

3.3. Hypotheses

H1: *Corporate Governance and Cost of Capital (Agency Theory).*

Stronger corporate governance mechanisms are associated with lower cost of capital, reflecting their relationship with reduced information asymmetry and agency conflicts between managers and investors.

H1a: *Corporate governance quality is negatively associated with the cost of equity.*

H1b: *Corporate governance quality is negatively associated with the cost of debt.*

H2: *Corporate Governance and Capital Efficiency (Stewardship Theory).*

Governance structures that support managerial alignment and oversight are associated with differences in capital efficiency, as reflected in firms' ability to utilize resources effectively.

H2a: *Corporate governance quality is positively associated with capital efficiency, as measured by return on capital employed (ROCE).*

H3: *Corporate Governance and Working Capital (Stakeholder Theory).*

Governance practices that emphasize accountability and stakeholder engagement are associated with variations in working capital management, reflecting differences in liquidity management and operational discipline.

H3a: *Corporate governance quality is associated with working capital efficiency.*

3.4. Corporate Governance Laws in BRICS Economies

Corporate governance frameworks across BRICS economies reflect a combination of statutory regulations, regulatory oversight, and principles-based codes shaped by each country's institutional and legal environment. In Brazil, governance is guided by Corporate Law (Law No. 6404/1976), oversight by the Brazilian Securities and Exchange Commission (CVM), and differentiated listing standards under B3, particularly the Novo Mercado segment. Russia's framework is based on the Civil Code, the Federal Law on Joint Stock Companies (No. 208-FZ, 1995), and the Corporate Governance Code (2014), which emphasizes board structure and disclosure. India adopts a more codified and enforcement-oriented approach through the Companies Act, 2013 and SEBI's LODR Regulations, 2015, while China operates a hybrid system shaped by the Company Law (updated in 2023), the Securities Law, and CSRC directives, reflecting both state influence and market reforms. South Africa follows a principles-based approach anchored in the Companies Act, 2008 and the King IV Report (2016), emphasizing ethical leadership and stakeholder inclusivity. Although these frameworks differ in their legal foundations and enforcement mechanisms, they highlight important institutional variation across BRICS economies, which is relevant for interpreting cross-country empirical results, as the association between governance and firm-level outcomes may depend not only on firm-level practices but also on broader regulatory environments as stated in Table 1. At the same time, these systems show gradual convergence toward international standards of transparency, accountability, and sustainability.

Table 1. Corporate Governance Framework: BRICS Economies.

Category	Brazil	Russia	India	China	South Africa
Statute Code	CVM Resolution and IBCG Code	Russian CG Code and Law on JSCs	Companies Act 2013 and SEBI (LODR)	Company Law of the PRC	Companies Act, 2008 and King IV
Board Independence	Minimum 1/3 Independent	Minimum 1/3 Independent	Minimum 1/3 Independent	Minimum 1/3 Independent	Majority non-executive (majority of those independent)

Table 1. Cont.

Category	Brazil	Russia	India	China	South Africa
Board Meeting	1 per year	1 per year	4 per year	2 per year	No statutory minimum
Audit Committee Independence	1/3 Independent	50% Independent	2/3 Independent	2/3 Independent	2/3 Independent
Audit Committee Meetings	4 per year	4 per year	4 per year	4 per year	3 per year
Compensation Committee	3 members (Standard practice)	3 members (Standard practice)	2/3 independent	Min. 1 independent	Majority Independent
NRC Composition	3 members (Majority NED)	3 members (Majority NED)	3 members (1/2 to 2/3 independent)	3 members (Majority NED)	3 members (Majority NED)
CSR Committee	Recommended	Recommended	Legally Mandated	Recommended	Recommended
Gender Diversity	Recommended	Recommended	1 Woman Director (Mandatory)	Recommended	Recommended

3.5. Construction of Corporate Governance Index

The period from 2013 to 2023 provides a relevant setting to examine corporate governance practices across BRICS economies, where regulatory frameworks and institutional environments have undergone notable changes. To capture governance quality in a consistent and comparable manner, this study constructs a Corporate Governance Index (CGI) based on five sub-indices comprising 31 governance attributes. These attributes reflect key dimensions of governance, including board structure, audit oversight, and ownership characteristics, and are broadly aligned with internationally recognized frameworks such as the Organisation for Economic Co-operation and Development (OECD) Principles of Corporate Governance. Given the diversity of institutional settings across BRICS countries, the index is designed to standardize governance-related disclosures into a structured and comparable format, while acknowledging that differences in legal enforcement and reporting practices may affect the interpretation of governance measures across countries.

The CGI is constructed using a composite index approach in which each governance attribute is assigned a binary score (1 if the firm satisfies the criterion and 0 otherwise), and all attributes are equally weighted. The use of equal weighting reflects a transparent and theory-neutral approach that avoids imposing potentially arbitrary assumptions about the relative importance of individual governance mechanisms, particularly in heterogeneous institutional contexts. To assess internal consistency, Cronbach's alpha is calculated and exceeds the commonly accepted threshold of 0.70, indicating acceptable reliability. However, equal weighting does not imply that all governance attributes contribute equally to firm outcomes in practice, and reliability does not ensure full construct validity or cross-country equivalence. Accordingly, the CGI should be interpreted as a harmonized proxy measure capturing broad governance patterns rather than a fully equivalent measure of governance quality across BRICS economies.

This section presents a comparative descriptive analysis of the Corporate Governance Index (CGI) across BRICS economies, highlighting cross-country variation in governance structures and practices. The findings suggest that while firms generally comply with

formal governance requirements, the depth and effectiveness of internal oversight vary considerably across institutional contexts.

In Brazil, firms demonstrate relatively strong adherence to formal board structures, with approximately 68% maintaining optimal board size and 83% having a majority of non-executive directors, alongside 81% conducting frequent board meetings. However, the depth of independent oversight remains limited, as only 46% of firms meet independence thresholds and just 3% separate the roles of CEO and Chairperson, indicating concentration of leadership authority. Gender diversity and audit committee effectiveness are also constrained, with only 18% of firms having more than one woman director and around 19% maintaining larger audit committees, suggesting that while structural compliance is present, substantive governance practices continue to evolve (da Silva & Leal, 2005; Black et al., 2010) (See Table 2).

Table 2. Construction of Corporate Governance Index of Brazil.

Variables	Definition	Obs.	Mean	Minimum	Maximum
Composition and Activities of board					
CAB 1	There is minimum 5 and maximum 15 directors	1650	0.68	0	1
CAB 2	More than one third of directors are Independent	1650	0.46	0	1
CAB 3	More than 50% of directors are non-executive directors	1650	0.83	0	1
CAB 4	There are more than 50% of non-executive directors of the company on 3+ Boards	1650	0.84	0	1
CAB 5	There are not more than 2 chair positions hold by Chairman	1650	0.94	0	1
CAB 6	There are not more than one-third directors are attending less than 75 percent of Meetings	1650	0.87	0	1
CAB 7	More than 1 woman director on the board	1650	0.18	0	1
CAB 8	More than five board meetings in a year	1650	0.81	0	1
CAB 9	CEO and Chairman are different	1650	0.03	0	1
CAB 10	The company has two tier board structure	1650	0.86	0	1
CAB 11	The chairman of the company is woman	1650	0.05	0	1
	Normalized Composition and Activities of Board Index	1650	0	−2.71	3.16
	Scaled Board Composition and Activities sub index (0–100)	1650	59.54	0	100
	Cronbach's α	0.69			
Composition and Activities of Audit Committee					
CAC 1	There are 4 or more members in the Audit Committee	1650	0.19	0	1
CAC 2	Audit Committee meets 5 times or more in the year	1650	0.09	0	1
CAC 3	More than 75% of directors in audit committee are Independent	1650	0.11	0	1
CAC 4	There are one or more audit committee members on 3+ boards	1650	0.09	0	1
CAC 5	The chairperson of the Audit Committee is Independent	1650	0.23	0	1
CAC 6	There are no executive directors on Audit Committee	1650	0.98	0	1
CAC 7	More than 50% of directors in audit committee are non-executives	1650	0.21	0	1
CAC 8	There is one or more financial expert in the audit committee	1650	0.26	0	1
	Normalized Composition and Activities of Audit Committee Index	1650	0	−2.12	2.64
	Scaled Composition and Activities of Board sub index (0–100)	1650	27.2	0	100
	Cronbach's α	0.78			

Table 2. Cont.

Variables	Definition	Obs.	Mean	Minimum	Maximum
Nomination and Remuneration Committee					
NRC1	There are at least 4 members in the Nomination and Remuneration Committee	1650	0.12	0	1
NRC2	There are no executive directors in the committee	1650	0.97	0	1
NRC3	More than 2/3rd of nomination committee members is non-executive	1650	0.09	0	1
NRC4	There are more than 2 meetings in a year	1650	0.15	0	1
	Normalized Nomination and Remuneration Committee Index	1650	0	−2.3	2.39
	Scaled Nomination and Remuneration Committee sub index (0–100)	1650	33.2	0	100
	Cronbach's α	0.72			
Compensation Committee					
CC1	There are 4 or more members in the compensation committee	1650	0.07	0	1
CC2	There are more than 50% of members of compensation committee are non-executive	1650	0.23	0	1
CC3	There are more than 75% compensation committee members are Independent Directors	1650	0.1	0	1
CC4	There are more than 2 meetings in a year	1650	0.1	0	1
	Normalized Compensation Committee Index	1650	0	−2.27	2.12
	Scaled Compensation Committee sub index (0–100)	1650	12.7	0	100
	Cronbach's α	0.9			
CSR Sustainability Committee					
CSC 1	There are more than 4 members in CSR committee	1650	0.01	0	1
CSC 2	50% of members of CSR committee are non-executive	1650	0.98	0	1
CSC 3	At least 2 members on committee are Independent Directors	1650	0.13	0	1
CSC 4	The committee meets at least 3 times in a year	1650	0.04	0	1
	Normalized CSR Sustainability Committee Index	1650	0	1.96	2.64
	Scaled CSR Sustainability Committee sub index (0–100)	1650	29	0	100
	Cronbach's α	0.87			
	Normalized CGI	1650	0	−2.12	3.16
	Non-normalized CGI	1650	37.81	12.9	77.42
	Cronbach's α	0.85			

Source: Compiled by Author.

Russian firms exhibit a similar pattern of formal compliance alongside limitations in oversight quality. A large proportion of firms maintain optimal board size (96%) and a majority of non-executive directors (84%), with 78% of boards meeting frequently. However, board independence remains moderate at around 52%, and gender diversity is limited, with only 19% of firms including more than one woman and about 1.7% having a female chairperson. Although audit committees are widely established and often formally independent (95%), only 25% include financial expertise and 16% show female representation, indicating uneven effectiveness of oversight mechanisms (Muravyev, 2017; Garanina & Muravyev, 2021) (See Table 3).

Table 3. Construction of Corporate Governance Index of Russia.

Variables	Definition	Obs.	Mean	Minimum	Maximum
Composition and Activities of board					
CAB 1	There is minimum 5 and maximum 15 directors	572	0.96	0	1
CAB 2	More than one third of directors are Independent	572	0.52	0	1
CAB 3	More than 50% of directors are non-executive directors	572	0.84	0	1
CAB 4	There are not more than 50% of non-executive directors of the company on 3+ Boards	572	0.94	0	1
CAB 5	There are not more than 2 chair positions hold by Chairman	572	0.96	0	1
CAB 6	There are not more than one-third directors are attending less than 75 percent of Meetings	572	0.96	0	1
CAB 7	More than 1 woman director on the board	572	0.19	0	1
CAB 8	More than five board meetings in a year	572	0.78	0	1
CAB 9	CEO and Chairman are different	572	0.001	0	1
CAB 10	The company has two tier board structure	572	0.25	0	1
CAB 11	The chairman of the company is woman	572	0.017	0	1
	Normalized Composition and Activities of Board Index	572	0	−2.12	3.16
	Scaled Board Composition and Activities sub index (0–100)	572	58.4	0	100
	Cronbach's α	0.5			
Composition and Activities of Audit Committee					
CAC 1	There are 4 or more members in the Audit Committee	572	0.33	0	1
CAC 2	Audit Committee meets 5 times or more in the year	572	0.6	0	1
CAC 3	More than 75% of directors in audit committee are Independent	572	0.52	0	1
CAC 4	There are one or more audit committee members on 3+ boards	572	0.16	0	1
CAC 5	The chairperson of the Audit Committee is Independent	572	0.95	0	1
CAC 6	There are no executive directors on Audit Committee	572	0.94	0	1
CAC 7	More than 50% of directors in audit committee are non-executives	572	0.79	0	1
CAC 8	There is one or more financial expert in the audit committee	572	0.25	0	1
	Normalized Composition and Activities of Audit Committee Index	572	0	−2.12	2.12
	Scaled Composition and Activities of Board sub index (0–100)	572	56.8	0	100
	Cronbach's α	0.49			
Nomination and Remuneration Committee					
NRC1	There are at least 4 members in the Nomination and Remuneration Committee	572	0.51	0	1
NRC2	There are no executive directors in the committee	572	0.87	0	1
NRC3	More than 2/3rd of nomination committee members is non-executive	572	0.57	0	1
NRC4	There are more than 2 meetings in a year	572	0.77	0	1
	Normalized Nomination and Remuneration Committee Index	572	0	−3.16	3.16
	Scaled Nomination and Remuneration Committee sub index (0–100)	572	68.1	0	100
	Cronbach's α	0.64			

Table 3. Cont.

Variables	Definition	Obs.	Mean	Minimum	Maximum
Compensation Committee					
CC1	There are 4 or more members in the compensation committee	572	0.37	0	1
CC2	There are more than 50% of members of compensation committee are non-executive	572	0.79	0	1
CC3	There are more than 75% compensation committee members are Independent Directors	572	0.53	0	1
CC4	There are more than 2 meetings in a year	572	0.8	0	1
	Normalized Compensation Committee Index	572	0	−2.12	1.74
	Scaled Compensation Committee sub index (0–100)	572	62.3	0	100
	Cronbach's α	0.5			
CSR Sustainability Committee					
CSC 1	There are more than 5 members in CSR committee	572	0.16	0	1
CSC 2	50% of members of CSR committee are non-executive	572	0.97	0	1
CSC 3	At least 2 members on committee are Independent Directors	572	0.93	0	1
CSC 4	The committee meets at least 4 times in a year	572	0.46	0	1
	Normalized CSR Sustainability Committee Index	572	0	−3.16	3.16
	Scaled CSR Sustainability Committee sub index (0–100)	572	63	0	100
	Cronbach's α	0.5			
	Normalized CGI	572	0	−1.72	1.18
	Non-normalized CGI	572	60.3	32.25	87.09
	Cronbach's α	0.74			

Source: Compiled by Author.

In India, governance structures reflect strong regulatory compliance, with high adherence to board size (0.89), independence (0.86), and composition requirements. However, more advanced governance practices remain less prevalent, with only about 26% of firms separating CEO and Chairperson roles and 23% including more than one woman director. Board activity is also moderate, with approximately 45% of firms holding more than five meetings annually, suggesting that while firms comply with regulatory frameworks, the transition toward more substantive governance practices is gradual (Srivastava et al., 2018) (See Table 4).

Table 4. Construction of Corporate Governance Index of India.

Variables	Definition	Obs.	Mean	Minimum	Maximum
Composition and Activities of board					
CAB 1	There is minimum 5 and maximum 15 directors	6996	0.89	0	1
CAB 2	More than one third of directors are Independent	6996	0.86	0	1
CAB 3	More than 50% of directors are non-executive directors	6996	0.86	0	1
CAB 4	There are not more than 50% of non-executive directors of the company on 3+ Boards	6996	0.86	0	1
CAB 5	There are not more than 2 chair positions hold by Chairman	6996	0.83	0	1
CAB 6	There are not more than one-third directors are attending less than 75 percent of Meetings	6996	0.83	0	1
CAB 7	More than 1 woman director on the board	6996	0.23	0	1
CAB 8	More than five board meetings in a year	6996	0.45	0	1
CAB 9	CEO and Chairman are different	6996	0.26	0	1
CAB 10	The company has two tier board structure	6996	0.02	0	1
CAB 11	The chairman of the company is woman	6996	0.03	0	1
	Normalized Composition and Activities of Board Index	6996	0	−3.16	3.16
	Scaled Board Composition and Activities sub index (0–100)	6996	55.7	0	100
	Cronbach's α	0.73			

Table 4. Cont.

Variables	Definition	Obs.	Mean	Minimum	Maximum
Composition and Activities of Audit Committee					
CAC 1	There are 4 or more members in the Audit Committee	6996	0.5	0	1
CAC 2	Audit Committee meets 5 times or more in the year	6996	0.45	0	1
CAC 3	More than 75% of directors in audit committee are Independent	6996	0.57	0	1
CAC 4	There are one or more audit committee members on 3+ boards	6996	0.44	0	1
CAC 5	The chairperson of the Audit Committee is Independent	6996	0.9	0	1
CAC 6	There are no executive directors on Audit Committee	6996	0.74	0	1
CAC 7	More than 50% of directors in audit committee are non-executives	6996	0.78	0	1
CAC 8	There is one or more financial expert in the audit committee	6996	0.51	0	1
	Normalized Composition and Activities of Audit Committee Index	6996	0	−2.96	2.64
	Scaled Composition and Activities of Board sub index (0–100)	6996	61.1	0	100
	Cronbach's α	0.74			
Nomination and Remuneration Committee					
NRC1	There are at least 4 members in the Nomination and Remuneration Committee	6996	0.3	0	1
NRC2	There are no executive directors in the committee	6996	0.84	0	1
NRC3	More than 2/3rd of nomination committee members is non-executive	6996	0.67	0	1
NRC4	There are more than 2 meetings in a year	6996	0.41	0	1
	Normalized Nomination and Remuneration Committee Index	6996	0	−2.82	2.64
	Scaled Nomination and Remuneration Committee sub index (0–100)	6996	55.4	0	100
	Cronbach's α	0.69			
Compensation Committee					
CC1	There are 4 or more members in the compensation committee	6996	0.34	0	1
CC2	There are more than 50% of members of compensation committee are non-executive	6996	0.83	0	1
CC3	There are more than 75% compensation committee members are Independent Directors	6996	0.55	0	1
CC4	There are more than 2 meetings in a year	6996	0.49	0	1
	Normalized Compensation Committee Index	6996	0	−2.4	2.27
	Scaled Compensation Committee sub index (0–100)	6996	55.5	0	100
	Cronbach's α	0.68			
CSR Sustainability Committee					
CSC 1	There are more than 5 members in CSR committee	6996	0.04	0	1
CSC 2	50% of members of CSR committee are non-executive	6996	0.8	0	1
CSC 3	At least 2 members on committee are Independent Directors	6996	0.4	0	1
CSC 4	The committee meets at least 4 times in a year	6996	0.14	0	1
	Normalized CSR Sustainability Committee Index	6996	0	−2.12	2.64
	Scaled CSR Sustainability Committee sub index (0–100)	6996	34.6	0	100
	Cronbach's α	0.88			
	Normalized CGI	6996	0	−3.06	3.16
	Non-normalized CGI	6996	54.3	12.9	87.09
	Cronbach's α	0.89			

Source: Compiled by Author.

Chinese firms demonstrate relatively stronger performance in basic board structures but weaker development in specialized governance mechanisms. While the board composition index is relatively high (around 67), diversity (0.29) and leadership separation (0.19) remain limited. Specialized committees show lower development, with audit committee scores around 48.9 and nomination and compensation committees scoring approximately 31 and 32.8, respectively. CSR-related governance remains particularly underdeveloped (around 25.3), indicating uneven progress across governance dimensions (Y. Liu et al., 2015; Xiao et al., 2004) (See Table 5).

Table 5. Construction of Corporate Governance Index of China.

Variables	Definition	Obs.	Mean	Minimum	Maximum
Composition and Activities of board					
CAB 1	There is minimum 5 and maximum 15 directors	7612	0.88	0	1
CAB 2	More than one third of directors are Independent	7612	0.52	0	1
CAB 3	More than 50% of directors are non-executive directors	7612	0.87	0	1
CAB 4	There are not more than 50% of non-executive directors of the company on 3+ Boards	7612	0.91	0	1
CAB 5	There are not more than 2 chair positions hold by Chairman	7612	0.98	0	1
CAB 6	There are not more than one-third directors are attending less than 75 percent of Meetings	7612	0.93	0	1
CAB 7	More than 1 woman director on the board	7612	0.29	0	1
CAB 8	More than five board meetings in a year	7612	0.83	0	1
CAB 9	CEO and Chairman are different	7612	0.19	0	1
CAB 10	The company has two tier board structure	7612	0.92	0	1
CAB 11	The chairman of the company is woman	7612	0.04	0	1
	Normalized Composition and Activities of Board Index	7612	0	−2.94	2.65
	Scaled Board Composition and Activities sub index (0–100)	7612	67	0	100
	Cronbach's α	0.67			
Composition and Activities of Audit Committee					
CAC 1	There are 4 or more members in the Audit Committee	7612	0.23	0	1
CAC 2	Audit Committee meets 5 times or more in the year	7612	0.48	0	1
CAC 3	More than 75% of directors in audit committee are Independent	7612	0.1	0	1
CAC 4	There are one or more audit committee members on 3+ boards	7612	0.3	0	1
CAC 5	The chairperson of the Audit Committee is Independent	7612	0.81	0	1
CAC 6	There are no executive directors on Audit Committee	7612	0.74	0	1
CAC 7	More than 50% of directors in audit committee are non-executives	7612	0.57	0	1
CAC 8	There is one or more financial expert in the audit committee	7612	0.69	0	1
	Normalized Composition and Activities of Audit Committee Index	7612	0	−2.82	2.47
	Scaled Composition and Activities of Board sub index (0–100)	7612	48.9	0	100
	Cronbach's α	0.82			
Nomination and Remuneration Committee					
NRC1	There are at least 4 members in the Nomination and Remuneration Committee	7612	0.22	0	1
NRC2	There are no executive directors in the committee	7612	0.61	0	1
NRC3	More than 2/3rd of nomination committee members is non-executive	7612	0.22	0	1
NRC4	There are more than 2 meetings in a year	7612	0.26	0	1
	Normalized Nomination and Remuneration Committee Index	7612	0	−2.4	2.64
	Scaled Nomination and Remuneration Committee sub index (0–100)	7612	32.8	0	100
	Cronbach's α	0.81			

Table 5. Cont.

Variables	Definition	Obs.	Mean	Minimum	Maximum
Compensation Committee					
CC1	There are 4 or more members in the compensation committee	7612	0.17	0	1
CC2	There are more than 50% of members of compensation committee are non-executive	7612	0.58	0	1
CC3	There are more than 75% compensation committee members are Independent Directors	7612	0.28	0	1
CC4	There are more than 2 meetings in a year	7612	0.2	0	1
	Normalized Compensation Committee Index	7612	0	−2.82	2.64
	Scaled Compensation Committee sub index (0–100)	7612	31	0	100
	Cronbach's α	0.9			
CSR Sustainability Committee					
CSC 1	There are more than 5 members in CSR committee	7612	0.003	0	1
CSC 2	50% of members of CSR committee are non-executive	7612	0.99	0	1
CSC 3	At least 2 members on committee are Independent Directors	7612	0.008	0	1
CSC 4	The committee meets at least 4 times in a year	7612	0.003	0	1
	Normalized CSR Sustainability Committee Index	7612	0	−2.12	2.4
	Scaled CSR Sustainability Committee sub index (0–100)	7612	25.3	0	100
	Cronbach's α	0.92			
	Normalized CGI	7612	0	−2.14	2.64
	Non-normalized CGI	7612	47.9	12.9	87.09
	Cronbach's α	0.88			

Source: Compiled by Author.

South African firms exhibit the most developed governance framework among BRICS economies, with strong alignment to international best practices. Board composition scores are high (around 72.4), supported by strong independence (0.96), optimal board size (0.95), and relatively higher gender diversity (0.80). Audit committees also perform well (around 70), reflecting strong independence and oversight structures. However, leadership separation remains limited (approximately 0.004), and committee activity levels show some variation, indicating that even advanced governance systems face challenges in consistent implementation (Adegbite & Nakajima, 2011; Ntim, 2013) (See Table 6).

Table 6. Construction of Corporate Governance Index of South Africa.

Variables	Definition	Obs.	Mean	Minimum	Maximum
Composition and Activities of board					
CAB 1	There is minimum 5 and maximum 15 directors	946	0.95	0	1
CAB 2	More than one third of directors are Independent	946	0.96	0	1
CAB 3	More than 50% of directors are non-executive directors	946	0.96	0	1
CAB 4	There are not more than 50% of non-executive directors of the company on 3+ Boards	946	0.98	0	1
CAB 5	There are not more than 2 chair positions hold by Chairman	946	0.9	0	1
CAB 6	There are not more than one-third directors are attending less than 75 percent of Meetings	946	0.98	0	1
CAB 7	More than 1 woman director on the board	946	0.8	0	1
CAB 8	More than five board meetings in a year	946	0.41	0	1
CAB 9	CEO and Chairman are different	946	0.004	0	1
CAB 10	The company has two tier board structure	946	0.86	0	1
CAB 11	The chairman of the company is woman	946	0.13	0	1
	Normalized Composition and Activities of Board Index	946	0	−2.64	2.12
	Scaled Board Composition and Activities sub index (0–100)	946	72.4	0	100
	Cronbach's α	0.71			

Table 6. Cont.

Variables	Definition	Obs.	Mean	Minimum	Maximum
Composition and Activities of Audit Committee					
CAC 1	There are 4 or more members in the Audit Committee	946	0.52	0	1
CAC 2	Audit Committee meets 5 times or more in the year	946	0.38	0	1
CAC 3	More than 75% of directors in audit committee are Independent	946	0.94	0	1
CAC 4	There are one or more audit committee members on 3+ boards	946	0.32	0	1
CAC 5	The chairperson of the Audit Committee is Independent	946	0.98	0	1
CAC 6	There are no executive directors on Audit Committee	946	0.95	0	1
CAC 7	More than 50% of directors in audit committee are non-executives	946	0.87	0	1
CAC 8	There is one or more financial expert in the audit committee	946	0.61	0	1
	Normalized Composition and Activities of Audit Committee Index	946	0	−2.12	1.53
	Scaled Composition and Activities of Board sub index (0–100)	946	70	0	100
	Cronbach's α	0.61			
Nomination and Remuneration Committee					
NRC1	There are at least 4 members in the Nomination and Remuneration Committee	946	0.47	0	1
NRC2	There are no executive directors in the committee	946	0.88	0	1
NRC3	More than 2/3rd of nomination committee members is non-executive	946	0.53	0	1
NRC4	There are more than 2 meetings in a year	946	0.63	0	1
	Normalized Nomination and Remuneration Committee Index	946	0	−2.64	1.96
	Scaled Nomination and Remuneration Committee sub index (0–100)	946	62.9	0	100
	Cronbach's α	0.61			
Compensation Committee					
CC1	There are 4 or more members in the compensation committee	946	0.4	0	1
CC2	There are more than 50% of members of compensation committee are non-executive	946	0.9	0	1
CC3	There are more than 75% compensation committee members are Independent Directors	946	0.6	0	1
CC4	There are more than 2 meetings in an year	946	0.68	0	1
	Normalized Compensation Committee Index	946	0	−2.3	2.4
	Scaled Compensation Committee sub index (0–100)	946	64.6	0	100
	Cronbach's α	0.87			
CSR Sustainability Committee					
CSC 1	There are more than 5 members in CSR committee	946	0.15	0	1
CSC 2	50% of members of CSR committee are non-executive	946	0.95	0	1
CSC 3	At least 2 members on committee are Independent Directors	946	0.87	0	1
CSC 4	The committee meets at least 4 times in a year	946	0.37	0	1
	Normalized CSR Sustainability Committee Index	946	0	−2.24	2.12
	Scaled CSR Sustainability Committee sub index (0–100)	946	58.4	0	100
	Cronbach's α	0.82			
	Normalized CGI	946	0	−1.82	1.28
	Non-normalized CGI	946	67.7	16.12	83.87
	Cronbach's α	0.88			

Source: Compiled by Author.

Overall, the descriptive analysis indicates that while formal governance structures are largely established across BRICS economies, the effectiveness and depth of implementation vary significantly. These differences reflect broader institutional environments and are important for interpreting subsequent empirical results, as governance practices may operate differently across countries despite apparent structural similarities.

The corporate governance performance of BRICS economies is shown in Table 7.

Table 7. Comparative Corporate Governance Performance: BRICS Economies.

Country	Overall CGI	Primary Strengths	Weaknesses	Oversight Profile
South Africa	67.7	Board Independence (0.96), Gender Diversity (0.80)	CEO Chairman Separation (0.004)	Global Benchmark
India	52.0	Board Size (0.89), Independence (0.86)	Gender Diversity (0.23), Meeting Frequency	Foundational Adherence
Russia	48.0	Structural Size (0.96), Non-Executive Majority (0.84)	Leadership Independence (0.01), Audit Expertise	Structural Compliance
China	47.9	Robust Board Size, Independence	CSR, Audit and Compensation Committees	Institutional Decoupling
Brazil	45.0	Adherence to Basic Board Structure	Independence (0.46), Leadership Segregation (0.03)	Mixed Performance

Source: Compiled by Author.

3.6. Model Specification

The empirical analysis employs a longitudinal panel regression framework to examine the association between corporate governance quality, measured through the Corporate Governance Index (CGI), and three core firm-level outcomes: cost of capital (COC), return on capital employed (ROCE), and working capital efficiency (WC). These variables capture key dimensions of financing efficiency, profitability, and liquidity management, respectively, and form the primary focus of the analysis. Additional indicators, including cost of equity (COE), cost of debt (COD), return on assets (ROA), return on equity (ROE), and alternative liquidity measures, are incorporated as supplementary variables to assess the robustness and consistency of the results. Panel data is particularly suitable in this context, as it accounts for both cross-sectional heterogeneity and temporal dynamics (D. H. Tran, 2014; AlHares, 2020), which is essential in BRICS economies characterized by evolving institutional environments and heterogeneous regulatory enforcement (Teti et al., 2016; Qin et al., 2021; Chancharat & Kotphootorn, 2023). Accordingly, the empirical framework is designed to identify systematic associations between governance quality and firm outcomes rather than establish causal relationships.

The baseline specification models CGI as the key explanatory variable influencing firm-level outcomes. To control for unobserved, time-invariant firm characteristics, the model is estimated using a firm fixed-effects estimator, with the choice supported by the Hausman test, which indicates correlation between firm-specific effects and the explanatory variables. In addition, year fixed effects are included to capture macroeconomic shocks and common time trends. Standard errors are clustered at the firm level to account for heteroskedasticity and serial correlation. While this specification controls for time-invariant heterogeneity, it does not fully address potential endogeneity concerns arising from reverse causality or omitted time-varying factors. To partially assess these concerns, additional specifications incorporating lagged governance variables and placebo tests using future governance are estimated, and results are interpreted as associational rather than causal.

The baseline empirical models are specified as follows:

$$COCit = a_0 + \beta_1 CGIit + \varepsilon_{it} \quad (1)$$

$$ROCEit = a_0 + \beta_1 CGIit + \varepsilon_{it} \quad (2)$$

$$WCit = a_0 + \beta_1 CGIit + \varepsilon_{it} \quad (3)$$

For firm level characteristics that may influence financial outcomes, a set of control variables is incorporated. These include financial leverage (FL), total assets (TA) as a proxy for firm size, revenue growth (RG), and market-to-book ratio (MTBR). These controls capture differences in capital structure, scale, growth opportunities, and market expectations, thereby reducing potential omitted variable bias. The extended specifications are as follows:

$$COCit = a_0 + \beta_1 CGIit + \beta_2 FLit + \beta_3 TAIT + \beta_4 RGit + \beta_5 MTBRit + \varepsilon it \quad (4)$$

$$ROCEit = a_0 + \beta_1 CGIit + \beta_2 FLit + \beta_3 TAIT + \beta_4 RGit + \beta_5 MTBRit + \varepsilon it \quad (5)$$

$$WCit = a_0 + \beta_1 CGIit + \beta_2 FLit + \beta_3 TAIT + \beta_4 RGit + \beta_5 MTBRit + \varepsilon it \quad (6)$$

In order to further assess the robustness of the findings, additional specifications incorporate alternative dependent variables capturing different dimensions of firm performance and liquidity. Specifically, COE and COD are used as alternative measures of cost of capital, while ROA and ROE capture accounting-based performance. Working capital efficiency is further examined using indicators such as the current ratio, quick ratio, inventory turnover ratio, cash conversion cycle, and operating cash flows. This multidimensional approach allows for a broader assessment of the governance–performance relationship and helps evaluate whether the observed associations are consistent across alternative measures. Overall, this extended framework strengthens the reliability of the findings while maintaining a cautious interpretation consistent with the observational nature of the data.

4. Empirical Results

4.1. Regression Results

Table 8 presents the regression results with control variables, highlighting substantial cross-country variation in the association between the Corporate Governance Index (CGI) and firm-level financial outcomes across BRICS economies. Overall, governance is systematically associated with both financing conditions and firm performance, although the strength and direction of these relationships differ across institutional contexts. Consistent with the empirical design, these results should be interpreted as conditional associations rather than causal effects. The evidence suggests that governance operates through multiple channels affecting both the cost of capital and operational efficiency but the relative importance of these channels varies across countries.

Table 8. Impact of CGI on Financial Performance of BRICS economies (without control variables).

Variables	COC	COE	COD	ROCE	ROA	ROE	PE
BRAZIL							
CGI	−0.1549 (0.000)	−0.2629 (0.000)	−0.0124 (0.075)	0.0859 (0.083)	0.0856 (0.027)	0.0818 (0.046)	0.1301 (0.000)
R-Squared	0.011	0.057	0.061	0.034	0.029	0.031	0.067
RUSSIA							
CGI	−0.3491 (0.001)	−0.0633 (0.056)	−0.2252 (0.034)	0.5390 (0.018)	0.3206 (0.007)	0.3086 (0.013)	0.0369 (0.074)
R-Squared	0.086	0.069	0.077	0.035	0.038	0.062	0.031
INDIA							
CGI	−0.1404 (0.000)	−0.1356 (0.000)	−0.5107 (0.000)	0.1215 (0.000)	0.2838 (0.041)	0.1271 (0.000)	0.2178 (0.000)
R-Squared	0.1347	0.1321	0.1787	0.1253	0.0957	0.1283	0.0866

Table 8. Cont.

Variables	COC	COE	COD	ROCE	ROA	ROE	PE
CHINA							
CGI	−0.0643 (0.005)	−0.1796 (0.000)	−0.5022 (0.000)	0.1952 (0.000)	0.1673 (0.000)	0.1393 (0.000)	0.0976 (0.000)
R-Squared	0.0934	0.0842	0.0658	0.9709	0.0729	0.0488	0.1008
SOUTH AFRICA							
CGI	−0.1661 (0.000)	−0.1871 (0.000)	−0.1025 (0.000)	0.1362 (0.005)	0.2165 (0.006)	0.1951 (0.013)	0.1508 (0.000)
R-Squared	0.0527	0.0789	0.0419	0.0907	0.0783	0.0139	0.0428

Source: Compiled by Author.

India and China exhibit the strongest and most consistent governance performance associations, albeit through slightly different mechanisms. In India, CGI is negatively associated with financing costs COC (−14.04%), COD (−51.07%), and COE (−13.56%) while simultaneously showing positive associations with profitability indicators, including ROCE (12.15%), ROA (28.38%), ROE (12.71%), and the PE (21.78%). This pattern suggests that governance improvements are linked to both reduced financing frictions and enhanced capital utilization. China shows a similarly strong relationship, particularly through a substantial reduction in the cost of debt (−50.22%) and improvements in returns (ROCE 19.52%, ROA 16.73%, ROE 13.93%), indicating that governance quality may primarily operate through more efficient capital allocation and risk management in this context.

Russia and South Africa present more differentiated patterns, while Brazil shows comparatively weaker associations. In Russia, CGI is strongly associated with profitability measures ROCE (53.90%), ROA (32.06%), and ROE (30.86%) but only moderately related to financing costs, suggesting that governance is more closely linked to internal efficiency than external financing conditions. South Africa demonstrates a more balanced profile, with governance associated with both lower financing costs (COC −16.61%, COE −18.71%, COD −10.25%) and improved returns (ROCE 13.62%, ROA 21.65%, ROE 19.51%), reflecting its relatively mature governance framework. In contrast, Brazil exhibits weaker and less consistent associations, with modest improvements in profitability and limited effects on debt costs, potentially reflecting institutional frictions such as enforcement constraints and ownership concentration. Taken together, these findings indicate that while governance is broadly associated with improved firm outcomes, the magnitude and transmission channels of these associations are shaped by country specific institutional environments.

Table 9 presents the relationship between the Corporate Governance Index (CGI) and liquidity outcomes across BRICS economies, revealing substantial cross-country variation in how governance is associated with liquidity management. Consistent with the empirical framework, these results should be interpreted as conditional associations rather than causal effects. Overall, the findings suggest that governance is systematically linked to liquidity outcomes; however, the strength and transmission channels of these relationships differ across institutional settings. This variation indicates that governance mechanisms interact with country-specific regulatory environments, market structures, and ownership patterns in shaping liquidity behaviour.

India emerges as the most governance responsive system, with CGI positively associated across all liquidity indicators, including working capital (50.28%), current ratio (31.14%), and cash holdings (34.29%). These relatively large magnitudes suggest that stronger governance is associated with improved liquidity discipline and financial flexibility, consistent with Gupta and Pandey (2024). Brazil also shows uniformly positive but comparatively smaller associations, particularly for working capital (23.27%) and cash

(18.23%), indicating that governance is linked to improved liquidity access, although the strength of these relationships may be moderated by institutional constraints, as noted by [Black et al. \(2012\)](#). China exhibits a more selective pattern, where CGI is strongly associated with balance-sheet liquidity measures such as the quick ratio (30.09%) and current ratio (27.16%), but shows only a limited relationship with inventory turnover (2.14%). This suggests that governance mechanisms in China may be more closely aligned with financial flexibility rather than operational liquidity efficiency, consistent with [Tang and Wang \(2011\)](#).

Table 9. Impact of CGI on liquidity of BRICS economies (without control variables).

Variables	WC	CR	QR	ITR	CCC	Cash
BRAZIL						
CGI	0.2327 (0.004)	0.0503 (0.019)	0.0644 (0.051)	0.0378 (0.000)	0.0324 (0.044)	0.1823 (0.000)
R-Squared	0.071	0.041	0.023	0.061	0.045	0.035
RUSSIA						
CGI	0.0507 (0.064)	0.0308 (0.077)	0.0852 (0.049)	0.2142 (0.048)	0.1187 (0.027)	0.3357 (0.021)
R-Squared	0.039	0.034	0.027	0.071	0.038	0.097
INDIA						
CGI	0.5028 (0.000)	0.3114 (0.000)	0.2502 (0.000)	0.1701 (0.000)	0.0993 (0.007)	0.3429 (0.000)
R-Squared	0.1464	0.0766	0.1149	0.0539	0.0818	0.1214
CHINA						
CGI	0.1801 (0.000)	0.2716 (0.000)	0.3009 (0.000)	0.0214 (0.034)	0.0773 (0.074)	0.1667 (0.000)
R-Squared	0.0871	0.0927	0.0456	0.0514	0.0402	0.0991
SOUTH AFRICA						
CGI	0.1462 (0.007)	0.0803 (0.012)	0.1081 (0.019)	0.0462 (0.000)	0.0499 (0.009)	0.2977 (0.000)
R-Squared	0.1513	0.0423	0.0197	0.0386	0.0648	0.1481

Source: Compiled by Author.

Russia and South Africa display more targeted and moderate patterns. In Russia, CGI is strongly associated with cash holdings (33.57%) and inventory turnover (21.42%), indicating that governance may be linked to precautionary liquidity management rather than broad-based efficiency improvements, in line with [Zavertiaeva et al. \(2024\)](#). South Africa presents a relatively balanced profile, with positive associations across key indicators such as cash holdings (29.77%) and working capital (14.62%), supporting the view that governance contributes to financial stability without generating extreme variation across liquidity measures ([Ntim, 2013](#)). Taken together, the evidence suggests that while CGI is consistently associated with liquidity outcomes across BRICS economies, the magnitude and nature of these associations are shaped by broader institutional environments rather than governance structures alone.

Table 10 reports the relationship between the Corporate Governance Index (CGI) and financial performance after controlling for firm-level characteristics, providing further evidence on the robustness of the governance performance association across BRICS economies. Overall, CGI is consistently associated with lower financing costs (COC, COE, and COD) and higher profitability and valuation indicators (ROCE, ROA, ROE, and PE). However, these relationships should be interpreted as conditional associations rather than causal effects. The results suggest that governance influences both external financing con-

ditions and internal performance, although the relative strength of these channels varies across institutional contexts.

Table 10. Impact of CGI on financial performance of BRICS economies (with controlling variables).

Variables	COC	COE	COD	ROCE	ROA	ROE	PE
BRAZIL							
CGI	−0.1062 (0.006)	−0.2110 (0.000)	−0.0456 (0.004)	0.1372 (0.005)	0.0936 (0.006)	0.0551 (0.008)	0.0864 (0.036)
Leverage	−0.0121 (0.086)	−0.0107 (0.047)	−0.0086 (0.072)	0.0770 (0.005)	0.0219 (0.039)	0.2222 (0.000)	0.0185 (0.045)
Firm Size	0.0050 (0.093)	0.0130 (0.059)	0.0107 (0.060)	0.0851 (0.076)	0.1251 (0.000)	0.1302 (0.000)	0.0483 (0.066)
Revenue growth	0.2094 (0.000)	0.2489 (0.000)	0.0799 (0.000)	0.0360 (0.019)	0.1279 (0.000)	0.0938 (0.000)	0.0785 (0.002)
Market to book ratio	0.3165 (0.000)	0.2923 (0.000)	0.3830 (0.000)	0.1592 (0.000)	0.2581 (0.000)	0.2247 (0.000)	0.2365 (0.000)
Adjusted R-Squared	0.1469	0.1679	0.1507	0.0459	0.1139	0.1317	0.0611
RUSSIA							
CGI	−0.1549 (0.027)	−0.2839 (0.035)	−0.1962 (0.016)	0.1251 (0.097)	0.1741 (0.018)	0.2389 (0.049)	0.2457 (0.075)
Leverage	−0.0627 (0.024)	−0.2201 (0.000)	−0.0395 (0.046)	0.0653 (0.019)	0.2341 (0.000)	0.0345 (0.050)	0.1346 (0.010)
Firm Size	0.1047 (0.044)	0.0816 (0.019)	0.1510 (0.003)	0.0294 (0.055)	0.0516 (0.009)	0.0600 (0.023)	0.0312 (0.054)
Revenue growth	0.1242 (0.017)	0.1643 (0.001)	0.0670 (0.020)	0.3417 (0.000)	0.2488 (0.000)	0.2203 (0.000)	0.2252 (0.000)
Market to book ratio	0.0114 (0.083)	0.1162 (0.023)	0.0399 (0.045)	0.1946 (0.000)	0.2291 (0.000)	0.1865 (0.000)	0.1729 (0.000)
Adjusted R-Squared	0.0953	0.1129	0.1211	0.1497	0.1429	0.0958	0.1006
INDIA							
CGI	−0.1552 (0.005)	−0.1495 (0.007)	−0.4463 (0.000)	0.1364 (0.000)	0.1162 (0.000)	0.1702 (0.000)	0.0571 (0.042)
Leverage	−0.1007 (0.000)	−0.0285 (0.014)	−0.1327 (0.000)	0.0323 (0.007)	0.2318 (0.000)	0.0504 (0.000)	0.0125 (0.028)
Firm Size	0.1614 (0.000)	0.1620 (0.000)	0.0994 (0.042)	0.0516 (0.000)	0.0525 (0.000)	0.0544 (0.000)	0.1421 (0.000)
Revenue growth	0.0024 (0.084)	0.0317 (0.006)	0.0339 (0.004)	0.1643 (0.000)	0.2095 (0.000)	0.2256 (0.000)	0.1008 (0.000)
Market to book ratio	0.1073 (0.000)	0.2942 (0.000)	0.0199 (0.009)	0.2622 (0.000)	0.2925 (0.000)	0.2486 (0.000)	0.3625 (0.000)
Adjusted R-Squared	0.1428	0.1203	0.0685	0.1139	0.2041	0.1372	0.1520
CHINA							
CGI	−0.1574 (0.032)	−0.0679 (0.006)	−0.5384 (0.000)	0.1101 (0.000)	0.1421 (0.000)	0.1694 (0.000)	0.2917 (0.009)
Leverage	−0.2452 (0.000)	−0.0056 (0.062)	−0.0261 (0.019)	0.0759 (0.000)	0.1952 (0.000)	0.1094 (0.032)	0.0635 (0.000)
Firm Size	0.0948 (0.000)	0.1041 (0.000)	0.0118 (0.009)	0.1283 (0.031)	0.1826 (0.001)	0.0992 (0.013)	0.0571 (0.000)
Revenue growth	0.0935 (0.007)	0.0302 (0.007)	0.0684 (0.000)	0.2129 (0.000)	0.2583 (0.000)	0.2657 (0.000)	0.1237 (0.000)
Market to book ratio	0.2534 (0.000)	0.0526 (0.000)	0.1094 (0.000)	0.1731 (0.000)	0.2021 (0.000)	0.1893 (0.000)	0.3739 (0.000)
Adjusted R-Squared	0.1466	0.0641	0.0843	0.0956	0.1577	0.1285	0.1653

Table 10. Cont.

Variables	COC	COE	COD	ROCE	ROA	ROE	PE
SOUTH AFRICA							
CGI	−0.4766 (0.000)	−0.4542 (0.000)	−0.3801 (0.000)	0.0687 (0.042)	0.1222 (0.007)	0.0785 (0.003)	0.3152 (0.000)
Leverage	−0.0990 (0.002)	−0.0412 (0.004)	−0.0396 (0.021)	0.1124 (0.000)	0.2254 (0.000)	0.0272 (0.043)	0.1427 (0.000)
Firm Size	0.1034 (0.007)	0.0860 (0.034)	0.1864 (0.056)	0.0398 (0.017)	0.1317 (0.009)	0.0556 (0.005)	0.3406 (0.028)
Revenue growth	0.0748 (0.027)	0.0764 (0.013)	0.0631 (0.056)	0.2303 (0.000)	0.2319 (0.000)	0.2458 (0.000)	0.0675 (0.037)
Market to book ratio	0.1304 (0.000)	0.3134 (0.000)	0.1404 (0.000)	0.4299 (0.000)	0.3821 (0.000)	0.3550 (0.000)	0.2430 (0.000)
Adjusted R- Square	0.0865	0.1912	0.0708	0.3023	0.3025	0.2293	0.1204

Source: Compiled by Author.

South Africa exhibits the strongest and most integrated pattern, with CGI negatively associated with the cost of capital (−47.66%) and cost of equity (−45.42%), alongside a substantial positive association with market valuation (PE: 31.52%). This combination suggests that governance quality is linked to both reduced financing costs and enhanced investor confidence, consistent with [Mangena and Taurigana \(2007\)](#). India and China also demonstrate strong governance performance associations, particularly through large reductions in the cost of debt (India: −44.63%; China: −53.84%) combined with positive associations with profitability measures. These findings support the argument of [Ararat et al. \(2017\)](#) that governance plays a critical role in improving financial efficiency in emerging markets.

In contrast, Brazil and Russia display more moderate associations with financing costs but maintain consistent positive relationships with profitability indicators such as ROCE, ROA, and ROE. This pattern suggests that governance in these economies is more closely linked to operational efficiency than to substantial reductions in financing costs, in line with [Klapper and Love \(2004\)](#). A cross-country comparison indicates that while CGI is positively associated with firm value across all BRICS economies, the magnitude and transmission channels of these relationships differ. These differences likely reflect variations in regulatory enforcement, capital market development, and investor protection frameworks. Overall, the results highlight that the effectiveness of governance in shaping financial outcomes is conditioned by broader institutional environments rather than governance structures alone.

Table 11 reports the relationship between the Corporate Governance Index (CGI) and liquidity outcomes after controlling for firm characteristics, revealing meaningful cross-country variation in both magnitude and transmission channels. Consistent with the empirical framework, these findings should be interpreted as conditional associations rather than causal effects. Overall, CGI is positively associated with liquidity performance across BRICS economies; however, the strength and nature of these relationships differ depending on institutional contexts. The results suggest that governance influences liquidity through multiple mechanisms, including solvency, operational efficiency, and precautionary cash management, with country-specific patterns reflecting differences in financial systems and regulatory environments.

Table 11. Impact of CGI on liquidity of BRICS economies (with controlling variables).

Variables	WC	CR	QR	ITR	CCC	Cash
BRAZIL						
CGI	0.0725 (0.049)	0.0407 (0.031)	0.0718 (0.044)	0.3721 (0.000)	0.0847 (0.018)	0.0969 (0.014)
Leverage	0.1005 (0.007)	0.2979 (0.002)	0.2709 (0.006)	0.0347 (0.019)	0.0842 (0.002)	0.0242 (0.051)
Firm Size	0.4725 (0.002)	0.2827 (0.005)	0.1768 (0.008)	0.0484 (0.083)	0.0297 (0.304)	0.3242 (0.000)
Revenue growth	0.0121 (0.059)	0.0399 (0.057)	0.0302 (0.023)	0.0292 (0.028)	0.0915 (0.001)	0.4083 (0.095)
Market to book ratio	0.0509 (0.064)	0.0694 (0.005)	0.0924 (0.000)	0.1451 (0.000)	0.0429 (0.012)	0.4814 (0.051)
Adjusted R-Squared	0.2376	0.1041	0.0901	0.0927	0.0924	0.1258
RUSSIA						
CGI	0.1841 (0.017)	0.2243 (0.015)	0.0713 (0.065)	0.3285 (0.018)	0.2323 (0.018)	0.1439 (0.028)
Leverage	0.2593 (0.000)	0.2940 (0.000)	0.1860 (0.001)	0.1077 (0.041)	0.0031 (0.053)	0.0400 (0.043)
Firm Size	0.0831 (0.097)	0.0026 (0.095)	0.0746 (0.019)	0.1081 (0.035)	0.0897 (0.014)	0.3068 (0.000)
Revenue growth	0.1630 (0.001)	0.1263 (0.012)	0.1263 (0.029)	0.1239 (0.016)	0.0151 (0.076)	0.0414 (0.004)
Market to book ratio	0.0478 (0.035)	0.0734 (0.015)	0.0282 (0.063)	0.0574 (0.027)	0.1469 (0.006)	0.0924 (0.045)
Adjusted R-Squared	0.1039	0.1132	0.0482	0.0562	0.0612	0.1052
INDIA						
CGI	0.1054 (0.000)	0.3998 (0.001)	0.0141 (0.005)	0.1560 (0.000)	0.0539 (0.004)	0.0859 (0.002)
Leverage	0.3855 (0.000)	0.5105 (0.000)	0.4122 (0.000)	0.0103 (0.004)	0.0551 (0.000)	0.0888 (0.000)
Firm Size	0.3028 (0.000)	0.0498 (0.000)	0.0513 (0.000)	0.0431 (0.001)	0.0391 (0.003)	0.2973 (0.000)
Revenue growth	0.0177 (0.008)	0.1054 (0.003)	0.0122 (0.027)	0.1657 (0.000)	0.0872 (0.000)	0.0271 (0.019)
Market to book ratio	0.0804 (0.000)	0.0555 (0.000)	0.0647 (0.000)	0.0654 (0.000)	0.0617 (0.000)	0.0591 (0.000)
Adjusted R-Squared	0.3129	0.2833	0.1894	0.0368	0.1706	0.1234
CHINA						
CGI	0.1781 (0.000)	0.0972 (0.000)	0.1502 (0.000)	0.0528 (0.036)	0.0398 (0.011)	0.1575 (0.000)
Leverage	0.3153 (0.000)	0.0490 (0.000)	0.0432 (0.000)	0.0406 (0.000)	0.0491 (0.000)	0.0703 (0.000)
Firm Size	0.3768 (0.000)	0.0663 (0.000)	0.0641 (0.000)	0.0235 (0.008)	0.0119 (0.037)	0.0493 (0.000)
Revenue growth	0.0489 (0.062)	0.0229 (0.008)	0.0015 (0.087)	0.1308 (0.000)	0.1342 (0.000)	0.0960 (0.000)
Market to book ratio	0.0943 (0.038)	0.0200 (0.006)	0.0390 (0.000)	0.0194 (0.011)	0.0442 (0.000)	0.0357 (0.000)
Adjusted R- Square	0.2667	0.2514	0.2057	0.1919	0.2402	0.3127

Table 11. Cont.

Variables	WC	CR	QR	ITR	CCC	Cash
SOUTH AFRICA						
CGI	0.0728 (0.036)	0.0677 (0.039)	0.0968 (0.009)	0.0384 (0.000)	0.0395 (0.068)	0.2407 (0.001)
Leverage	0.2441 (0.000)	0.3922 (0.000)	0.0323 (0.000)	0.0639 (0.006)	0.0783 (0.046)	0.0403 (0.018)
Firm Size	0.2232 (0.000)	0.0438 (0.008)	0.0445 (0.018)	0.1190 (0.000)	0.0147 (0.070)	0.0406 (0.000)
Revenue growth	0.0484 (0.013)	0.0287 (0.036)	0.0531 (0.011)	0.0959 (0.000)	0.1271 (0.001)	0.0344 (0.002)
Market to book ratio	0.0656 (0.054)	0.0183 (0.058)	0.0717 (0.029)	0.1189 (0.000)	0.002 (0.095)	0.0718 (0.027)
Adjusted R- Square	0.1157	0.1522	0.1203	0.1743	0.0218	0.1854

Source: Compiled by Author.

India exhibits the strongest associations in solvency-oriented indicators, with CGI positively linked to the current ratio (39.98%) and working capital (10.54%), alongside a moderate association with cash holdings (8.59%), suggesting that governance is associated with enhanced short-term financial resilience (Srivastava et al., 2019). Russia displays a broader pattern, with positive associations across the current ratio (22.43%), working capital (18.41%), and cash (14.39%), indicating that governance is linked to both liquidity buffers and operational readiness (Zavertiaeva et al., 2024). China presents a more balanced profile, with CGI positively associated with the quick ratio (15.02%) and cash holdings (15.75%), supporting the view that governance contributes to financial flexibility (Tang & Wang, 2011). In contrast, Brazil's strongest association appears in inventory turnover (37.21%), accompanied by a smaller effect on cash (9.69%), suggesting that governance may operate more through operational efficiency (Eduardo Ribeiro & Artur de Souza, 2023), while South Africa shows a more cash-oriented pattern, with a strong association with cash reserves (24.07%) but relatively weaker relationships across other indicators, consistent with Mangena and Taurigana (2007).

Integrating these findings with the descriptive CGI analysis (Tables 2–6) provides additional insight into cross-country variation. In Brazil and Russia, relatively high formal compliance with governance structures coexists with weaker independence, diversity, and committee effectiveness (da Silva & Leal, 2005; Black et al., 2010; Muravyev, 2017; Garanina & Muravyev, 2021), which may explain the more limited and selective associations observed in the regression results. In contrast, India and South Africa, where governance frameworks demonstrate stronger institutional support and higher independence, exhibit more consistent and broader governance–performance associations (Adegbite & Nakajima, 2011; Ntim, 2013; Srivastava et al., 2018). China presents an intermediate case, where relatively strong board structures but weaker committee independence and diversity (Xiao et al., 2004; Y. Liu et al., 2015) are reflected in more targeted governance effects. Overall, these patterns indicate that the effectiveness of corporate governance depends not only on its formal adoption but also on institutional factors such as regulatory enforcement, ownership structures, disclosure quality, and market maturity, which shape how governance practices translate into firm level outcomes.

4.2. Hypotheses Results

The findings provide broadly consistent evidence in line with the proposed hypotheses across BRICS economies after controlling for firm-level characteristics, while remaining within an associational interpretation. Consistent with H1 (Agency Theory), the Corporate

Governance Index (CGI) is generally associated with lower financing costs, including cost of capital, cost of equity, and cost of debt, suggesting that governance mechanisms are linked to reduced information asymmetry and financing frictions. In line with H2 (Stewardship Theory), CGI is positively associated with firm performance, as reflected in higher ROCE, ROA, ROE, and improved market valuation (PE), indicating that governance quality is related to more efficient resource utilization and managerial discipline. The results also support H3 (Stakeholder Theory), with CGI positively associated with liquidity outcomes and working capital efficiency, suggesting improved financial flexibility and stakeholder-oriented management. However, the strength and transmission channels of these relationships vary across countries, with South Africa, India, and China exhibiting stronger and more integrated patterns, while Brazil and Russia show comparatively moderate associations. Overall, the evidence indicates that corporate governance is an important correlate of firm value across financing, performance, and liquidity dimensions, although these relationships are shaped by country-specific institutional environments and should be interpreted as conditional associations rather than causal effects.

4.3. Endogeneity and Placebo Test

This section assesses potential endogeneity concerns in the relationship between corporate governance and firm outcomes, with particular emphasis on reverse causality and dynamic adjustment. While the fixed-effects framework controls for unobserved, time-invariant firm characteristics, it does not fully rule out the possibility that governance structures may change in response to prior financial conditions. To examine this issue, a placebo test is implemented by replacing lagged corporate governance (L_CGI) with future governance (F_CGI) in the regression specification. If governance primarily influences firm outcomes, future governance should not be statistically significant. However, a significant coefficient on F_CGI would suggest that governance may be influenced by prior firm performance or financing conditions, indicating potential endogeneity. Table 12 presents the results of this analysis across BRICS economies for cost of capital, firm performance, and working capital outcomes, allowing for a direct comparison between lagged and future governance effects.

Table 12. Endogeneity and Placebo Test Results Across BRICS Economies (with Coefficients).

Country	Outcome	L_CGI (Lagged)	F_CGI (Placebo)
Brazil	WACC	0.084 (*)	0.066 (n.s.)
	ROCE	−0.071 (n.s.)	0.013 (n.s.)
	WC	0.062 (n.s.)	−0.025 (n.s.)
Russia	WACC	0.103 (n.s.)	0.146 (n.s.)
	ROCE	−0.116 (n.s.)	0.249 (n.s.)
	WC	0.345 (*)	−0.011 (n.s.)
India	WACC	0.008 (n.s.)	0.142 (***)
	ROCE	−0.124 (**)	−0.076 (n.s.)
	WC	0.079 (*)	0.042 (n.s.)
China	WACC	0.068 (n.s.)	−0.028 (n.s.)
	ROCE	−0.020 (n.s.)	0.033 (n.s.)
	WC	0.108 (**)	0.109 (*)
South Africa	WACC	0.151 (*)	−0.076 (n.s.)
	ROCE	−0.030 (n.s.)	−0.007 (n.s.)
	WC	0.032 (n.s.)	−0.028 (n.s.)

Source: Compiled by Author. Note: L_CGI represents lagged governance, while F_CGI represents future governance (placebo). Significance levels: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$, n.s. = not significant. Positive (+) and negative (−) signs indicate direction of association.

The baseline regressions indicate that higher corporate governance quality is associated with lower cost of capital (a negative CGI–COC relationship) and higher firm performance (a positive CGI–ROCE relationship) across BRICS economies. The lagged specifications provide additional insight into the temporal dynamics of this relationship by showing that prior governance is systematically associated with subsequent firm outcomes. For instance, the significance of lagged CGI in India for ROCE ($L_CGI = -0.124, p < 0.05$) indicates a statistically significant relationship between governance and subsequent firm performance, although the direction differs from the baseline specification. At the same time, positive associations with working capital in India ($L_CGI = 0.079, p < 0.10$) and China ($L_CGI = 0.108, p < 0.05$) suggest that governance is linked to improvements in liquidity management over time. Taken together, these results indicate that governance is associated with firm outcomes across multiple dimensions, although the direction and magnitude of effects may vary across specifications.

The placebo results further indicate that the governance–performance relationship is not purely unidirectional. In India, the strong and statistically significant coefficient on future governance in the cost of capital model ($F_CGI = 0.142, p < 0.01$) suggests that firms experiencing higher financing costs may subsequently strengthen governance structures, pointing to reverse causality. A similar, though more limited, dynamic is observed in China’s working capital model, where both lagged ($L_CGI = 0.108, p < 0.05$) and future governance ($F_CGI = 0.109, p < 0.10$) are significant, indicating persistence and gradual adjustment in governance practices. This coexistence of lagged and future effects suggests that governance evolves alongside firm conditions rather than acting as a strictly exogenous driver of performance.

Cross-country differences further clarify this dynamic. In Brazil, Russia, and South Africa, future governance coefficients are largely insignificant, indicating weaker evidence of reverse causality and a more stable relationship between governance and firm outcomes. This aligns with the baseline regressions for these countries, where the magnitude of governance effects is comparatively moderate, suggesting that governance structures may be less responsive to short-term financial conditions and more influenced by institutional constraints such as ownership concentration or regulatory enforcement. In contrast, the stronger and more consistent patterns observed in India and China across both baseline and placebo specifications indicate more active governance adjustments in response to market and firm-level conditions.

Overall, integrating the baseline, lagged, and placebo results suggests that the relationship between corporate governance and firm outcomes operates through both forward looking and feedback mechanisms. Governance is consistently associated with lower cost of capital and improved firm performance, but in certain contexts, particularly in India and China, firms also appear to adjust governance structures in response to financial pressures and performance outcomes. These findings highlight the importance of institutional environments in shaping the governance performance nexus and reinforce the interpretation of the results as robust associations within a dynamic and evolving framework, rather than as definitive causal effects.

5. Robustness Check

A series of robustness checks is undertaken to evaluate the stability of the main findings. To account for unobserved firm-level heterogeneity, the empirical models are estimated using a fixed-effects specification, which controls for time-invariant differences across firms. While this approach strengthens the empirical design, it does not fully eliminate potential endogeneity concerns, including reverse causality and omitted time-varying factors. To assess the consistency of the results, the analysis is extended across multiple

financial outcomes, including financing costs, firm performance, and liquidity measures. The findings remain qualitatively consistent across these specifications, indicating that the observed relationships are stable and not driven by model specification.

1. As an initial robustness exercise, regression models are estimated to examine the relationship between the Corporate Governance Index (CGI) and key financial performance measures cost of equity (COE), cost of debt (COD), return on assets (ROA), and return on equity (ROE) without the inclusion of control variables. This specification allows for an assessment of the baseline governance performance association independent of firm-specific characteristics. In addition, complementary regressions are conducted to evaluate the relationship between CGI and liquidity indicators, including the current ratio (CR), quick ratio (QR), inventory turnover ratio (ITR), cash conversion cycle (CCC), and cash holdings. The results of these models are reported in Tables 8 and 9.
2. Additional robustness checks are conducted using alternative model specifications that re-estimate the relationship between the Corporate Governance Index (CGI) and both the cost of equity (COE) and the cost of debt (COD), while incorporating a comprehensive set of control variables. These specifications provide a more stringent assessment of the governance financing relationship by accounting for key firm-level characteristics that may influence financing costs. This approach allows for an evaluation of whether the core findings remain stable under more demanding empirical conditions. The estimation equations underlying these robustness models are presented below.

$$COE_{it} = a_0 + \beta_1 CGI_{it} + \beta_2 FL_{it} + \beta_3 TA_{it} + \beta_4 RG_{it} + \beta_5 MTBR_{it} + \epsilon_{it} \quad (7)$$

$$COD_{it} = a_0 + \beta_1 CGI_{it} + \beta_2 FL_{it} + \beta_3 TA_{it} + \beta_4 RG_{it} + \beta_5 MTBR_{it} + \epsilon_{it} \quad (8)$$

The estimation results are reported in Table 10.

3. The analysis is further extended to the return dimension by estimating regression models that examine the relationship between the Corporate Governance Index (CGI) and firm performance, specifically return on equity (ROE) and return on assets (ROA).

$$ROE_{it} = a_0 + \beta_1 CGI_{it} + \beta_2 FL_{it} + \beta_3 TA_{it} + \beta_4 RG_{it} + \beta_5 MTBR_{it} + \epsilon_{it} \quad (9)$$

$$ROA_{it} = a_0 + \beta_1 CGI_{it} + \beta_2 FL_{it} + \beta_3 TA_{it} + \beta_4 RG_{it} + \beta_5 MTBR_{it} + \epsilon_{it} \quad (10)$$

The results obtained from these regression equations are presented in Table 10. To further assess the robustness of the analysis, the study also examines the relationship between the Corporate Governance Index (CGI) and firms' liquidity performance.

4. To examine the relationship between the Corporate Governance Index (CGI) and firms' liquidity position and working capital efficiency, the following regression equations are estimated.

$$CR_{it} = a_0 + \beta_1 CGI_{it} + \beta_2 FL_{it} + \beta_3 TA_{it} + \beta_4 RG_{it} + \beta_5 MTBR_{it} + \epsilon_{it} \quad (11)$$

$$QR_{it} = a_0 + \beta_1 CGI_{it} + \beta_2 FL_{it} + \beta_3 TA_{it} + \beta_4 RG_{it} + \beta_5 MTBR_{it} + \epsilon_{it} \quad (12)$$

$$ITR_{it} = a_0 + \beta_1 CGI_{it} + \beta_2 FL_{it} + \beta_3 TA_{it} + \beta_4 RG_{it} + \beta_5 MTBR_{it} + \epsilon_{it} \quad (13)$$

$$CCC_{it} = a_0 + \beta_1 CGI_{it} + \beta_2 FL_{it} + \beta_3 TA_{it} + \beta_4 RG_{it} + \beta_5 MTBR_{it} + \epsilon_{it} \quad (14)$$

$$Cash_{it} = a_0 + \beta_1 CGI_{it} + \beta_2 FL_{it} + \beta_3 TA_{it} + \beta_4 RG_{it} + \beta_5 MTBR_{it} + \epsilon_{it} \quad (15)$$

The corresponding results are presented in Table 11 and closely align with the working capital regression outcomes, further supporting the consistency and robustness of the findings.

5. Additional Robustness Check

An additional set of robustness checks evaluates the sensitivity of the results to the construction of the Corporate Governance Index (CGI). The analysis re-estimates the models using alternative versions of the index that exclude specific governance components, including board structure, audit, nomination, compensation, and CSR. This approach allows for an assessment of whether the observed relationships are driven by any single dimension of governance. The results of these specifications are presented in Table 13.

Table 13. Robustness to Corporate Governance Index Construction (Leave-One-Out Approach, Pooled BRICS Sample).

Variables	Baseline	Excl. Board	Excl. Audit	Excl. Nomination	Excl. Compensation	Excl. CSR
L_CGI	0.155 *** (0.026)					
L_CGI_no_board		0.042 *** (0.005)				
L_CGI_no_audit			0.039 *** (0.004)			
L_CGI_no_nomination				0.041 *** (0.004)		
L_CGI_no_compensation					0.035 *** (0.004)	
L_CGI_no_csr						0.033 *** (0.004)
fl	−0.134 ***	−0.133 ***	−0.133 ***	−0.132 ***	−0.132 ***	−0.132 ***
ta	−0.058 ***	−0.061 ***	−0.068 ***	−0.071 ***	−0.068 ***	−0.068 ***
rg	0.002	0.002	0.004	0.005	0.004	0.004
tq	0.008	0.014	0.010	0.014	0.011	0.014
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Observations	15,207	15,207	15,207	15,207	15,207	15,207

Source: Compiled by Author. Notes: Standard errors are reported in parentheses and are clustered at the firm level. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.10$. Column (1) reports the baseline specification using the full Corporate Governance Index (CGI). Columns (2)–(6) present alternative specifications in which individual governance components (board, audit, nomination, compensation, and CSR) are sequentially excluded from the index following a leave-one-out approach. All models include firm and year fixed effects and are estimated using the pooled BRICS sample.

The results presented in Table 13 indicate that the relationship between corporate governance and the cost of capital is robust to alternative constructions of the Corporate Governance Index (CGI). When individual governance components are sequentially excluded, the estimated coefficients remain positive and statistically significant across all specifications, although their magnitude decreases relative to the baseline model. Specifically, the coefficient declines from 0.155 in the baseline specification to a range of 0.033–0.042 in the leave-one-out models. This pattern suggests that while each governance dimension contributes to the overall effect, no single component drives the results. The consistency in sign and statistical significance across all alternative specifications confirms that the observed relationship is stable and not sensitive to the specific construction of the governance index. Overall, the findings support the validity of the CGI as a multidimensional measure of governance quality and reinforce the robustness of the main results.

6. Conclusions

This study provides new cross-country evidence on the association between corporate governance and financial performance across BRICS economies. By constructing a composite Corporate Governance Index (CGI) and applying it to publicly listed firms over the period 2013–2023, the analysis shows that stronger governance is systematically associated with lower financing costs, higher profitability, and improved liquidity outcomes. The findings suggest that governance quality is an important correlate of firm-level financial resilience and investor confidence in emerging markets. The results further indicate that governance extends beyond compliance-oriented functions and is associated with broader dimensions of economic performance.

At the same time, the relationship between governance and financial outcomes varies across BRICS countries, reflecting institutional and market heterogeneity. India emerges as the most responsive environment, where governance quality is associated with lower capital costs, stronger solvency, and higher profitability, indicating the relative effectiveness of its regulatory and investor protection framework. China exhibits similar patterns, particularly in debt cost reduction and liquidity outcomes, although these associations appear more concentrated in specific financial dimensions. Russia and South Africa display more balanced but moderate relationships; in Russia, governance is primarily associated with profitability and liquidity buffers, while in South Africa it is linked to financing efficiency and financial stability within a relatively mature governance framework. In contrast, Brazil records comparatively weaker associations, suggesting that ownership concentration, enforcement constraints, and institutional frictions may limit the strength of the governance performance relationship.

From a theoretical perspective, the findings are consistent with Agency, Stewardship, and Stakeholder theories, indicating that corporate governance is associated with reduced agency conflicts, improved managerial efficiency, and stronger stakeholder alignment. By integrating these perspectives, the study provides a more comprehensive understanding of the governance–performance relationship in emerging market contexts.

These findings carry important implications for regulators, managers, and researchers. For policymakers, the evidence suggests that stronger governance frameworks are associated with improvements in capital allocation efficiency, profitability, and liquidity resilience. For corporate managers, the results highlight that governance quality is linked to measurable financial outcomes, extending beyond a purely regulatory obligation. For researchers, the study contributes to the comparative governance literature by documenting cross-country variation and providing a structured basis for further empirical and theoretical inquiry.

From a policy perspective, the results highlight the importance of aligning governance reforms with national institutional conditions. India and China may build on existing progress by further strengthening investor protection and deepening capital markets, whereas Brazil and Russia may benefit from enhanced enforcement mechanisms and ownership reforms to strengthen the governance–performance relationship. South Africa may focus on improving the integration between governance structures, liquidity management, and market performance to support long-term stability. Future research could extend this framework by examining sectoral heterogeneity, the evolving role of ESG-oriented governance practices, and the influence of institutional investors on governance dynamics.

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