

## Abstract

Top management pay in India has undergone sea change post liberalization, with substantial relaxation in the managerial remuneration guidelines and declining income tax rates. The surge in economies worldwide following globalization, with increasing competitive pressures and risk exposures, had wide ramifications in the corporate sector. It led to gradual transformation in owner managed family business by hiring of professional managers, with the immediate impact being on the traditional principal agent relationships in organizations. A lot of top management pay appropriations rose phenomenally, particularly for the owner managers.

Factors influencing top management pay determination assume significance with the growing importance of the top management role in corporate form of organization. Corporate governance compliance by way of remuneration committee constitution is particularly significant for its role in setting top management pay. Pay performance relationships in organizations is also important due to the underlying implications of performance related pay as a mechanism for resolving principal-agent conflicts. Predominantly family owned businesses (closely held with lower agency costs) in India with owner managers at the top and considerable disparity in pay for family versus non-family top management, leaves considerable doubt as to whether these pay appropriations are related to firm performances or have resulted from mere income shifting from corporate to personal bases following declining income tax rates per se and lower individual income tax rates.

In this research, attempt has been made towards examining the influence of factors such as promoter shareholding, firm risk, dominant promoter ownership, remuneration

committee constitution, which are considered important as determinants of top management pay in India, together with examining the top management pay and firm performance relationships to resolve the endogeneity and reverse causality issue between them. It is an attempt to find a rationale for the increasing pay packages of top management based on the principal ownership categories, and a criteria for the shareholders and other stakeholders wondering about the taken for granted relationship between top management pay and firm performance.