REVIEW PAPERS

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IJMRA PUBLICATIONS

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CORPORATE GOVERNANCE AND ROLE OF MEDIA

By

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Abstract:

The study and literature review reveal that Corporate Governance plays an important role in shaping an organization and media plays an important role in shaping corporate governance. Media helps to provide valuable information's to the all stake holders it also helps them to frame decisions. But the study also finds that media independency is depends upon the country socio economic condition. Country like Chins where the news related to corporate governance deviation of any state owned company is unexpected but media plays important role western and Indian democratic country to report against any deviation from the persisting norms of the land on corporate governance. But most paper which are taken for studies recognize the effects of media on corporate governance but who developing country can improve such reporting is quite absent. Country like India where media mostly cover political news and very few viewers are interested about performances of any organization and too aware about any such abuse of corporate governance policy.

Key words: stake holders, decision making, political environment, corporate social responsibility.

Introduction:

All above are the corporate governance reports flashed in media. If we can remember during the last few months how "TATA Mistry" controversy has taken over the front page. We can also remember Satyam case how moved around the news all day. These are quite a few examples media role play on corporate governance. Corporate governance is extremely disciplined approach to make an organization more discipline but the question may be raised how media plays curial role in corporate governance. What's the relation between such media and corporate governance? The answer of the question is very easy Stake holder's awakens. Media is the only way to maximum people at large so we can easily remember when the Bhopal gas tragedy happen how many people aware about that, a well newspaper is of course there but it does not have a effect to create opinion like what a twitter has. Otherwise Warren Anderson may not flee our country in such a easily. These a

complete breach of social audit which took thousands of life and goes unnoticed as well. No one there to question tough, no 9 Pm news shows to make them answerable. Rather a free ground on that time even if such high breach of governance. Yes Corporate Governance. The breach of Corporate governance may be huge is also there in the western world. Typical Indian thinking that western culture is the best of all certainly not goes right. Ethical cultural breach, corporate governance breach is huge in numbers in western world. Like Who can forget the commendable efforts of "Wall Street Journal's" by publishing about nonperforming assets of Sears in 1992, which creates huge chaos among shareholders and government there after start practicing or rather managing the company well.

How can anyone forget that in US such a commendable journalism of U.S. network broadcast for Panamanian tuna boat which killing hundreds of dolphins while fishing for tuna. These create sensation in the US parliament and make president to change the law and passed new reservation law for dolphins.

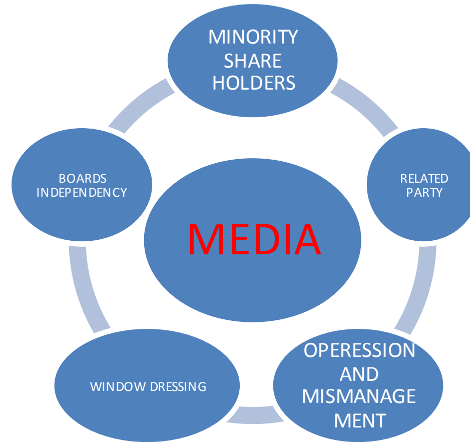
In modern times the list is huge how "The Guardians" covered the issues of "BT accounting scandal" and updating the investors about the current market scenario or recent bribery scandal of " Roll-Royace" its takes away the peace of mind of the decision makers.

So from "Maxwell Communication" Scandal in the late 80's to collapse on "Enron" in 2001 to undisclosed loan near about euro 150 million by the director of "Irish National Bank" one thing is common it's the newspaper or electronics news channels sometimes it is "FOX News" some time it is "BBC" or some time its "The Irish Sun" or "The Statesman".

The common thing is grouped under media or fall under the umbrella of media. So the story is building now from such news and articles that corporate governance and media goes hand in hand.

Corporate governance is the systems, rules and process by which company directed and controlled. The corporate governance is worldwide phenomenon. Like in United Kingdom it is popularly known as combined code. In USA it is "Sarbanes-Oxley" and in Germany "Gesellschaftsrecht" or German company law and in India Corporate governance is governed by the "Clause 49" of "Securities and Exchange Board of India".

In current scenario media all over the world plays a crucial roles in shaping the corporate governance structure of an organization. Media being fourth pillar of democracy like India have huge impact on the citizens at large. So any corporate governance policy deviation which creates un justice to the stake holders must be tracked by the media to create opinion against it. Its constant pressure from the media which itself shapes the laws of corporate governance rules as well. Like as mentioned about "Maxwell Communication" which actually leads to build the Cadbury Report (1992) one of the primary report on Corporate Governance. Hence media plays an important role with regards to corporate governance.



Window Dressing: It is an arrangement or manipulation of accounts. Example: Satyam Case

Minority Shareholders: As per Companies Act 2013 minority shareholder's means a shareholder hold share value of Rs 20000 or less. Example: - "Sindri Iron Foundry (P) Ltd".

Boards Independency: An independent board is where the board's combines of number of executive and non-executive directors and the number of non-executive director is more than executive director. Violation of board's independency example: - "Grant Thornton Firms".

Related Party: Transaction holds between two parties who hold a preexisting connection prior to the transaction.

Oppression and mismanagement: Its board's decision when goes against minority shareholders. Example—"GetitInfoservices Pvt. Ltd. &Ors"

The role of media is to take care against all such issues mention above but the list is much more exhaustive. When any news came in media the law accordingly changed and amended.

The role media in Corporate Governance cannot kept under the barrier of one country it's a worldwide incident , few cases under various circumstances has been discussed in this paper to understand the basic role of media and its relation with corporate governance.

Review of literature:

1. Media and corporate social responsibility reporting

Bhatt in 2012 studied that media plays an important role in reducing the cost of gathering information regarding an organization. Facts and figures, data are most important for an organization because it creates an image on the eyes of the people at large. When any deviation from the normal practices has been observed media highlighted such issues and which keeps alert the Government, investors, public at large. Media plays an important role

in shaping the Corporate Governance culture of the organizations. In today's world when the number listed organization increasing day by day its quite difficult for investors to keep track on them, here media plays an important role as the keep updating the people at large about the happiness in any organization. The author also studied the subject from different angel and found that such disclosure helps an organization to know about their product, their financial performance and their activity in details which in turn attract investment and increase their values. The author also mention about the how media helps to publicize the Corporate Social Responsibility activities taken by the organization, in such regard the author also mention about the CSR activity taken by the TATA,s and ITC and how such activity has been publicized in the media. Such publication helps those companies to get a good public image. The paper also taken a note about the Social audit how such audit is important for corporate governance purpose and media playing key role in social audit as the score of social audit very much depends upon how the image of a company has been analyzed in the media, how various analyst post there comment in media about the company, how they rated the company, how they analyzed the prospect of the company. The paper also discuss about how journals like "Wall Street Journal" creates effect on the readers about a company worldwide. In today's world the valuation of a company for merger demerger and actuation has greatly been effect by the media reports. But the author also conclude that media itself become an organization or company now days which hampers their independence, many corporate house now a day's invest in media houses so it's dangerous for the society as media consider as a fourth pillar of the constitution, so it's must be neutral, it's sovereignty must save then only we can save our society from scams and corruption.

2. Medias independency and its important in reporting of corporate governance

Dyck and Zingales in the year 2002 studied about how media shaping the corporate governance of an organization and also not agree with some of the papers it review that media only affecting the corporate governance. The paper also argued that how media reduced the cost of gathering information. This information's shaping the crucial for shaping the image of any organization. That's very important in the eyes of the public at large. The media always in forefront to raise the issues for minority shareholders and irregularities observed. These are a critical role of media in regards to corporate governance. More specifically media helps shareholders in various ways. But efficiency of media is questionable how they operate; in which environment they operate it's a matter of concern. The media of China, North Korea can never be same as media of Japan and USA. The author conclude that media is a key element in shaping the corporate governance policy of an organization and can never be ignored in analysis of the countries corporate government system.

3. Role of media in evaluation of corporate governance in Russia

Dyack, Volchkova and Zingles in 2005 studied about the how corporate governance shape in Russia in modern times by refereeing the period 1999-2002, when lots of corporate governance abuse had been reported and how media also has been attacked by the corporate this times. But the author acclaimed how media stuck to their role and shape the

corporate governance policy in Russia after that's. Media plays crucial role in brings the common man's trust on the organization. The author conclude that media at large is create pressure against corporate governance. In case of socialist country plenty of times and organization illegal activity can be covered by the Government itself due to lack of free media. Despite of tremendous pressure from the corporate that how media in Russia that time broadcast such news to create awareness among the shareholders. Different government media houses how manipulate the news it's also concern for countrymen at large. Few liberal media under the strict surveillance how they reported the scams and embezzlement of various state owned company deserves a great appreciation. The author appreciates how media plays key role in clearing the image of Russia. But besides the author also strongly believes media coverage needs to be more conclusive and must spread out the marginal population as well. Media can't be the poppet in the hands of the state mechanism, media must be free must be liberal, must be open must be clean, must be brave. Then only the justice for any kind of miss corporate governance can be achieved.

4. Difference of media reporting on corporate governance in different political environment USA and Hong Kong

Edgel, Harasta, Pfyl, Xu in 2004 analyzed that how media brings transparency in activity of the board in front of its stake holders. While researchers also found how independent media plays an important for forming opinion. This position makes media aloof from any other organization and gives it a very significance position in the so ciety. Due to this position the public generally has high expectation from media to practice top most ethical standards and be neutral towards society. For this role media has been attacked quite a few time especially in western world. The author analyzes two important media houses US based Time Warner (TWX) and Hong Kong based Phoenix Satellite Company Limited (PST). Based on the two different political back ground the reaction and sensitivity of the viewers is also very different. Media in USA is more liberal but Hong Kong media in recent times started become liberal even after the clash with Mainland Chinese government. The coverage of news regarding any organization and analyses is more in depth in case of US based TWX and which is quite missing for PST. Although despite having developed economy media autonomy is still absent in Hong Kong, but in a stage of developing unbiased media. So it's quite important to have a media which is liberal and build the society at large by bringing up such issues regards to an organization which being a stakeholder must know. So the author concludes that media's role is so important to educate the stake holders, generate awareness, bringing up opinion which is extremely required to build a society at large.

5. Role of media in forming decision on merger, acquisition and valuation of a company

Liu and McConnel in 2013 analyze how media influence Managers capital allocation decisions or how valuation of company depends upon its image in the public which build by the media. As par the current governance scenario disclosure is most important because in the era of open economy where money flying from one country to another country, capital investment is huge, infrastructure got the most priority. It's must for managers of

any public limited company to listen to the public at large. The market at large shows the sentiment of the public which is nothing but the opinion form by the media. Now a day's media also helps in managerial decision making which nothing but the reaction of the managers from the action of the stake holders created by media. The authors suggested that decision makers must listen to any constructive criticism formed by media or analyzed by the shareholders. These reporting only helps to plug those loop holes and build developed organization. The authors conclude with a suggestion that media's role to bridge a gap between organization and shareholders must be more prominent and more proactive analytical approaches must be taken by the media. The analyses in most of the cases are reactive which helps the shareholders but certainly it must be proactive to guard the shareholders well in advance. Thus corporate governance and role of media was not only a pair better media should be the watch dog of corporate governance besides any regulatory authority which sometimes dysfunctional. So media must fill such gap and play the curtail role of bringing issues regarding deviation from corporate governance and helps all the entity related with the business houses.

6. Where Indian media stands:

Dash in the year 2012 studied that how media not only affects the existing stake holders but also drives the potential stakeholders into action. But the relationship of media and corporate governance generally dominated in context of western media context. Research is almost absent in India regarding the mass media issues with corporate governance. That's why despite of having largest democracy in the world India suffered various corporate scandals, scams and media plays only reactive role mostly. Indian media must alert public at large, matured our democracy. The author also stated Indian media mostly captured by politics but miss out this an important area. Even if few Medias trying to grab these issues but the richness' of such media is very poor. Although Indian media reported various issues regarding scandals but when it comes to corporate governance the efficiency needs to be improved. Satyam Case was a reactive approach unlike western media India media sometimes fails to investigate lots of issues regarding corporate governance. Authors conclude on rather positive note that Indian media approaches towards corporate governance improves but and suggested that it must be moved beyond facts and storyline analysis to a holistic analysis.

The Ω (ALPHA) factor: way forward

Stock market the indicator of any country economics condition because stock market reflects the strength of all industries and performance. If we India for our example we will find two index "SENSEX" and "NIFTY". Through which the economic balance or economic condition of an economy can be judged which sector performs well, where improvement requires it can be judged from such index. How such index changes? How media has relation with it? Yes media has huge role play on such changes of index. Index represents the shareholder's sentiment, the risk factors. Now from where do such risks generates? Risk generate from Governments policy decision, risk generate from organizations policy. It reflects the sentiment of the population at large how such decision affects citizens thus it finally reflects in the stock market. Like a simple policy decision of Federal Reserve rate

hike creates huge outflow of Foreign Institutional Investors money from Indian Economy. Now such sentiments or risk factors denoted by Greece signature letter alpha "Ω".

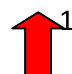
Now the question arise how shareholders comes to know such policy decision and how market comes to know shareholders sentiment or company comes to know shareholders sentiment its MEDIA. So that's the new avenue for any researcher to study on how media creates effect on Stock market because the ultimate reflection of good corporate governance is on the stock market itself. A good govern company will of course has more demand in shares it will reflects in the index as well. Any bad corporate decision or deviation from corporate governance policy will reduce the price and creates negative effects on the market.

We can say Stock Market is ball game of Demand and Supply but who creates such demand , why demands created , what are those factors of raising demand (Corporate Governance is one of those of course) the answer is MEDIA. Today's media announcement, its analyses has huge impact on the index and in turns on the whole economy at large.

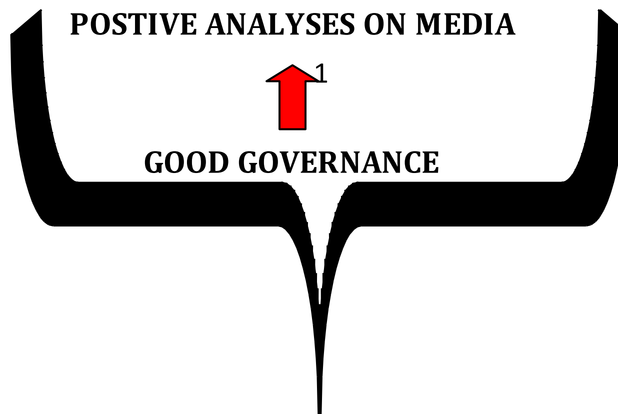
SECTORS IMPROVES- ECONOMY IMPROVES

HIT THE INDEX

POSTIVE ANALYSES ON MEDIA



GOOD GOVERNANCE



Ω-------risk decrese, (risk of prediction, risk of assumption)

Thus the above situation can be different as well so the common factor is Media . so media is plays important factors in shaping the corporate governance in large good corporate shapes the economy of the company at large.

CONCLUSION:

The above shows how media plays a critical role in improving corporate governance of a company but for that own corporate governance of the media has to be improve. Media should also be unbiased, govern properly to aware the stake holders about the organizations policy and any deviation from the law of land. In an emerging economy like India where media plays key role and flashed various scamps and corruption issues in last few years has be more proactive in valuing any organization. Medias approach should not be only expert commentary with analyses but also to some extent investigation as well which will helps to protect the investors, protects the country at large from any scam and miss-governance. Media should be out any political pressure and corporate pressure and should be liberal. The fourth pillar of the democracy should not be cracked at all. Governance reporting of course important till governance of the media is in track. So media must be governing well to report all such issues on corporate governance

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CORPORATE GOVERNANCE AND CSR

By

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Abstract

Corporate governance is an important aspect for all organizations as it leads to building up ethical and transparent behaviors inside an organization. CSR on the other hand are corporate responsibilities which must have a look-out for doing some return to the society than just bringing in profits for the organization. The purpose of this study is to review papers related to corporate governance and CSR activities. Corporate governance can easily be linked with CSR activities which could lead to sustainable advantage for organizations in business. Setting up of proper rules and code of conduct with changing terms and regulations are very important for organizations. Further, implementation and the process of implementation of such rules and code of conduct is a factor that is hardly achieved by all organizations. Setting up programs for the employees to implement the rules along with no discrimination with any employee and also taking into account the new employees are the hurdles in achieving corporate governance in any organization. Further, providing additional information in the annual reports are rarely seen. The government bodies, the board of directors, the audit committees is crucial in achieving proper code of conduct. The findings in the researches discusses of some major problems faced by the organizations as well as some suggestive strategies to properly achieve the goal of attaining effective corporate governance.

Keywords: -Corporate Governance, CSR, transparency

1. Introduction

Corporate Governance is currently being followed by all listed companies in all countries. It is a process to achieve excellence not just in terms of business in profits, but also by creating a name for the organization for having ethical behavior and also being concerned and contributing to the society resulting in its own and the country's growth. The decisions taken affect the employees of the organization, the board of directors, the stakeholders or the shareholders as well as the society. It also results in improving performance quality of the organizations as well as improves on financial conditions.

The main aspects of corporate governance are to identify and follow norms of the government and standards practiced as well as structuring and having control of the internal processes. The push from government side is required to make corporate

governance a proper practice in all organizations. With proper practice, shareholders will get more confidence in the organizations and the eventually, the organizations will be able to grow. Employees will have no complaints about the organizations being biased and will act whole heartedly for the development of the organization.

The purpose of this study is to understand the importance of corporate governance in all organizations and how CSR activities can be linked with corporate governance to achieve trust in the business environment and avoid criticisms.

2. Review of literature

2.1 Relationship between CSR & CG

Said Roshima, ZainuddinYuserrieHj&HaronHasnah (2009) conducted a study which would be helpful for organizations as well as statutory bodies to enhance CSR disclosures as CSR reporting was found to be low in Malaysia. They emphasized the importance of allocation of costs by organizations towards CSR activities and the importance of the government on determining such factors. They examined characteristics of corporate governors in relation to CSR activity disclosures in organizations. Their results indicated that government ownership, ownership concentration and audit committee were the variables closely associated with the extent of disclosures. The most important factor was government ownership as it implied that more government shareholding in an organization would result to more CSR disclosures. Government interventions could create pressure for the companies to produce additional information on CSR activities. Responsibilities of the audit committee included review of internal processes like internal audit department and audit plan review, quarterly and year-end fiscal statements in accordance with new accounting policies and fulfilling all accounting standards and legal requirements. Independence of the members sitting in the audit committee board was an important factor in setting the effectiveness of the functions of the audit committee. This was reflected in annual reports of certain companies which emphasized on the importance of the presence of ideal number of non-executive directors in the audit committee. It was found that with increasing number of independent directors in the audit committee, the organizations could reduce the agency costing and could have more internal control that could lead to greater quality of disclosures. Thus, this indicates that government interventions and audit committee were the most important factors that would ensure accounting and legal compliance and would reduce problems between firms and shareholders, society and stakeholders. Pressure from these departments could reduce costing and negative impact on the firms indicating to society and stakeholders that the organizations were working according to compliance and were helping to solve society's social problems through additional disclosure

2.2 CG critical for driving excellence in csr

According to the study conducted by ShahinArash and Zairi Mohamed (2007), corporate governance was an important aspect of organizations which comprised of several internal and external factors affecting the management structure of organizations. Corporate governance was in order with new closely knit corporate structure of employees, investors,

and public and associated corporations who would impact on the management structure. The companies in this study were more focused towards achieving quality awards for which they implemented several programs to improve knowledge and involvement by empowering the employees. It was observed that although all the companies achieved quality certificates, still, it didn't mean that they were properly compatible with all standard requirements such as policies, indicators, monitoring, etc. They found out that managers did not understand that profitability and responsibility could be linked. Stakeholder collaboration was an important aspect as it helped the organizations in gaining resources and political support as well as increasing valuable knowledge for the organizations. The leadership style was one of the critical factors which would include process based management systems for implementing CSR into the management structure to achieve internal control and identify responsibilities which in turn would overcome criticism surrounding the organizational approaches. The current business scenario demands the organizations to run in an ethical manner accepting the need for social responsibilities along with profitability to attain a sustainable advantage as well as stakeholder satisfaction.

Thus, corporate governance which is a critical factor for the management system of all organizations can drive CSR activities to excel which would help organizations achieve competitive advantage.

2.3 CSR & CG in Malaysian companies

According to Esa Elinda, GhazaliNazli Alum Mohd (2012) there was a significant increase in CSR disclosures in 2007 as compared to 2005 and the board size was positively associated with the extent of CSR disclosures. They found out that the efforts made by government for promoting CSR activities published in the Silver book had positive effects on CSR disclosures in annual reports of organizations. This was conducted by examining the extent of CSR disclosure in Malaysian GLCs after the silver book in 2006 provided certain guidelines. They found out that in presence of a larger board size, significantly more CSR information were disclosed. They found out that boards with more members meant that they were part of a more diverse experience and were exposed to healthier and livelier discussion on corporate social responsibilities. This resulted in more investments for CSR activities. For their future outlook, the authors suggested that analysis of CSR disclosures during post financial crisis or economic crisis period would give a proper outlook to whether these factors were having any influence on corporate social activities.

2.4 CSR, Ethics & CG

According to Tuan LuuTrong (2012) there was a linkage between the ethics of justice and legal/economic CSR. Ethics of care was found to cultivate ethical CSR positively influencing corporate governance. Through ethical planning, organizations could achieve ethical behavior. The research suggested that corporate governance could be further facilitated with the leverage of CSR initiatives as this would set values for ethical and caring relationships. The author suggested that corporate governance should be structured as a set of guidelines rather than setting up of rules to prevent

deviant behaviors. Ethics of justice was found out to strengthen stakeholder relations but was not a strong ground for proactive conducts to avoid new ethical dilemma. Ethics of care was found out to produce more contributions from corporate members in corporate governance frameworks. The author suggested that care KPIs should be dynamic and proactive. Instead of setting rule based transparency, the author suggested care based transparency which could be implemented in the hospitals. He suggested maintaining a corporate governance scorecard where performance indicators as well as ethical CSR should be integrated. He suggested communication of ethics indicators to organizational members. He suggested the importance of leaders in setting up organizational values along with equal importance being given to the new members. Knowledge-based and identity-based trust was important factors for building up corporate governance. CSR demanded innovation and value creation making a scope for knowledge sharing.

2.5 Bridging CG & CSR

According to Sharma Manoj K, Agarwal Punam, KetolaTarja (2009) as per clause 49 of the listing agreement of SEBI, corporate governance had two parts in their disclosure comprising of the mandatory and non-mandatory parts. They found the mandatory parts in compliance with the norms but found disheartening results for the non-mandatory disclosures. Similarly, they found discouraging results while analyzing the annual reports to examine the results of corporate responsibility disclosure. According to them, the top management plays a significant role for building up the climate of the organizations leading to socially responsible behaviors ensuring an implicit benefit in the near future. This would also be reflected in the annual reports. They had the opinion that professional bodies like ICAI, ICSI, CII, etc. could play an important role to encourage organizations to take steps closer towards CSR and its disclosures. They were of the opinion that these professional bodies should encourage companies to disclose more CSR related information in their annual reports. By doing so, when the business environment would mature, then the non-mandatory items could be made to be a part of the mandatory disclosures and could be fulfilled accordingly. Their suggestion was to include more stakeholders in business lists and disclose the activities undertaken by the organizations to satisfy the stakeholders. With increasing number of stakeholders, the concepts of CG and CSR were getting merged. According to Hindu philosophy, the proper path was to share gains of business with society. The authors believed that increasing awareness of what the ancestral holy books described was required to fall in line with modern day cultures.

2.6 Relevance of CG & CSR in emerging markets

Peters Sanjay, Miller Mariah, Kusyk Sophia (2011) in their study stated that corporate governance was giving rise to several questions rather than providing effective solutions for organizational structures. The need for the main growth drivers for effective corporate governance structure to evolve in response to scandals, economic crisis, technological advancements, deregulation trade liberalization, etc. was clear. The procedure for implementation of corporate governance was questionable as proper implementation would definitely guarantee stable and vibrant environment but

the process of implementation was hard for the organizations as they had to consider several aspects like cultural differences in business focusing on creating new and stringent laws for a sustainable environment. Proper corporate governance would lead to investor confidence, financial improvements and increase the firm's valuation putting an end to corruption and develop performance factors for the firm. In the emerging markets, both corporate governance and corporate social responsibility play a critical role as these factors reflect the transparency and effectiveness of an organization regardless of the environment. With the emerging markets, the unique challenges or opportunities by the market's business culture were crucial for the policy makers. The decisions of the policy makers would result in balancing global economy and employees, shareholders also helping in the growth of the country.

3. Conclusion

The researchers indicate that corporate governance can bring ethics within an organization. CSR activities with corporate governance will give rise to caring relationships. The problematic areas are setting up of the rules based on transparency and maintaining them. Awareness of corporate governance is still low in many organizations and requires strict government intervention to get implemented. Further, a lot of organizations are not following corporate governance which should be brought into light. Lot of the organizations are just following corporate governance as a part of the system and just to show some mandatory results in their annual reports. Organizations are not providing proper CSR disclosures in their annual reports which need to be regularized. Leadership styles of organizations are to be changed. New rules are to be implemented by the government so that all the organizations achieve mandatory terms of corporate governance and eventually also achieve the non-mandatory terms. Organizations should maintain scorecards to evaluate their positions in corporate governance implementations.

Hence, setting up proper leadership in the senior management levels, setting up of proper rules and co-ordination from all the employees of the organizations would result in achieving corporate governance which will help the organization to attain sustainable advantage and also contribute to the society as well as the country.

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ENVIRONMENT DISCLOSURES AND GOVERNANCE

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Abstract

As it rightly said, globally, "The growth of the country's economy is accompanied by the growing environmental concern because of the reducing in availability of natural resources, such as water, energy etc. Some of the issues pertaining to global warming are change in climate, extra usage than requirement of important resources. Hence, the study of environmental protection gains the importance and demanding the individuals and corporates to follow to reduce the problems relating to the environmental matters and to take great initiatives to save the nature which in turn benefits to them mainly for their profit maximization and cost reduction. However, it is less accepted in corporate to follow the norms as expected and not being aggressive for executing action to protect environment. Due to all such matters, it is important for the businesses to understand the impact of environmental related issue and to include in their business decision-making process. Today's scenario, all individuals, corporates, investors, government, related parties, seek for information pertaining to sustainability of the business which in turn depend on economy, environment and society elements, these are the indicators reflecting the growth of business overall. Hence, environmental reporting becomes crucial and important. It is growing important element of corporate governance to disclose in annual report of the companies for the interest of investors mainly. This paper has detailed insights of the few renowned published papers on environmental governance at global and Indian perspective as well.

Key words: - Corporate governance, Environment, disclosure in annual reports.

Introduction:

Until 1960, the implication of health, hazard, environmental issues, industrialization were unclear on natural resources, which later gained importance by Ms. Rachel Carson, thereafter it seems the awareness on said subject have growing constantly and in focus. Awareness on sustainable development reflects attention by different environmental management practices amongst organizations globally. Increasing focus and awareness demands the standard reporting information from organizations and business to understand their initiatives to support in cutting the global environmental problems.

Disclosing these information in corporate governance report, helps to assess the costs helping to prevent environmental measures of the companies.

1. Reporting disclosure of environmental by British companies

Harte and Owen, UK (1991) concluded a research paper on reporting of environmental in annual reports for the British companies. The primary objective of the research was to analyze the annual reports of listed and unlisted companies specially engaged in the core business where it has to do more with environmental accountability and performance. Companies are required to disclose the information and initiatives taken by them for green environment reporting. They have studied the annual reports of 30 companies, out of which they have taken 5 companies, which are considered as good amongst all, disclosing environmental information and the annual reports as of 1990. Their analysis of annual report focused on two main aspects, i.e. Reporting environmental matters that include statement of objectives and the disclosures of financial and non-financial. They have highlighted in the paper whether the mere specific information or specific reporting, for example, it was examined the length and content of reporting and examined companies "statement of objectives" directly relating to environmental issues where they identified 12 companies where one company has mentioned its objective statement with pointers on Waste management. While analyzing the compliance with standard that some companies reports the environmental information according to its own standard and while other companies refer the external standards. Only one company is explained that is following the norms by getting audit of environmental matters from independent consultant. The second section of the study focuses more on water industry as regulated by external authorities and hence it is to be followed compliance standard more rigorously. They have studied the companies' analysis report, which are into water related business minutely and identified with statistics and highlighted information pertaining to four key aspects of relating to performance of environment. Finding says that this information is available in such companies' reports and referred as inclusion in report.

By analyzing the general and specific reporting standard of selected companies and industry with tabular data, they have concluded that majority of reporting in companies are at very general level to green issues. Although their study suggests that there is little impact on reporting when it comes to comply with the external standard but the information could be considered for inclusion in the annual report.

2. Environmental disclosure quality and economic performance – Malaysia

George (2012), conducted research in his paper "Quality of disclosure", which becomes the evidence for environmental performance and corporate governance. The research has prime objective of relation between quality disclosure of environment and the performance on companies with effective disclosure reporting. The study highlights the fact that presenting high quality environmental disclosures positive impact of environmental decision on company's financials such as effective cost managements, better capital access, increasing high score of quality of corporate governance, proper management of risk and company's goodwill. This paper further have the descriptive explanation on compulsory and voluntary disclosure of the environmental norms and what are expectation from

institutional, foreign as well domestic investors that can help them to determine the focus of company towards adoption and execution of environmental norms effectively.

Research Methodology of the paper: author has done analytical study which is emphasized for 529 Malaysian listed companies which are more into environmentally sensitive. It has been studied with statistical tools and as set 5 hypotheses, which are tested by regression method. Environmental disclosure index has been created for the scoring in various categories such as, Governance structure, management system, creditability, expenditure on environmental, performance indicators of environment, environmental profile, environmental initiatives,

The findings of the research say that higher the disclosure scores leads to higher performance in terms of capital spending and profitability of the companies. It strongly stresses on adoption of environmental friendly policies influence positive investor relation with the company. Higher environmental disclosure scores specified in beverages, paper, producers, industrial metal and mining and these companies reflect the effective corporate governance structures and further leading to improve positive environmental reporting. Addition to quality disclosure, those companies follows auditing of environmental disclosures which has reduced the difficulties in capital markets, pertaining to companies' stocks and keeping investor confidence strong.

Conclusion of the paper is with the thought of considering "Sustainability as the central issue of for the companies, business and hence for society as whole since the lack of adequate natural resources are crucial to the businesses." Hence, the paper has particular attention toward the quality disclosure and transparency of environmental norms in the annual reports of the companies or its websites.

3. Performance of three elements of sustainability, i.e. environment, social and corporate governance, in Czech republic smes

Kocmanova and Docekalova (2010), carried out an empirical study on the subject of "Sustainability: Environmental, Social and Corporate Governance Performance in Czech SMEs". The paper has direct empirical study more emphasizing on sustainability in the business especially in small and medium enterprises in the European country i.e. Czech Republic. According to the paper, effective sustainability in that enterprise is mainly because of three important elements of corporate governance i.e. economy, environment and economy. Paper highlights that small and medium enterprises play important role for each economy and their research concluded that these businesses form major part of the employment.

According the research, there were total 1029871 such SMEs in Czech republic which demonstrates 99.83% economically active, having 62.33% share in total employment rate and 36.22% in GDP. It also contributes majorly in export-import transactions. Hence, due to massive contribution to country's GDP, these sectors must come up with their growth and sustainability and therefore it is necessary to formulate and follow the international standards of corporate governance to get easy capital access and boost the investor confidence. It supports the fact that it is necessary to use the existing tools in the area of

environment improvement plans such as minimizing the use of water, energy, and materials in order to optimize the business to satisfy the customers and investors. Important activity is Global-reporting initiatives (GRI) standardizing sustainability report. This country follows the defined environment oriented management system to boost the companies to deal with matters related to environmental matters.

Authors have analyzed 280 companies from the processing and manufacturing industry with descriptive questionnaire survey where in 27% companies having employee size of 250 wherein 57% companies considers sustainability and environmental implementation as their strategically goals. Paper also highlights the empirical study on social performance.

Conclusion of paper review: Paper has covered very important pillars of corporate governance that investors and customers look forward while investing in the companies relating to disclosures of environmental and social matters. Investor demand high standard of quality, which can be derived from these aspects. Effective corporate governance represents the prosperity of the business and company hence the disclosures of governance elements are must to understand and implement which this paper has explained in detail that how successfully small and medium enterprises in Czech Republic countries have adapted. This paper has limited many aspects such as hypothesis and clear objectives and gives a scope of further detailed study on enterprises innovation to curb environmental issues.

4. Environmental disclosures – Nifty companies in India

Ms. Kundra (2013), analyzed in her study the practices which are followed by Large capitalization companies (Nifty based) in India, it is emphasized the crucial growing importance for disclosure of environmental concerns in Indian corporates for the sustainability of the business. This paper gives the insight pertaining the green insights taken by the Indian companies and disclosing the same into their annual reports. The prime objective of the paper is to study disclosures about the environmental related matters and initiates, company and item wise the second important objective is to invite for environmental specific to industry.

And for this objective, author has examined 50 companies listed in NSE, Indian 2nd renowned stock exchange, these companies having highest market capitalization, which represents the strength of the economy of the country and stock exchange. Hence, it has highlighted the importance of studying the environmental related initiatives taken or followed by those companies, which becomes the benchmark examples for another companies. Authors has executed secondary research data source, i.e. analyzing the annual reports (2011-12) of these companies and extracting information from the website. Based on that, the disclosure about initiatives taken for green projects has been put in Index form (having forty items) and scoring and weightage given to companies item wise.

According to finding in study, it was revealed that out of this 50 companies, 68% proved the success of recycling the waste while 62% organizations focused on minimizing the footprints of carbon. Minimizing the emission from carbon and planting trees implemented

by 60% companies of them. 44% companies materialize the use of technologies, which are nature friendly. It was learnt from the study that important initiatives, such as minimizing the travel, still not taken by any of such big blue chip companies which can be focused for better green reporting. Further, from the disclosure by each organization study, reveals the fact that IT companies has higher focuses on following the environmental policies wherein Wipro, Infosys scores above 60. Also, manufacturing companies are ahead in Top 10 list having score of 40 which indicates focusing but still require more improvements.

Conclusion of the study:

This paper gives clear highlights about the importance of Environmental disclosures followed by the "top market capitalized" companies in their annual reports, which gives the reason for their long-term sustainable business. Companies are following and focusing the corporate governance norms by implementing initiatives of green projects. Managing water waste, carbon reduction, trees planting are crucial to reduce the global warming and hence each organization and individual has to take responsibility to curb for the better future that is what the paper has been concluded with.

5. Disclosure of Environmental matters in annual reports by Internet medium, Indian companies.

P. Malarvizhi and Ms Yadav, (2008) studied the importance for disclosure of corporate environment through Internet for Indian organizations. The prime objective of the research is to find reporting practices related to environmental, in the annual reports of the companies via Internet medium and not the paper based publication, with diverse approach. It has also tried to attempt the reporting format style of each sample-selected company i.e. standard reporting or inclusion in annual reports. Author has explained in detail about the regulations and laws formulated by Indian authorities and global perspective to report the environmental matters which helps to understand the growing requirement of disclosing the environmental related activities that companies follow to help the country and the globe to reduce the challenge to curb global warming issue. It has also given the glimpses that why reporting of environmental subject on Internet is most cost saving tool for the organizations. This paper highlights correlation proving as positive between disclosure and responsive of environmental using both the online and in physical copy, according to one of their literature review of 2004 for Australia country, it was found that there was limited internet use for the company to communicate the reporting of environmental at that time.

The important aspects highlights about reporting parameters in the later section of paper are as explained below,

Environmental policy – which aim to protect the environmental related issues, reporting of the same reflects the focus of the company, their finding says that 46% organizations make such disclosures wherein 33% companies relates to manufacturing. Environment and safety of health, which represents that 21% manufacturing and 13% non-manufacturing organizations follows the reporting guidelines as per this parameters. Conservation of wind energy reflects that 33% manufacturing companies disclose it. This analysis part

stressed more on energy component being critical which argues that in order to reduce cost Indian companies should take measures for energy consumption. Initiatives have been taken for environment and sustainability of corporates. It reveals 33% companies from the sample disclose the initiatives descriptive in the annual reports. It mentioned the high growth in reporting the initiatives by Indian companies. Waste Management; find the fact that Indian companies have always focus on creating wealth out of the scratch/waste. 29% Indian firms reported wherein 17% and 13% for contribution from manufacturing and non-manufacturing. Water Management: It highlights urgency and accountability for companies and the importance of the natural resource, having is the highest necessity for manufacturing companies that is depleting and need the higher focus and initiatives to save it. In India 33% companies follow reporting of water management.

Conclusion of this study, it was learnt that Indian companies have increased standard of reporting environmental disclosures and the descriptive contents parameters shows the focus, however the number of companies reporting are still less in manufacturing sectors which has highest dominance in business and hence is expected to contribute more on implementing and reporting environmental initiatives taken by them for sustainability and interest of stake holder.

Conclusion and framework based on aforesaid reviewed papers.

"Environmental Disclosure" – Corporate governance draws the emerging attention and focus requirement globally and in India as well for reporting the activities pertaining to green field, environment are much more crucial as the shareholders, foreign investors, customer, many such important parties, expect the consistency of the business and better return which is possible with reducing cost coupling business expansion. Hence, the relevant information is required to communicate with the detailed contents in annual reports or standard format of the company, should be published online. It gives the further scope of study for Indian and global study to understand and analyze the descriptive initiatives taken by giant companies and are in successful to save environmental issues.

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FAILURE OF CORPORATE GOVERNANCE IN THE FINANCIAL SECTOR

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Abstract

The financial sector is one of the major sectors that work continuously at the customer front. This sector is one of the most critical sectors that play a major role in the global economy. Any unethical practices that follow in this regard can lead to catastrophic results namely the loss of credibility. This is where corporate governance comes into the picture. For any financial institution reputation and credibility are the main assets. This review paper has been written keeping these facts in mind. The past two-three decades have seen major financial crisis and scandals. They have been linked with corporate governance. With the help of this paper, we try to analyze the importance of corporate governance in the financial sector. Some cases have been presented keeping the more recent LIBOR scandal at the forefront. LIBOR has shocked the global financial sectors. The reason for the LIBOR scandal has been linked with failure of corporate governance by many regulators and researchers. Keeping the LIBOR scandal as our benchmark case, this paper also deals with similar crisis namely the financial crisis of 2007-08, Asian Crisis of 1998 and the dot com bubble have all been attributed to the failure of corporate governance in these financial institutions. A brief background in the form of the LIBOR scandal is used as the opening literature review for the paper. Other cases follow thereafter. Another scandal the Enron scandal has its roots in the failure of corporate governance Ethical practices are very much required in the financial services. The conclusion from this paper that can be drawn is that close monitoring and control is required in the customer-centric service sector. In depth conclusions in the form of the way forward have been included at the end of the paper. Various insights have also been drawn from the discussions that follow the cases as mentioned. This review paper can be said to be case based review for the importance of corporate governance in the financial services, as these cases form the basis for this paper and insights are drawn from them.

Keywords: - Corporate Governance, Financial Sector, failure, Scandals, Financial Crisis

Paper type: - Case based Empirical Review paper

1. Background: The LIBOR Scandal

Since the beginning of 2012 international investigations have been going on in relations with the manipulation of interest rates in United Kingdom. The main focus area for investigation was the London Interbank Offered Rates globally known as LIBOR. Speculations of misrepresentations in the financial records of many LIBOR contributing banks had around for a few years. **James McBride** wrote and extensive article on the same in the year 2016. The insights have been derived from there [1].

The LIBOR case had shocked the world and had profound impact on the global markets. As reported in the CFR Backgrounders article titled "Understanding the LIBOR scandal" many international banks such as Deutsche Bank, Barclays, UBS, Rabobank and the Royal Bank of Scotland were involved in the high profile manipulation of interest rates for profit as early as 2003 [1].

Fines of about $9 billion have been imposed on these banks for their role in the LIBOR scandal. LIBOR is the average interest rate calculated according to the submission of the financial records by banks. This was the key reason because of which the issue attained global interest. It has been estimated that more than $300 trillion worth of loans are associated with LIBOR. This huge amount of assets is another reason that global economists were attracted to the scandal and took special interest in it [1].

Since 2015, regulators of United States, United Kingdom and the European Union have charged criminal cases against many individual traders and brokers for their alleged involvement in the scandal [1].

This has called for major reforms in the LIBOR rate setting mechanism as a long term measure and as a short term measure has called for strict punishment for the accused [1].

The severity of the matter lies in the definition of LIBOR which is a standard interest rate based on lending rates at which the contributing banks trade with each other in unsecured funds on the London corporate playground. These rates are published on a day to day basis and were previously administered by the British Banker's Association (BBA). The responsibility was shifted to the ICE Benchmark Administration a United Kingdom subsidiary of the United States based exchange operator Intercontinental Exchange (ICE) by the Financial Conduct Authority (FCA) [1].

1.1 The Global Significance

LIBOR rate calculations are done on the basis of submissions of borrowing cost estimates by the various global banks. The extreme high and low values are scrapped along with the highest 25% and the lowest 25% of the values. Average of the remaining values is found out thereby giving us the LIBOR rate. This involves five of the strongest currencies at the global level namely the US dollar, UK pound sterling, the euro, Japanese yen and the Swiss franc thereby making it the globally accepted standard for interest rates. Banks around the globe use the LIBOR rate as the standard rate for consumer and corporate loans [1].

1.2 The scenario

A report by the **Joint Economic Committee** on the LIBOR scandal published in 2012, had reported many unethical practices that were being followed in the LIBOR rate setting mechanism. Barclay's was the primary bank that was involved in the LIBOR scandal. They were the only ones to have accepted to the fraudulent practices that were followed by their employees. The Barclay's employees submitted financial reports showing under performance of the banks on a few instances and over-performance in other instances. Evidence shows that Barclay's employees went on further and collaborated with other contributing banks to furnish misleading reports intentionally [2].

The United States and United Kingdom regulators were aware of the ongoing misrepresentations on the part of Barclays as early as 2007. Indications of manipulations were evident to the Federal Reserve Bank of New York from its market intelligence but they were circumstantial. During a call with a Barclays employee that revealed the misrepresentation on the part of Barclays to avoid the stigma of being an outlier. Recommendations were first floated by the Federal Reserve and the US treasury. The Bank of England and the British Banker's Association did not implement these recommendations and manipulations. This was followed by international investigations starting 2008 that revealed the scandal [2].

1.3 Relevance with Corporate Governance

Commenn A. Ninan in his article "Failure of Corporate Governance results in financial crisis: IOSCO" analyzed the situation leading to the LIBOR crisis. He also quoted the reports as published by the International Organization of Securities Commissions (IOSCO) attributed the LIBOR scandal to the failure of the Corporate Governance. IOSCO went to state that regulators and authorizing bodies need to focus on the corporate governance aspect by understand the effect of corporate incentives and internal structures in generating risks [3].

The major loss to the banks contributing to the LIBOR scandal is the loss of reputation and faith of the customers which is a financial institute's highest asset. The erosion of public trust in the market place is a major loss for the banks associated with LIBOR scandal. The monetary losses incurred may lead to another financial crisis [3].

2. Introduction to Corporate Governance in the financial sector

On analyzing the situation and the lead up to the LIBOR scandal we can understand that the basic flaw was in the systems that revolved around the LIBOR rate setting mechanism. Employees were allowed to manipulate the expenses report that they submitted. This leads us to understand that ethical practices were not being followed. What corporate governance does is that it provides sets of rules, principles and mechanisms for the ethical functioning of the overall system.

In the case of LIBOR these systems were bypassed and the result was an eroded trust of the consumers of these services. Monetary loss was also a primary outcome but trust and

credibility are the two major assets of any financial institution. Loss of these assets has a higher impact as compared to monetary injuries.

Investopedia defines corporate governance as a system of rules, practices and processes that govern a company or an organization. The main objective of implementing corporate governance is to strike a balance between the interests of a company's various stakeholders. This includes the management, customers, suppliers, shareholders, government and the community at large. In short corporate governance for an organization includes every aspect as prescribed in the company's objective [4].

Investopedia defines the financial sector as a category of services that provide financial services to the commercial and retail customers including corporates as well. Investment companies, banks, insurance companies, real estate and investment funds come under this category. Their performance is dependent on the interest rates and a large chunk of its revenue comes from the loan and mortgage activities [5].

Combining these two definitions together we can easily say that since the financial services are very much customer-centric and are very much susceptible to frauds and manipulations. Thus, strong corporate governance is required for the running of these financial services. This was a major parameter that was lacking in the LIBOR case. Systems and reporting process were susceptible to frauds and this call for a more stringent implementation of principles that ensure that financial institutions are run in most ethical way as possible. LIOR scandal is one of the perfect examples for failure of corporate governance in the financial sector. The impact was felt at a global level.

3. Literature overview: Similar cases on failure of corporate governance in the financial sector

Several articles and reports have been published by various regulators and governing authorities highlighting the importance of corporate governance in the financial services. Several other financial crises have their roots in the failure of corporate governance namely the Asian crisis of 1998, the dotcom crisis and more importantly the Enron scandal. Some have also reported that the financial crisis of 2007-08 is also closely related to the failure of corporate governance.

3.1 LIBOR scandal

Apart from the above mentioned references and the reports as published by the Joint Economic Committee, other publications have also highlighted the linking of corporate governance with the same. **P. M. Vasudev and Diriana Rodriguez Guerrero (2013)** published an article in the "Journal of Banking Regulations" highlighting the seriousness of the issue that is the failure of corporate governance and have Barclays as for reviewing the same. They said that the misrepresentations were done mainly for two reasons namely- for personal gain and the encouragement from the top officials apparently in the best interests of the company. They have argued that such cases display the lack of seriousness towards corporate governance on the part of financial institutes and that the term corporate governance is just a document and nothing else. They also highlighted the fact that this scandal occurred at a time when focus was on liberalization of the financial sectors and also

brought forward the slack structure associated with the LIBOR scandal. They concluded by saying that the epicenter of the scandal was fraud and lack of good judgment and any changes or bringing new rules would have had a reduced impact. However they have not put the entire blame on the actors but have also said that the situation prevalent also played a major role. This has however highlighted the missing links between public policy and has called for regulators to improve fairness in the system and a more stringent corporate governance policy [6].

Another report as published by the **"Transparency International"** journal in 2012 in United Kingdom cited that Barclay's personnel had abused their position of credibility for corporate and indirect personal gains. **Chandu Krishnan** executive director of the journal said that the LIBOR scandal was a failure of ethical leadership and called for an independent investigation on the part of Barclays. He also advocated the need for functional reforms and a more stringent corporate governance policy [7].

3.2 Financial Crisis of 2007-08

The LIBOR scandal had been remotely linked with the financial crisis of 2007-08. The financial crisis of 2007-08 had its impact at the global level and many researchers and economists consider it as the worst financial crisis after the Great Depression of the 1930's. The main causes of the financial were that the banks had created too much money. New money is created whenever a bank makes loan. In the lead up to the financial crisis, banks created huge sums of new money by making loans. This led to a dent situation in the economy.

From the graph it is evident that while banks created new money by making loans, the available cash was very less as compared to the new money created.

The percentage of money going into the businesses outside the financial sector was very less when compared with the amount of money that the banks had created.

Major chunks of money were pumped into residential property, commercial real estate and the financial sector. This pushed up the prices of real estate and property thereby increasing the debt of the consumer. Debts rose at a faster rate as compared to the income and this led to many consumers inability to repay the interest on their loans. A fear of the banks filing for bankruptcy loomed over the financial environment. Banks slowed down their lending causing a drop in market price. In speculations of future rise in prices, the borrowers now had to sell their assets to repay loans. The rates tipped down further leading to banks lowering their lending rates. This downward spiral led to recession [8].

Grant Kirkpatrick wrote an extensive article titled **"The Corporate Lessons from the Financial Crisis"** for the OECD. In his report extensive analysis of the failure of corporate governance was done. The weakness of the systems in place were highlighted namely the remuneration policies and the risk management systems. The report questions the decisions that were taken in an environment of high risk and also some facts were bypassed such as whether the banks would be able to withstand those huge volumes of financial transactions taking place. The main purpose of a corporate governance system is to promote ethical functioning of the financial systems along with keeping a checkpoint on

the remuneration policies for executives and the risk management systems that account for withstanding any changes in the business environment. They provide checks against excessive risks and the regulatory requirements also need to be improved for better accountability of the organization towards their stakeholders and their community at large. Corporate governance and the regulatory authorities act as a bridge between the organization and the stakeholders and the community by placing strong processes that control the functioning of the organization. A major conclusion of the report of **OECD** is that remuneration policies must be linked with the strategy and risk taking ability of the organization to ensure long term interests [9][10].

Another research as conducted by **David H Erkans, Mingvi Hung and Pedro Matos** in 2012 revealed some important points. The first aspect as highlighted by them was that firms with more ownership took more risks prior to the crisis accordingly they incurred higher losses. Also firms with more independent boards raised higher equity during the crisis, this led to wealth transfer to debt holders. In conclusion, it is important to note that the inclusion of an independent board is an important aspect of the corporate governance. These points also bring forward the weakness of the corporate governance systems [11].

3.3 Corporate governance: Indian Scenario

Having discussed two major crises in the financial sector we shall now turn our attention towards the Indian financial sector. Stayam founder **Ramakingam Raju** was convicted for swindling the company account books by trying to replace fictitious assets with actual ones. The next biggest scam was that of **Harshad Mehta** who initially started by trading in high premium stocks across various segments of the market. His scheme was deviating funds from banks to stockbrokers. He has many high profile insider trading scams under his belt. He was followed by **Ketan Parekh** who was involved in multiple rigging activities and misrepresentations in some of the minor stock exchanges. He was involved with price tampering of the documents as sent to the Global Trust Bank for loan [12][13].

4. Key Insights and the way forward

Though India has come to the brink of a near financial crisis, it has strengthened the requirement for corporate governance in India. The common denominator for all these crisis is the failure of risk management systems, lack of oversight, reduced transparency, lack of proper remuneration policies in short lack of effective corporate governance.

OECD has emphasized on the importance a qualified board oversight and strong risk management systems. OECD has also raised concerns regarding the remuneration schemes of the executives.

The financial crisis in Europe, United Kingdom and the United States has led to the formation of stringent regulations regarding corporate governance. In India, SEBI has been controlling the corporate governance policies.

It is necessary for organizations to follow these regulations and maintain proper records of the same. Close monitoring of the disclosures need to be done. In the most consumer-centric sector, it is most important for financial institutions to maintain transparency

which brings us back to the fact that trust and credibility are the most important assets of the financial sector

Proper oversight and risk managements is the most important requirement of the day for the current financial sector

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EFFECT OF CORPORATE GOVERNANCE ON PERFORMANCE OF CORPORATE

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1. Introduction:

Corporate governance has major importance to the company as it helps to clean business plan. It Helps Company to avoid frauds, scandals, criminal & civil cases which happened in the company. It also helps corporate companies to improve financial performance in the eyes of shareholders as well as society. The starting point of corporate governance is from Cadbury committee report.

Impact of Corporate Governance Practices on Financial Performance of

Review of Literature

2.1 Hindustan Petroleum Corporation Limited (HPCL):

Dr. Mohd. Yameen&Izhar Ahmad (2015) entitled "Impact of Corporate Governance Practices on Financial Performance". The purpose of paper was to study effect of Corporate Governance on the financial performance of HPCL, The objectives was as below:

1. Role of CG in developing appropriate strategy of HPCL to achieves the shareholders objective.

2. Prominent role played by CG in attracting, motivating & retaining best people in the organization.

3. Role of CG is reducing the company's overall risk & improves financial performance in market & society & also helps in smooth functioning of business.

Hypothesis tested in the study. There is no significant difference in

A. Mean value of earning per share

B. Mean operating of financial leverage

C. Mean value of gross profit ratio

D.Net profit ratio

Pre & post corporate governance scenario:-

The study is based on the secondary data which is collected from various annual reports, Director's report & corporate Governance Reports of Hindustan Petroleum Corporation Limited. The information was also collected online e-journals, Economic news paper, financial website portals etc. The research hypothesis is formulated based on objectives.

The Corporate Governance is implemented in HPCL in 2006.The data was collected pre & post implementation of CG from that years onwards. The HPCL is registered in stock exchange of India in 2005-06.

1. Ho1: The value of t was calculated on based on net profit, no. of equity shares & EPS ratio. The value t was 0.137 which is less than 5% level of t value i.e. Null hypothesis is accepted. No impact on the shareholders wealth. Post EPS is greater than pre EPS based on average mean. It means that shareholders wealth has increased due to CG.

2. Ho2: The value of t was calculated based on EBIT, PBT & financial leverage. The value of t 2.13 which is less than 5 percentages which is level of significance due same reason Hypotheses is accepted. There is no significance difference in the "mean value of financial leverage between pre and post CG". But there is positive effect on financial performance.

3. Ho3: The value of t was calculated based on contribution, EBIT& operating leverage. The value of t 2.13 which is less than 5 percentages which is level of significance, e Null Hypotheses is accepted. There is no significance difference in the "mean value of operating leverage between pre and post CG" by using statistical tools. CG has improved financial performance of HPCL.

4. Ho4: The value of t was calculated based on Gross profit, sales & GP ratio.

The value of t 2.13 which is greater than 5 percentages i.e. hypothesis is rejected, alternate is accepted. Based on the results of "mean value of gross profit ratio between pre and post CG" which was calculated by using statistical tools. There is positive impact on financial performance of HPCL due to CG.

5. Ho5: The value of t was calculated based on net profit, sales & NP ratio. The value of t is greater than 5 percentages, due to same reasons, Null hypothesis is rejected & alternate is accepted. Based on the results of "mean value of net profit ratio between pre and post CG", There positive impact on financial performance of HPCL.

2.2 State Bank of India:

T. Narayana Gowd, Dr. C. Bhanu Kiran, and Dr. Ch. Rama Prasada Rao entitled

"Empirical study on corporate governance practices in state bank of India". Due to several scams, frauds, scandals, criminal & civil cases, financial reports & disclosure of any information are key factor of corporate governance. The study is based on secondary data which is collected from annual reports, newspapers & financial Institution's website.

The objective of paper was to study

(a).corporate governance practices followed in SBI

(b) Relationship between operational performance & marker valuation with CG scores.

Hypothesis tested based on-the sales or turnover, profit after tax, dividend payout ratio & market capitalization is not significantly influenced by corporate governance.

The data is analyzed by multiple & correlation analysis-test analysis.

The analysis of corporate governance score is based on- Financial reporting, Balance sheet Cash Flow Statement, Accounting Policies, Board's composition & remuneration, dividend, project investment detail's, recent changes, compliance issues etc.

Sales value, market capitalization, dividend policy, profit after tax (PAT) & corporate governance score (CG) are positively correlated. There is significant correlation at level significance OF .02 between sales & CG. Multiple correlations are 0.734.The model is valid. Based on statistical results, it concluded there is not significant impact on sales.

There is positive correlation between PAT & sales. Study report shows mean score of CG is 90 percentages. Due to effect of CG, financial performance of SBI has increased from year 2007-08 to 2011-12.There sale revenue increased in same year.CG has improved SBI financial performance in sales revenue, PAT & market capitalization area.

3. V R Sridhar & Dr. M.SakthivelMurugan (2015) analyzed "Impact of Corporate Governance on financial performance of companies – A study with reference to selected corporate sectors". The study is based on secondary data.

The study revealed corporate governance issue came into lime light due to financial scandals happened in UK in 1980s.Due to same reason Cadbury Committee has been formed in 1992 .CG once again came into limelight in corporate world due to sudden fall of Enron (2001), Xerox (2000), WorldCom (2002).Big giant corporate companies such as Lehman Brothers (2008), In south Korea Daewoo & in India Satyam (2009).

Different committees which were formed in later stage, suggested that there is lack of transparency & poor disclosure in annual report, which these companies had hided from shareholders.

Due to these corporate fraud, regulatory authorities across the world made it compulsory to follow best corporate governance practices.

The objective is to study the corporate governance & disclosure practices followed in selected companies, Factor of corporate governance which influences the companies & financial performance.

The report has analyzed the impact of CG on financial performance on Indian companies. Selected companies are leading companies in area of software, petroleum, manufacturing, pharmaceutical, PSU, FMCG companies. The financial parameters such as Turnover, profit after tax, Return on assets, Debt-Equity Ratio, Earnings Per share, Total Debt, Market Capitalization, Interest Coverage Ratio, Return on Capital Employed etc. are considered while doing analysis.

The study revealed on financial performance vs. corporate governance and disclosures. The findings are as follows:

A.24 percentage of the companies followed best practices of corporate governance.

B.54 percentage of companies followed moderate corporate governance & had achieved moderate financial performance.

C. 44 percentage having impact of corporate governance which is below average.

Efficiency of CG is 57 percentages which is greater than 50 percentage.57 percentage influences financial performance of companies, 10 percentage companies are following Best corporate governance practices.

4. Surendra S Yadav & Prof PK Jain (2010) analyzed "The Impact of Corporate Governance on the Financial Performance: A Study of Nifty Companies". The report analyzed that corporate governance is directed, controlled & monitored by regulatory authority. Corporate governance is set of Companies process, policies, laws which is controlled by regulatory authority. It also highlights importance of CG & its effect on financial performance of the firm. The study has analyzed performance of various firms based on financial parameters & its effect on firms' financial health. Based on Tobin's Q and Return on Asset (ROA), firm's financial performance was analyzed & measured.

During survey, independent variables such as independent & Non-executive directors & Chairman of audit committee, financial investor's & shareholders, chairman role & firm board size. Other variables turnover & gearing are dependent variables entered into regression analysis. Tobin's Q found correlation with chairman role as duality, firm's turnover & debit to capital ratio. It is having no effect on return on assets but Tobin's Q significantly indicates firm's turnover.

Granger revealed that there is no relationship between institutional investors & concentration of ownership & does not indicate its influence on financial performance.

5. Karam Pal Narwal& Sonia Jindal (2015) analyzed on "The Impact of Corporate Governance on the Profitability: An Empirical Study of Indian Textile Industry".

Corporate governance is a framework formed by regulatory authority to operate, control a firm to achieve short term as well as long term goals to satisfy financial investors, Creditors, customers, shareholders, employees & suppliers. Corporate governance plays a major role in improving financial performance –profitability of firm in term. The improvement in financial performance helps to achieve corporate objective .In developed & developing countries, Strong governance is necessary in business organization.CG mechanism is different in developed and developing countries.

Due to globalization, good corporate governance is an essential tool for Business organizations in India.CG helps business organizations to maintain operational transparency, principle, and accounting principles which directly affect financial performance of firm. It helps to enhance firm's profitability. By implementing the best

practices of CG, It helps organization to access outside capital & reduces financial instability.

Indiscipline in corporate structure results in risk to the management & employees & pull down capital market. It will put barriers to organization in capital market & threat to countries economy.'

In India, The wave of CG has been observed after liberalization, globalization & privatization. India is a developing country & faced more challenges, competition from developed countries firms.

The study is based on secondary data collected from annual reports of textile companies from year 2009-10 to 2013-2014. Textile companies are listed in Bombay stock exchange & National stock exchange.

Hypothesis tested in the study-

Positive association between firm's profitability & board size, non-executive directors, audit committee members, Remuneration of director's, boards meeting.

Financial parameters considered for analysis-Profit after tax, audit committee members, Board size, director's remuneration, on executive directors in the board.

The study has analyzed impact of CG on Indian textile sector firms.

The study board directors meet more than five times in year& non-executive directors are 50 percentages. The average board size was 8.8 & non-executive director's 5.528.The average director's remuneration was 3.97 Crore & maximum was 25 crore. The average was 1.45 lakh.

To analyze the data, OLS regression model & correction model is used. Non-executive directors, board meeting, audit committee & director's remunerations are in Independent variables & dependent variable was profitability. The results indicate strong association between profitability & director's remuneration.

There is a negative association between audit committee members & profitability. The study has further analyzed, there is significant association between profitability & board size, board meeting, on executive directors.

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CORPORATE GOVERNANCE AND INDEPENDENT DIRECTORS

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Abstract

Corporate governance is system of rules and different practices by which company is controlled as well as managed. Corporate governance essentially involves interest of company's suppliers, stakeholders, investors, customers, financiers, government and the community.

As India corporate history is not too much old, real globalization era in India started after 1991,even Industry like IT sector is on average just 25 years old therefore difference corporate governance practices in India is not yet up to the mark, as well as role of independent directors is not yet well define, as per SEBI India still short of 30000 IDs, despite tight SEBI regulation and ministry of corporate affairs still active role of independent directors is well utilized only in the Large size companies, Independent directors still not getting up to mark remuneration as per market, Compensation not yet decide on the basis of turnover as well as profit of business. Most of the companies are having sleeping IDs, We have seen recent cases of Satyam, Nagarjuna, PSUs Banks NPA issue and most recent Cyrus Mistry case, where Independent Directors are still not knowing in and out of the business, while at the same time ITC, HUL, INFY etc. are well managed companies and Independent directors play very Vitol role in their decision policies.

1. Introduction:

This research paper is taken summary of international research paper, defining Independent director's work, how their proper utilization of them can be done, Research paper only also focusing on independent directors role and learning from corporate frauds as well as different crisis like Subprime crisis, European crisis of debt, Loophole of regulations, Raising some issues like monetary remuneration of the independent directors of the companies, Recommendations for companies for effective use of IDs and more responsibility allocation to Independent directors.

Keywords: Independent directors, Recommendations, corporates, Remunerations.

2. Review of literature papers:

Ringe study on" Independent directors: After the crisis"(15 JULY 2013) the study found how can independent directors can allotted more responsibilities, after 2007 financial crisis, what role independent directors can play for better corporate governance to avoid crisis, reflection on the inherent purpose of director independence and develops a functional notion of director independence. Study found that how independent directors and other directors can balance their responsibility. Accountability of independent directors to certain minority groups which they should protect, Research paper emphasis how independent directors should be chosen, challenges for independent directors, empirical evidence, incentive problems, functional understanding for them and research also given lot of examples to avoid any other financial crisis.

Iti Bose study on "Corporate governance and law-role of independent directors: theory and practice in India"(2009) In her research she study about role of independent director in the companies among globalization era, research found more independent directors needed for greater transparency of business so that companies can follow SEBI norms guided to them for corporate governance. Research also puts emphasis on larger role of audit committee, Research find out corporate governance need of Indian companies for foreign investors, Mandatory risk assessments as well as certifications by the CEO and CFO for the effectiveness of internal accounting controls.

Stein and Salvador study on "The role of the independent director in CEO supervision and turnover" (JAN 2011) study found how can independent director can be more utilized under high leadership role, researcher made own model of table of habitual professional activity of the independent director with different percentage allocated to qualities. Analysis of the qualities and requirements of independent directors in the codes of good governance has been done of Spain as well as code recommended for other countries and association too, researcher uses table format for every reason and argumentation to solve each reason having positive as well as negative effect. Researcher stress the need for greater transparency in each director's compensation it would help to create good will and confident among investors.

Majority of the recommendations included in the codes of good governance are based on agency theory and, therefore, main focus is on highlighting situations that can generate conflicts of interest.

Khanna and Mathew study about "the role of independent directors in controlled firms in India "(11 OCT 2010) researcher uses primary data for his study, the study also focus on loopholes in corporate governance and role of independent directors in India, the research find out most of the Independent director do not want to be watchdog especially in case of Audit committee, situation in which criminal liability as well as reputational damage is so high. Results of research paper with the help of interviews recommended regulators a balanced and effective approach to reform corporate governance in India.

Research can help to detect corporate frauds in advance and prevention for it, as in the economic liberalization frauds and loopholes are very hard to deduct, research also focus on what Independent directors can add to firm and monetary policy must be made public for greater transparency.

Vaottil study about "Evolution and effectiveness of independent directors in Indian corporate governance"(February 6 2010) Research find out drawback and space for improvement for corporate governance especially Independent director utilization, researcher compare effectiveness of Independent director role from Western developed nation with Emerging economy, recommended the solutions to improve, study found on independent directors compensation are too much low as compared to international standards may be not lucrative to attract good talent for it, research paper raised the role of independent director in Indian companies with the examples of corporate frauds like Satyam, Nagarjun, Myraconstrictions.

Research paper recommends selection of nominee committee, minority shareholder roles in independent directors selections, recommended mathematical formula for nominal voting, renewal and appoint of independent directors, recommended need to bring independent directors value to the company, increase their roles in strategy, business, marketing, legal, compliance and other relevant aspects.

Nithya and Manali study" 'Skin in the Game' - A Case for Incentivizing Independent Directors (2012)" the researcher coin the word skin in the game situation which ensure that like mind people who ensures their stake in the company have a greater incentive to manage and govern the company, the research paper found most of the independent directors enjoy stock option only for monetary gains it should be replace by pay for performance and interest alignment, research paper recommended total number of options or manner in which independent directors are selling stocks in the market should be watch.

Apart from cash component, there should be lock in period for sale of shares for independent directors till their tenure not ended, it might reduce risk of insider trading. They should pay amount based on twin criteria based on net worth and turnover of the companies, time based as well as performance based bonus should be introduced like most of the world class companies used to give to their IDs.

Despite India is having less no of Independent directors as comparison to companies' capacity, despite high demand they are getting less remuneration.

There should be some amendment in clause 49 too on time to time.

Conclusion: After analysis of all research paper, research concluded that more responsibility should be given to independent directors for better control, remuneration should be match as per global standard, remuneration should be decided on the basis of turn over as well as profitability of the company, and independent directors should be part of other decision making factors like vendor management, marketing etc. Remuneration structure be renewed to like bonus should be given to the IDs on profitability apart from

per setting cost, few times fixed seating cost reduce responsibility of the Independent directors. SEBI should amend Independent director regulation to reduce anti money laundry cases, recommended the solutions to improve, study found on independent directors compensation are too much low as compared to international standards may be not lucrative to attract good talent for it, As due to high economic liberalization its very tough to retain the talent as well as effective use of independent directors, Due to reputational loss and criminal liability very few independent directors want to take bold decisions as well as business risk. India should follow western pattern for choosing independent directors, stress the need for greater transparency in each director's compensation it would help to create good will and confident among investors, shareholders and goodwill be rises.

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CORPORATE GOVERNANCE IN INDIA (BANKING SECTOR)

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Abstract

"Corporate governance" is very important to Indian corporates due to rise of frauds in listed companies. It is crucial for banking sector because of special nature of business. In banks it is not about the investors / shareholders but it is also about the depositors because banks deal with the public money in the form of deposits. Various researches conducted on corporate governance reviewed to find out the development of corporate governance in Indian corporate sector as well as banking sector. These studies are about the board structure, ownership and controlling of board, capital structure, transparency, interest of stakeholders etc. It has drawn from the research findings that how SEBI guidelines on corporate governance improved the business responsibility among the Indian corporates including banks.

Keywords: Corporate Governance, SEBI, Banking Sector, Regulation

Introduction

The latest phenomenon of financial uncertainty has underlined the potential infirmity of financial structures and the effect that financial uncertainty can have on the broad economy. After recognizing the same, more consciousness has to be given for understanding the main causes and consequences of financial calamity and to develop the policy and process structure for stimulating the full-fledged and well planned financial systems. A main part of that work associates to "corporate governance" arrangements. "Corporate governance" has attracted considerable attention over the past decades. The rapid development of "corporate governance" and its structures reflect its importance to business entities and communities. Governments must consider its importance in assuring accountability and improving performance. "Corporate governance" had brought some cases of corporate failure in lime light; these cases were failure of Enron and World Corn. These companies were collapsed due to non-adherence of "corporate governance" and some unethical practices were carrying out by them. Scandal of Satyam about the insider trading was also the case of non-adherence of "corporate governance" practices.

Banks play a very important and crucial part in the economic system to intermediate the money from public and depositors to the other functions and affairs which support the business and enterprise and help to drive the economy. Safety and soundness are two keys

of banks which ensure the financial stability, and the methodology in which banks behave and do their business therefore it is prominent to the economy. Weak governance in banking system and in financial system can lead the problems across the banking sector and for entire economy as well. Corporate governance policies recommended by Reserve Bank of India and Basel Committee require for maintaining a well-balanced and efficient board which is required for effective strategy execution and efficient strategy implementation.

Literature review

Academicians, experts and researchers have conducted so many researches on corporate governance in Indian companies including banks. A no. of relevant research journals, websites, notifications, and circulations studied to get familiar and to take some insight on this subject. It gave a right path and helped to review the literature, some of the reviews are as below-

A study on "Corporate Governance in Banking sector - indicating Transparency and Translucency" had conducted by Chokshi in the year 2015. The research was based on overall banking sector. Parameters considered for study were: History and Evolution of Indian Banking System, Evolution of Corporate Governance in Banking System, BASEL II Recommendation and Role of RBI in Promoting Corporate Governance. It was observed from the study that the practices of corporate governance in financial sector especially in banking are vital and important. It would improve the policies related to investment, risk, internal control, process automation, efficiency and customer service. By corporate governance banks could achieve the high quality & excellence, more clarity in order to gain in transparency and maximization the profit & stakeholder's value. Adoption of corporate governance and its implementation could improve disclosure and reporting in banking sector which can improve the stakeholder's confidence.

Jakob and Razvan in 2015 surveyed on corporate governance of banks. They focused on three characteristics or three key areas such as - a) rules and regulation internal as well as external; b) the opacity and complexity of business and c) the capital structure of banks. The tools used in the study were: 1) Composition of the board 2) Size of board 3) Ownership criteria 4) Compensation to key management personnel 5) corporate control. They found that traditional approach of corporate governance is not sufficient to protect the interests of shareholders because it does not focus on the factors such as regulation, the capital structure of banks, the density and difficulty of business and the structure. Hence we conclude that valuation is not the only criteria to judge or rate the bank's performance, but it should include some other factors too such as risk of failure, associated social costs and contribution to systemic risk.

A research on "Role of Corporate Governance in Indian Banking Sector" had conducted by Dharmwani in 2015. The research revealed that the professionalism and good business ethics should be the main philosophy of Corporate Governance of banks. It should align the interests of society as well as stakeholders. It was realized that it is very important and vital for better and effective management of the firm. There were several scams in financial and banking sector due to which transparency is on high demand in this sector. Banks must

made use of it as a mechanism to lower down the risk and to increase value of shareholder. This study covered corporate governance practices adopted by "HDFC Bank", "ICICI Bank", "Bank of Baroda" and "State Bank of India". We concluded that banks in India should pay the attention on the corporate governance. Banks have to ensure good practice of Corporate Governance within the organization in order to bring the transcendence, clarity, transparency, wealth and value of shareholders. It would help the banks to setup the good policy for investment, tools for internal control, risk management policy and customer service, adequate automation and policies. Corporate governance will surely help the banks to grapple with these challenges and bank will be able to convert these challenges into opportunities.

Vijaylakshmi in 2013 had done a case study of Andhra Bank on "Corporate Governance Practices in Banking Sector". The study analyzed the practices of corporate governance in Andhra Bank by content analysis. Annual reports from 2004-05 to 2011-12 were analyzed with respect to the composition of board and different committees mandatory as well as non-mandatory. Weighted scores method were used to analyze the corporate governance practices of bank. The scores were calculated for all the five years from 2004-2005 to 2011-12 to realize the degree of corporate governance practices in bank. This study concluded that the company had 75 points score in the year 2004-05 and score improved slowly to 91 out of 100. It was calculated based on 17 parameters. It is concluded that performance of Andhra bank is good with respect to corporate governance practices. The bank performed well during the period and it was improved over a period of study.

Swarup in 2011 conducted a study on "Corporate Governance in the Banking Sector" and analyzed that corporate governance is fundamental base of transparency in terms of relationships among the firm's management, board of firm, firm's shareholders and stakeholders. The purpose and nature with respect to the corporate governance had discussed with special prominence on the issue of banks in corporate governance. There is a conflict in Indian scenario which had also been explained in detail. As the nature of banking business is different from the other business, banks need to follow its practices in broader way so that depositor's interest can be protected. Generally banks face some problems to adhere the corporate governance due to its business activities which are special in nature. Hence it has concluded from the study that bank requires some different norms of corporate governance. It was also triggered by the Basel committee in 1999 and committee issued an advisory called "Enhancing Corporate Governance for Banking organizations" to supervisory and regulatory authorities worldwide, so that they can assist the banks to adopt the good corporate governance in respective countries.

Conclusion

1. To follow the professionalism and business moral / ethics, corporate governance is very important tool.
2. For emerging economy like India, it is important to have a good banking system. Ethics & professionalism and better management are the key factors and are very vital for banks.
3. Corporate governance is important for transparency in banking system due to some scams in banks.

4. It is also required to compete not only with the other players in this globalized world but also with in the organization for better functioning and performance.
5. Corporate governance is required to administer the structure of board, meetings conducting by the boards, to form the several committees such as audit committee, remuneration committee etc. which helps to institute the crystal clear management policy and transparency for controlling, supervising, reporting, decision making, execution and policy evolution.

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ROLE OF REGULATORS IN MAINTAINING STANDARDS OF CORPORATE GOVERNANCE

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Abstract

The research paper will analyze and review the role of regulators from Securities and exchange board of India (SEBI) on its various reforms which have been put into existence since the inception of corporate governance about two decades ago. As the Indian markets has become more dynamic and favorable market around the globe and the laws governing them have to be reviewed and updated continuously for markets to grow not only at a global level but also at a social level.

Since the late 1990s the concept of Corporate Governance as "the policy, process, structure and information used for direction and controlling the management of an entity" and to bring in the transparency level which would help in industry growth This paper will evaluate the various review of literature and analyze how the role of regulators have changed the corporate governance laws also the need for further need for robust research from time to time which would help in policy formation in order to keep the corporate governance more effective for domestic and global market

Keywords: Corporate Governance, Regulator , SEBI, Indian Corporate , Compliances

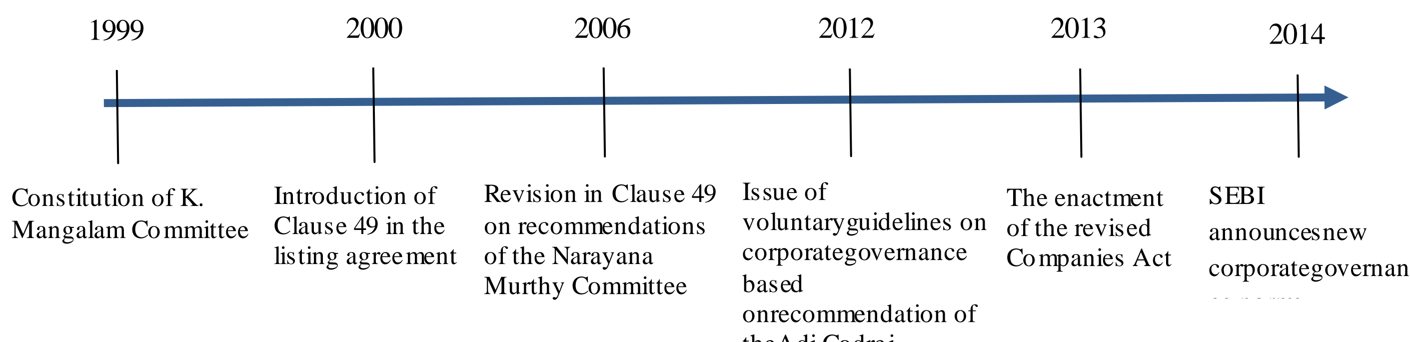
1. Introduction:

Governance means control, and corporate governance is the action or the manner of governing an organization with certain laws and ethics. With the recent corporate scandals happening it has led to corporate advisory services to manage various performances of companies in order to ensure stability and growth of the business, and which would help in preserve the status and dependability for customers and clients. The management at the apex level that consists of the board of directors is in charge for governance.

They must have efficient command and control over the state of affairs for the best interest of the company as well as its stakeholders. Corporate governance ensures that stringent and proficient application of its management practices along with legal conformity in the persistently changing business scenario in India.

Corporate governance was guided by the use of **Clause 49** of the Listing Agreement before the introduction of the Companies Act of 2013 was done. The new pre-requisite, has also made SEBI to improve certain amendments for the Listing Agreement for the improvement of the transparency level. These amendments had become effective from 1st October 2014.

Milestones of Corporate Governance:



2. Review of Literature:

(Rajesh Chakrabarti, William Megginson, Pradeep Yadav,2008) did a research on the corporate governance in India where the drawbacks of Indian corporate system were clearly pointed out that the system has played a role in both aspects that is Helping as well as declining in India's growth. It also points out at the legal system which on paper is the best but when it comes to execution it fails miserably because of our legal system being burdened and overburdened along with corruption playing a major factor. The business model which is still being followed is that of a family business group which creates a shallow tunneling structure that moves the cash flow activity from minor shareholders to a controlling one.

Taking into account all the shortcomings, corporate governing bodies have taken certain measures which are very inspiring and help ooze confidence among various financial institutions as well as investments from across the globe. The securities and Exchange Board of India(SEBI) have made certain meticulous steps since its inception in 1991 to help in ensuring transparency and Fair Practice, the National Stock Exchange of India was also established as one of the steps and now is the world's third largest in terms of number of trades done , just behind NASDAQ and NYSE.

Among the recent changes which have been enacted is the revision of the companies Act of 2013 states at least one women director on the board of directors and it also states that one third of the total number of directors has to be Independent directors also the revision of the Companies Act of 2013 has ensured that all the independent directors are able to discharge their duties effectively also, it requires the Independent Directors to undertake proper inductions and update their skills, knowledge and familiarity with company. India has seen the rise of companies like Infosys that don't have any kind of dominant influence of a family group and have made sure that their Individual shareholders are their centre of attention when it comes to governance.

(Arindam Gupta, AnupamParua, 2006) did a research into the enquiries done by the private sector companies for their compliance with corporate governance and with the international companies funding and eyeing the Indian firms growth factor as the trends

for the Indian Market is on the rise, SEBI had formulated Clause 49 which was later revised in the form of codes for corporate governance for all the companies which were listed. The study tried to find out the extent to which the compliance of CG was being done by private Sector Companies which were listed in the Stock Exchange a research was conducted in the year 2004-2005 and the data was collected from the annual report as well as CG Report . 21 codes were selected for this study out of which 19 were Mandatory and 2 non-mandatories; it was observed that more than 70% companies complied with more than 80% of the codes. It was also observed that more than 80% of the companies were compliant with reverence to 17 of the codes. The overall comparison with respect to the compliance rate and the variation in compliance was far greater than expected. Use of clause 49 has been taken from a range of theories connected with management and control of the corporate entity. It also stresses on the creation of various committees such as audit committee etc., which would be looked at from a director appointed separately. The theory also stresses on the welfare of the shareholders which would include stakeholders such as creditors, customers and shareholders. To study also tries to find out that the companies which practice the code of corporate governance is it just on paper or are actually looked into by the company. It also states that there is a stark difference between obeying the law and honoring the intensions and to perforate the mask of theoretical compliance and to find out the very intensions and the honesty with which these code of conduct are being complied to is indeed a very difficult job.

(Taruna, ArpitShailesh, 2015) did a research which was an extension of (Arindam Gupta, AnupamParua, 2006) research which had looked at the reports from 2004-2005 where as in this research they had taken into account the annual report of 2012-13 and 2013-14 of about 100 companies from various industries and put them thru the various code of conduct and then graded them for A-E on the range of being the company which is almost ideal in the way it follows the clause 49 of the listing agreement which has been issues by SEBI, it was also discovered that there is not much of a difference between firms from various sectors, the way the follow the corporate governance practices.

The report also looks into the gaps which are present in the way the company applies the corporate governance norms for its proficient and successful operation, the report also calls in for compulsory up gradation of clause 49. The research also found out that there is a relative between the regulatory compliance of the corporate governance parameters and the way the companies are developed. It also stated that the regulatory practices and corporate governance which is being followed by companies in India is excellent with an omission of a few parameters.

As for the non-Mandatory needs of compliance is concerned various firms are unenthusiastic to put up with it. There are a few companies whose disclosure levels as per the guidelines are ahead of the guiding principle and have viable initiatives. According to the research, it can be concluded that most of the companies in India are following a fine eminence of the corporate governance policies as per the mandatory and non-mandatory guidelines of the clause 49 of the listing agreement.

(NandaniRajagopalan, Yan Zhang, 2008) in their research paper titled "Corporate governance reforms in China and India: Challenges and opportunities" examined the

Evolution of the reforms of corporate governance in the emerging economies of India and China and they state that there are two major forces which are driving the economies in the uphill direction is the privatization and globalization.

They also state that when there are positive forces, there are forces such as lack of inventiveness, power of the major stakeholder, the peripheral monitoring system, and the shortage of experienced and qualified of Independent directors.

They also state that there are global firms which are very sensitive to the such kind of challenges and are most likely to put across certain contractual as well as other safety nets which would be more appropriate and meaningful in their step towards following the norms which would be beneficial for their ventures.

There are certain frameworks which either doesn't apply at all or if they do they apply to a very restricted level when we talk about India. Governmental institutions and legal codes and frameworks can help in causative development of "robust sociological and institutional" when it is viewed from corporate governance.

(AfraAfsharipour, 2009) in his research paper titled "Corporate Governance Convergence: Lessons from the Indian Experience" has stated that there has been a central spotlight on the corporate laws, and various learned scholars have had debates whether the globalization of laws will lead to convergence of corporate laws towards a single model corporate governance. With the traditional theories which have been ever present have predicted that there would be a convergence into a single model, but there have been a points where there has been a lack of confidence on the traditional theories that it fails to capture the path of actual corporate governance reforms.

It also states that India has been unable effectively implement and enforce the various reforms which in turn have collaborated in the form of arguments which state that competitive convergence has a limited existence in India and it also states that the various ideas have to transmit from one system to other and which is highly complex and not easy, which would require not only political, social but also institutional which won't be easy to implement.

In his research, the author also points out that there are large number of companies which are non-compliant of clause 49, and most of the problem appears on smaller companies and PSUs rather than top end private firms which is primarily due to the traditional closed group ownership structure as well as political pressure.

It also states that companies which are listed on NSE are more compliant towards clause 49 rather than companies on BSE. It has also stated that most of the private sector companies were more compliant in comparison to PSUs with a huge margin.

There have been various reasons why these clauses have not been followed by PSUs in comparison to private companies, but new format has to be created to ensure that all of it converges onto a single reform which would be cover the loopholes present in the pr esent in the current system.

Conclusion:

While going through all the research work on the role of regulators in maintain the standards of corporate governance, it has been seen that as the Indian economy and markets are on the rise and putting a global stamp, it is very important to have certain rules and regulation which have to be in place. SEBI has made sure that the companies which are listed are following the rule, and it also has been noted that the even though the even after the rules and regulations are in place there are a lot of companies who don't follow the rules primarily the PSUs, and it was also noted that the companies listed on the NSE are more compliant to the rules and regulations than BSE. The core of corporate governance is transparency, accountability and ethical conduct, and if these are followed in the right manner not just but the employees but also its management at apex level.

India is at the center of attraction for global market players and if we don't have an ethical and good code of conduct, which is being followed by the Indian firms, international firms will take advantage of this.

Also, the Indian firms have to step up and follow the rules, because this will not only help the firm, and its stake holders but also the country, and once excellence in corporate governance is reached and achieved, the Indian Corporate Companies would be matching the world toe to toe and if done in the right manner, they would even lead the global market in corporate governance.

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CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE

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Abstract

Corporate Governance and Financial Performance has a close relation where corporate governance impacts the financial performance of a particular company. Financial performance of a company gets impacted by the level of corporate governance norms applied in that company. By assessing the CG practices level in a given firm, the output of the firm with respect to financial performance can be analyzed. This paper aims at relating the effect of corporate governance on financial performance of a company. Finance performance being the utmost importance of anyfirm. This paper will take you through the scenarios in India where corporate governance has impacted the financial condition of organizations in a positive way. Through this paper we will determine whether corporate governance is one of the important factors impacting Financial Performance or it is entirely dependent on some other factors of industries.

Keywords: -Financial performance, financial distress, corporate governance, dispersed ownership, Board Composition, Stock Exchange, Non-executive members, Corporate Governance transparency.

Objectives

(1) To understand the relation between Corporate Governance norms applied in a firm and its impact on financial performance of the firm.
(2) To study Corporate Governance as a tool to improvise financial performance of a firm.
(3) To find out whether other factors in industry are more important as compared to CG practices

1. Introduction

Financial Performance of a company gets impacted positively due to implementation Corporate Governance practices efficiently. Reviewing through various research papers on the topic of effect of Corporate Governance on financial performance of firms, we will get to know about the common objectives achieved by the various researches done.

Implementation of the norms of the Corporate Governance in a firm is sole responsibility of the Board of directors. Legal bodies in a country have to keep a vigil check on the listed companies of that country. They have to check whether these companies are in compliance with Corporate Governance Practices. In accordance with the Stock Exchange Board of

various countries, the more transparent the corporate governance practices of countries are the more fluently companies work in their financial transactions.

Corporate Governance is merely two decade old in India yet many companies in India have started taking it seriously and working on all its clauses efficiently. Financial performance was checked with various other parameters apart from corporate governance all around world before this term came into picture. So we will basically study about how much this term has contributed to improvising the financial performance of organizations around the world.

2. Review of Literature

Aggarwal (2013) found out that there is a positive correlation between Corporate Governance and financial performance. She also stated that financial performance of a company is significantly and positively impacted by governance rating of that company. Companies who are focussed on improving their governance structure can refer to her research to support their decision. Stakeholder Engagement, Executive compensation, Leadership ethics, Transparency and reporting, Board Composition & Independence and compliance with law are some indicators of good governance which a company should work on to improve its financial performance. She emphasized on not only improving the financial performance but also the sustainability performance and governance transparency.

Mohamed Shahwan (2015) used a sample data of 86 firms listed in Egyptian stock exchange and studied the effect of corporate governance structure of these firms on their financial performance. He found out that the implementation of Corporate Governance norms in most of the Egyptian firms was very poor. Especially the board of director's structure was not properly followed. He suggested Egyptian Capital Market Authority to focus on improvising the Corporate Governance structure of the firms in Egypt. He emphasized that firms in Egypt were not investing much towards improvising their Corporate Governance implementation. He also found out that if Corporate Governance practices will be more transparent in Egyptian firms then it will draw more foreign investors towards them.

According to him there was no significant relation between the Corporate Governance practices and financial performance of the firms in Egypt. This was due to the findings that these firms were not properly implementing the Corporate Governance norms. Egyptian legislative framework should come forth and inspect each and every firm in Egypt regarding the compliance of Corporate Governance. Here he has emphasized on Institutional ownership which are the board of directors apart from promoters of the firm. He has explained the fact that the institutional owners are not focused on firm's performance through Corporate Governance.

Actually debt financing is the main type of capital structure of firms in Egypt. Due to this poor capital structure, creditors' interest is not safeguarded in Egypt and hence legal input is required many times increasing the cost to the firms. He was further interested in finding

out the relationship between debt structure and financial performance of the firms which should be included as a part of Corporate Governance transparencies.

Maher and Andersson (2000) emphasized that functioning of the capital market of a particular firm significantly depends on its compliance with Corporate Governance. Also the allocation of resources in a firm is monitored under Corporate Governance norms. Corporate Governance compliance basically tells about the sustainable competitive strength of a particular organization with respect to the industry. Every Corporate Governance System contains economic implications, weaknesses and strengths which needs to be understood carefully with respect to a firm, as these are the important factors in promoting the Corporate Governance practices efficiently.

Big problem arises in case where a company is a Multinational company (MNC). These companies have to follow corporate governance practices according to the countries where ever they are listed. The issue here is the real ownership of the company and institutional ownership of that company within a particular country. Identity of controlling shareholders, their control and the degree of ownership are the key factors which distinguishes the Corporate Governance system of Multinational companies across various countries. According to him Corporate Governance system of every country has differences due to difference in legal framework, regulations, cultural factors and economic implications. Not a single corporate governance model of a particular country can be termed as the standard model to be applied everywhere.

Companies which are high-tech industries monitoring is very difficult. As circumstances for each type of industry is different, hence a single model of corporate governance system cannot be applied to all industries. Weaknesses and Strength of each type of industry is different and depend on different conditions and circumstances which leads to constituting different corporate governance practices. They have frequently used the terms concentrated ownership and dispersed ownership in their research work on corporate governance.

Agency problem is not there in concentrated ownership and also managements are effectively monitored. But the cons of concentrated ownership are that risk diversification becomes difficult and liquidity generated is usually less. Dispersed ownership on the other hand always has a surplus liquidity and this leads to faster development of the company. Sometimes shareholders act as direct monitors and a good corporate governance framework should be there to keep a check on them. Institutional framework of a particular country and its corporate governance should interact with each other.

Peters and Bagshaw (2014) worked on finding the relationship between corporate governance structure implemented in Nigeria and its impact on the financial performance of the listed companies in Nigerian stock market during the year 2010 and 2011. They created four categories for corporate governance disclosures namely: (a) best practices for compliance with corporate governance, (b) means and timing of corporate governance disclosures, (c) corporate governance indicators and (d) financial disclosures.

Using the four parameters above, they developed a disclosure index to examine the level of corporate governance disclosures in Nigeria. They found out that on an average eleven members are there in the boards of companies taken as sample for their research. This was in compliance with the Nigerian Stock Exchange Commission's corporate governance norms. Another data which they came out with was that on an average only 48% members in the boards of Nigerian companies were Non-executive directors.

This was not in compliance with their Corporate Governance practices which required more than 50% of the Board to be non-executive Directors. They collected Annual Reports of all the listed companies in Nigeria for the year 2010 & 2011 and analyzed their financial results from it. They collected various parameters from each report like financial parameters and Corporate Governance parameters. They segmented companies on the basis of Low Corporate Governance Transparency (LCGT) and High Corporate Governance Transparency (HCGT). They found out that there was no significant difference in financial performance of the companies from the two segments.

According to them there was no correlation between Corporate Governance practices and its impact on the financial performance of companies in Nigeria. They contributed other factors like sales volume, capital output, technology etc. for the financial performance of the companies in Nigeria than the corporate governance factor. According to them on an average only 60% of companies in Nigeria are in compliance with Corporate Governance norms.

Gabasi, Kertahadi and Firdausi (2015) concluded that a good Corporate Governance implementation in the Organization plays an important role in improving the financial performance of the Organization. This they have found out from the corporate governance practises applied in oil and Natural gas Corporation of Libya. According to them various factors from corporate governance which play important role in reducing financial distress and improving financial performance are higher proportion of Non-executive board members, moderate executive compensation, shareholder rights, CEO duality and minimum number of committees etc.

3. Recommendation and Conclusion

While going through various researches we have found that the relation between corporate governance and its impact on financial performance of the companies is ambiguous. In nations like Nigeria it showed no relation among both parameters and on other hand factors like sales output, capital generation, liquidity share etc. decided the financial performance of the organization.

Other countries like Libya showed a positive relation of corporate governance and its impact on financial performance of the organizations. Companies should look to various other factors like sales factor, capital market and liquidity input etc apart from corporate governance to analyze their financial performance.

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WOMEN DIRECTOR ON BOARD AND ITS IMPACT ON PERFORMANCE OF COMPANY

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Abstract

The primary function of board is to monitor management for the interest of shareholders & stake holders. The board of director plays an important role & considered as a crucial part of Corporate Governance. The appointment of directors is done by the shareholder of the company. Director sets the overall policy & governs the organization. Board is heart & Soul of the company. To govern this important aspect, SEBI has made certain guideline under the clause 49 of listing agreement in 2013 company's act itself. With these effects every listed public company must have at least 1/3rd of total number of directors as independent directors likewise central government has prescribed the minimum number of independent directors under the section 149(4) of 2013 act.

With all this scenario & control, the diversity on company board has increased .In male dominated society like India women directorship is always a debatable due to gender biased approached and policies. But in recent time, situation has changed and improved to the extent where we can see many successful women director handling the business very efficiently & effectively and has sets the example like MD of Biocon, Kiran Majumdarshaw. Rajshreebirla of Aditya Birla Group, Neeta Ambani on board of Reliance Industries even companies like Apollo Hospital Enterprise, Taj GVK hotel, Mote Carlo & Fashion have four nos of women directors.

To encourage gender diversity, under the sec 149(1) of 2013 company's act every listed company must comply the requirement of at least one women director on board under certain conditions like year of commencement & paid up share capital or companies turn over. Even after regulation and performance, the women on board are just 7 % in listed companies in India.
The objective of this paper is to analyze the role of women director and its impact on performance of the company.
In this research, we analyzed the present scenario, Role of women director in companies, performance evaluation based on secondary data. This research has laid the foundation for companies to improve the overall performance of the business by understanding the importance of women director on board.

1. Introduction:

India is a country where women are considered equal to men in Indian society. In medieval time condition of women society is deteriorated and were seen lesser to men but time has changed, in 20th century women has got equal access to resources and opportunities as men. Contribution of women in Indian companies has also increased .Companies are assigning the leadership role to competitive women for the interest of shareholder and stakeholder of the company but even after the SEBI guideline of at least one women director on board for listed companies in India, there is a glass ceiling exists when we think of women leadership on board. SEBI has tried to overcome this barrier up to certain extent but large chunk of reforms are yet to be witnessed in India. In fortune 500 companies with highest number of women on board has significantly attained better financial performance compared to rest of the companies. The study looked into three financial measure i.e. equity returns, sales and return on invested capital .clearly financial measure excel where women are present in the board.

This research paper focuses on impact on companies' performance with the presence of women director in board. The study will analyze the financial and operation performance of listed companies in India and will see the style of working of women director .The more diverse team can create profitability and great client satisfaction which results a better growth of company in the market.

2. Review of Literature:

S Chandrashekhar& K Muralidharan (2010) has published the research paper on "Women power in Corporate India''. Researchers have collected the data of 166 companies those who have women director on board for the period of 1995-2007.In study they observed that there is an increment trend in women directorship number as well as percentage i.e. 29 (1.66%) in 1995 to 67(3.63%) of all directorship in 2007. Study also revealed that women never hold more than 3 chairperson position in any year from 1995 to 2007.study also shed lights on the fact that family ties and relationships are important reasons for the women on board. Women are realizing there potential and entering into the corporate world. Major finding from studies was derived from the data of women directorship from 1995 to 2007.Researchers have also analyzed the type of companies who provides the directorship to women & found that public sector companies, family connections are the major factors responsible for women directorship. Financial institute including private sector banks are also supported the women directorship. The case study has presented on LatikaGupta,Chandakochar and kalpanaMorparia of ICICI bank and revealed that Latika Gupta played a key Role in transformation of ICICI bank from just lending business to technology enabled diversified financial services organization with strong growth in retail banking. After retirement from ICICI bank she continued to hold the position on board in various companies like ICICI venture fund, Bharat Forge ,Kirloskar engine. KalpanaMorparia also had a great story. She headed the treasury operations in 1996 and became board member on ICIC bank in 2002. Mr. KV kamath help her in smooth transition from corporate lawyer to potential head. The third women leader is ChandaKochar who proved herself and took ICICI bank into new height. Jodhpur born girl

became the MD and CEO of ICICI bank in 2009.Researcher concluded that how ICICI bank able to produce successful women director with its flexibility and conducive work environment.

S.Terjesan, Sealy R and Singh V has written a review paper on "women Director on Corporate Board" and studied that how gender diversity influences the corporate board the impact the performance. Researcher has created the review structure to identify the performance of women director those who are on board. They defined theories, Characteristic and impact of women director on board. These are distinct at Individual, Board, Firm and environmental level. In corporate decision making the role of female representative are crucial. Researcher has further categorizes the various level into subparts like at individual level Human Capital, Status characteristics similarly at board level social identity ,Social network , Leadership are important . Under firm level resource dependency will provide the operational effectiveness of companies. Researcher also explain the impact of women leadership that many dominant group see director as a female first and then as an individual. This make difficult for women to be understood. Researcher further explained that women director enhance the board independence as women frequently ask questions and decisions is being taken more rationally not just the nodded manner. Researcher also found the interesting correlation between market capitalization and presence of women director on board

A**chandani ,Mita M, Chandrashekharan K.B.(2014)** has published the paper on "impact of gender of leader on the financial performance of Bank" .The researcher focuses on entrance & growth of women in financial services. The objective of study was to analyze the gender impact on financial performance in banks. To find out the bank performance, CAMEL score model is used. In the study ICICI bank example has considered for analysis. Various financial terms is calculated like Capital ratio, management ratio, earning ratio, with the help of this earning capacity of bank is identified. This study shows under the leadership of ChandaKochar the ICICI bank performed exceptionally well. The government is trying to uplift the position of women in the society by implementing various policies and initiatives.

Srinivasan V &Rajie George pallathitta (2013) has published the article on women directorship pipeline in India**"** .The exploratory research is carried out and found that there are various ways is available for women to enter in board. Various interviews has done with women director to understand the phenomena. Researcher has identified the shift the Indian society resulting to promote diversity in the organization. Gender diversity in introduced to create value in the organization. Various theoretical perspectives are discussed in the research. Board is responsible for strategy formulation. The presence of women in director will improve the group thinking as there is a natural tendency of women to ask more question and get the clarity over any matter also the attendance in board meeting is always better with women compared to men. The responsibility of board is not just the strategy formulation but also the monitoring of all financial and operational perspective. The researcher also focuses on the fact that how women are treated on board? Do women get unique competencies on board? Researcher concluded that companies should understand the experience what women directors get on board. The role of

chairperson to improve the participation of women on board is also considered important aspects. Researcher further concluded that even various gender diversity initiative India is far behind and level of participation is still low.

Benerjee A, Mahatani S & Sealy R(2010) has published the paper on “women on corporate board – Standard Charted bank” and studied about the community business and their involvement is gender diversity. In today’s India women are encouraged to study and work for corporate at the same the time responsibility for home can never be ignored. The researcher interviewed 18 remarkable women and tried to understand their potential. They found that women directorship was just 5.3 % of overall directorship in India and for executive director it is just 2.5 %. These figures are pointing toward conservative attitude of corporate in women participation on board. Study also revealed that companies on BSE-100 do not encourage women involvement on board. Companies in financial sector are considerably better in the case gender diversity. Even with the low involvement the remarkable are optimistic about the opportunity they can get in corporate world. Researcher has compared Indian corporate governance with Hong Kong and found that India is performing below than Hong Kong but the context which both country faces are similar like family restriction, work only for family owned business. Hong Kong women talked openly on male domination is corporate world.

3. Objective of study:

1. To find out the impact on companies performance with the presence of women on Board
2. To find the ways to improve the women involvement on board

4. Limitations:

1. Research is based on secondary data available in journal , newspaper & other web resources
2. Analysis has been carried over Indian companies and their corporate.

5. Data analysis

Analysis on NSE Listed companies:

No. of company listed covered: 1604

Table 1: -Total individual Vs women individual on Board

Individual	10094
No. of women individual	1453

percentage of women individual

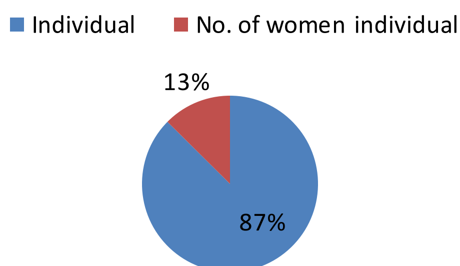

Fig-1 women individual in board for NSE listed companies

Discussion:

From table -1 & fig-1 we can see that women involvement in board in just 13 % of overall leader

Table -2 Directorship statuses in NSE listed companies

no. of director ship position held	14,079
No. of director ship position held by women	1969

Women % in Directorship

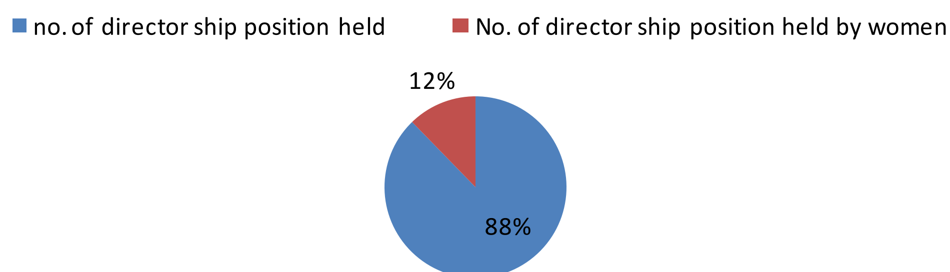

Fig-2: Directorship position for NSE listed Companies

Table-3 Independent Director Position held by women for NSE listed Companies

No. of directorship position held	7908
No. of independent directorship position held by women	1194

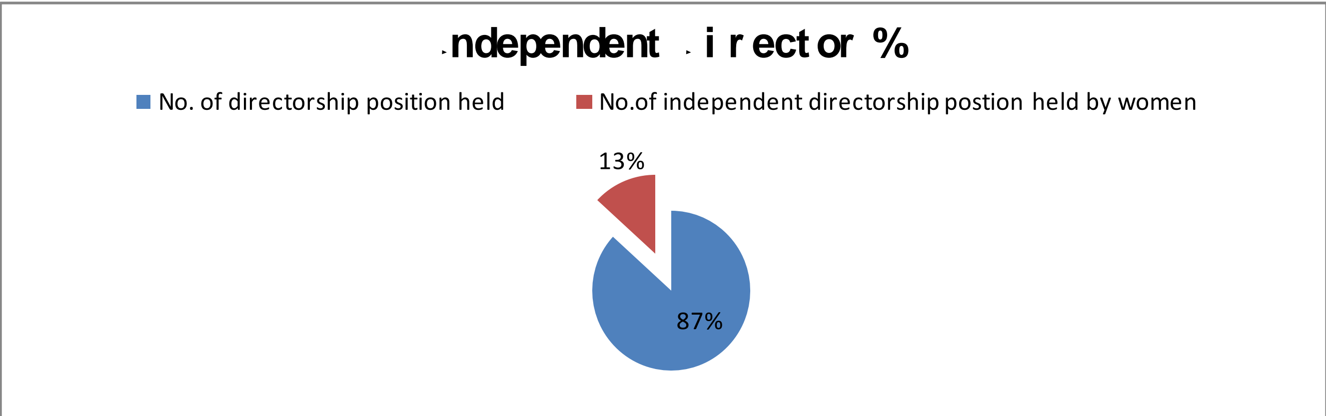

Fig-3 independent director percentage in NSE listed companie

Table -4: - Country wise women directorship on board

Country	Women on board (%)
Norway	40.12
Sweden	29.31
Finland	25.89
South Africa	18.31
USA	17.37
India	7

***data is taken from study conducted by hiring .com on women on board in March 2016

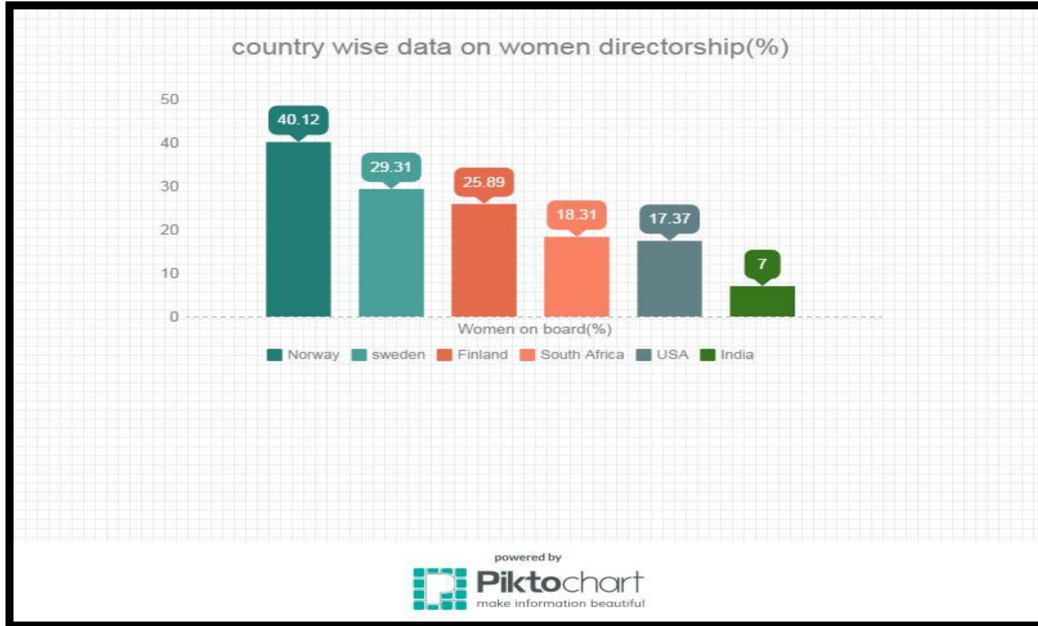

Fig-4 Women Directorship percentage on board- Country wise

***Fig is created with the help of info graphics- Piktochart.com

Discussion & Analysis: In above online study 38314 companies took part worldwide and from india1459 listed companies has participated. India ranked 26th in the world for the presence of women on board, Norway is on top with 40.12 %. For rest of the countries % ages are depicted in above figure.

6. CASE BASE STUDY:

Thermax Story-AnuAaga

Thermax Ltd is the greatest example of corporate world that how to handle the tough time and move ahead. Women Anu Aga who devoted her life to shape the company which became best engineering solution Provider Company in the world. This India's 8th richest women successfully led the engineering company from 1995-2007.

This story is worth knowing to see the power of family and role of women in the business.

Anu Aga took over the company after death of her husband Rohington Aga in 1996. A parsi family born Anu Aga has done B.A. Economics from stXaviour and postgraduate in medical & psychiatric social work from TISS, Mumbai. Thermax company was started by her father A.S. Bathena. In 1985 she & husband Rohington Aga started working in partnership with her father.after first heart attack to her husband she joined the company and handled the human resource department of company.

In 1996 her husband Rohington Aga died due to massive heart attack. With passing of few day board asked Anu Aga to take over the position of chairperson of the company.

But journey was not so smooth share prices went down; Indian economy was struggling to grow.

As she was trying to take things back on track a tragedy struck again her son died in road accident while coming from Banglore. The crisis of the company did not give much time mourning her son's death.

One day she received the letter from shareholder saying that Annu Aga may not have any problem with the performance of company but many shareholders do not have luxury to afford it. She couldn't sleep that night and felt she let down people which his family never thought of.

Anu Aga started revamping & restructuring the group .hired the Boston Consulting group and transformed thermax into Eco-Energy Company offering cost effective solution for water-gas & fume treatment plant. Unrelated business like fans, InfoTech, bottled water etc. was sold off.

Along with focus on core businesses Anu Aga revamped board of directors to take care of shareholder interest 7 member Executive director board is replaced by 4 external and 3 family members.

With these tough measures she succeeded in transforming company from 605 cr in 1996 to Rs 1281 cr in 2004.

Learning's:

- Women have immense power to handle business as well as family even in the toughest time.
- Women have the power to take tough decision in the interest of business and shareholder
- Women can lead the business as an when needed and growit

Conclusion:

Women empowerment, equal rights to women, gender equality these are the burning issues in India. Indian corporate is facing the challenges in their gender diversity initiatives. As we know Changing mentality of Indian society in not easy. We need to take radical measures to improve the women empowerment in India. As we seen the percentage of women director on board in India is not so encouraging compared to rest of developed countries.

With the case study & review paper we saw that women good decision maker during the fluctuation in the business. Women have inherent capability of manage finance effectively. Curiosity, questioning is another important trait of women. Considering the fact of all the above we can conclude that Role of women director on board are crucial and worthy.

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IMPORTANCE OF BOARD OF DIRECTORS WITH RESPECT TO CORPORATE GOVERNANCE

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Abstract:

The purpose of this paper is to understand the importance of board of directors with respect to corporate governance in an organization. A Board of director plays a very important role in a company and is responsible for maintain good corporate governance. The Board of Directors is the protectors of rightness, clarity and liability for all kind of business decisions or financial decisions. Fundamentally, the board of directors plays the regulators role and hence is responsible for fulfillment of the core business. The board of directors is voted in by various shareholders, and even the shareholders or the employees may become the board member. The importance of board of directors will always be there as they are the "Main Switch" when it comes to taking strategic decisions, however the role and duty may diversify, depending on the industry the company falls in. In this paper an effort is made to review the overall importance of board of directors, further it talks about correlation between board size and performance of the company.

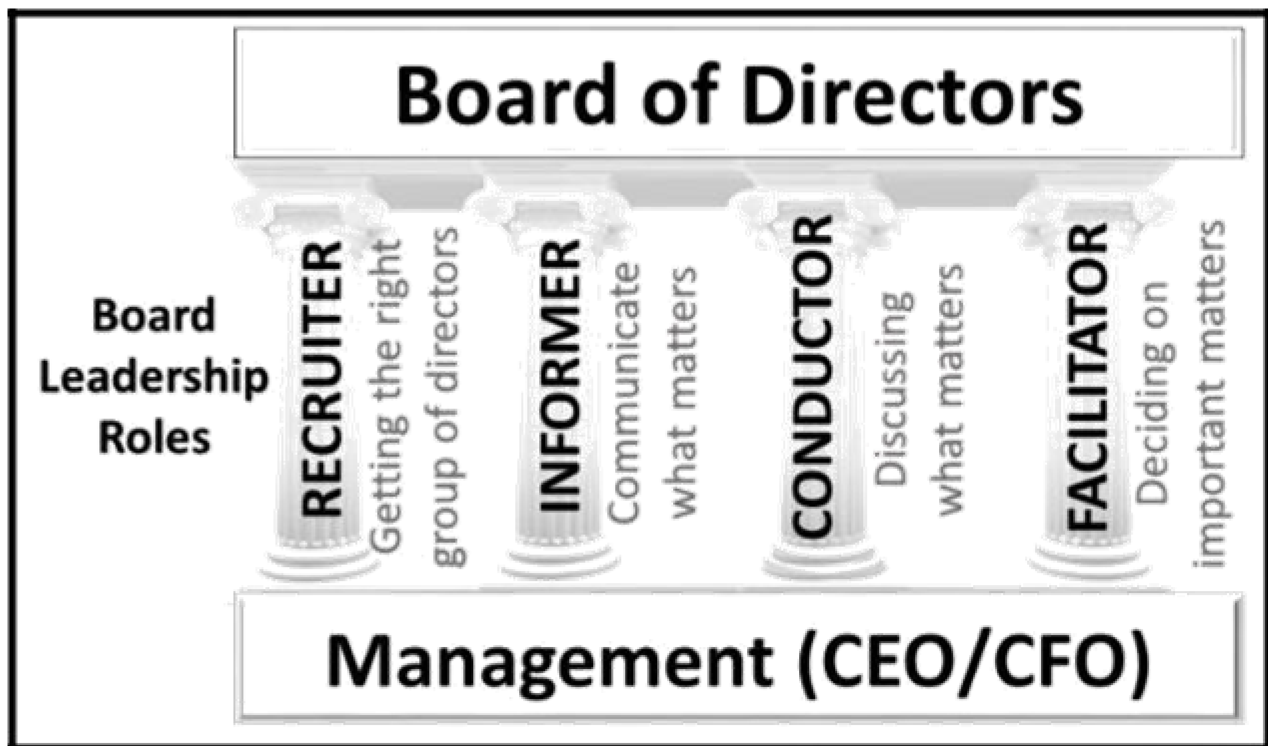
Keywords: Corporate governance, Board of Directors, composition of BoDs, Board Committees

1. Introduction

The term "Governance" from the word "Corporate Governance" means control. In this challenging world of corporate ethics and dilemmas, Corporate Governance plays a very important role. Good governance was always a concern, not only in India but also across the globe. Looking at the history, presence of corporate governance was always there in India from the Arthashastra time and as an alternative of CEO & Board of directors at that time there were kings and their ministers.

For good governance or to comply with all the policies, management has to ensure that they are meeting expectation of various shareholders as well as stakeholders.

Boards of directors are the pillars of corporate governance for any organization. They ensure that there is fairness and transparency which is maintained by the company and are accountable for all the final decisions and business deals.



Board of directors is expected to be proactive, informed/aware and competent in supervising the entire company as a single unit.

This research will lead us deep in knowledge related to Board of directors of a company and will help in understanding the importance and performance of board of directors.

2. Review of Literature

2.1 Size, Structure and Composition of BoD

As per Clause 49, any company's board should have an optimum combination of directors. It also talks about the standards for electing "Independent Directors". In the study of Jan &Sangmi, 2016, they studied that the size of the board should not be either too small or too big. As per the experience mentioned by them, small boards have taken successful strategic decision as compared to large team of board members, but large team of board members gives the benefit of diverse experience and number of viewpoints. As per them, Diversity is the key word in composition of a board with respect to education, experience, knowledge, nationality, age, gender etc. Diversity adds enormous value and also adds up to the bottom line. Board should be refreshed after a fixed interval of time to ensure experience and expertise. A company should have a renewal policy of independent directors to promote their independence.

Cheng and Courtenay, 2006 studied that huge no of members in a board diminishes the monitoring proficiency. John and Senbet, 1998 expressed that by capping the board size might improve the potency of a board and hence revamp corporate governance.

Tawiah, Benjamin and Sharma, 2014, in their study found out that there are two categories broadly, insider and outsider. An outsider does not have any direct monetary interest in the firm whereas Insiders are the employees, management, promoter etc.

Various studies have been done in understanding the correlation between board size and performance of the company. Some researchers have a view that there is a positive correlation between the two because of the diverse knowledge and intellect they carry. Opposing that, some researchers have a view that there is a negative relationship between the two, i.e. larger the size of the board, lesser effective they are because of the difference in opinion.

Opposing to the two thoughts shared above, Vetaas, 1999 concluded about the "U Theory", i.e. defined minimum no of board members are must, but it affects the performance if the required sufficient number of members are crossed and hence affects adversely.

2.2 Board of Directors- Roles and Responsibilities

It is stated in Subramanian and Swaminathan, 2008 that board of directors are the most extensive instrument. The role of board of director is not just to fulfill legal compliance but they play the key role in any establishment. The board has to give strategic decisions and ensures that the company is getting benefitted of that and hence they are accountable to shareholders, they are not dependent on management and they do have a strong control over the firm.

According to Tawiah, Benjamin and Sharma, 2014, chairmanship should be a different role from CEO to ensure role clarity and hence assuring no oversight of responsibility as a board member.

As per the study done by Adams, Hermalin and Weisbach, 2008 their finding concludes that board in any company play an imperative role in building corporate policies. It is a part of professionalization of the company.

As per Deloitte's director report, 2013 role of the director is to control and create an effective environment and risk mitigation and assessment process.

Torchia and Calabro, 2016 studied that presence of non-executive directors helps in creating transparency and good disclosure policies; this would end in better monitoring of the activities of the board. Chen and Jaggi, 2000 found out that there is a positive relation between no of independent directors and limit of a firm's disclosure.

2.3 Board Committee – Role

Jan and Sangmi, 2016 discussed about various committees generally a company has like Audit Committee, Remuneration Committee, Nomination Committee and Grievance Committee. Major function of Audit Committee is to look for the company's financial information and ensure all the financial documents are credible, correct and sufficient. Likewise, Remuneration committee authorizes or approves remuneration of directors, CEO

and various other benefits to top management. A nomination committee basically, does the recommendation to board of director for future openings in Top management positions. Grievance committee takes care of the complaints received from share/stake holders. A non-executive independent director should be the chairman of this committee.

As per Luoma and Goodstein, 1999 the actual existence of a committee comprises of stakeholders and are dedicated for CSR.

Ho and Wong, 2001 provided empirical evidence that voluntary disclosure is highly responsible in functioning of an audit committee. Peasnell, 2001 noticed that audit committee to be specific, helps to reduce the occurrence of financial accounting frauds.

2.4 Independent Director- Role

As per Clause 49, companies which have executive chairman should have 50% of the board of directors as independent directors and for the companies with non-executive chairman, should have one third directors as independent directors.

According to Jan and Sangmi, 2016 independent directors play a vital role in various committees. They are answerable for developing and achieving various business strategies on account of shareholders and ensure that company is compliant to all the legal acts. They have the right to challenge the decision of the management and hence end up protecting the interest of share/stake holders.

As per Ayuso and Argandona, 2007 the role of independent directors are inclined towards CSR, they have a narrow interpretation of company's performance and they have much more knowledge of outside demands of share/stake holders and above all they ensure no compliance issues.

Torchia and Calabro, 2016 suggested that to improvise on firm's internal governance system, one should include high number of independent directors of small and medium sized board.

According to Tawiah, Benjamin and Sharma, 2014, majority of independent directors in IT industry are from promoter's group and their chairman does not change on frequent basis.

Prasanna, 2006 recommended that Independent directors brings credibility to the brand and helps in better governance. They ensure board's effectiveness and their functioning. Also she emphasizes on regular evaluation of independent directors just like any other director.

2.5 Board of Director- Powers to them

As per Companies Act, 1956, with respect to money unpaid, board of directors may make call on shareholders. They have the authority to issue debentures, authority to invest on funds, authority to give and take loans.

They are the ones who are authorized to make committees, authority to make a confirmation on solvency, hire a manager under them, to give donation or support a political party etc.

3. Conclusion

As per Company Act, 1956, a company is an unreal person, which has no physical presence or existence. Therefore, a company cannot take decisions or act on his own and hence Board of Directors is appointed to take decisions those are in favor of the company. Powers of a company are delegated to board of directors.

Board of director plays a vital role in a company and ensures compliance to Corporate Governance. They are expected to take strategic decision for the company as trustees. Roles and responsibilities of board of director may change from industry to industry.

Responsibility of a director is dependent on the regulation in the company act, 1956. These directors are appointed by the shareholders.

This paper highlights the correlation between board size and performance of the company. The two basic questions which arises out of this study is

- What regulates their make up?
- What regulates their actions?

The above questions are interlinked, as the composition of members affects the board directly and hence affecting company's performance.

This paper also highlights that there is still a grey zone of defining optimum number of directors required by a company to ensure smooth function with high profit. Board's independence is not a major concern in India.

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