Re-examining Reputation-Performance Liaison in Indian Context

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Abstract

Prolific research examining the impact of a good corporate reputation on financial performance has bestowed equivocal findings. Despite this inclusivity, corporate reputation continues to gain impeccable importance in sustaining superior performance. Corporate reputation has emerged as an important asset in emerging markets such as India, where firms are facing competition at the global level. An endeavor has been made through current study to re-examine the reputation-performance liaison in a different economic setting deploying a different measure of corporate reputation. Panel regression technique has been applied on top 500 Indian companies constituting Bombay Stock Exchange (BSE) 500 index to observe the impact of corporate reputation on subsequent financial performance during the period ranging from 1 April 2002 to 31 March 2012. The findings of the study reveal that past reputation (captured through listing age) has a significant positive impact on all three measures of financial performance (ROA, ROE, ATR). Hence the results are in line with previous studies that consider reputation as a strategic resource necessary to enhance firm performance. The study bears significant implications for corporate managers that they should manage the reputation of their organization effectively and use it as a strategic tool to gain competitive advantage.

Keywords: Corporate reputation, financial performance, intangibles, Indian companies.

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