

**CORPORATE GOVERNANCE DISCLOSURE PRACTICES IN
INDIAN TELECOM SECTOR
[A COMPARATIVE STUDY BETWEEN BHARAT SANCHAR
NIGAM LIMITED AND BHARTI AIRTEL LIMITED]**

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ABSTRACT

To safe guard the investment, now investor has to be very careful and alert before investing in any company, for that matter investor has to check the who are the promoters of the company and also see the corporate governance practices existing in that company and see that the disclosure practices are us per mandated by clause 49 of listing agreement. In this paper an attempt has been made to identify the disclosure practices followed by these companies and to see the disclosure is in line clause 49 of listing agreement. The present study has been conducted to analyse the Corporate Governance and Disclosure Practices of BSNL & AIRTEL. And to Compare the Corporate Governance disclosure practices of Selected Companies. For this purpose CORPORATE GOVERNANCE data from 2007-08 to 2011-12.has been considered. The researchers concluded that Airtel disclosed more voluntary disclosures as compared to public sector (BSNL), after 2009-10 rather than previous year.

KEY WORDS: Corporate Governance, Disclosure Practices, Financial year

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Introduction

“Corporate governance includes ‘the structures, processes, cultures and systems that engender the successful operation of organizations’”

- S. Thompson

Corporate governance is a term that refers broadly to the rules, processes, or laws by which businesses are operated, regulated, and controlled. The term can refer to internal factors defined by the officers, stockholders or constitution of a corporation, as well as to external forces such as consumer groups, clients, and government regulations.

Well-defined and enforced corporate governance provides a structure that, at least in theory, works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices as well as to formal laws. To that end, organizations have been formed at the regional, national, and global levels.

Corporate Governance plays very vital role in protecting the interest of various stake holders in capital market. Corporate frauds like of Enron, World Com at global level and frauds done by promoters of Satyam computers and Global trust telecom companies at India have open the eyes of investor and now investor are becoming cautious day by day while investing in stock market . Securities Exchange Board of India also making continuous efforts to protect the interest investors by way of strengthening the corporate governance guidance by asking companies for more and more disclosure of information on companies working in CORPORATE GOVERNANCE statements. To safe guard the investment, now investor has to be very careful and alert before investing in any company, for that matter investor has to check the who are the promoters of the company and also see the corporate governance practices existing in that company and see that the disclosure practices are us per mandated by clause 49 of listing agreement. In this paper an attempt has been made to identify the disclosure practices followed by these companies and to see the disclosure is in line clause 49 of listing agreement.

In recent years, corporate governance has received increased attention because of high-profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers. An integral part of an effective corporate governance regime includes provisions for civil or criminal prosecution of individuals who conduct unethical or illegal acts in the name of the enterprise

MadanLalBhasin (2010) have done study on “*Corporate Governance Disclosure Practices: The Portrait of a Developing Country*” This study analyzes the CG disclosure practices in India. We have primarily used the secondary sources of information, both from the Report on CG and the Annual Report of Reliance Industries Limited (RIL) for the CORPORATE GOVERNANCE year 2008-2009 In this study of RIL, we have developed our own model as a ‘working’ method. In order to ascertain how far this company is compliant of CG standards, a ‘point-value-system’ has been applied. Based on the disclosure model as a ‘working’ method. In order to ascertain how far this company is compliant of CG standards, a ‘point-value-system’ has been applied. Based on the disclosure made by the Company and an in-depth evaluation of the results, we conclude that this company has shown ‘very good’ performance, with an overall score of 85 points. Despite some limitations, this study will help us to pinpoint the effectiveness of CG practices followed by the Reliance group. Based on our findings, we can conclude that RIL group is in the forefront of implementation of “best CG practices in India,” but some scope still exists for its improvement.

Mr. Pradeep Kumar Gupta., (2009) have done the study on “*Corporate Governance in India: Concept, Course of Action And Compliance*” in this study Investors primarily consider two variables before making investment decisions in the companies – the rate of return on invested capital and the risk associated with the investment. Good corporate governance practices reduce this risk by ensuring transparency, accountability, and enforceability in the capital marketplace. As a result, the investors expect the Board and the Management in the companies to act in their best interests at all times so as to earn a risk adjusted rate of return that is higher than the cost of capital

BhatVarun, (2007) wrote the article on “ *Corporate governance in India: past, present, and suggestions for the future.*” This article contains a detailed analysis of the corporate-governance architecture of one such developing country, India, from its independence in 1947 to the present. The results are surprising: India's corporate-governance framework is sophisticated for a developing country. However, considerable room remains for improvement. This Note presents a series of suggestions designed to improve corporate governance in India. Most notably, India must reform how its boards of directors function, improve its enforcement mechanisms, redefine its corporate laws, and embrace corporate governance as a philosophy

Dr. Amir N. Lieht, (2002) Evaluates “Accountability and corporate governance.” Which explores the reaction between accountability and corporate governance? Although it is a pivotal

concept in many fields, accountability remains an elusive concept close to but different from responsibility accountability is best understood as a norm of governance. Stipulating particular modes of wielding power and of response to power in the sense of this them.

Dr. Ananya Mukherjee (2002) wrote the article on “In recent year India has been moving further in the Direction of adopting an Anglo-American model of corporate Governance.” This decision the Result more of international economic and political pressures than public debate, in effect represents a new development, strategy for the world’s most populous democracy.

Dr. Vrajlal Sapovadia, (2001) Evaluates “*Critical Analysis of Accounting standards vis-à-vis Corporate Governance in India*” He concludes that Good corporate governance. Ensures better corporate. Performance, relationship with stakeholders. To practice good corporate governance, Info should be prepares and disclosed in accordance. With high quality standards of accounting and CORPORATE GOVERNANCE and non – CORPORATE GOVERNANCE disclosure. This paper critical examine the relevant Accounting standards and such practices in India to evaluate potency and fairness vis-à-vis good Corporate Governance.

Garen Markarian, Antonio Parbonetti, Gary John Previts (2007) have worked on “*The Convergence of Disclosure and Governance Practices in the World’s Largest Firms*” their study examines the governance and disclosure practices of the world's largest transnational firms. Using a unique dataset of 75 large firms in two time periods, 1995 and 2002, we examine both the governance practices, and disclosure regarding those governance practices, across Anglo-Saxon and non-Anglo-Saxon firms. Results indicate that non-Anglo-Saxon firms have developed their governance practices towards promoting an independent mechanism of control, namely a mechanism that is more similar to an Anglo-Saxon governance regime. In regard to governance-related disclosure practices, results indicate that for both Anglo-Saxon and non-Anglo-Saxon groups, disclosure practices have been evolving and converging towards more disclosure regarding governance matters.

OBJECTIVES OF THE STUDY

The study has been conducted with a view –

- To analyse the Corporate Governance and Disclosure Practices of BSNL & AIRTEL.
- To Compare the Corporate Governance disclosure practices of Selected Companies.

RESEARCH METHODOLOGY

For achieving the purpose of the study the following methodology has been adopted-

a) **Sources of data:**

The study is based on secondary data. Data regarding different telecom sector has been collected from the annual reports of selected Companies and with the help of internet, books and journals.

b) **Selection of Sample:**

The telecoms which have been considered for the purpose of the study are those telecom companies which are belong to the public sector and private sector.

Sample Size: The two telecom companies have been taken in consideration of study. Those are as follows:

Public sector	Private sector
BSNL	AIRTEL

c) **Duration of the Study:**

For the purpose of analysis of the data, a deregulation period has been taken into consideration. The deregulation period of study is based on CORPORATE GOVERNANCE year 2007-08 to 2011-12.

d) **Presentation:**

Tables has been used for the purpose of presentation of data.

e) **Details of statistical tool to be used:**

f) Correlation

g) T- test

S. No.	Mandatory Items for Disclosure Practices		
		BSNL	AIRTEL
1	Balance sheet	✓	✓
2	Profit & Loss Account	✓	✓
3	Directors Report	✓	✓
4	Corporate Governance Report	✓	✓
5	Management Discussion and Analysis	✓	✓
6	Cash flow statements	✓	✓
7	List of Directors	✓	✓

8	Capital Adiquacy	✓	✓
9	Human Resource	✓	✓
10	Details of attendance of each director at BOD meetings	✓	✓
11	Detaile of Non-performing Assets	✓	✓
12	Auditors' Report	✓	✓
13	Disclosure of the profile of directors appointed during the year	✓	✓
S.No.	Voluntary items for disclosure practices	BSN L	AIRTE L
1	Auditors' certificate on compliance with condition of corporate governance	×	✓
2	Management's objectives and strategies/vision/mission	×	✓
3	Graphical presentation of performance indicators	✓	×
4	Earning per share	✓	✓
5	Dividend per share	×	✓
6	Picture of all directors/board of directors	×	✓
7	Responsibility statement	✓	×
8	Auditors Certificate on corporate governance	×	✓

S. No.	Items for Disclosure Practices	2007-2008		2008-2009		2009-2010		2010-2011		2011-2012	
		BSNL	AIRTEL	BSNL	AIRTEL	BSNL	AIRTEL	BSNL	AIRTEL	BSNL	AIRTEL
1	Balance sheet	1	1	1	1	1	1	1	1	1	1
2	Profit & Loss Account	1	1	1	1	1	1	1	1	1	1
3	Directors Report	1	1	1	1	1	1	1	1	1	1
4	Corporate Governance Report	1	0	1	0	1	0	1	0	1	0
5	Management Discussion and Analysis	1	1	1	1	1	1	1	1	1	1
6	Management's objectives and strategies/vision/mission	0	1	0	0	0	0	0	0	1	1
7	List of Directors	1	1	1	1	1	1	1	1	1	1
8	Capital Adequacy	1	1	1	1	1	1	1	1	1	1
9	Human Resource	1	1	1	1	1	1	1	1	1	1
10	Graphical presentation of performance indicators	1	0	1	0	1	0	1	0	1	0
11	Details of attendance of each director at BOD meetings	1	1	1	1	1	1	1	1	1	1
12	Disclosure of the profile of directors appointed during the year	1	1	1	1	1	1	1	1	1	1
13	Auditors' certificate on compliance with condition of corporate governance	0	0	0	1	0	1	0	1	1	1

14	Cash flow statements	1	1	1	1	1	1	1	1	1	1
15	Detail of Non-performing Assets	1	1	1	1	1	1	1	1	1	1
16	Auditors' Report	1	1	1	1	1	1	1	1	1	1
17	Earning per share	1	1	1	1	1	1	1	1	1	1
18	Dividend per share	0	1	0	1	0	1	0	1	0	1
19	Picture of all directors/board of directors	0	0	0	1	0	0	1	1	0	1
20	Responsibility statement	1	0	1	0	1	0	1	1	1	0
21	Auditors Certificate on corporate governance	0	0	0	0	1	1	0	1	0	1
	Total	16	15	16	16	17	16	17	18	18	118

X	dx(x- x̄)	d2x	Y	dy(y-ȳ)	d2y	dx dy
16	-0.8	0.64	15	-1.6	2.56	1.28
16	-0.8	0.64	16	-0.6	0.36	0.48
17	0.2	0.4	16	-0.6	0.36	-0.12
17	0.2	0.4	18	1.4	1.96	0.28
18	1.2	1.44	18	1.4	1.96	1.68
Σ x=84		Σ d²x=3.52	Σ y=83.	Σ d²y=7.2		Σ dx dy=3.6

Where X = BSNL average discloser values, Y = AIRTEL average discloser value

$$x̄ = \sum x/n$$

$$= 84/5$$

$$= 16.8$$

$$r = \frac{\sum dx dy}{\sqrt{\sum dx^2 \times \sum dy^2}}$$

$$= 3.6 / \sqrt{3.52 \times 7.2}$$

$$= 3.6 / 5.034$$

$$= 0.715137$$

Year	X	Y
2007-08	16	15
2008-09	16	16

2009-10	17	16
2010-11	17	18
2011-12	18	18
Mean	$\bar{x} = 16.8$	$\bar{y} = 16.6$

Where X = BSNL average discloser values, Y = AIRTEL average discloser value

$$t = \frac{\bar{x} - \bar{y}}{S} \sqrt{\frac{n_1 n_2}{n_1 + n_2}} \quad SD = \frac{1}{n_1 - 1} \sum (x - \bar{x})$$

$$t = \frac{16.8 - 16.6}{1.584} \sqrt{\frac{5 \times 5}{5 + 5}} \quad SD_1 = \frac{1}{4} \times 3.52 = 0.88$$

$$t = 0.1995$$

$$SD_2 = \frac{1}{4} \times 7.2 = 1.8$$

t- test has been calculated at 95% level of significance and calculated value is 0.1995 which is less than from table value 2.015 that's why the hypothesis is accepted i.e. there is no significance difference in Corporate Governance and discloser practices of BSNL and AIRTEL.

FINDINGS

- As per my study, private sector telecom companies (AIRTEL) disclosed more voluntary CORPORATE GOVERNANCE disclosure as compared to public sector telecom companies (BSNL)
- As per the study conducted voluntary CORPORATE GOVERNANCE disclosure are disclosed more, after 2009-10 rather than previous year.
- More efficient working in public and private Telecom sector
- After the analysis we see that the public sector telecom companies are performing better than the private sector on the basis of various ratios.
- When we take the average of all the ratios this also concludes that the public sector is better than the private sector.
- Public telecom companiesing sector telecom companies have more consistency than the private sector.

SUGGESTIONS

- SEBI gives liberties to other telecom companies this should be used by the telecom companies by following the guidelines of the SEBI.

- Telecom companies should frame the policies by keeping in mind the economy of the nation.
- The private telecom companies take a big share of cake; our public sector telecom companies are still lagging behind regarding the various CORPORATE GOVERNANCE parameters. The immense opportunities are also available for the public sector telecom companies if they change/modify and adopt new policies to combat the different recent challenges.
- Intelligent people are required to use such intelligent tools. Thus, even though IT management is a challenge flow in future telecom companiesing scenario, marketing not technology is going to be the challenge.

Conclusion

The Telecom companiesing sector in most economies has historically been much more regulated than other industries. Unlike other industries, the collapse of telecom companies can have economy-wide repercussions as the payments system gets disrupted. Such regulation has been all the more stringent in developing economies where controls on telecom companiesing activities have been imposed to meet social and economic objectives of development. CORPORATE GOVERNANCE reporting is the process of providing CORPORATE GOVERNANCE information in regards to a company's position, performance and flow of funds for a specific period which are then provided to external users on the basis of the study CORPORATE GOVERNANCE Disclosure practice and pattern in Indian telecom companiesing sector follow guidelines of SEBI.

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